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**The Middle Class and Debt Financing of Municipal Trading :
A Case Study in 19th Century Glasgow and Birmingham**

by

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A dissertation submitted to the Graduate Faculty in History
in partial fulfillment of the requirements for the degree of
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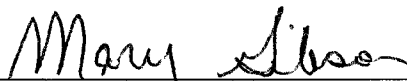
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Abstract

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Municipal sanitary improvement in nineteenth century Britain was largely the result of the urban middle class political elite who used local government to implement needed reforms. It has been generally recognized that the middle class became politically dominant in British cities; however the role of debt financing as a factor in that process has been neglected. Further, more attention has been given to conditions in England versus Scotland, yet Glasgow was the second most populous city in Britain from 1860 to 1890. The role of central government boards and agencies have been emphasized, yet much initiative remained with local governments for most of the century. Although it has been argued that it was the middle class which paid for the urban improvements in sanitation that became increasingly accepted as necessary after the 1840's, almost no evidence has been provided to show where the money actually came from. This dissertation offers that evidence by focusing on the financing of municipal trading in water and gas primarily in Glasgow between 1855 and 1869, and then turns to Birmingham in the mid-1870's to examine how the process evolved.

This work offers explanations regarding the growth of civic consciousness and the

increasing willingness of the middle class political elite to move beyond laissez-faire policies and to begin the process of urban reform. It examines why debt funding became central to municipal improvement projects, and how the middle class often split over competing visions concerning the proper role of local government. It also explains how Parliamentary ambivalence increased the cost of financing, especially in Scotland, and how a variety of Parliamentary obstacles were overcome. A study of Glasgow's municipal records provides a statistical account of water and gas financing over a twenty-year period. This work explains the general financial conditions in mid-century that affected investment decisions of both institutions and individuals and how municipal investments fit into the portfolios of a number of local investors. Finally, Birmingham's financial turn to London in the mid 1870's is explored.

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List of Abbreviations

BMA - Birmingham Municipal Archives
BGCM - Birmingham Gas Committee Minutes
BFCM - Birmingham Finance Committee Minutes
BICM - Birmingham Improvement Committee Minutes
BWCM - Birmingham Water Committee Minutes
BJSB - Birmingham Joint Stock Bank Ltd.
HSBC - Hong Kong and Singapore Bank
LGB - Local Government Board
ML - Mitchell Library, Glasgow Municipal Archives
PWLB - Public Works Loan Board

Introduction

The British towns of the industrial revolution period were substantially the creation of their middle class, and in turn provided the theater within which that middle class sought, extended, expressed and defended its power.¹

By claiming that the middle class created the towns of the industrial period and that this was a reciprocal process, R. J. Morris re-opened an important historical argument which he traced back to Karl Marx.² As population increased in the nineteenth century and as urbanization intensified, the growing towns of Britain witnessed increasing death rates brought about by the problems created by overcrowding and unsanitary conditions. Yet, by the end of the century the situation had been largely reversed and cities were becoming cleaner and healthier places to live. Morris suggested that this was the result of the efforts of the middle class who had political and social control of most of the industrial cities of Britain. In the process of transforming the cities, they also transformed themselves. How did this take place? Morris offered one answer to this by looking at the role of voluntary societies which provided an institutional structure that was used by various groups to deal with the problems of poverty, health care, sanitation, and education.³ I will offer a different approach to understanding this transformation by looking at the middle class through their financing of urban sanitary improvements.

¹ R. J. Morris, "The Middle Class and British Towns and Cities of the Industrial Revolution, 1780-1870" in D. Fraser & A. Sutcliffe, ed., *The Pursuit of Urban History* (London: Edward Arnold, 1983): 286.

² Morris, "The Middle Class and British Towns," 286, footnote 1.

³ R. J. Morris, "Voluntary Societies and British Urban Elites, 1780-1850," *The Historical Journal* 26:1 (1983): 95-118.

The focus of this dissertation will be on the financing of municipal water and gas projects primarily in Glasgow between 1855 and 1875. A final chapter will examine the changes in financing in Birmingham in the mid-1870's resulting from both the maturation of the middle class and effect of the Artisans' Dwelling Act and the Municipal Loans Act which made borrowing from the national government easier. Water and gas projects were both viewed as vital parts of urban sanitary reform, water because of its obvious relation with cleanliness and health, and gas because it was used from the 1820's on for lighting which was seen as important to public safety. Municipal trading in water was not viewed as a profit-making activity, and was generally proposed because of a combination of concerns about private supply and public health. On the other hand, the experience of Manchester, which had created the first municipal supply of gas in the nation in 1817, had shown that profits could be made and used for other municipal activities.⁴ Both types of projects were expensive and required borrowing on a scale that stretched the imagination and resources of the urban middle class. This stress and the resulting controversies create a lense through which we can learn much about the self image of the middle class, as well as its views on social and economic equality.

In 1855 Glasgow municipalized its two private water companies and began the construction of a 35 mile aqueduct to bring fresh water to the city from Loch Katrine. This was one of the largest municipal water projects at the time, second only to Manchester's Longdendale Valley water project of 1847. It was followed by the

⁴ John F. Wilson, *Lighting the Town: A Study of Management in the North West Gas Industry 1805-1880* (London: Paul Chapman Publishing Ltd., 1991), 45-49.

municipalization of Glasgow's two private gas companies in 1869 after years of dissatisfaction with the service that these companies provided. Birmingham undertook similar projects in 1874-5 when that city's town council municipalized their private water and gas companies. The main difference in Birmingham was that the gas company was municipalized because the city intended to use the profits from a municipal gas corporation to subsidize their plans for urban renewal. Glasgow began its urban renewal project in 1866 without the aid of municipal gas profits.

Glasgow and Birmingham provide several useful contrasts in the way they dealt with these municipal improvement projects. First, they share a number of similarities in terms of population growth and industrial expansion in the second half of the century. Like many cities they had grown haphazardly earlier in the century. There were poor, dirty central districts ill-supplied with basic necessities. Water was provided by private companies, sanitary needs were a private matter, and there was little open space in the cities. Prior to the Municipal Corporations Act of 1835, Birmingham had no municipal government at all. Municipal reform, in both towns, followed years of rule by lackluster councils that deferred needed improvements. Both cities engaged in municipal trading in water and gas after the municipalization of local private companies, and expanded and improved local services.

Yet, there are important differences between their respective approaches to finance that point to the growing sophistication of their middle class political leaders, expose the changing relations between central and local government, and highlight the differences between the Scottish and English approaches to the finance of urban improvements.

There was a gap of almost twenty years between the first of these projects in Glasgow in 1855 and the last in Birmingham. The reasons stated for engaging in the municipalization of gas were strikingly different. Finally, although Glasgow was often seen as a model for municipal improvement, the English tended to ignore the achievements of Scottish cities or to emphasize their problems over their accomplishments.⁵ Historians have continued this process, in part because the Scottish legal system was different from England's, and thus have distorted British History . Yet, I suggest that Glasgow's fiscal self-reliance was a model for the Victorian Era.

Glasgow's middle class council leadership created a remarkable new water system with little help from the central government while simultaneously reducing the costs of the water supply. They created the first major urban renewal project starting in 1866 (again with no help from the central government), and eventually created municipal gas services, telephones and trams. By the end of the century many of the city's civic leaders were promoting its accomplishments and this was also reflected in contemporary journals.⁶ They thus exemplified the Victorian values of self-reliance and fiscal integrity. A close study of how Glasgow dealt with the financing of municipal reform goes to the heart of

⁵ This ambivalence concerning Scottish cities is perfectly illustrated in Asa Briggs' now classic work *Victorian Cities*. Briggs mentions Glasgow both positively and negatively in his introduction, yet only in the most cursory way. Asa Briggs, *Victorian Cities* (Berkeley: University of California, 1993):34-5, 51, 55.

⁶ Tom Hart, "Urban Growth and Municipal Government: Glasgow in a Comparative Context, 1846-1914," in *Business, Banking and Urban History, Essays in honour of S. G. Checkland*, A. Slaven & D. Aldcroft, ed. (Edinburgh: John Donald Publisher, Ltd., 1982): 193-219. Albert Shaw, "Glasgow: A Municipal Study," *The Century Illustrated Magazine* 39 (March, 1890): 721-36.

questions about how the middle class established its hegemony in the industrial towns of England and Scotland. This dissertation will explain the details of that process. The majority of this project will center on Glasgow and its municipalization of water and gas between 1855 and 1869. However, because there were important changes in central government policies shortly after this time, a final chapter will deal with Birmingham which municipalized its water and gas, and instituted an urban renewal project between 1873 and 1875.



Writing about the need to fund the transformation of public health in the first half of the nineteenth century, Christopher Hamlin suggests that before the 1830's, local financing of public works using debt was a new technique which the private bill committees of Parliament found inappropriate for local governments.⁷ Urban sanitary reform was expensive, and most local governments did not have the revenue to support such efforts. Thus, the development of large-scale infrastructure to support modern water and gas supplies, waste treatment, housing and other public amenities were largely relegated to private companies. However, with increasingly urbanization it became obvious that these private efforts were failing to meet the public's needs for a sanitary and safe environment. The prevailing *laissez-faire* philosophy thus came under attack. However, this attack was not conducted from London, by radicals in Parliament, but by those with the most at stake, namely a mix of prosperous middle class municipal

⁷ Christopher Hamlin, *Public Health and Social Justice in the Age of Chadwick, Britain, 1800-1854* (Cambridge: Cambridge University Press, 1998): 292.

reformers who slowly came to dominate the newly created town councils.

The Municipal Corporations Act of 1835 transformed local government by creating elected town councils to replace the “closed,” self-elected councils that had existed before the Act. The legislation enfranchised all ratepayers who paid over £10 a year in local property taxes. This provision and one that required that the tax was paid directly by the tenant effectively enfranchised the middle classes while excluding the working classes.⁸ The Act was a logical continuation of the Reform Act of 1832 which enfranchised the middle class on the parliamentary level. It remained the law until the Second Reform Act of 1867, which extended the vote to much of the working class population both nationally and locally. The act was the most important piece of legislation establishing the local political dominance of the middle class over the next thirty-two years. Yet, the 1835 Act left a number of important issues regarding the cities unresolved.

For most of the nineteenth century no organized system existed to provide a structure for the administration of towns and rural areas within the United Kingdom. Municipal government was based on a variety of statutes and decrees, and all authority for new activities had to be authorized by Parliament. In order to promote reform, Parliament gradually replaced a costly system of private bills with what was called permissive legislation. Municipal governments prepared private bills and absorbed all the expenses of

⁸ There were other provisions concerning the franchise but the main focus was to replicate voting provisions of the Reform Act of 1832 which enfranchised the middle class in Parliamentary voting.

enactment.⁹ Permissive legislation, on the other hand, allowed local governments to “adopt” some or all the provisions of a general act, as long as specific requirements were met. Alternately, provisional orders could be issued by a central body, such as the Local Government Board, which gave the authority to a town council to engage in some activity such as removal of dilapidated housing or other public nuisances, provision of public utilities, borrowing, or the purchase of land or buildings for public use. During the middle decades of the century, and especially in Scotland, there was little permissive legislation in existence. Although city centers were overcrowded and filthy, as more workers migrated in search of factory jobs as the traditional rural economy shrank, there was no uniform legislation permitting cities to condemn blighted areas within their boundaries or to either build working-class housing or to contract it out. The first such legislation, the Artisan’s Dwelling Act of 1875, providing general authority for such activity, came nine years after Glasgow sought its own Municipal Improvement Act in 1866. Other important general acts were also approved in the 1870’s and 1880’s, but these provided little help to the more progressive town councils, like Glasgow’s, which had already implemented municipal improvement projects. Thus, for the middle decades of the nineteenth century, reform initiative was at the local level.

The mix of Parliamentary reform and local legislation gradually enacted during the nineteenth century was not a revolution, but the sanitary improvements implemented by the urban middle class leaders were revolutionary. Did the middle class leaders who took

⁹ This was very expensive and time-consuming. It deterred many small towns from engaging in reform. See Prest, *Liberty and Locality*, 4-7.

control of town councils in the middle decades of the nineteenth century see what they were doing as a paradox? Did they see themselves assisting in the process of moving the nation from individualism to collectivism? Did they see themselves as contributing to the creation of a welfare state? Post-reform municipal leaders were aware of the failure of earlier political leaders to deal with sanitary problems. Private companies proved incapable of coping with the growth of cities, and private philanthropy was overwhelmed by the scope of poverty. Water and gas were becoming essential services that could contribute to the health, safety and morality of society were they generally available to the population. Yet, these services were not available to the working classes who needed them the most. The new municipal leaders were not willing to wait for the problems that these deficiencies created to be fixed by the vague and unfulfilled promises of private companies. They began to address sanitary and other issues much the same way that they had dealt with their own businesses. For example, they rationalized the delivery of water and gas by consolidating private local utility companies. In some places they commercialized government by keeping the profits from gas to subsidize local property taxes. In general, they increasingly accepted the responsibility that had been thrust upon them by the deteriorating sanitary conditions in the cities. In the process they expanded the use of debt financing as a vital tool to improve the city. Finance was one of the keys that unlocked the door to urban growth, especially in the creation of a healthy and safe environment.

Not only was finance a valuable tool to unlock urban improvement activity, it was also an essential element in other activity characteristic of Victorian society. Whether it

was voluntary organizations, charitable work, museums or libraries money had to be found to begin and sustain these activities. Thus, the recent trend in social history away from class analysis and toward issues such as gender, race, culture, consumption, and regional identity reflected in the work of a number of historians can also benefit by the use of financial analysis.¹⁰ At least one historian whose work has de-centered class, Anne B. Rodrick, has found that financial issues affected the ability of self-help societies in Birmingham, that crossed class lines, to successfully implement their objectives.¹¹ Rodrick is interested in the development of these societies and their evolution in relation to local government. In part, her findings support the idea that local organizations were coopted by government as the century progressed and as national educational objectives took the place of voluntary activity.

What might be characterized as a “politics of finance” existed at the local level, and as arguments about finance were resolved after mid-century, urban governments increasingly took on responsibilities for community services. The second half of the nineteenth century marked the apex of town council power and influence. Larger towns initiated and carried out numerous projects intended to improve the lives of their residents by improving the urban physical environment. In the first half of the century only drainage

¹⁰ Patrick Joyce de-centers class in his analysis of Edwin Waugh and John Bright in *Democratic subjects: The self and the social in nineteenth-century England* (Cambridge: Cambridge University Press, 1994.) The turn away from class is the goal in Alan Kidd and David Nicholls, *Gender, Civic Culture and Consumerism: Middle Class Identity in Britain 1800-1940* (Manchester: Manchester University Press, 1999). They present the historiography in their introduction.

¹¹ Anne B. Rodrick, *Self-Help and Civic Culture: Citizenship in Victorian Birmingham* (Burlington, Vt.: Ashgate Publishing Co., 2004): 175-9.

and road maintenance were generally accepted municipal functions.¹² After 1850, municipalities increasingly provided water and gas services as well as other publicly funded projects. Towards the end of the century, trams systems and electric and phone networks were also developed and many were initiated or acquired by local governments. Often this was under the control of the middle class whose power and influence was intertwined with the rise of urban society.¹³

The middle class dominated urban governments, and while Parliament equivocated over growing problems of health and sanitation in towns of all sizes across the Kingdom, local governments increased the size of their budgets and took on significant new debt to pay for the massive investments in infrastructure needed for urban sanitary reform.¹⁴ The rapid spread of municipal trading—the provision of public utilities — after the 1850's, both because of its importance for public health and as a source of funds to pay for other improvements, has led to an extensive body of literature on the subject.¹⁵ There were just

¹² Anthony Sutcliffe, *Towards the Planned City: Germany, Britain, the United States and France 1780-1914* (New York: St. Martin's Press, 1981): 49.

¹³ R. J. Morris, *Class, Sect and Party: The Making of the British middle class, Leeds 1820-1850* (Manchester: Manchester University Press, 1990) is one of many works that demonstrate the importance of the middle class in nineteenth century Great Britain. Leslie Hannah, *Electricity before Nationalization; A Study of the Development of the Electricity Supply Industry in Britain to 1948* (London: Macmillan Press Ltd., 1979). Wilson, *Lighting the Town*.

¹⁴ Derek Fraser, *The Evolution of the British Welfare State* (New York: Barnes & Noble Books, 1973) and Anthony Wohl, *Endangered Lives: Public Health in Victorian Britain* (Boston: Harvard University Press, 1983).

¹⁵ For example, Malcom Falkus, "The Development of Municipal Trading in the Nineteenth Century," *Business History* 19/2 (1977): 134-161; Herman Finer, *Municipal Trading A Study in Public Administration* (London: George Allen & Unwin Ltd., 1941);

sixteen municipalities that undertook water or gas projects before 1845. This grew to fifty-five by 1855, eighty-nine by 1865, and 193 by 1875.¹⁶ Municipal borrowing as a percentage of national debt increased dramatically as well, so that between 1874 and 1896 it went from twelve percent to thirty-nine percent, and in 1894 water and gas projects had outstanding loans in excess of £60 million.¹⁷ This was an increase of almost £16 million from 1884, and the total debt grew to over £138 million by 1904.¹⁸ Glasgow was one of the first cities (Liverpool, Manchester, and Leeds preceded it) in the United Kingdom to undertake a major municipal water project in 1855, whereas Birmingham did not municipalize water until 1874. The middle class built on a tradition of local initiative to improve health and sanitation, and attitudes about finance were resolved at the municipal level to accomplish these goals.

Municipalities prided themselves on their accomplishments and vied with one another for prestige, yet by the end of the First World War their autonomy had eroded. Although the basic structure of municipal governments remained largely unchanged until after 1947, an increasing share of local revenue was provided by central government grants. In 1945 local rates and grants each provided a third of total local government revenue, but by 1973 grants represented 45 percent while rates had dropped to 28 percent,

John H. Warren, *Municipal trading* (London: The Labour publishing co. Ltd., 1923). There was an extensive body of literature on the subject at the start of the 20th century.

¹⁶ Falkus, "Development of Municipal Trading," 154.

¹⁷ Falkus, "Development of Municipal Trading," 134-5.

¹⁸ Douglas Knoop, *Principles and Methods of Municipal Trading* (London: Macmillan, 1912): 96.

and by 1975 grants were 67 percent of local revenue.¹⁹ Increasing central government financial support came at the price of reduced local autonomy. The prestige of local governments, throughout the United Kingdom, declined as central government moved to nationalize essential services and convert local governments into an auxiliary, reduced to implementing the policies and providing the services decreed by Parliament and paid for out of the national treasury. By 1986, under the Thatcher administration, the nationalized gas system was sold off to private corporations, not to municipalities. Thatcher had planned to privatize water as well, but her plans were scrapped when strong opposition to the sale of a £7,000 million asset developed.²⁰



The transformation of local governments into effective public institutions able to initiate, organize and carry out major reform projects has occupied the attention of a number of historians in recent years.²¹ However, much of their attention has focused on the role of the national government, and more specifically the institutions created by

¹⁹ S. G. Richards, *Introduction to British Government*, 2nd ed. (London: Macmillan Education Ltd., 1984): 188-9.

²⁰ Hugo Young, *The Iron Lady, A Biography of Margaret Thatcher* (New York: Farrar Straus Giroux, 1989): 499-500.

²¹ J. P. D. Dunbabin, "British Local government reform: the 19th century and after," *English Historical Journal* 92:365 (1977): 777-805. Derek Fraser, ed., *Municipal Reform and the Industrial City* (New York: Leicester University Press, 1982). Oliver MacDonagh, "The Nineteenth-century Revolution in Government: A Reappraisal," in James H Johnson & Colin G. Pooley ed., *The Structure of Nineteenth Century Cities* (London: Croom Helm, 1982). John Prest, *Liberty and Locality: Parliament, Permissive Legislation, and Ratepayer's Democracies in the Nineteenth Century* (Oxford: Clarendon Press, 1990).

Parliament, that facilitated municipal reform.²² This narrative has given agency to central government institutions, such as the Local Government Board which was created in 1871 to consolidate a number of functions and was given the power to issue grants to local governments.²³ It has obscured the role of the local political leaders who actually undertook reform by under-emphasizing their efforts or local activity compared to sanitary reformers in central government. This argument simply adopted the point of view embodied in Parliamentary action which ignored local reformers and often impeded their efforts. Granted that the long history of local government in both England and Scotland was not marked by progressive leadership. Rather, a parochial oligarchy of self-interested officials often failed to deal with problems of health and sanitation except in the most *ad hoc* manner. The Municipal Corporation Act (1835) reformed local government, providing the basis for legitimacy, but sanitary reforms were voluntary with tight restrictions on municipal spending which suggested a continuing distrust of the very people Parliament was empowering. Funds were not provided to pay for urban improvements making debt financing a more likely outcome once a new generation of progressive leaders came to dominate town councils. Only gradually did the post-reform

²² John Davis, "Central government and the towns," Martin Daunton, ed., *The Cambridge Urban History of Britain* (Cambridge: Cambridge University Press, 2000): 261-286. Royston Lambert, "Central and Local Relations in Mid-Victorian England: the Local Government Act Office, 1858-71," *Victorian Studies* 6 (1962-3): 121-150.

²³ Josef Redlich and Francis W. Hirst, *The History of Local Government in England - a reissue of Book I of Local Government in England* (London: Macmillan, 1971): 159. Also see Geoffrey K Fry, *The Growth of Government* (London: Frank Cass, 1979): 148. Christine Bellamy, *Administering Central-local Relations 1871-1919* (Manchester: Manchester University Press: 1988), provides a history of the work of the Local Government Board.

councils gain the legitimacy required to both borrow and spend public money.

Many of the factors in the growth and decline of municipal government have been studied; these include urban politics, local social and religious divisions, and the history of municipal reform.²⁴ Specialized monographs have been written on public administration, expenditure, and tax policy. And although there have been a number of studies on municipal finance, most of these have examined this issue from the point of view of the institutions of central government. The Local Government Board and other agencies of central government are a frequent subject for examination.²⁵ Similarly, there have been many studies of the middle class but these either ignore the problem of urban finance or only briefly deal with it, leaving many questions unanswered. For instance, how did debt financing overcome the objections that were raised by local groups to expensive improvement projects? What were the arguments concerning funding, and were the costs for local projects affected by Parliamentary action? Although Morris writes that cities were the creation of the middle class, was it their money that actually funded urban improvement? To what extent were funds derived from local, regional, or national sources? Were banks and insurance companies important lenders? How did local borrowing practices change during the middle decades of the 19th century, and what does

²⁴

E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in 19th century Urban Government* (Montreal: McGill-Queen's University Press, 1973) is an excellent example of politics and religion in Birmingham. Harold J. Laski, ed., *A Century of Municipal Progress, 1835- 1935* (London: George Allan & Unwin, Ltd., 1935) has chapters on various aspects of municipal reform.

²⁵ Christine Bellamy, *Administering Central-local Relations*.

that suggest about changing local and national relations?

These questions are not new. Martin Daunton raises similar issues in his work *Trusting Leviathan*. Daunton asks, how was the money to be raised for sanitary improvements? Who was going to shoulder the burden and would this be distributed fairly? How were the conflicts between city and central government to be resolved considering that different departments of central government had varying (and often conflicting) agendas. He focuses on finance, but then when he gives specific examples he primarily uses the unique conditions in London which were hardly representative of the country as a whole.²⁶ Further, he shifts the chronology of reform to the 1870's. Daunton identifies the problem of ratepayer retrenchment as a key factor in the slow progress of sanitary improvement, and suggests that support had to be developed to permit urban projects to go forward. He identifies the beginning of the solution to this in "the Second Reform Act of 1867 and the Municipal Franchise and Assessed Rates Act of 1869" both of which came after major urban reform projects in Glasgow.²⁷ Daunton's work is, of course, more subtle and well-rounded than this brief description, but the point remains that a tendency to overemphasize London's place in urban reform in the 19th century tends to minimize the importance of places that led in municipal reform. This is especially true because London did not engage in municipal trading until the end of the nineteenth century, long after this activity was well-established.

²⁶ M. J. Daunton, *Trusting Leviathan* (Cambridge: Cambridge University Press, 2001): 259, 275-6. Daunton is primarily concerned with tax policy and the establishment of trust on the national level.

²⁷ Daunton, *Trusting Leviathan*, 270.

Historians have been intrigued by the rapid growth of municipal trading, and have often asked what started the process and how did it spread. Malcolm Falkus shows how trading first started in the 1840's under the impetus of Edwin Chadwick's sanitary health efforts, and as these private "natural monopolies" failed to provide the extent and quality of services that growing cities were demanding, more cities decided to take matters into their own hands.²⁸ Recent studies have looked at specific industries or time periods. Robert Millward and Robert Ward ask why some cities chose to municipalize their private gas companies and others did not. They look at not only the distribution of municipal, as compared to private, companies across England and Wales, but also at specific variables that they found tended to be associated with public ownership. Millward and Ward conclude that there were three factors that often determined whether a local government municipalized its private gas company. They cite increasing population combined with a poor tax base which made gas revenues attractive, the severity of the problems associated with adequately regulating private company prices and profits, and finally what they characterize as local "governmental entrepreneurship."²⁹ Leslie Hannah, writing about the history of the electric industry up until its nationalization in 1948, suggests that the technological differences between electric generation, which encouraged economies of scale, whereas legislation that favored municipalization of local companies stifled the

²⁸ Falkus, "The Development of Municipal Trading."

²⁹ Robert Millward & Robert Ward, "From Private to public ownership of gas undertakings in England and Wales 1851-1947: Chronology, incidence and causes," *Working Papers in Economic and Social History* (Manchester: University of Manchester Press, 1990): 26.

growth of a rational national system of electric supply in the early phases of the industry.³⁰ These studies are concerned with the particulars of the development of gas and electricity, paying less attention to the role of middle class municipal leaders.

The role of the middle class was central to the progress of urbanization. Yet, Parliament authorized municipal governments to begin reform in the middle decades of the nineteenth century in a piecemeal and inconsistent manner. It gave power with one hand but held it back with the other. The requirement that ratepayer meetings approve rate increases, borrowing, or other activity suggests that the annual elections for town council hardly represented the will of the voters. Few provisions were made in legislation for central funding and the Treasury fought hard to restrict local borrowing as a drain on the *national* effort to reduce the debt.

In spite of this ambivalent attitude in the Parliament and central government, the middle class elites often did more than was expected of them. The material to be presented here supports Brian Lewis' view of the middle class, that "the variety of semi-contradictory organizational endeavors and conflicting ideological messages was a sign of *strength*, not of weakness."³¹ Lewis' study of the middle class in three towns is "a social and cultural history in which politics is central."³² He argues that "a major part of the explanation of stability [of 19th century Britain] lies in the diversity and cross-cutting

³⁰ Hannah, *Electricity before Nationalization*.

³¹ Brian Lewis, *The Middlemost and the Milltowns: Bourgeois Culture and Politics in Early Industrial England* (Stanford, Ca.: Stanford University Press, 2001): 249.

³² Lewis, *The Middlemost*, 2.

agendas of the disunited bourgeoisie.”³³ Although the perspective offered here is more narrowly focused on the issue of finance than Lewis, who looks at the middle class from several vantage points, I argue that financial concerns offer the strongest single insight into their attitude about reform. In fact, this lack of solidarity and the inevitable internal class tension permitted the continuing dominance of the middle class in cities by providing a wider base of support to controversial improvement projects *once the disagreements had been settled*. I look at the financial arguments concerning taxes and spending and then turn to the wider context in which these local issues were fought out.

An alternative view of this intra-class dynamic is suggested by Richard Rodger in his work on trusts and other institutions that provided financing for urban development in Edinburgh. Churches, charities and trusts provided much of the finance for housing and construction in Edinburgh in the early nineteenth century. He found that there was a “consensual approach to social and economic relations”³⁴ suggesting that this was the source of strength in cities. Although I am in more agreement with Lewis on this issue, I find Rodger’s approach, that is looking at the middle class through the financing of municipal improvement, more in keeping with the one that I have adopted for this study. One reason that Rodger’s may have come to his conclusion about the middle class was that he looked at an earlier period when consensus seemed to have had a greater value than later in the nineteenth century when political tensions had surfaced and re-surfaced

³³ Lewis, *The Middlemost*, 7.

³⁴ Richard Rodger, *The Transformation of Edinburgh Land Property and Trust in the 19th Century* (Cambridge: Cambridge University Press, 2001): 4.

numerous times over a host of issues in Scotland. (Such as divisions over education reform, the repeal of the Corn Laws, and the break-up of the Established Church in Scotland in 1837).

Parliament's conflicting attitudes about the worthiness of the middle class will be a constant backdrop for this study. I will emphasize the evolving relationship between the middle class elites in cities and Parliament to resolve the questions of who was responsible for ensuring that sanitary reform was taking place and who was actually able to undertake local sanitary projects. In this regard, John Prest provides an excellent example of Parliamentary ambiguity in its dealings with local reform versus central control. Prest cites the Local Government Act of 1858 (LGA) which amended the Public Health Act of 1848 which created a central board of health that could undertake specific actions locally under some conditions. The LGA did not require any town or district to implement public health standards set out in the 1848 act, but did allow ratepayers to demand a vote on the implementation of reform plans proposed by local town councils or improvement committees. The LGA also allowed ratepayers to demand a poll against the actions of a town council, and in either case required a two-thirds vote for ratepayer approval.³⁵ The purpose of these provisions was to allow the Board of Health, created in the 1848 act, to lapse and its interference with local control to come to an end. Now only ratepayers themselves could force localities to undertake sanitary reform.

My decision to focus on local government is in response to previous work that has placed too much emphasis on the role and power of central government to initiate urban

³⁵ Prest, *Liberty and Locality*, 42-4.

improvement in the process of modernization. Christine Bellamy has argued that local government representatives functioned under a model of “mixed government” which she characterizes as “local possessive pluralism,” more suitable to an earlier age. Under this model, local officials were closely tied to self-interested, narrow, and rather parochial concerns, and thus were not reliable initiators of expensive reform projects. For Bellamy it was the institutions of central government that provided reform. This juxtaposition makes central government in the nineteenth century the ideal agent of Benthamite ideas, which emphasized general and community interests over parochial local ones. Such an approach may provide a unifying theme for understanding government reforms but it does not always agree with the historical evidence. Bellamy further asserts that reformers like Edwin Chadwick preferred centralized supervision of functions such as poor laws, also, because of Benthamite principles, and their distrust of local administration which was seen as corrupt and incompetent.³⁶ Such views were clearly reflected in typical enabling legislation on public health issues, which often had clauses that embodied distrust of local initiative (such as those above which required ratepayer approval). The reform of local administration, in this scenario, went from the most parochial and narrow-minded local

³⁶ Bellamy does not engage directly in the debate over the extent to which Benthamite ideas were central to the growth of social legislation in the nineteenth century, but she has added valuable nuances to the question. For an advocate of this belief see Harold Perkin, *The Origins of Modern English Society 1780-1880* (London: Routledge & Kegan Paul, 1969): 269. A number of historians have opposed this view, see especially J. Bartlet Brebner, “Laissez-faire and State Intervention in Nineteenth Century Britain,” *Journal of Economic History* VIII, (1948): 61-62; Oliver MacDonagh, “The Nineteenth-century Revolution in Government: A Reappraisal,” *The Historical Journal* 2 (1958): 52-67; David Roberts, *Victorian Origins of the British Welfare State* (New Haven: Yale University Press, 1960): 93-6 .

authority, to partnership between central and local government, and eventually to a view of local government as agents of central decision-making and power.³⁷ Yet, this view obscures the interplay of forces at work on the local level which made municipal government vulnerable to eventual central cooption. Ironically, at least as far as local governments focused community interests in public health areas, it was the central government which played host to those local possessive pluralist ideas that were theoretically antithetical to the changes taking place as the century progressed. Parliament enforced the rights of private property by requiring local government to seek approval from ratepayers at public meetings before adopting legislative powers it authorized, by submitting nuisance removal plans to judicial review, and finally by subjecting boundary changes to Parliamentary review. Just as urban governments attempted to adopt more universal principles they were effectively limited by political representatives on the national level who continued to represent more parochial special interests.

William Lubinow shifts the locus of government initiative towards the localities by arguing that the central government was quite aware of the need for changing the relationship between itself and local governments, but that its solution was to permit action not force it. This follows from what Lubinow sees as the organic and gradual growth of government, best expressed by the ideas of John Stuart Mill. This point is repeated by Theodore Hoppen when he writes about relations between localities and the center. Hoppen's position is that the English were fearful of central power and considered it un-English at the very least. Therefore, laws were designed to permit (but not force)

³⁷ Bellamy, *Administering Central-local Relations*, 2-16.

local action.³⁸ Yet, all of these views place greater agency on central government. When we look at the local history of either Glasgow or Birmingham, we find that they were motivated not by the institutions of central government but by local conditions.

The success of municipal trading activities expanded the role of local governments and transformed the relationship between the center and the periphery. Parliament played a role in this process by easing the implementation of reform and by encouraging new municipal roles through the offer of increased local subsidies. As these services multiplied English towns turned to trading as a way to fund them, although in Scotland this practice was not followed. In order to engage in trading, capital requirements increased and so did municipal debt, yet it was not because of the increase in debt, as was often claimed, but the threat that the success of municipal trading suggested to powerful national elites that led to increasing politicalization of the process. The term “trading” itself became problematic, and words such as “capitalism” and “socialism” were substituted to make political arguments about the proper extent of municipal activities in the area of utility supply. Even within the confines of “utility supply,” water and gas were often viewed quite differently. Thus, in discussing the financing of these projects attention will be paid to the differences between these commodities during this period.

³⁸ K. Theodore Hoppen, *The Mid-Victorian Generation 1846-1886* (Oxford: Clarendon Press, 1998): 91-124 and William C. Lubenow, *The Politics of Government Growth: Early Victorian Attitudes Toward State Intervention, 1833-1848* (Newton Abbot, Devon: David & Charles, 1971): 180-2. Robert M. Gutchen, “Local Improvements and Centralization in Nineteenth-century England,” *The Historical Journal* IV no. 1 (1961): 85-96 argues that it was all part of an effort to impose uniform health standards.



The chapters have been organized thematically although they tend to follow a general chronological sequence. The first chapter discusses the factors that led the middle class to use local government to commence urban infrastructure improvements. I look at the role of religion in Glasgow, specifically the ideas of Thomas Chalmers who encouraged members of the middle class to become personally involved in improving the lives of the poor. I also look at the limits of voluntary societies and private utilities, and the how social capital was carried over to municipal government.

Chapter Two takes a more detailed look at the problem of determining equitable purchase prices for the private companies, and how taxes and utility charges were distributed within the community. Both of these subjects can only be understood in the context of national questions raised in Parliament concerning the distribution of the tax burden as part of the effort to reduce the national debt, which was one of Gladstone's primary objectives, and the growth of public utilities at the expense of the private provision of water, gas and sanitation. Urban reformers wanted to take over private companies, but they had to settle on a price that would be acceptable to a diverse public which included both shareholders and ratepayers. Parliament was only moderately helpful in this process because of its continuing preference for shareholders over ratepayers. Legislation might finally authorize a municipality to take over a private company, but the terms that had to be offered the shareholders were often extremely favorable to them (at least this was the case in both Glasgow and Birmingham).

Chapter Three focuses on the arguments over municipal trading in Glasgow

between 1850 and 1870. It looks at how the middle class divided over the water and gas projects along not only socio-economic, but geographic lines within the city. My emphasis is on the role of money in this process, and argues that the propriety and distribution of new financial burdens was at the heart of middle class fractures. In Glasgow, arguments over finances and the prices the council was offering for the two private companies had to be resolved before municipalization could take place. These questions were complicated because the value of the companies was part of the larger context of current business practice and legislation relating to what were called “natural monopolies.” The town council also had to explain and justify the taxes that were to be imposed to cover the cost of financing, and the resulting discussions generated heated controversy. In this case, the middle class political elite successfully argued that they could provide water at a lower cost than the private company and in much greater abundance. It showed that these political elites were up to the business challenge, matching the skills of the water company directors. They also showed that the vast majority of the funding for the project could be achieved from within their own resources.

Chapter Four deals with the increased costs and problems created by Parliament for cities as they tried to confront sanitary and health issues of urbanization. It shows how costs were higher for Scottish cities compared to English ones, because of the differences in the two legal systems, and because of Parliament’s failure to pass Scottish legislation at the same time that reform acts were passed for England and Wales. This increased the cost of Scottish legislation making debt financing all the more likely. It also gave opponents of legislation the added argument that reform plans should be dropped simply

because it was so expensive to try to institute a reform in the first place. The process reflected the lingering distrust of local government which had existed as “self-electing” bodies before the Municipal Corporation Act, and continued to suffer from a lack of legitimacy because of the limited franchise between 1835 and 1867.

The fifth chapter deals with the question of who was funding water and gas projects. It seeks to finally provide some concrete proof that the middle class was actually funding municipal reform projects by using two databases composed of over four-thousand records coming from the registers of annuitants and mortgages sold by the city of Glasgow over a twenty year period to fund the provision of water and gas. It unequivocally demonstrates that middle class merchants were major supporters of these public utility projects. The analysis also shows which other groups were providing funds, and to what extent this changed over the period studied.

Chapter Six takes a closer look at the role of executors, banks and insurance companies in funding municipal improvement projects in Glasgow. It raises the question how were the funds available for such expensive projects, by placing the process of finance within the larger context of financial markets in Scotland. I explain how business practice and attitudes concerning institutional investment circumscribed the limits of Glasgow’s town council’s borrowing. In addition, it looks at a number of individual investment choices to show how municipal investments fit into the investments that people actually made. How frequently did individuals choose a municipal investment and relatively how important was that choice compared to their overall investments? Such questions have gone largely unanswered in the historical record because of the difficulty

involved in finding the answers to them. Here, I make use of individual legacies and the records of the trustees from several estates to address this question.

Chapter Seven extends the analysis of municipal trading activity to Birmingham in the mid-1870's. Under the leadership of Joseph Chamberlain, the city's mayor at that critical time, the city began municipal reform projects in earnest. Birmingham became a recognized leader in creating a new "civic gospel" which Chamberlain promoted as an answer to urban decay. The focus in this chapter is on the changing relations between the central and local governments and the growing maturity of urban middle class elites which took advantage of new legislation to implement reforms.

Chapter 1

The Advent of Municipal Trading

From the beginning of the nineteenth century up until the introduction of a municipal water system in Glasgow in 1859, ideas about the boundary between public and private involvement in sanitary issues underwent considerable change amongst the elite members of the city's middle class. In the early decades of the century, the public authorities took only the most rudimentary interest in health and safety issues. This is evidenced by the Glasgow Police Act of 1801 which provided only a simple patrol and some basic street cleaning and repair. By the mid-1850's, the Town Council was led by a group of reformers who saw the supply of water (and gas a few years later) as a public matter. These reformers were not deterred by the fact that such investments in urban infrastructure would require shifting the economic burden from private to public funds. This transformation required a fundamental re-thinking of ideas about who was responsible for urban living conditions. Leading merchants and industrialists, professionals and religious leaders slowly accepted the public responsibility for improving the urban sanitary infrastructure. In the process, they had to change their ideas about *laissez-faire* as the basis of government policy.

Yet, this observation is rather too obvious in the attribution of a dominant role to political ideas to explain what was as much a cultural transformation. At times historians have continued to allow the participants in the debates on the limits of the public sector in the nineteenth century to define the nature of the debate over how this transformation of

ideas occurred.¹ By the 1850's, the role of government increased, and some of this can be attributed to changing ideas about the limits of political economy which saw economic relations worked out in the marketplace with little government input. In addition to economics, we must recognize as well the increase in mutual trust, the development of organizational skills and the adoption of democratic practices learned by participation in joint-stock companies and voluntary societies, now referred to as social capital, as important contributors to increasing municipal activism.²

At the start of the eighteenth century Daniel Defoe saw Glasgow as one of “the cleanest and beautifullest”³ of cities, but it was later described as one of the dirtiest and most unhealthy places by numerous observers.⁴ Population exploded from just under

¹ Even in trying to open the question of public health to other voices, Christopher Hamlin allows Edwin Chadwick to define the nature of this debate. See, Christopher Hamlin, *Public Health and Social Justice in the Age of Chadwick, Britain, 1800-1854* (Cambridge: Cambridge University Press, 1998): 8-15.

² Ideas about social capital are now closely associated with the work of Robert Putnam, who argues that increasing social capital is important for democracy. Robert Putnam, “Bowling Alone: America’s Declining Social Capital,” *Journal of Democracy*, 6,1 (January 1995): 65-79. Putnam built his ideas base upon his research on civic institutions under varying democratic conditions. See, Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993).

³ Daniel Defoe, *A Tour thro’ the Whole Island of Great Britain*, Vol. II (London: Frank Cass & Co., 1968): 744.

⁴ See, for example, James Hadderwick, *Backward Glances or Some Personal Recollections* (Edinburgh: Wm. Blackwood & Sons, 1891) who describes skies darkened by factory smoke and a River Clyde that has lost its charm and cleanliness. Also, see Shadow, (pseud. A Brown), *Midnight Scenes and Social Photographs: being Sketches of life in the streets, wynds, and dens of the city* (Glasgow: Thomas Murray & Son, 1858). For mortality rates see “Vital Statistics of Glasgow,” *Journal of the Royal Statistical Society*, III (1840): 266-9.

84,000 in 1801 to almost 350,000 by 1851. Glasgow went from a commercial entrepot for American tobacco in the eighteenth century to a center of textile production in the early nineteenth century and eventually one of the prime locations for the production of chemicals, iron, and locomotives and other heavy industrial equipment. This growth brought with it problems of inadequate housing, ill-health, and poor public safety in the city that demanded the attention of public officials and concerned private citizens. Yet, the institutional structure of the previous century was completely inadequate to meet the challenges created by the new environment.

The changing industrial and economic climate was one factor in the political transformation within the city council which itself underwent significant membership changes. The pre-reform council was composed of selected representatives of the Merchants' and Trades' Houses including their respective heads: the Dean of Guild and the Deacon Convener.⁵ These old institutions represented the interests of the local burgess and the incorporated trades of longstanding.⁶ An annual selection was made from the leaders of the trades and they in turn selected the Dean of Guild and Deacon Convener. These two men then selected the other 31 members of the city council. The system represented an oligarchy which by the early decades of the nineteenth century was completely unrepresentative of the changing economic and industrial climate in Glasgow. Prior to the Municipal Corporation Act (Scotland) of 1833 only the 33 members of the

⁵ Irene Maver, *Glasgow* (Edinburgh: Edinburgh University Press, 2000): 10.

⁶ The Trades' House was composed of "hammermen, taylor, cordiners. . . maltmen, weavers, bakers, skinnners, wrights [etc.]..." James Cleland, *Rise and Progress of the City of Glasgow* (Glasgow: James Brasch & Co., 1820): 58.

Council could vote in Parliamentary elections. The franchise, after the Corporation Act, increased the electorate to 7,204 men, based on a £ 10 ratepayer qualification, out of a total municipal population in 1831 of 202,000.⁷ Municipal reform broadened the electorate to include the emerging middle class. Henceforth, professionals, landlords, shopkeepers, industrialists and others, whose income put them above the level of laborers, enjoyed the franchise, along with merchants and the masters of the trades. Many of these men eventually developed a more active approach to urban sanitary problems.

This chapter will show how a number of influences merged during the first half of the century to create a *Weltanschauung* that supported municipal activism by a new political majority on the council. One influence was the rise of evangelical Presbyterianism, personified by the Reverend Thomas Chalmers whose vision of a “Godly Commonwealth” was designed to create moral bonds between the middle and working classes of the city. Although Chalmers was not primarily a political reformer, his calls for a moral awakening within the middle class provided a profound religious imperative for social action. A second factor was the spread of epidemic diseases including typhus and cholera. Cholera especially had a transformative effect on the urban elite’s attitudes about the responsibility for both care of the poor and sanitary reform. The public health movement which developed in the 1840's in response to these illnesses encouraged an increasing role for local governments. A third factor relates to the role of the government in poor relief, which became part of the public debate in 1840. Finally, the failure of

⁷ Maver, *Glasgow*, 70. Population data from Andrew Gibb, *Glasgow: the making of a city* (London: Croom Helm, 1983): 105.

private companies and local voluntary societies to cope with the problems of ill-health and poor sanitation contributed to these new attitudes concerning public responsibility.

Although ideas about *laissez-faire* became less tenable by the middle of the century, all of these factors contributed to a broad willingness to improve the urban infrastructure using the power of local government. This chapter will first provide a brief history of the supply of water and gas by private companies in Glasgow in the first half of the nineteenth century, and then develop the previously named factors that led to their municipalization.

The four factors identified here each contributed in their own way to the final result. The evangelical movement put individual responsibility for the well being of others at the center of Christian consciousness. Faith was still essential, but faith without works — without charity — was no longer adequate. Christian activism and belief were one. This attitude could make a person feel that he personally had to improve housing or poor relief to uplift the moral character of those less fortunate. When cholera struck in the 1830's it was no longer only a sign from God of people's sinfulness, but also an opportunity to improve the moral character of the "wretched creatures" whose sinful ways had contributed to the disease.⁸ Cholera seemed to strike at all classes of society also making it a matter of self-preservation as well.

After a moral imperative was established, ideas about the legitimacy of government action solidified. This came about as a result of the other factors mentioned. For instance, although poor relief was a civic responsibility sanctioned by law at the beginning of the century, it was transformed into a government responsibility as a result of the failure

⁸ R. J. Morris, *Cholera 1832* (New York: Holmes & Meier Publishers, 1976): 132.

of voluntary contributions to provide for the total needs of the poor by the mid-1840's. Also, it became increasingly apparent that private companies were not responsive to increasing demands for pure water as sanitary ideas took hold during the same decade. Taken together these ideas meant that sanitary matters could not be left to the individual: even if some members of society (the middle and upper classes) were able to take care of these needs themselves, the poor could not.

Finally, participation in voluntary societies increased social capital which encouraged municipal activism. Civic trust was increased by the transparency of these societies' finances which were reported in local papers. Social deference was reinforced because the varying levels of membership in the societies paralleled the varying levels of wealth required for voting or holding public office. These procedures and forms were followed by joint-stock companies. Voluntary society subscribers became enfranchised ratepayers along with stockholders. Annual town council elections and the ward caucuses were only slightly different from the annual elections held by the private organizations. These parallels strengthened and reinforced the acceptance of municipal government.

For purposes of clarity it is best to view the transformation of municipal activism in Glasgow in three phases. The first period started at the beginning of the century and ended with the passage of the Municipal Corporation Act of 1833. It was marked by little in the way of local government initiatives, which were mostly under the auspices of a Police Board that had limited powers of street cleansing, public lighting, and creation of a patrol. During the second, Glasgow's middle class elite established its political dominance on the Town Council, and created sufficient legitimacy to begin urban sanitary reform

projects. The period was marked by the Great Disruption in 1834 (see below) which split the established church of Scotland in half, and the growing influence of the public health movement. In these controversial years, which ended in 1855 with the passage of the Glasgow Water Act, the elite was able to expand the public realm. The last period, extending beyond 1869 (when the private gas companies were municipalized), included a number of public health initiatives and reflected a more active and self-confident Town Council. It is mainly with the second of these phases that this chapter is concerned.

Water and Gas Supply before Municipalization

At the beginning of the nineteenth century, the supply of water in the United Kingdom was generally unregulated and uncoordinated. Urban water supplies were a mixture of private wagon delivery, wells, stand-pipes, and pumps that were becoming increasingly polluted due to urban expansion and industrial growth. In 1830 there were 51 incorporated private water companies in England, Scotland, and Wales. That number doubled by 1850.⁹ There were also a few towns in England which had municipal water supplies dating back to the fifteenth and sixteenth centuries, including Southampton, Hull, Bath, Plymouth, and Oxford. In the nineteenth century Sheffield (1830), Liverpool (1847), and Manchester (1847) created a municipal water supply, but these towns were

⁹ J. A. Hassan, "The growth and impact of the British water industry in the 19th century," *Economic History Review* (Nov. 1985): 534.

exceptions.¹⁰ For other towns before 1850, Parliament relied “on the workings of market forces and the potential of competition to safeguard the public interest.”¹¹

Glasgow was only one of many towns which took this private sector environment for granted, at least into the 1830's. The private Glasgow Water Company was incorporated in 1806, with an initial capital of £100,000. The company pumped most of the water it supplied from the River Clyde, only some of which passed through filtration beds for domestic consumption. Initially, they supplied a maximum of eight million gallons per day. A second company, the Cranstonhill Waterworks Company, was formed in 1808 but it proved to be unprofitable. Both companies provided water to the more affluent areas of the city, but the higher elevations were poorly supplied and the poorer districts, where landlords refused to provide water to their tenants, had only the public wells. There were numerous stories of the poor, who lived near the streams that flowed through parts of the city, digging wells in their basements which then filled up with water (the cleanliness of which was questionable at best). Many of these people also saw their rooms fill with water during periods of flooding.¹²

Beginning in the mid-1830's the two companies sought legislation to allow a merger. The petition was opposed by the council because they feared the effects of a monopoly in the city. In October 1836, the council first proposed the municipalization of

¹⁰ Sir H. H. Fowler, *Municipal Finance and Municipal Enterprise* (Westminster: Orchard House, 1900).

¹¹ Malcolm Falkus, “The Development of Municipal Trading in the Nineteenth Century,” *Business History* 19/2 (1977): 140.

¹² James Burn Russell, *Public Health Administration in Glasgow* (Glasgow: James Maclehose and Sons, 1905): 8-12.

the private companies. This was only three years after the Municipal Reform Act, and at that time municipal revenue came mostly from road taxes and other minor sources. Thus, to pay for the plan the council appealed to the public for subscriptions which did not materialize.¹³ The following March at a public meeting called to oppose the merger, two local civil engineers suggested the supply of water to the city by gravitation from Loch Katrine.¹⁴ This proposal called for a more open, even egalitarian, company by limiting the share price to £5 and the dividends to five percent.¹⁵ Again, public support was lacking, and the two private companies, which had been trying to amalgamate for the past three years finally succeeded in 1838. In 1846 a new private company formed on the south of the Clyde to supply the town of Gorbals, which was incorporated into Glasgow in the same year. In 1852 these two companies were supplying the city with 14 million gallons per day. The older Glasgow Water Company continued to pump water from the Clyde, and the Gorbals Gravitational Water Company used a gravitational system.¹⁶ Although the

¹³ James D. Marwick, *Glasgow: The Water Supply of the City from the earliest period til the close of 1900* (Glasgow: Robert Anderson, 1901): 100-101.

¹⁴ See next page for a description.

¹⁵ *Ibid.*, 102.

¹⁶ Marwick, *Glasgow*, appendix, 70. Sir James Bell and James Paton, *Glasgow; its Municipal Organization and Administration* (Glasgow: J. Maclehose & Sons, 1896): 236-9. London by way of comparison, did not municipalize its water until 1903 under the authority of the Metropolitan Water Board, relying on several private joint-stock companies for its water. New York was supplied by the municipal Croton System which provided 28 million gallons per day in 1857 and cost £ 1.8 million (for the aqueducts alone). The supply of water to Paris in 1858 was 26 million gallons per day. By 1866 Glasgow was supplying 23 m. gallons per day. John Strang, *On the Water Supply of Great Towns* (Leeds: Economic Science and Statistics Committee of the British Association for the Advancement of Science, 1858): 234-41, 246.

new Gorbals Water Company was doing a good job on the south of the Clyde, there was continuing dissatisfaction with the Glasgow Water Company, which had failed to increase water supplies to match the increasing population in the city.

In 1846 the Glasgow Water Company proposed legislation to bring an additional supply of water from Loch Lubnaig by gravitation. The proposal called for a major new investment by the company, and had it moved ahead, it might have solved the water problems in the city. The act required that the mill owners around the Loch receive compensating water for lowering their water level. However, once the company's engineer determined just how much water was required under the plan, no further action was taken. It is unclear whether the company was actually serious about the entire scheme, as the plans, if pursued, were sure to arouse local opposition.¹⁷

Problems between the Council and the Glasgow Water Company were a frequent occurrence, often as a result of the arrogance of the company towards the city. One provision that the company sought in the Loch Lubnaig scheme was the right to impose a water rate directly on proprietors of houses of less than £10 annual rental. This right to charge small landlords, (regardless of their actual use of water) was a clear infringement of the municipal government's general taxing authority. The scheme was also guaranteed to arouse the opposition of the landlords, an important power center in the city. Hence, the provision was opposed by the council, and dropped from the authorizing bill backed by the company that year. In 1847 the company went back to Parliament seeking the same

¹⁷ Bell and Paton, *Glasgow*, 239.

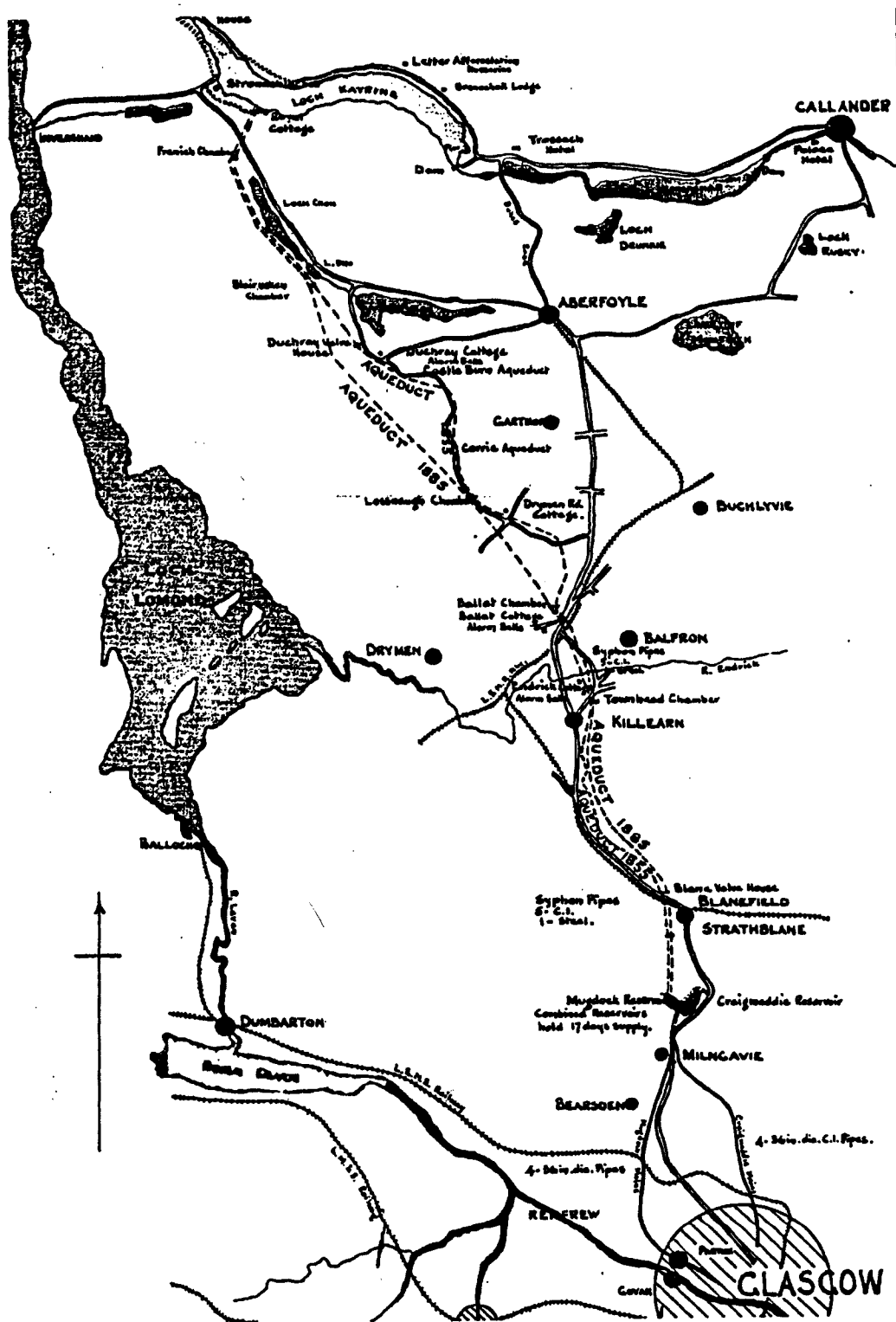
authority, or alternately, to transfer the entire works to the city.¹⁸ Neither bill was actively pursued. Revealingly, by 1853, when the council proposed a meaningful plan for the municipalization of water, the company fought with every weapon at its disposal to stop the plans. The behavior of the Glasgow Water Company was by no means unique. For example, in 1845 Edinburgh's private water company tried to increase its control over local water supply at the same time that it sought to transfer the company's entire works to the city for 4.5 percent.¹⁹

In 1850 a clear consensus had still not been reached among the members of the Glasgow Town Council although they began to investigate the possibility of acquiring the company. A deputation from the council approached the water company's directors to see if they could get favorable terms, but negotiations failed to reach any agreement, and by the end of the year the Lord Provost was unable to find a majority of the council willing to proceed.²⁰ In 1852 several private citizens offered to create a new water company to bring water from Loch Katrine. Proponents suggested that the city buy shares in the venture and have several representatives on its board. Unfortunately, the proposal was dropped after it became clear that there was little public interest in supporting a third company to compete with the two already existing. The council then decided to retain the

¹⁸ John Burnet, *History of the Water Supply of Glasgow* (Glasgow: Bell & Bain, 1869): 47-49.

¹⁹ A complete discussion of those plans can be found in a pamphlet entitled, *Observations by the Committee of Inhabitants of Edinburgh and Leith, upon the 'Statement' by the Directors of the Edinburgh Water Company, of Date 28th July 1845* (Edinburgh: Murray and Gibb, 1845).

²⁰ Glasgow, General Minute Books of Committees, Sept. 10, 1850.



Glasgow Corp. Water-works, A Brief Account of the Origin and Development of the Works-1855-1935

services of John Frederick Bateman, a civil engineer highly regarded for his knowledge of municipal water supplies, to investigate the best sources of water for the city.²¹ Bateman examined all the options available including getting more water from the south side of the Clyde and the proposed use of Loch Lubnaig or Loch Katrine. The least expensive option would have been to expand the capacity of the Gorbals Company but their expansion plans called for the construction of a man-made dam which was subject to collapse, and would have only brought in about 20 million gallons per day and not the 40 million gallons the town wanted.²² Bateman concluded that Loch Katrine was the best source of a plentiful supply of water and reported this in March 1853.²³ (Map 1) A large majority of the council then voted for the municipalization of the private companies and the creation of a municipal supply of water using Loch Katrine.²⁴ The proposal received the royal assent in 1855 and the project was completed four years later.

The gravitational system, already in use by the Gorbals company and now proposed by Bateman for Loch Katrine, utilized a system of aqueducts that allowed water to flow at a constant speed downhill from a reservoir or loch to a smaller reservoir close

²¹ John Frederick Bateman (1816-1892) was responsible for the system of reservoirs designed for Manchester in 1844, which were, at the time, the largest system of municipal reservoirs in Europe.

²² For discussion of this phase in the plans see, Anon, *Water Supply from Loch Katrine; the discussions in the town council on the subject* (Glasgow: Aird and Coghill, 1868): 35-65.

²³ Bell and Paton, *Glasgow*, 244.

²⁴ The vote was 30 to 3. Anon, *Water Supply*, 65.

to the city that was itself at a proper elevation to permit piped water to supply the town.²⁵ The waters of the catchment area above and around the reservoir or loch flowed into the latter, daily replenishing the supply of water. Provisions had to be made to allow the water level of the loch to rise and fall with the seasons. The advantage of Loch Katrine was that it was a large body of water with a surface area of 3,058 acres, and had a total catchment basin of almost 50,000 acres, representing one of the wettest areas of Scotland.²⁶

Glasgow's gas supply was also in private hands until municipalization, which took place in 1869. Glasgow was an early pioneer in this technology. Public lighting in the city was the responsibility of the Police Commissioners who contracted the job out to the Glasgow Gas Light Company (incorporated 1817). Gas was so novel that in 1818 much curiosity was aroused over the use of a gas light in the window of one Mr. James Hamilton, a grocer on the Trongate.²⁷ However, by the end of the year the company supplied coal gas to 1,380 public lamps.²⁸ Because of Glasgow's long winter nights, the city established a pattern of municipal responsibility for gas lighting on public streets and in the common hallways of private tenements. The city contracted with the gas company to supply these lights and paid them directly. The cost was then covered partly by a

²⁵ Lewis Gordon claimed to have made such a proposal in 1845 with Laurence Hill during the debate over the Loch Katrine scheme. Lewis D. B. Gordon, *The Respectful Remonstrance of Lewis Gordon against Mr. Bateman's Plan for Carrying out the Loch Katrine Water Scheme* (London: C. Richard, 1853). ML Special Collections.

²⁶ Bell and Paton, *Glasgow*, 247.

²⁷ Glasgow Gas Department, *The Gas Supply of Glasgow* (Glasgow: 1935): 19.

²⁸ Bell and Paton, *Glasgow*, 159.

charge to building owners for each burner, with the remainder made up out of the police rates. Tensions developed between the council and the gas company because of the low quality and high cost of gas. Such discontent continued in the council up until municipalization.

Gas demand increased rapidly in the first half of the century as more shops, factories and eventually wealthy homes began to make use of this new convenient source of light.²⁹ As demand increased, a second company, the City and Suburban Gas Company incorporated in 1843. It was successful almost from the beginning of its operations, paying its shareholders an average dividend of 5.81 percent over its first five years of operations and 9.13 percent over the following five year period. They were charging five shillings per thousand cubic feet for gas which was comparable with other local gas companies at the time, although the quality was not.³⁰ As mentioned, both of the private companies had the authority under acts of Parliament to dig up public roads for purposes of laying gas lines, and were under no specific obligations to the council regarding quality of supply or price of gas. Since there was no such thing as “anti-trust” legislation, the two

²⁹ Although the gas companies held semi-annual shareholder meetings, the published accounts do not provide a breakdown of their sales by various customer types. Some information on the gas industry can be found in M. S. Cotterill, “The Development of Scottish Gas Technology 1817-1914: Inspiration and Motivation,” *Industrial Archaeology Review* 5 no.1 (Winter 1980-1): 19-40. The growth of the gas industry in towns across the United Kingdom can be found in M.E. Falkus, “The British gas industry before 1850,” *Economic History Review* 20:3 (Dec. 1967): 494-508.

³⁰ James M’Clelland, *Report by James M’Clelland in the matter. . . against the city and Suburban Gas Co.* (Glasgow: Wm. Edie & Co., 1860): 4-6.

companies could effectively collude on prices and compete only in the area of service.³¹

The private gas companies' relations with the council mirrored, in some respects, the relations between the council and the water companies. Both relationships were hostile, in part because of the way the companies were able to operate. All of the private firms were incorporated under acts of Parliament as joint-stock companies, and were authorized to meet the demand for water and gas on a voluntary basis only to those who were willing to pay their rates. In the case of water, they were obliged to provide water for firefighting, but experience showed that they interpreted this obligation rather liberally, limiting supplies when it was too expensive for them to comply with the letter of the law. As a result, there was no water at night and in the poor areas of the city where no pipes had been laid. The acts also protected the companies from various legal restraints. For example, as mentioned they were allowed to dig up public streets without local approval.

This brief history provides an outline of the events that led to municipalization of water and gas, but it does not explain the change in attitudes that led to the political activism of Glasgow's elite. To understand that process we must begin with the religious transformation in Glasgow starting in 1815.

Thomas Chalmers and Municipalization

Thomas Chalmers (1780-1847) was a Scottish evangelical Presbyterian minister

³¹ See testimony of James White a director of the Glasgow Gaslight Co., House of Commons: Select Comm on Private Bills - Group F - Glasgow Gas Bill, May 4, 1869, q. 445-452.

and theologian who established a national reputation after his appointment to the Tron Church in Glasgow in 1815. His highly praised *Discourses on the Christian Revelation, Viewed in Connection with Modern Astronomy*, published in Glasgow in 1817, established Chalmers as a theologian. However, he became best known for his work on social issues.³²

Chalmers believed that Scotland's Poor Laws, which used a combination of local rates and kirk (church) door contributions to create a poor fund, had created a state of dependency and perpetual pauperism.³³ He recognized the existence of "deserving poor," the old, the infirm over seventy, widows and orphans, yet still opposed both the creation of legal paupers "entitled" to relief, and the use of taxes to pay for the Poor Fund. He believed that only through Christian education and the direct involvement of middle class parishioners was there hope for the physical and spiritual well-being of the poor. Writing in 1817, Chalmers hoped that:

we should see another system emerge, under which pauperism would be stifled in the infancy of its elements; and a reaching application be brought into effectual contact with the very root and principle of the disease; and another generation should not elapse, ere, by the vigorous effect of Christian education of the young, we should have to do with a race of men, who would spurn all its worthlessness and all its degradation away from them.

His goal was to create a "Godly Commonwealth" where pauperism would be controlled in

³² Stewart J. Brown, *Thomas Chalmers and the Godly Commonwealth in Scotland* (Oxford: Oxford University Press, 1982): 108.

³³ For a general description of Scottish Poor Law see, R. A. Cage, *The Scottish Poor Law 1745-1845* (Edinburgh: Scottish Academic Press, 1981).

each parish through the benevolence of dedicated congregations.³⁴

In 1818 Chalmers convinced a majority of Glasgow's Town Council that, if given the chance, he could end the existing system of poor relief. He wanted the new system to use only voluntary contributions administered by local lay church leaders. Chalmers sent middle class parishioners to personally visit the homes of the poor in the parish. They would awaken the conscience of the poor and provide them with a personal example of moral rectitude. That plus religious education would allow the poor to raise themselves out of poverty. The council carved out a new parish — St. Johns — for him to demonstrate the scheme.³⁵ For Chalmers environmental improvements such as housing reform and better sanitation would follow moral improvements; thus, there was no need to include such expenses in his plans. The St. John's Parish experiment of the 1820's was widely known and admired for its boldness. His evangelical fervor generated the support he needed from the middle class, whose involvement was essential for his plan's success.³⁶

Chalmers' influence grew in spite of the fact that his ideas contradicted the belief that some taxes ought to be used for relief— a view that was widespread among

³⁴ As quoted from "Connexion between the Extension of the Church and the Extinction of Pauperism," *Edinburgh Review* xxviii (March 1817), in Brown, *Thomas Chalmers*, 119.

³⁵ The new parish was carved out of the Tron parish along with some adjacent areas. Brown, *Thomas Chalmers*, 129.

³⁶ For a discussion of Chalmers experiment in urban social improvement see R. A. Cage and E.O.A. Checkland, "Thomas Chalmers and Urban Poverty: The St. John's Parish Experiment in Glasgow, 1819-1837," *Philosophical Journal* 13 (1976): 37-56

aristocratic Whig elements of the community.³⁷ In a series of articles for the Whig *Edinburgh Review*, published from 1817 to 1818, he put forth his radical ideas for an end to all mandatory assessments. This came as a shock to much of the public and was rejected by a number of his fellow Scottish clergy including the leading theologian Andrew Thomson. Thomson pointed out that if each parish had to supply its own funds for relief then the rich would pay nothing and the poor would be shouldered with the entire burden since most classes now lived in their own neighborhoods. Chalmers was also criticized for the inhumanity and insensitivity of his plans, and from the opposite side of the political spectrum, his ideas were attacked by being equated with the utopianism of Robert Owen.³⁸

While he began to pull away from further personal involvement in the St. John's experiment, leaving Glasgow in 1823, he continued to disseminate his views in major writings such as his three volumes on *Christian and Civic Economy of Large Towns* (1821) in which he claimed the scheme's complete success.³⁹ Chalmers left Glasgow in 1823 for the chair of Moral Philosophy at St. Andrews, followed by the chair of Theology at Edinburgh, but he maintained close ties to events in the west of Scotland.

Chalmers' Malthusianism was tempered by a more positive belief in the value of

³⁷ For an alternative view on Chalmers' ideas about taxation that suggests Chalmers supported taxes on the landed aristocracy, see R. O. Roberts, "Thomas Chalmers on the Public Debt," *Economica* (May, 1945): 111-116.

³⁸ Chalmers was also criticized by James Haldane of the Scottish Congregational Church, as well as the *Glasgow Chronicle*. They claimed that his plans would simply enrich the Established Church and punish the dissenting poor. Brown, *Thomas Chalmers*, 119-120. On Robert Owen see G.D.H. Cole, *The Life of Robert Owen* (London: Frank Cass, 1965).

³⁹ Brown, *Thomas Chalmers*, 144-6.

education and middle class voluntary intervention in the lives of the poor. Where Malthus concluded that the only hope for the poor was in their own sexual self-control mediated by the “moral restraint” provided by the Established Church, Chalmers’ optimism came as a welcome innovation to a liberal middle class audience. His opposition to Poor Law taxes, by itself, guaranteed him a following among the middle class. Yet, his plan was as naive as it was bold, and it eventually failed when periods of widespread unemployment overwhelmed private philanthropy in the 1830's. But before that happened Chalmers’ influence had spread from Glasgow to London.⁴⁰ More importantly, he had established the idea in Glasgow that a religiously active middle class was an appropriate response to increasing urbanization as opposed to the traditional fatalism of Calvinist Presbyterianism in Scotland.

Chalmers’ influence reached its zenith in 1834. Tensions within the established church had been running high for years, and when aristocrats used the power of the central government to place their favored candidates in several local pulpits, against the wishes of the majority of the congregations, the calls for separation by a man as highly regarded as Chalmers sparked a mass exodus from the church. Chalmers led the movement to create

⁴⁰ Brown, *Thomas Chalmers*, 140 and 144. Some of this influence was a result of Chalmers’ own self-promotion. Chalmers had a diverse group of friends around England. Although mostly liberal and Whigs, they included the Tory, Earl of Elgin who had supported Poor Law reform similar to Chalmers’ St. John’s Parish experiment. F. A. Coxe, the Secretary of the Council of the new University of London, supported by Henry Brougham and Zachary Macaulay, offered Chalmers the Chair of Moral Philosophy in 1827, which he declined in favor of the Chair of Divinity at Edinburgh. Sir James Mackintosh, M.P. had solicited Chalmers support for Catholic emancipation at the beginning of Wellington’s Conservative government in 1829. Chalmers was also a friend of Thomas P. Thomson the publisher of the *Westminster Review*.

the Free Church of Scotland to end governmental interference in internal church affairs.

Almost half of the pastors, and almost as many of the congregants abandoned the established Presbyterian Church in what came to be known as the Great Disruption. Many pastors renounced their livelihoods and manses and embarked on an uncertain future.

Yet, ironically, an unanticipated result of the Disruption was an increase in support for the use of general tax revenues for the Poor Fund. The Disruption resulted in declining church door collections, which had been at the heart of previous poor relief. The new church had no official recognition so that charitable contributions did not go to the Poor Fund, and its members were preoccupied with building new churches and schools. This put an increasing strain on the old Poor Law because of its reliance on kirk door contributions. As a result reformers in the 1840's called for a revised system of poor relief in Scotland more in keeping with the new conditions. Indirectly, the Disruption contributed to a growing willingness to use the resources of the state, and local government in particular, to deal with issues of public health. Had Chalmers realized that his drive for an independent church would have led to the establishment of a relief system based on the English model which he opposed, he might never have proposed the Disruption at all. At the least he would have accompanied it with a new parish system of relief.

It is rather ironic to see Chalmers as a harbinger of municipalization. Chalmers never called for the municipalization of utilities, nor did he favor the expansion of public support for education or poor relief. Yet, his belief in personal involvement in the lives of the poor led a number of his followers into public service and the expansion of the role of

public institutions. One prime example of this is John Blackie Jr. who was a printer in Glasgow who became involved in improving working-class housing in the 1840's because of his religious convictions. Eventually Blackie became the Lord Provost of Glasgow in the 1860's and the principle proponent of a major municipal improvement project begun in 1866. Chalmers' evangelical fervor set such men onto the path of civic activism.⁴¹

Public Health, Poor Relief, and Municipalization

Although Chalmers did not make the connection between poor laws and public health, public health minded physicians in the 1840's did. A number of them began to campaign for national funding under a revised system of poor laws in Scotland, rejecting the long tradition of kirk door contributions that had been the main source of parish funds for poor relief. From the beginning of the decade increasingly persuasive voices were raised in calls for such a system, and these calls helped to increase the scope of local government activity.

The decline in kirk door contributions combined with widespread unemployment in the mid-1840's overwhelmed the Poor Funds in many Scottish towns. As a result, a struggle developed between those who favored strong government involvement in poor relief and those, like Chalmers, who wanted only to modify the old system. A central figure in this struggle was Dr. William P. Alison who was to play a vital role in promoting

⁴¹ Anon, *Memoirs and Portraits of One Hundred Glasgow Men*, Vol. 1 (Glasgow: James Maclehose & Sons, 1886): 37-39.

a new Poor Law, modeled after the English Poor Law of 1834, which he linked to local government intervention in sanitary reform. Along with other medical reformers, he saw a direct connection between poverty and health. In England, where poor law funds came from property taxes, the poor in local parishes were healthier than in Scotland which relied on kirk door contributions. Although Alison has a central place in this narrative in the 1840's, it is the appearance of cholera which set the stage for the increased importance of medical opinion.

Cholera made its first appearance in Great Britain in 1832 and during the nineteenth century its repeated visitations eventually took an estimated 140,000 British lives. Cholera was a “shock” disease, often striking healthy people and killing them quickly and horrifically.⁴² Its ability to strike at all levels of society, not just the poor, threw a level of fear into the upper classes that typhoid and typhus (which were working-class diseases) could not. In Glasgow the first outbreak killed 2,842.⁴³ It reappeared in 1847-48 and again in 1853-54. The disease was “the only factor which was capable of generating sufficient concern for public health to enable the reformers to make progress.”⁴⁴

R. J. Morris suggests that the middle classes responded not directly to the disease itself but to its most visible signs. In Scotland this took the form of fear of vagabonds and

⁴² Morris, *Cholera 1832*, 12-14.

⁴³ James B. Russell, *Public Health Administration in Glasgow* (Glasgow: James Maclehose and Sons, 1905): 3.

⁴⁴ Roy A. Church, *Economic and Social Change in a Midland Town Victorian Nottingham 1815-1900* (London: Frank Cass & Co., 1966): 193-4.

other wandering paupers who were harried out of towns and driven into the countryside, thus for a time spreading the epidemic. The urban middle class responded by raising subscriptions for additional poor relief, demonstrating their social responsibility.⁴⁵ Large sums were raised in many towns and Boards of Health issued various sanitary instructions to the working-classes (many of which went unread or unheeded).

Middle class awareness was raised by the first outbreak, and during the 1830's new studies of urban living conditions and a growing public health movement led by medical men intensified calls for reforms. In Glasgow actions were taken by the town council in the 1830's and early 1840's to create affordable and clean lodging-houses and increase the ability of the council to take down dilapidated buildings.⁴⁶ The medical reformers, led by Alison, first called for reform of Scottish Poor Laws, and later a new generation showed a greater willingness to see the provision of water as a sanitary measure. Although Morris argues that cholera had little impact on the middle classes during its initial outbreak in 1832, and many reforms initiated during the outbreak were discontinued after the danger had passed,⁴⁷ it is equally clear that the public health movement gained increasing public attention during the 1830's and 1840's. Further, it is notable that cholera reappeared in 1848-9, at exactly the same time that Glasgow's Town Council members were almost

⁴⁵ Morris, *Cholera*, 117.

⁴⁶ New police powers were conferred under acts in 1837 and 1843 for example.

⁴⁷ R.J. Morris, *Cholera 1832*, 124. For example see comments in Thomas Ferguson, *The Dawn of Scottish Social Welfare* (London: Thomas Nelson and Sons, Ltd., 1948): 145 or Roy A. Church, *Economic and Social Change in a Midland Town Victorian Nottingham 1815-1900* (London: Frank Cass & Co., 1966): 166-7.

unanimously asserting that the supply of water ought to be in the public's control.

Alison was one of a number of medical reformers in the 1830's and 1840's who argued for better public health through improvements in the living conditions of the working class. According to Christopher Hamlin, in his history of public health, these doctors tried to avoid political arguments while promoting pragmatic intervention in the "natural order" of life to provide assistance during periods of both economic and medical crisis. In Glasgow, the surgeon Robert Cowan, who witnessed the deterioration of workers' living conditions during a textile strike, argued that this increased "fever." For him, this was as a medical problem regardless of the prevailing view of the ruling classes that striking workers had only themselves to blame for what happened. He also supported the use of relief funds to allow workers to redeem pawned clothing.⁴⁸

Alison's prize student, James Kay-Shuttleworth, addressed the conditions of the poor from a more Chalmersian perspective. Although he recognized that the immorality and vice found among the poor was a product of the social and economic conditions under which they struggled, he rejected the kinds of interventions that the working-class radicals proposed. Kay-Shuttleworth saw those conditions as an act of Providence only worsened by the intervention of social reformers. However, the poor could be helped by "countervailing forces, such as 'spiritual discipline,' education, police, and sewers."⁴⁹

Alison confronted these issues in a number of forums, but none so well known as

⁴⁸ Christopher Hamlin, *Public Health and Social Justice in the Age of Chadwick, Britain, 1800-1854* (Cambridge: Cambridge University Press, 1998): 71-73.

⁴⁹ Hamlin, *Public Health*, 77-8.

in his public “debate” in Glasgow in September 1840 with Thomas Chalmers in front of a notable audience that included Edwin Chadwick. So large was the crowd inside the meeting room that the proceedings had to be moved to a larger hall to accommodate the audience. This was not so much a debate as opposing lectures presented on successive days during the British Association meetings. In his remarks, Chalmers emphasized the success of “household visitations” which were the basis of improving Sabbath attendance in the small town of Water of Leith not far from Edinburgh. The approach was similar to the visits that were central to his St. John’s Parish experiment for which he also claimed great success at the end of his speech. He entitled his presentation “On the Application of Statistics to Moral and Economical Questions,” and thus he emphasized the fact that after the visitations in Water of Leith church attendance went from a mere five to 364 people. Thus, he claimed a seventy-three fold increase due to his “aggressive principle” (of household visitations).⁵⁰

Allison took the position that poverty in Scotland was much worse than in other European countries. In England the Poor Law that Chalmers had denigrated had at least reduced the incidence of illness among the poor. Allison remarked, “It had been said that increase the provision and you increase the evil; but it had subsisted in England for 200 years, and fever amongst the poor there was comparatively rare and light as compared with its ravages in Ireland and Scotland.”⁵¹ The statistics from Scotland showed that

⁵⁰ Thomas Chalmers, “On the Application of Statistics to Moral and Economical Questions,” *The Works of Thomas Chalmers*, vol. 21 (Glasgow: William Collins, 1836-42): 339-367. For above remarks see 346 and 355.

⁵¹ *Glasgow Herald*, Sept. 21, 1840.

those districts with the least public financial support of the poor had the highest rate of illness among them, and that there was a higher rate of mortality among children in Scotland. Did the Scots want to continue to see themselves “behind other nations in the advance of civilization?”⁵² For Alison, the answer was simple. He called for a national system of poor relief funded through a tax base that could generate sufficient revenue to provide decent care for the poor, not one that relied on voluntary and spotty contributions. He took two days to complete his remarks which were extremely well received by the audience.

Although Chalmers had spoken first and was able to reply afterwards, the portrayal of his address by the *Glasgow Herald* suggests that it was not as well received. The *Herald* reported that Chalmers’ paper “contained little of novelty,” and the paper provided only an “outline” of his remarks.⁵³ In his *Memoirs of Thomas Chalmers*, William Hanna, Chalmers son-in-law wrote that Alison’s pamphlet, *Observations on the Management of the Poor in Scotland*, published in the same year as the debate, profoundly influenced the passing of the new Scottish Poor Law of 1845. “It may be doubted whether any similar production was ever followed by like speedy, extensive, and permanent effects.”⁵⁴ Thus, in the area of public health Chalmers’ approach was spurned by the majority of the middle class electorate whose representatives were coming to dominate the Town Council by the

⁵² *Glasgow Herald*, Sept. 25, 1840.

⁵³ *Glasgow Herald*, Sept. 21, 1840, p.1, col. 5-6.

⁵⁴ William Hanna, *Memoirs of the life and writings of Thomas Chalmers*, vol. III (New York: Harper & Brothers, 1851): 201.

end of the 1840's. These political leaders would prove to be more favorable to government action than the Tories and Whigs who had dominated the council in the earlier years of the decade. Charity did not disappear but it had failed to deliver the health of the broad population from the ravages of an industrial economy. The Disruption may have created an independent church but it also had weakened the existing system of poor relief. Equally, the views of the medical profession were beginning to exert greater influence over the more restrictive views embodied in *laissez-faire*.

Edwin Chadwick's *Report on the Sanitary State of the Labouring Population of Great Britain* of 1844 provided persuasive evidence that poor sanitation, inadequate ventilation, and polluted water were associated with increased disease, thus increasing public awareness of the need for improving the living conditions of the working classes. Possibly no other document of the nineteenth century did more to promote public health initiatives than this one. It provided the public with detailed anecdotal and statistical accounts from every region of the kingdom. No large city was spared although the comments concerning the provision of water to the working classes in Glasgow were relatively minor.⁵⁵

Glaswegians probably would not have learned anything from Chadwick's report that they did not already know. A report prepared for the local Poor Law Commissioners

⁵⁵ The report contained only two comments about the supply of water to the working classes in Glasgow. One stated that "there was no scarcity of water if carried into the poorer homes." Of course, that was the problem, but the report did not deal with that other than to indicate the price of water in Glasgow as compared to other cities. Edwin Chadwick, *Report on The Sanitary Condition of the Labouring Population of Great Britain*, ed. M. W. Flinn (Edinburgh: Edinburgh University Press, 1965): 139 and 142.

in 1840 and one prepared by the local medical establishment after the relapsing fever epidemic of 1843 had provided many examples of the degrading and unsanitary conditions in which its poor lived.

Captain Miller, the Chief Constable of the city, had reported, “In the very centre of the city there is an accumulated mass of squalid wretchedness, which is probably unequaled in any other town in the British dominions. . . The houses are unfit even for styes, and every apartment is filled with a promiscuous crowd of men, women, and children.” Similarly, Dr. Neil Arnott wrote of the closes in one district: “There was no privies or drains there, and the dungheaps received all filth which the swarm of wretched inhabitants could give; and we learned that a considerable part of the rent of the houses was paid by the produce of the dungheaps.”⁵⁶ Possibly the most frequently quoted of such comments came from J. C. Symons to the Assistant Handloom Weavers Commissioners in 1839. Symons wrote, “I have seen human degradation in some of its worst phases, both in England and abroad, but I can advisedly say, that I did not believe, until I visited the wynds of Glasgow, that so large an amount of filth, crime, misery, and disease existed on one spot in any civilized country.”⁵⁷

These observations about sanitation conflated immorality, ill health, and uncleanliness. As a result, even as Chalmers’ specific ideas about Poor Law reform gave way to those of Alison and other centralizing reformers, many of Chalmers’ followers easily became urban sanitary reformers by the end of the decade. In addition, Chalmers’

⁵⁶ Russell, *Public Health*, 8-9.

⁵⁷ Russell, *Public Health*, 7.

belief in the value of individual self-help, encouraged by Christian teaching, transformed into the collective self-reliance of middle class reformers realizing that they needed to find the money to improve urban conditions. Thus, financial self reliance became an important part of the plans for the water project in Glasgow. Although his influence was to decline in the last years of his life, several of Glasgow's councilmen, in the 1850's, were members of the Free Church, which continued to espouse Chalmers' views on personal involvement in civic affairs.⁵⁸

Voluntary Societies and Municipalization

The material discussed thus far has suggested what motivated the middle class to improve the moral and living conditions of the poor in cities. These motivations were put into practice, in the first half of the nineteenth century, by voluntary societies and, on a more limited basis, joint-stock water and gas companies whose primary objective of profit-making took precedence over their public service functions. Although sanitary problems created pressing needs, the lack of government action left a vacuum that had to be filled. Conversely, the widespread prevalence of voluntary societies before 1850 contributed to the growth of municipal governments as they gained legitimacy. Organizationally, the skills, structures, and practices used by the middle class to run voluntary societies were the same as those needed to run municipal governments. In addition, the culture that created

⁵⁸ Information on the religious affiliation of Town Council members in Glasgow is not readily available, but the religious affiliation and other biographical data on many council members is provided by Irene Sweeney, *Municipal Administration of Glasgow, 1833-1912*, Unpub Ph.D., Diss. Strathclyde University, 1990, appendix.

and was nurtured by voluntary societies was not unlike the culture of local government. Finally, local business people, who got their start in civic affairs in voluntary societies, often became members of the post-reform town councils.

R. J. Morris, in his examination of voluntarism and middle class identity in the late eighteenth and early nineteenth centuries, identifies an important cultural dimension of this movement. He suggests the creation of a “subscriber democracy” based on membership and participation in charitable and social organizations. For Morris, these institutions helped to define ideological and cultural divisions between the middle and working classes. They also reconstituted the hierarchal structure of the previous century within themselves.⁵⁹ The merchant middle class, which came out of the commercial and trading establishment in the eighteenth century, has a prominent place in Morris’ work.⁶⁰ As their wealth increased, these groups needed to separate themselves from the working classes to gain respectability in the eyes of the aristocracy. Voluntary societies allowed this middle class elite to demonstrate the high moral and social standards that they had set for themselves. The societies also provided an organizational structure where these elites started to deal with urban problems that were unmet by the pre-reform town councils. Once reform opened councils, however, it was a logical step to use the powers available to

⁵⁹ See for example R. J. Morris, “The Middle Class and British Towns and Cities of the Industrial Revolution, 1780-1870” in *The Pursuit of Urban History*, ed. D. Fraser & A. Sutcliffe, (London: Edward Arnold, 1983): 286-306.

⁶⁰ The importance of merchants will become more apparent as statistical data on financing urban improvement is presented in Chapter 5. Although there some extremely wealthy industrialists in northern manufacturing towns, some of whom were quite wealthy, they were not as numerous in the first half of the nineteenth century as the merchant elite.

local government to meet sanitary needs that could not be dealt with by private philanthropy.

The separation between the middle and working classes that was fostered by the culture and organization of the voluntary societies was reinforced in local government. Just as the middle class excluded workers from participation in voluntary societies by charging high membership fees, holding meetings at times workers could not attend, or in places that they did not frequent, local governments excluded the working classes through a restrictive franchise (and council meetings were also held during work hours). The same conditions existed in local joint-stock companies because single share prices were beyond the reach of workers. Even church seating was restricted based on the ability to pay the cost of pew rentals.⁶¹

Voluntarism blurred the lines between civil society and government. In Glasgow the principle voluntary institution that blurred these lines was the Charity hospital. The Glasgow Hospital relied on voluntary contributions for most of its expenses, but unlike true voluntary organizations, it was able to impose a rate on property valued at over £ 300 which was then used to provide both indoor and outdoor relief to paupers who were referred to the Hospital by the Church Session. This was comprised of the ministers and elders of all of the parishes in Glasgow (from the Church of Scotland), who were ultimately responsible for deciding who was put on local parish roles and who was

⁶¹ A £10 annual subscription or pew rental was not uncommon and put these luxuries beyond the reach of workers. Working class house rents in Glasgow for a two room flat in 1831 cost about £4 5 s. per year. The best paid workers (blacksmiths) could earn around £ 44 per year working six days a week every week. T. C. Smout, *A history of the Scottish people 1560-1830* (London: Fontana Press, 1985): 374.

referred to the Hospital for relief. In addition, the city had a great number of private voluntary societies that provided food, clothing, shelter, medicine and grants to the poor and disabled. Groups such as the “Old Man’s Friend Society,” the “Old Ladies Visiting Society,” and the “Female Society” chose one small problem and worked to ameliorate it locally.⁶²

The activities of voluntary societies carried over to those of local government, and contributed to the centralizing efficiency of its local agencies which provided social services. The *modus operandi* of voluntary society annual meetings as well as the transparency of such activity became an expected aspect of local government operations. Both town council and voluntary society meetings were regularly reported in local papers, covering questions such as: finances, activities and participants. For example, during one societies’ annual meeting its President announced that they had distributed £160 the previous year to “140 indigent natives of Stirlingshire, residing in Glasgow and its vicinity, in sums varying from 10 s. to £ 5.”⁶³ There was the Ladies Association which provided religious instruction in the Highlands. At their annual meeting the Rev. Mr. M’Gillivray reported that they had four schools in operation providing support for 311 students. Their income from the previous year was £ 249 “mostly raised by the ladies of the different Free congregations in the city.”⁶⁴ Similarly, the *Glasgow Herald*, reporting on the activities of the Town Council, stated “the usual yearly abstract of the accounts was read, from which

⁶² Brown, *Thomas Chalmers*, 99.

⁶³ *Glasgow Herald*, Jan. 18, 1850, p.3 col. 4-5.

⁶⁴ *Glasgow Herald*, Mar. 8, 1852, p. 7 col. 1.

it appeared that the revenue for the year was £19,663.”⁶⁵

Second, the social and cultural aspects of voluntary societies often mingled the political with the financial leadership of the city at a common event. At these times, the formalities appeared to overshadow the charitable and palliative function of the organizations. One example of this comes from a report on the oldest charitable society in Glasgow, the Glasgow Stirlingshire Charitable Society. They held their forty-first annual general meeting in January 1850. According to the *Glasgow Herald*, although the society had £5,462 in its bank, it dispensed only £160 the previous year (just 2.9% of its funds) for relief of “indigent natives.” Many of Glasgow’s leading citizens were there, including Lord Provost Stewart, Mr. Dalglish M.P., several councilmen, and other distinguished members of the community.⁶⁶ They spent the evening offering toasts, and receiving the presentations of several speakers. These were highly ritualized events, staged at regular intervals, and orchestrated within a hierarchical framework not unlike the ceremonialism and formalities of council meetings.

As generous as these societies were, they were still limited in their ability to provide relief. For example, the Old Man’s Friend Society reported in 1866 that it had a total income from the previous year of £1,732, and had provided both indoor and outdoor relief to a total of 112 men. Over the previous ten years it had supported only 347 permanent residents in its dormitory.⁶⁷ Similarly, the Glasgow Industrial and Reformatory

⁶⁵ *Glasgow Herald*, Nov. 4, 1854. p. 7 col. 3.

⁶⁶ *Glasgow Herald*, Jan. 18, 1850, p.3 col. 4-5.

⁶⁷ *The Scotsman*, March 10, 1866, p. 2 col. 6.

School Society reported that their annual income had been £2,138, and that they had added an additional forty students to their residence.⁶⁸ The Association for the Establishment of Lodging Houses for the Working Classes reported that they had provided shelter for an average of 440 workers per night during the year. Their income was £2,096.⁶⁹ Such numbers, although important for those who received aid, did not come close to the needs in the city. None of these societies ever took on projects that involved construction of new streets, sewers, water supply, large-scale housing or any other type of project that would now be recognized as urban infrastructure improvements or urban renewal. Such projects would have required financing through loans that were simply beyond the ability of these organizations. Nor is it likely that banks or insurance companies would have been willing to lend to such groups on their own account. Even though the initial capital of the water company in Glasgow was only £100,000, such a sum would have been beyond the reach of any voluntary society operating in the city in the nineteenth century.

The benevolence that motivated the activities of middle class reformers in voluntary societies is almost indistinguishable from the public-spiritedness that motivated members of this group to participate in local government. Similarly, there are ways in which the structure of the private joint-stock companies, that many of these men were part of, overlapped municipal operations. The utility companies, specifically, had boards of directors which set policy, conducted public relations at annual meetings, and negotiated

⁶⁸ *The Scotsman*, Jan. 31, 1866, p. 2, col. 6.

⁶⁹ *North British Daily Mail*, May 23, 1866, p.2 col. 3.

major questions (such as proposed acquisitions or mergers). The directors hired the managers who operated the company evaluated their performance and set wages and prices. If new legislation was needed to expand operations the directors often testified before Parliamentary select committees or retained the solicitors who represented the companies. All of these jobs were or would become part of the functions performed by municipal council members.

There were also important parallels between voluntary societies and joint-stock companies.⁷⁰ Private joint-stock companies had stockholders and consumers, not unlike the charitable societies which had both subscribers and clients. In both cases the former groups gathered at annual meetings where they exerted influence on their respective governing bodies. This was much less the case for either the clients or consumers whose influence was quite limited. Clearly, paupers had no say in the distribution of relief. Even municipal governments, which were often the single largest customers for water and gas, had only limited influence or control over the actions of the private companies. In Glasgow, there was dissatisfaction with the quantity and quality of water beginning in the mid-1830's, but the Glasgow Water Company found ways to ignore or pay only lip service to these concerns for twenty years. Lord Provosts were nominally *ex officio* members of the Board of the Glasgow Water Company, but none had ever attended meetings except one who was a shareholder.⁷¹ In this respect, subscriber democracy was a limiting not

⁷⁰ After the middle of the century the joint-stock companies were more successful in the market-place in the process of "reaction and adaptation." Timothy Alborn, *Conceiving Companies: Joint-stock politics in Victorian England* (London: Routledge, 1998): 98.

⁷¹ Anon, *Water Supply*, 35.

inclusive concept, which is implicit in Morris' argument. Because the private companies failed to balance their roles of profit distributor and service provider, their version of limited democracy was challenged by one that replaced shareholders with ratepayers and expanded the boundary of the public realm to encompass their distributor services to a broader membership.

Who were the shareholders of the private utilities? Fortunately, we have a register of the shareholders of the Glasgow Water Company at the time of its municipalization in 1855. This showed that half of the shareholders were from Glasgow, about 11 percent were from Edinburgh, and most of the rest were from other towns in Scotland. About a quarter of those from Glasgow were merchants, about seven percent were solicitors, and small numbers were other professionals, manufacturers and others.⁷² Many of these shareholders were able to attend the annual meetings of the private companies where they could express their opinions on the proposals of the Board, elect new Board members, and offer any comments that they had. But only two or three council members in the 1850's were shareholders of one or more of these companies. Councilman John Mitchell described himself as a "proprietor" of one of the water companies as did Mr. Craig.⁷³ The Lord Provost in 1854, Sir Andrew Orr, did not have a financial interest in the water

⁷² This analysis comes from the Register of the Glasgow Corporation Waterworks Annuities selecting only the first 550 records which represent the original shareholders of the private companies. Table 2 in Chapter 5 provides an analysis of annuitant occupations between 1856 and 1874.

⁷³ Anon, *Water Supply from Loch Katrine; the discussions in the town council on the subject* (Glasgow: Aird and Coghill, 1868): 144.

company, but he was the Chairman of the Glasgow & South-Western Railway Co.⁷⁴ All of this was reported in local papers.

Again, boards of directors of the private companies were primarily concerned with profits, not public service. They ran into conflicts with local politicians who were more concerned with the latter. In Glasgow the water company consistently failed to meet its public obligations. Water was supposed to be available at all times to fight fires, but the company interpreted the statutes to mean that it could, but was not required, to do so. It refused to invest major sums in real improvement, thus failing to meet the needs of a growing city, but instead adopted a defensive strategy to block local government plans. One council member accused the Glasgow Water Company of standing “in the way like a check-bar. . . they will neither supply our wants themselves nor will they let anybody else do it.”⁷⁵ In 1852, when the council considered the idea of supporting a new private company to bring water from Loch Katrine, the Glasgow Water Company proposed a new act to re-establish their right to develop Loch Lubnaig (which had expired under previous legislation), even though the plans were not realistic. They refused to provide the council with a copy of a report prepared for them by their engineer, although they expected the council to supply them with the report prepared by Mr. Bateman, the council’s engineer. Similarly, they also refused to set a price on the company when it was requested by the

⁷⁴ Peter Reed, ed., *Glasgow: The Forming of the City* (Edinburgh: Edinburgh University Press, 1993): 87.

⁷⁵ Anon, *Water Supply*, 11.

council's representatives.⁷⁶

As a result of the failure of repeated negotiations with the company the council gradually became increasingly disillusioned with public oversight of private companies, and more willing to consider municipal ownership. The Royal Commission on the State of Large Towns and Populous Districts Reports of 1844 and 1845 had also promoted the idea of municipal ownership, and this utilitarian approach drew increasing support within the council in the period between 1850 and 1853. Gradually, the public sphere was growing to include the ownership and operation of formerly private utilities. Yet, what persuaded municipal leaders to accept the expense of a major water project was both that it served a public good and fit in with their own charitable experiences. Although council members had often been active in voluntary activities, they recognized the limits of these institutions when it came to large, capital intensive projects. A major water project could only be addressed through the borrowing power of the state and general taxation. Glasgow never seriously entertained the notion that a voluntary society, of any size, could take on the task of providing water to the municipality — the project was just too big.

The Municipal context

Glasgow was not the first large town to municipalize its water in the period between 1845 and 1855. It followed the examples of Manchester, Leeds, and Liverpool and thus a brief examination of these towns' local conditions which facilitated water municipalization will help to answer questions about the timing of Glasgow's decision. Further, a brief discussion of the conditions in Birmingham at about this same time will

⁷⁶ Anon, *Water Supply*, 27-40.

help to explain the delay in the municipalization of water there.

Manchester had the distinction of creating a municipal supply of gas in 1817 under its Police Commission. It was also the first large town to municipalize its water company. There had been much dissatisfaction with the supply of water in the town in the early 1840's and the release of Edwin Chadwick's *Sanitary Condition of the Labouring Population* in 1842 along with the Royal Commission Report in 1844 was enough to mobilize the town council to act on the need for an adequate supply of clean water. There was little disagreement between the council and the Manchester and Salford Waterworks Company over the need to improve the water supply, and after Select Committee hearings held in the town in 1847, an agreement was struck as to the terms and timetable of a take-over. The negotiations were very cordial and the council actually retained the management of the company to coordinate the early phases of the entire project. As the center of the Anti-Corn Law League which witnessed the fruit of its long struggle in 1846 when Sir Robert Peel's government overturned the Corn Laws, Manchester had a special sense of pride as a preeminent town. Thus, it may have decided to deal with its water problems in that spirit. Also, Manchester was perhaps fortunate to be the first large town to go to Parliament with such a proposal, and it was quite flexible in its approach with both the Select Committee and the company. As a result, the transition from private to public supply went smoothly.⁷⁷

Liverpool was dealing with water questions at almost the same time as

⁷⁷ Arthur Redford, *The History of Local Government in Manchester*, Vol. II (London: Longmans, Green and Co., 1940): 176-181.

Manchester, and it successfully campaigned for the authority to purchase its private water companies in 1847. The council paid £534,807 for the two companies, and in the early 1850's created the Rivington Pike scheme. The town council had a much easier job in making this happen because the city was relatively financially secure. The city owned the Mersey Docks and had warehouses that brought in enough revenue to allow it to have an outstanding municipal debt as early as 1833 which stood at £792,000 but the city could afford to pay the interest without the imposition of any public rate. In the early 1840's there had been continuing dissatisfaction with the quality of the water supply and the city employed the engineer Robert Stephenson to confirm the water plans in the early 1850's.⁷⁸ Thus, although there was some concern in the city that the plans were too expensive the review conducted by Stephenson satisfied the opposition and the plans were carried out.

The last of these three towns, Leeds, had included the authority to purchase its private water companies in its original incorporation Act of 1837. The private company had failed in its abortive plans to bring water from a new source discovered by a local railway company, and when drought created a serious water shortage in 1851 and the private water company again failed to make adequate provisions for water, the town council decided that it was time to exercise its purchase option. In April 1852 the council voted twenty-two to sixteen to go ahead with municipalization. It had only recently

⁷⁸ Ramsay Muir & Edith M. Platt, *A History of Municipal Government in Liverpool* (London: University of Liverpool Press, 1906): 139-141. Also see City of Liverpool, *Century of Municipal Government 1835-1935* (Liverpool: National Association of Local Government Officers, 1935).

agreed by the same narrow margin to build a magnificent new Town Hall.⁷⁹ Leeds was fortunate also to have a progressive leader, in the person of Hope Shaw who spearheaded the drive for improved water. Shaw was an established churchman and Whig who had been active in the town for years both in and out of politics.⁸⁰ Not unlike the arguments that were being made in Glasgow at about the same time, he pointed out that they could raise money at a lower rate than the private company and thus could afford to provide water more reasonably than a private operation. The town was also trying to improve their sewerage system, and thus a plentiful and reliable supply of water had become a necessity.⁸¹

Glasgow was not far behind these three towns, but it might have actually preceded them had not events in the city in the years before not slowed reform efforts. Although Glasgow's municipal corporation was reformed in 1833, conservatives continued to play an important role in local elections. Perhaps this was because the electorate was only 7,204 out of a population of over 200,000 or perhaps it was because people still remembered the radical confrontations in the city in 1819 when over 20,000 weavers gathered on the Green to demand universal suffrage. These had begun peacefully enough but subsequent strikes and the activities of government agents led to serious incidents

⁷⁹ Asa Briggs, *Victorian Cities* (Berkeley: University of California Press, 1993): 159-160. Also see, Brian Barber, "Municipal Government in Leeds, 1835-1914" in Derek Fraser ed., *Municipal Reform and the Industrial City* (New York: St. Martin's Press, 1982): 86-88.

⁸⁰ Briggs, *Victorian Cities*, 161.

⁸¹ E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in 19th century Urban Government* (Montreal: McGill-Queen's University Press, 1973): 205-7.

where eight people were killed. Several of the ringleaders were transported for life and two were executed. These events plus the rise of Chartism allowed conservatives to hold their own on the town council during the 1830's. This slowed prospects of reform until after the Disruption when an increasingly liberal establishment began to dominate municipal government in the city.⁸²

Finally, there is the question of why Birmingham took so long to municipalize its water and gas. E. P. Hennock asserts that “economizers” held up municipal reform in Birmingham between the 1850's and the end of the 1860's (as discussed in Chapter 7), and although this is correct, I would argue that more emphasis should be placed on the role of reformers in the city in the 1840's. Hennock points out that Birmingham's town council was dominated by a group of liberal reformers who started a number of projects when the council took over the responsibilities of the Street Commission in 1846. The problem was that these men seemed to move too fast for the rest of the electorate and raised rates to cover the cost of improvements that they began. Nor was the religious motivation as strong in Birmingham in the 1840's. Although there were a number of reform-minded ministers in the town, they had not yet established the same breadth of support among their congregations that would exist within a generation. George Dawson, who was considered the father of the idea of a “civic gospel” only started preaching in the city in 1843. Thus, when local property taxes went up, the “economizers” were able to oust reformers in 1852 and put improvements on hold. Although the idea of a civic gospel would take hold in Birmingham by the mid-1860's it was still new compared to the “Godly

⁸² Irene Maver, *Glasgow* (Edinburgh: Edinburgh University Press, 2000): 65-78.

Commonwealth” espoused by Chalmers in Glasgow in the 1820's.⁸³

Conclusion

The idea of subscriber democracy, when viewed politically as the extension of voting to the middle class after 1835, based on a ratepayer franchise, opened the possibility for a redefinition of the public sphere. Whereas the pre-reform council was closed and self-appointed, the new council was open to a broader electorate. Distrust of the council was slow to fade, and many of the comments made by council members in the 1850's showed that they were still struggling to establish the public credibility needed to undertake a large financial risk. Many of these council members had participated in voluntary societies *before* they participated in democratic *government*. To some extent, they carried over a preference for voluntarism over government activism. They may have been enthusiastic sanitary reformers, but they were reluctant municipal financiers. Nevertheless, they helped clear the way for major financial undertakings, thus expanding the role of local government. Also, the skills that council members acquired in running philanthropic societies and in participating in joint-stock companies as shareholders and directors were equally useful in their new roles on the council. The initiative for reform gradually found a political constituency, the financial resources were developed, and political hurdles and older ideas overcome. All of these elements combined in the growing acceptance that local government had a vital role to play in municipal services such as the provision of water and gas. Not only were council members prepared to support the idea

⁸³ Hennock, *Fit and Proper Persons*, 29-31 and 63-4.

that supplying water “ought” to be in the public’s hands, but they also found that many of their constituents were prepared to support such radical ideas.

There was no unanimity within the middle class by 1853 concerning the wisdom of transforming the role of local government into a more active institution of municipal improvement. Instead, the early-1850's were marked by controversy and reconciliation, as various groups within the middle class argued over how best to deal with urban sanitary problems. But, as it became increasingly apparent that municipal take-overs of the private companies were going to be more beneficial to the public than continued reliance on private initiative, a number of contentious issues had to be resolved. The first of these issues relates to finance. How much was it going to cost to acquire the private companies, how was the money to be raised, and how were these costs to be distributed among the population? What was a fair price for a company that operated under monopoly conditions? Who was really going to benefit from improved water? How were ratepayers going to be protected from a profligate council? These questions raise a host of issues concerning the history of local taxes, the valuation of companies operating under monopoly conditions, and the perceptions of the public concerning tax fairness. The resolution of these conflicts requires an understanding of the issues for ratepayers which must be addressed before we can see how the conflicts were resolved. To see how these conflicts were resolved, we need to understand what were the objections of specific groups to the water project and then see how their objections were overcome. Essentially we need to witness the development of a reformist elite within the middle class which became responsible for improving the urban sanitary infrastructure.

Chapter 2 - The Burden of Finance

The financing of municipal trading in water and gas in Glasgow required satisfying a variety of parties whose concerns were often at odds. In reconciling the different demands made on the city, the decision to use debt financing resolved several of the conflicts in a way that made almost everyone a “winner.” The councils’ financial settlement was extremely generous to the shareholders (as we will see below) for a number of reasons. At the same time, as long as taxes did not go up most of the ratepayers were reconciled to the cost of the entire project. However, this did not mean that there were no problems and no controversy. Quite the opposite, there were important issues to be resolved. The following two chapters will deal with different aspects of the controversy in order to explain how the middle class solidified its political legitimacy and hold over urban government.

One historian who provides an important insight into the political controversies that developed as cities attempted to improve the urban environment is E. P. Hennock. Hennock looks at the attempt of Birmingham’s Town Council in the early 1850’s to undertake several municipal improvement projects (discussed in detail in Chapter 7), which were stopped by a group of economizers who took control of the council and prevented the implementation of these projects for a generation.¹ In Glasgow, however, there was a tradition of civic activism that had been started by Thomas Chalmers and carried on by many members of the upper middle class who believed in his general

¹ E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in 19th century Urban Government* (Montreal: McGill-Queen’s University Press, 1973): 29-37.

emphasis on self-help. This elite recognized that voluntary associations could not undertake the major infrastructure enhancements needed to improve the sanitary conditions in the city. Only the borrowing and taxing authority of government would give them that power, but increasing local taxes would quickly spell their political end. Thus debt was a way around the political opposition which, as will subsequently be shown, was quite intense.

Much of the controversy over the municipalization of water in Glasgow concerned the question of “rates.” Were they being imposed equally within the community? Were they too high? Could the council be trusted to have this authority? The questions were repeated over and over, and attacks and defenses were raised over the issue for several years. Yet, there are problems for the historian concerning “rates.” First, the term “rates” was used indiscriminately by both the participants in the arguments and subsequent historians to refer to a variety of different taxes and charges. For instance, rates refer to local property taxes (in at least two forms), to land taxes, and to charges for commodities. This conflation of definitions must be identified and refined in order to make any discussion about the subject comprehensible. Second, the debates took place within multiple contexts that were often understood by the participants but have long since lost their immediacy. There were national debates about the equity of the tax burden and about how best to reform the system, which influenced the local arguments or informed the attitudes of the participants. There were arguments about the disparity of property taxes within municipal boundaries compared to surrounding areas. Local politicians argued about differences of taxation from district to district within the town, and even about the

differences in tax burden between different segments of the middle class. This last point indicates that the participants at the local level need to be clearly identified in order to understand the dynamics within the middle class. The struggle over municipal improvement and who was going to pay for it helped to define a dominant middle class ideology and increase the legitimacy of the new urban leaders.

The central agencies of national government, including Parliament and the Treasury, created conditions that influenced the outcome as well. Parliament was ambivalent about the growing activism of the new urban elite and although it gradually created simplified methods for the assumption of local powers (to deal with the myriad array of urban problems), it did not provide the funds to pay for these activities. Still, Parliament and the boards that it created (such as the Local Government Board) were more sympathetic to local needs than the Treasury, which was trying to prevent increases in the national debt while local debt was increasing. In the event, local progressive political leaders worked to improve sanitary conditions, generally with minimal financial support from the center.

National taxes, such as income and excise taxes, were reserved for the navy, army, and other national expenses, and Parliamentary leaders struggled over questions concerning the distribution of that tax burden. The question of local taxation was a separate area of contention that was dealt with in fits and starts for most of the century. Who should pay for urban improvements, those who benefitted or those who could afford to pay? Expenses for criminal prosecutions, jails, hospitals, and roads had been paid through local taxes, but were all of these strictly a local responsibility? The public had an

interest in the equal enforcement of justice and had to be willing to pay for it. Thus, some of these expenses should be met from the Treasury. But once a subsidy was provided to local governments, profligate town council members had less incentive to economize in other areas. Could they be controlled by requiring ratepayer approval for new spending? These issues were at the heart of discussions about property taxes, and filtered down to issues such as charges for trading activities, and prices to be paid when buying out private companies. Parliament's attempts to resolve these issues created a complex and evolving set of legislative guidelines for cities to negotiate.

At the heart of these problems, at the local level, were town councils that sought powers to expand their financial capabilities to deal with sanitary and other issues. In Glasgow, the council was controlled by a Tory and conservative Whig elite in the 1830's that gave way after the Disruption to an increasingly reform minded Liberal majority. The Liberals who dominated the council by the 1850's also came from the city's elite. The town council was dominated by merchants and manufacturers in 1853 (29 of the council's 50 members). Most council members were wealthy.² Yet, there was still a group of council members who represented lower middle-class publicans, small shopkeepers, and landlords. The latter often were themselves only one step out of the working classes. They invested their modest savings in the conversion of formerly elegant buildings that were subdivided into one and two room flats, or built modest buildings, almost always

² Irene Sweeney, *Municipal Administration of Glasgow, 1833-1912*, Unpub Ph.d. Diss., Strathclyde University, 1990, appendix. Sweeney's analysis shows legacies of substantial estates left by many members of the council in the 1850's. Information on council member occupations also comes from Glasgow Corporation, Town Council Minutes 1853-1857 (ML).

with no sanitary amenities.³ Petty bourgeois landlords were especially vulnerable to property tax increases because they found it difficult to raise working-class tenants' rents, while they paid both income and property taxes on this source of income. They were more committed to the idea of retrenchment than wealthier landlords (who were often referred to as proprietors), whose more extensive holdings would benefit from improved property values and whose income often included other kinds of investments or business activity.⁴

Understanding "Rates"

A number of historians have examined questions of tax policy in the nineteenth century, but too often they have concentrated on this as a national issue and focused attention on debates in Parliament or between the branches of central government.⁵ This has tended to minimize the significance of the debates over property taxes at the local level. Local governments in Britain relied primarily on property taxes to finance municipal improvement projects. The long history of rates has been told in great detail and

³ See, "Life in one room," in James Burn Russell, *Public Health Administration in Glasgow* (Glasgow: James Maclehose and Sons, 1905): 189-206.

⁴ Examples of these men can be found in Chapter 6 in my analysis of Sederunt books which contain the financial transactions of the trustees for a number of estates.

⁵ Christine Bellamy, *Administering Central-local Relations 1871-1919* (Manchester: Manchester University Press, 1988). Josiah Stamp, "The Finance of Municipal Government," in *A Century of Municipal Progress, 1835- 1935*, Harold J. Laski, ed. (London: George Allan & Unwin, Ltd., 1935): 370-399. M. J. Daunton, *Trusting Leviathan* (Cambridge: Cambridge University Press, 2001). Sidney Buxton, *Finance and Politics: An Historical Study 1788-1885*, vol. 1 (New York: Augustus M. Kelley Pub., 1966).

does not need to be repeated here, yet part of this history relates to the financing of municipal improvement projects, and thus is relevant to the issues at hand.⁶ Therefore, this chapter will first deal with the issue of rates and then turn to the price to be paid for the private companies.

The relief of local “rates,” (or more precisely property taxes), was a contentious national issue in the nineteenth century. There was an uneven relationship between urban property taxes and rural land taxes (again both called rates) which complicated proposals for adjusting them. Sir Robert Peel’s successful repeal of the Corn Laws in 1846 led to calls by landowners for relief of rural land taxes as compensation for what they perceived was lost agricultural income. Under Peel’s second administration, he reluctantly accepted the calls for relief of some of the local taxes, but he demanded that such relief must be tied to improved local administration and greater accountability. Parliament, recognizing that at least some local expenses were of general concern, provided subsidies for specific purposes (asylums, jails, and some criminal prosecutions), under the express intent of improving services and local administration (but these were assumed to be county expenses). These grants-in-aid became the vehicle which brought increasing state supervision (and eventual control) of local affairs first in rural and eventually urban districts. On the whole, however, for most of the century, all rates increased as local governments (both county and municipal) increased the scope of their involvement in

⁶ Perhaps still one of the most complete history of rates is Edwin Cannan, *History of Local Rates in England*, 2nd ed. (London: P.S. King and Son, 1912). A more recent discussion can be found in Avner Offer, *Property and Politics 1870-1914 Landownership, Law, Ideology and Urban Development in England* (Cambridge: Cambridge University Press, 1981).

dealing with the problems of public health, welfare, and education.⁷

A number of historical perspectives have been offered to explain the implications of the rating system as both a national and local issue, and how rates related to local politics. For example, local governments needed to reconcile the relations between ratepayers, that is those who were called upon to provide the revenue to solve the problems of inadequate water, sanitation, sewage, roads, etc., and those who were going to benefit from the enhancements in the environment. Few municipalities had the benefit of a ready stream of income such as Liverpool's dock leasing revenue. As a result, as E. P. Hennock has shown, they were forced to rely on property taxes -with all their inherent inequities- as a primary source of revenue. He writes that this was a "narrow financial foundation" on which municipal governments were forced to operate, and points out that unlike municipal governments in other European countries, England did not allow taxes on business activity or capital. Although property taxes fell on all property equally within municipal boundaries, they did not reflect the ability to pay of urban dwellers.⁸ One result was that local property taxes were often seen as inequitable and increases in these taxes often led to revolts by those least able to afford them.

Martin J. Daunton looks at rates within the context of financing problems experienced by the Metropolitan Board of Works (MBW) which, starting in 1855, tried to

⁷ Josef Redlich and Francis W. Hirst, *The History of Local Government in England - a reissue of Book I of Local Government in England* (London: Macmillan, 1971): 160-166. Welfare was not under the direct supervision of local municipal governments nor was funding for it, but expenses were paid out of local property taxes.

⁸ E. P. Hennock, "Finance and Politics in Urban Local Government in England, 1835-1900," *The Historical Journal* VI, no. 2 (1963): 212-225.

improve London's sewage disposal. The MBW estimated that over £ 4 million were needed, and the sewer rate did not bring in enough revenue to cover the cost of borrowing. Also, London's private water companies were thoroughly entrenched, well financed and had support in Parliament, and they opposed any changes that jeopardized their profitability. These conditions limited the MBW's choices. Initially, their ability to raise capital was severely hampered by a reluctant Parliament, which sided with the companies. Before 1858 Parliament permitted individuals to claim an exemption from local rates on the basis that they received no benefit from the improvement. Subsequently, the MBW was permitted to borrow £3 million based on a 3d charge for drainage with no right of appeal. Daunton's point is that before 1858 Parliament ignored any sense of community responsibility and hamstrung financing. In effect, Parliament was still wedded to *laissez-faire* at the very time that Glasgow was attempting to municipalize its water system in the mid-1850's. This suggests that the struggle for municipalization in Glasgow (and the few other cities that proceed it), helped in the redefinition of "public" responsibility as the MBW made its case for increased authority three years later. Daunton also emphasized the general reluctance of the Treasury and its supporters in Parliament to give autonomy to local government, which reflected aristocratic attitudes about the middle class (who were running local affairs). These attitudes worked to restrict and oppose autonomous action in both Glasgow and Birmingham.⁹

Daunton also argues that Parliament tried to create an identity of interests between the shareholders and the ratepayers by proposing that dividends could be increased if

⁹ M. J. Daunton, *Trusting Leviathan*, 273-6.

prices were reduced. Many councils were taking a harder line with private companies in the 1860's. Yet, there simply was no way for the towns to ensure that the companies were charging their ratepayers a "fair" price for water or gas. That was a fundamental problem. They could not legislate a price, the companies would not tolerate that, nor could they create a "sliding scale." Although a sliding scale was attractive, in theory, the practical implementation of it created rather thorny questions. First, how to decide the starting price on which this scale was to be set? If it was the current price of the commodity, which most consumers felt was too high, you were only perpetuating the company's existing ethic. No consumer would tolerate the idea of setting the price higher and the companies surely would oppose a lower starting price. Second, how could you relate a price reduction to a dividend increase? If somehow the companies could reduce their price and actually increase their profits it simply reinforced the idea that the price was too high to begin with. Third, such solutions still left open the question of local sovereignty.¹⁰ The sliding scale idea was a new approach to problems of fair pricing. The older approach of setting a maximum price and a maximum dividend had been in place since 1848 and it clearly had not worked. Municipalization would solve the problem by making the ratepayers into the owners of the company, and that would create an identity of interests.

Two historians emphasize problems of rates nationally. J. P. D. Dunbabin asserts that "pressure for the relief of local taxation constituted one of the strongest lobbies in the

¹⁰ M. J. Daunton, "The Material Politics of Natural Monopoly: Consuming Gas in Victorian Britain," in M. J. Daunton & Matthew Hiltion, ed., *The Politics of Consumption: Material Culture and Citizenship in Europe and America*, (Oxford: Berg, 2001), 69-88.

Commons,” and he ties this process to reform efforts at the national level under Disraeli’s government especially between 1878-9.¹¹ For Dunbabin, all the salient activity and dialogue was on the national level, under both Liberal and Conservative governments. He downplays the role of local legislation and initiative. Similarly, Avner Offer takes up the question of rates by concentrating on the ideological split between Conservatives and Liberals who set the debate within the context of land versus personal taxes.

Conservatives argued that most local taxes were evaded by the professionals, industrialists, and wealthy merchants whose incomes had little to do with the assessed value of the property they occupied in cities, and who evaded even more tax by residing in the countryside outside the urban tax districts. Liberals countered that the urban landowners escaped all taxes because rates were paid by occupiers.¹² Further, rural landowners had no right to complain because their income was passive and they had a special obligation to pay taxes.¹³ Both these arguments obscure our ability to see how the elite members of the middle class constructed rating systems to create both legitimacy and a healthier environment.

¹¹ J. P. D. Dunbabin, “British Local government reform: the 19th century and after” *English Historical Journal* 92, no.365 (1977): 783.

¹² Scotland’s complex system of land ownership, called feuing, meant that the owner of the land leased it to someone else who paid an annual fee (the feu duty), who then either constructed buildings, or sub-feued the land to someone else who did the actual construction. The original owner of the land did not pay municipal rates. For a discussion of the feu system see Richard Rodger “Victorian feudalism,” in *The Transformation of Edinburgh Land Property and Trust in the Nineteenth Century* (Cambridge: Cambridge University Press, 2001): 69-75.

¹³ Offer, *Property and Politics*, 163-5.

These discussions of rates as a national issue obscure the real problems that local governments faced as they increased local property taxes to pay for urban improvement projects. First, the imposition of local property taxes in relation to water and gas projects actually represented two separate elements. A clear distinction needs to be made between local rates and prices charged by towns for utilities. Although the latter was referred to as a “rate,” it was just the actual price charged for gas (or water) usually based on some type of sliding scale relating to usage. This was always the practice with gas, and with water when dealing with major consumers. A water or gas rate, on the other hand, was part of local property taxes. There were “domestic” and “public” rates earmarked for water provision. The former was paid by the occupiers of property and the latter by owners. Because both of these were based on property values, they did not reflect actual usage of water. They were intended to encourage use, especially among the working classes whom the middle class saw as inherently dirty. Charging for water based on property values rather than use theoretically reflected ability to pay. Of course, this was not always the case, but the general benefit to society in improved public health outweighed any inequalities.

Local rates were not computed equitably for numerous reasons. Rights of way for railroads were often exempted or their property taxes were discounted. Railroad companies argued that they were already overburdened by excessive property taxes, which the courts were unwilling to reduce. Their efforts were raising property values. Thus, why

should they also then pay increased rates in urban areas?¹⁴ Property of wealthy homeowners, who used their property as residences, and thus did not involve the collection of rent, were valued below similar rental property. Undeveloped land in cities, which greatly appreciated in value because of improvements that were made in municipal services by the end of the nineteenth century, were perceived as undervalued (and under-taxed). Glasgow's Town Council actually tried to get legislation from 1899-1901 through Parliament to tap the increased value of land to rectify this but was unsuccessful.¹⁵ Today, in Scotland, current standards require that all property must be valued based on its comparative sales value, but such standards were not resolved until the twentieth century. During the nineteenth century the urban middle class remained concerned that the rural aristocracy was not paying its fair share of taxes (property and otherwise), and thus they were forced to shoulder a disproportionate share of the tax burden. Yet, even with these restraints and limitations, Glasgow's political leaders were able to fund improvement projects from the early 1850's onward, and establish a reputation for themselves and their city as one of the most progressive and innovative urban centers in the United Kingdom.

Water and gas municipalization plans were structured to commence operations with only the smallest possible public rate increase. Had the Glasgow or Birmingham Town Councils' municipalization proposals included immediate general rate increases they

¹⁴ Railroads often paid inflated land taxes, so exemption from urban property taxes could be seen as compensation. Timothy Alborn, *Conceiving Companies Joint-stock Politics in Victorian England* (Routledge, London: 1998): 177.

¹⁵ P. J. Waller, *Town, City and Nation, 1850-1914* (Oxford University Press, Oxford: 1983): 256-62.

never would have been enacted.¹⁶ But, in order to keep the cost of borrowing down, new debt was underwritten based on the unlimited taxing authority of the local government. In effect, the debt was backed by the total value of all the property in the city which could be taxed to cover the interest on the debt. Thus, lenders could rest assured that interest payments would be paid. But, when a bill had an *unlimited clause* in its provisions, the Town Council could subsequently raise the *domestic* water rate¹⁷ as high as they liked without seeking additional ratepayer approval, circumventing Parliamentary controls on municipal spending.¹⁸ Yet, all the proposals in Glasgow and Birmingham were based on the assumption that the current domestic rates, imposed by the private companies, would go down once the operations were municipalized. This claim was based on the projected economies resulting from the end of duplication of services when there were two local utility companies, council members as an unpaid “board of directors,” beliefs that the private companies were simply over-charging, and the lower interest on loans that cities could anticipate. In the following discussion of rates and prices in Glasgow between 1853 and 1855 it must be kept in mind that the supporters of the water project generally

¹⁶ Of these four municipalization plans, only Glasgow’s water scheme included an initial reliance on a “public” rate charged to all property regardless of its use of water. All the other plans had no such provision.

¹⁷ This was the rate paid by buildings (tenements) that actually used water.

¹⁸ The Glasgow Water Act specifically limited the public rate to 1 d. but there was no limit to the domestic rate although it was initially set at 1 s. The former limitation was a concession to property owners of warehouses, stores, and other commercial space (who were not using water). It also reflected the fact that the Gorbals Gravitation Water Company had been limited to a public rate of 1d, and residents there demanded it remain at that rate. The council needed to keep the public rate on both the north and south of the Clyde the same (see below).

represented wealthier landlords, manufacturers, and merchants within the middle class while the opponents represented tavern owners and small landlords, generally the petty bourgeoisie. Involvement in these arguments by the small landlords was especially dominant in Glasgow, and will be emphasized in what follows. The triumph of the arguments of the upper middle class was only possible because they held a majority on the council in these years — a majority that became more tenuous before the decade ended.

Role of the Landlords in the Debate

In considering the arguments from both sides concerning the imposition of new water rates, we must consider who was affected by each type of rate or price in order to understand the particular interests of the parties. In the debate over water there were two water charges in the proposed bill: a domestic *rate* (henceforth referred to as a domestic price) for water paid by the *occupiers* of property (the tenants) based on the annual rental value of that property which was intended as a charge for the home use of water, and a public *rate* taxed the *owners* of property, again based on the annual value without any regard to the nature of the property or the use of water. This rate thus included stores, offices, factories, and warehouses as well as tenements.¹⁹ The domestic price was considerably higher than the public rate.²⁰ Some special types of property were exempted

¹⁹ Large industrial and commercial users were charged based on volume under separate provisions of the act.

²⁰ The initial proposal specified that the public rate would be between 1 and 3 d. The promoters said that the domestic price would be 1 shilling (less than the price charged by the private company at the time). A shilling equaled twelve pence (d).

from both charges such as rail yards, rights of way, and agricultural areas within the city.

A rather narrow-minded self-interest was central to the small landlords' objections. They did not want to pay new water charges, either because they were not supplying water and had no intention of doing so in the future, thus seeing no obligation to support the public health benefit that water would provide to the city, or they saw prices as cutting into their rental income which was their livelihood, and was protected by their rights as property owners. As Mr. Rutherglen, a witness before the Select Committee examining the proposed bill, stated, he owned low-rent property in the city and "would set the loss in the collections of the rents at 25 percent. One cause of there being so much loss was that the working classes generally had no goods that it would be worth while to distrain . . . He considered that the public rate of 2d in the pound would, practically, in consequence of the deductions made from receipts, be 4d."²¹ Sometimes tenants moved without warning, and at other times they simply did not have the money to pay the expense. In either case, the result was that the poorer landlords were forced to absorb the cost of any rate increase on low rent flats. Here was a form of double taxation. Not only did they pay income taxes, just as other business people, but from their perspective, water charges came out of the rents that they charged or they simply had to pay the tenants' share, thus they paid twice on the same source of income.

Small landlords generally demonstrated a particular short-sightedness with regard to the improvements in property values that improved public amenities brought. In spite of over-crowding there was little that they could do to increase rents to their poor tenants.

²¹ *Glasgow Examiner*, March 28, 1854, page 1 col. 2.

These petty bourgeois property owners looked to their investments to provide income, not long-term appreciation in value. Any increase in rates or prices, even when it was collected from tenants, was viewed as a reduction of their potential income. In addition, they rightly complained about the fact that their property was valued higher than the urban residential property of the wealthy owner-occupiers because it was easier to get yearly rental figures from poor law assessment roles than it was for owner-occupied property. This issue lingered on into the twentieth century.²² As previously mentioned, the final water bill placated some of the landlords (those with commercial property) by limiting the public rate to 1d in the pound.²³ Yet, even this concession did not appease the complaints of the petty bourgeois owners of working-class tenements. They did not care about the public rate which many saw as a mere fire protection rate. It was the unlimited domestic price which they had opposed and which remained substantially unchanged in the final bill. Councilman McLellan, a coach builder who spoke on behalf of the small landlords, said that the bill would place a great burden on ratepayers. They would be forced to pay more than their fair share, nor would taxes be spread evenly among the population.²⁴ Issues of rates and prices remained a contested area from the time that Glasgow municipalized water to when Birmingham completed both water and gas municipalization in 1875.

²² Josiah Stamp, "The Finance of Municipal Government," in *A Century of Municipal Progress, 1835- 1935*, Harold J. Laski, ed. (London: George Allan & Unwin, Ltd., 1935): 370-399.

²³ *Glasgow Herald*, Sept. 1, 1854.

²⁴ *Glasgow Examiner*, April 1, 1854 p. 3.

Aside from the issue of the fairness of rates, small landlords showed a remarkable lack of civic consciousness regarding public health. As discussed before (see Chapter 1), one of the early arguments in favor of the water scheme was that the city was inadequately supplied by the Glasgow Water Company, which had failed to improve its service for a number of years. Ultimately they did not appear to have the capital or the will to tackle the problem. Nor did their monopolist control provide any incentive to do so, even if the public health benefit of a plentiful supply of clean water had become generally accepted. Mr. M'Dowall reminded the council that a recent police report had shown there were 65 closes "that didn't have a drop of water."²⁵ The tenants were either stealing water or were drinking from contaminated wells. Yet, many of the landlords continued to argue against the imposition of a domestic price - as an infringement of their property rights and potential reduction of their rental income - which might have forced them to supply water to their tenants, because they clearly intended to continue to refuse to do so. Councilman Grey reminded the council that the use of compulsory rates was not entirely new to Scotland. He said that when an entire community benefits from a new or improved service "all property should bear a share of the expense."²⁶ The landlords' opposition to any water charges was a signal of their opposition to a possible future mandatory requirement to supply water to tenants whose cost they would undoubtedly be forced to bear. This opposition reflected their emphasis of property rights in the context of a political economy

²⁵ Anon, *Water Supply from Loch Katrine; the discussions in the town council on the subject* (Aird and Coghill, Glasgow: 1868): 64.

²⁶ Anon, *Water Supply*, 61.

that still put great weight on individual responsibility.

Small landlords wanted to see the domestic price limited in the proposed 1853 Water Bill—as written it was unlimited. Their fear of unlimited taxing authority of local government, reflects the general distrust in which local councils continued to be held even two decades after the Municipal Corporation Act - Scotland (1833). This suggests that the council did not represent the will of the ratepayers, but rather a select group of more wealthy property-owners within the city. In the event, the success of the Loch Katrine project which greatly increased the supply of fresh water to the city and reduced its price to all users demonstrated that this new middle class leadership could run the city efficiently and deliver this vital service in a business-like manner.

The opposition continued in 1860 when the Council sought additional borrowing powers related to water supplies. Opponents argued that there were inequities in both the 1855 Act as well as the proposed legislation. They were unhappy that neither act limited the domestic price on the north of the River Clyde although it was limited south of the river.²⁷ They argued that since the public rate of 1d. was already being charged, the only source for additional income was from the domestic price, which must come from their pockets. In a rather farfetched argument, they said that the Water Commissioners were free to negotiate any price they wished for industrial and commercial uses. They claimed that municipal authorities might raise prices so high that these large users would abandon

²⁷ The reason for this was that the act that created the Gorbals Water Company in 1848 had limited the maximum rate that the company could charge. As a result residents on the south of the Clyde could legitimately claim the extension of this clause in the amalgamation of the Gorbals Water Company into the municipal supply in 1855.

the municipal supply of water, thus transferring additional costs to small householders.²⁸

The arguments of the proponents centered around the fact that the project made practical business sense as well as embodying their civic responsibility. In defense of one provision of the bill, before a Parliamentary committee, Mr. Hope Scott explained that an unlimited domestic price allowed the council to borrow at the lowest possible cost. The Lord Provost added that a 1 percent difference in interest rates could save the city £12,000 a year. This amounted to 2.5 d. in the total taxes and 5 d. in the domestic price alone. He cited the example of Leeds where the rates were unlimited and they borrowed the previous year at 3.5 percent while the Clyde Trust rates were limited and they borrowed at 4 percent. This half percent could make the difference between keeping the new charges at the level proposed or increasing them and thus raising not just the charges but the anger of the ratepayers.²⁹

More affluent landlords supported rate increases for a number of reasons. This group often framed their views on rates within the context of the improvements to the value of their property that a better supply of water would bring and the rather small amount that they were currently paying in rates at present. They saw the rates as a minor burden because the greater the value of their property, the lower rates were as a percentage of their income. Thus, they could think in terms of appreciation and not present income. The comment of Mr. Thomas Leadbetter, a “builder and plumber in

²⁸ United Kingdom, House of Commons, Select Committee, “Glasgow Water Bill,” March 8, 1860 (University of Glasgow, Special Collections).

²⁹ *Glasgow Examiner*, March 25, 1854. In Glasgow ratepayers were considered to be synonymous with users of water. This was not always the case in other cities.

Glasgow,” was typical of this sentiment. In a letter to a local paper he wrote that “besides being an owner of house property to the amount of £1,500 a year, [he] believed that the supply of water under this bill would be of great advantage to his property, and to the community generally.”³⁰ Leadbetter’s comment reveals the attitude of the upper middle class; his reference to £1,500 worth of property suggests this. Another local proprietor, builder, and member of the council, Mr. James Graham, equivocated in his support for a public rate by suggesting that it should be imposed only after the rate on consumers was “exhausted.”³¹ Graham’s emphasis was on the occupiers of property (the tenants) which is consistent with the general attitude of tenement builders in the city. Generally, those on the council who represented the wealthier districts saw water rates as a very small expense. People in this position could afford to maintain a broader perspective on the relative costs and merits of improved water supplies.³²

Challenges to rate or price increases and demands for reductions were a typical part of the debates in the process of municipalization of local gas and water companies. Concerns that promised new charges were greatly understated required repeated denials by council members. Replying to claims that water charges would go up in Glasgow as a result of municipalization, councilman M’Dowall said that the current water company’s

³⁰ *Glasgow Courier*, March 25, 1854, p. 1 col. 5.

³¹ *Constitutional*, [Glasgow], Sept. 22, 1853.

³² Other supporters of municipalization argued that the cost of a general water rate would be offset by indirect savings. Referring to insurance in October 1852, Baillie Gourlay suggested that one benefit of a gravitational supply of water would be the reduction of fire insurance premiums because the supply would be more dependable as well as more effective from improved water pressure. *Glasgow Herald*, Oct. 15, 1852.

income was £38,000 even though many landlords simply did not provide their tenants with water. If water supply was taken over by the city, all landlords and tenants would be forced to pay.³³ This would supply the additional revenue needed for the project while actually lowering domestic prices. In the end, the new Water Commission was to spend a good deal more than the original estimates to complete the project. In May 1858, a year before the Loch Katrine reservoir was opened, it reported that the total cost of purchases and new works had reached £995,514. While the project was under construction the committee requested a total levy of £63,500 from the water rate. This was based on both a domestic price and a public rate of 1s. 2d. and 1d. respectively. The domestic price was exceptionally modest, representing a continuation of the private company's price for domestic supply, even though a considerable new debt was incurred and the new works were not even operational. In 1865 the domestic price went down to 1s., in 1871 it went to 9d., and in 1872 to 8d.³⁴ The success of the Water Commission in the management of water clearly emboldened the council in 1868 when it decided to municipalize gas. The landlords and other opponents of water were much less vocal during the debate over purchase of the gas companies. The city spent more but still imposed lower overall charges than all the opponents had predicted.³⁵

In spite of the city's success, however, powerful interests could often receive

³³ *Glasgow Herald*, Sept. 16, 1853.

³⁴ James D. Marwick, *Glasgow: The Water Supply of the City from the earliest period til the close of 1900* (Glasgow: Robert Anderson, 1901): 74.

³⁵ Glasgow Water Commission, Minutes, Aug. 28, 1856 and May 1858.

special consideration when cities applied for new legislative powers. This was the case during the debate over gas municipalization in 1869. Glasgow's local railroad companies saw an opportunity to fight what they perceived as excessive taxes that the proposed bill imposed on them. This centered on the Borough Rate which they were subject to based on the full rental value of their urban property. They petitioned in the House of Lords to have this reduced to one-fourth of the annual rental based on the precedent of the Local Government Act of 1858 which had reduced the rate of a number of taxes on various kinds of undeveloped urban property to this level. Glasgow's proposed legislation offered no such protection. In committee testimony, Mr. Aspinall, speaking on behalf of the two local rail companies, argued that based on this precedent they were entitled to a reduction. Here there was no pretense about civic consciousness. They simply wanted to pay only their "fair" share of the expenses. They viewed themselves as over-taxed and saw a chance for a reduction. It made no difference that they used gas for lighting train stations and buildings, and that they would get the same price reductions that residents were going to receive as a result of municipalization.³⁶

Discontent among the smaller builders spilled over into the elections that followed the approval of the Loch Katrine Water Scheme. The wealthy proprietors had gotten their way, and the water project would eventually prove itself a great success. Although the progressive leadership of the council helped to legitimize middle class ascendancy in this

³⁶ United Kingdom, House of Lords Select Comm. On Private Bills, "Birmingham Corp Gas Bill," Wed. June 23, 1875, 2-12. The rail companies did not see themselves as part of the communities they served. They bought the right of ways and land and saw them as part of their assets.

reform process, there is some indication that the majority had gotten ahead of the electorate in the city as of 1857. Voting provided a tool for *gradual* change in Scotland and England. This was because the Municipal Corporations Act provided that only a third of the representatives in the council were elected each year to three-year terms of office. This slowed the process of reform but tended to keep a progressive council in power once it had been elected.³⁷ In 1855, a short time after the height of the controversy over the Loch Katrine Water Bill, eight of the sixteen seats for the council were contested. The next year only five seats were contested. All of the western wards of the city, whose liberal council members had shown consistent support for Loch Katrine, were contested in 1855, while the three wards representing Gorbals (whose council members had generally opposed the project) went uncontested. Although there were several council members who retired, only one of the contested wards with retirements was on the east side of the town.³⁸ This suggests that those areas that had been previously supplied by the private company were less supportive of their representatives, while the areas with the small landlords who had opposed the project returned their council members unopposed. The new council halted the purchase of the private gas companies proposed in 1857. As reported in the August 20th minutes, the Council created a sub-committee “to take all actions necessary to purchase the two existing gas companies.” But Mr. James Martin, a leather merchant, protested that the council had never formally agreed to acquire the gas companies. In a subsequent vote of 25 to 10 it was decided that no further action was to

³⁷ The same provision was part of the Scottish version of this act in 1833.

³⁸ Glasgow, Council Minute Books, 1856-57 *passim*.

be taken in the matter.³⁹ Although a majority had existed on the Council just two years before in favor of the municipalization of water, and the implementation of the Loch Katrine project was moving ahead smoothly, some of the enthusiasm for any further debt or rate increases had subsided. This is not to suggest that an aroused public had suddenly disappeared in Glasgow, but that the Council knew when it was time to pause in new reform projects, if its members wanted to preserve their political careers.⁴⁰

The small landlords saw increases in rates as a luxury that might save the city money, but not them. Their marginal costs were high relative to their profits and thus even modest increases in those costs had an immediate impact on their pocketbooks. Their attitude was that of the small business man who saw an investment in increased efficiency as little more than a loss of income. Compare these “small” men with the wealthy proprietors who were more than willing to pay a water rate because it was such a small part of his profit. Such men thought in terms of investment appreciation.⁴¹

Ratepayer property rights were protected by Parliament through an elaborate system that provided numerous checks on local government spending and taxes. This included the ability to object to rate increases embodied in most legislation by requiring public meetings of ratepayers and polls of their opinions, petitions before councils, their

³⁹ Glasgow, Council Minute Books, 1857 August 20.

⁴⁰ With sixteen wards in the city, as few as 225 ratepayers could constitute a majority in one ward.

⁴¹ Although my research did not involve determining which of the participants in the debates over water held the actual land titles, and thus received the feu duties, such an investigation might reveal the extent that large landlords truly did stand to benefit from increased property values.

ability to create roadblocks to proposed legislation in Parliament, and finally their ability to change the character and composition of local town councils at elections. Local councils were aware of their obligations to ratepayers, and did not make decisions to increase rates lightly. This is clear from the fact that Glasgow's Town Council recognized the need to improve the water supply in 1849 (and even well before), yet there was no clear majority in the council until 1853 willing to accept the financial responsibility. Rate increases were a direct result of the expense of municipal improvement projects. A major component of the cost of these was the price that had to be paid for the private companies. This topic is explored in the next section.

Determining a Fair Purchase Price for the Private Companies

Just as relations with ratepayers required reconciling conflicts between the upper and petty bourgeoisie on the local level over rates, the municipalization of water and gas companies required that the town council satisfy shareholders while at the same time avoiding insurmountable opposition from the public. Significant conflict centered around the price being paid for the private companies. This would seem to be a fairly ordinary subject, and some basic rules should apply to determine a selling price. Company assets had to be evaluated, and profits over the most recent years reviewed. Outstanding debt was usually either taken over by the purchaser or liquidated. In the simplest of terms, companies wanted to receive the highest price possible from a purchaser, while purchasers tried to get the company at the lowest price they could negotiate. The problem in nineteenth century Great Britain was that most of the larger water and gas companies operated under Parliamentary Charters under increasingly structured provisions, which

created several unique conditions that affected the determination of a selling price.

Railway legislation also set a precedent for the utility companies. For example, the 1844 Railways Act limited maximum dividends to 10%, but also stipulated that the government could purchase the railways after 25 years of operation for 25 times the average dividend paid over the last three years of operations.⁴² This precedent created an expectation among utility shareholders for the price that they should receive for the sale of their shares; as it turned out they did even better than the railway shareholders.

Before reviewing the arguments over the purchase price, the question of what was being bought must be explained. Legislation creating these utility companies authorized a specific amount of stock that could be sold to the public at an initial price, as well as a maximum amount of additional borrowing. But the companies were not required to charge the full price for the stock to the shareholders at the time of purchase. The amount that shareholders paid (which was decided by each company) was the “called up” stock. For example, a company’s stock might have a face value of £50 per share, but only £30 might have been “called.” The remaining £20 was the uncalled capital. In addition, legislation provided for a maximum dividend and the creation of a reserve fund to pay dividends (including prior years) when the maximum could not be reached.⁴³ Only when

⁴² Charles E. R. Sherrington, *The Economics of Rail Transport in Great Britain*, Vol. 1 (Edward Arnold & Co., London: 1928): 228-9.

⁴³ Edwin Upton, *Organization and Administration of the Gas Undertaking* (Sir Isaac Pitman & Sons, Ltd., London: 1925): 10. The Gas Works Clauses Acts of 1847 and 1871 limited the dividend on paid up capital to ten percent, but provided a reserve fund of no more than one-tenth of the company’s nominal capital to make up previous year dividends.

the reserve was fully funded (usually based on 10% of the called up capital) was the company required to reduce the actual prices they were charging the public.

During negotiations over its purchase, a company could threaten to call up stock to increase the total purchase price. Since the city was not buying out the stock at its current price, but rather offering perpetual annuities at a fixed rate of interest for the *called up* stock, any increase in this stock would increase the annual interest payment that the city would have to make to the shareholders. This almost happened when Glasgow's Town Council was trying to set a price for the Gorbals Water Company. The Company's directors at one point proposed to call up the last £3 of their £10 shares, which would have raised the called up stock to the legal limit.⁴⁴ In this instance the attempt failed, and they settled for 6% for their outstanding stock of £180,000.

Besides its called up stock, a company's reserve funds also could affect the purchase price. These could be seen as potential dividends to shareholders and excess payments from the public. Whose money was this? The enabling legislation, creating the private companies, provided no means for shareholders to recover these reserves as long as shareholders were paid their yearly maximum dividend. Shareholders wanted the reserve funds distributed to them when the companies were sold rather than transferred to the new municipal corporation. This is what happened in Birmingham in 1875, thus providing an additional windfall profit. At least some council members wanted the reserves

⁴⁴ *Glasgow Courier*, Sat. Jan. 21, 1854 page 1. A private company might call up more of its stock during negotiations to sell the company to a city. Since the sale price was based on a percentage of the capital, increasing the called up stock raised the capital and therefore the price. This is not unlike a "poison pill" today.

carried over to the corporation. These reserves were part of the Parliamentary compromise developed to compensate the shareholders for the imposition of maximum dividend limits on monopoly companies. Without such restrictions many of these companies could easily have had much higher rates of return. Additionally, the limitation on dividends theoretically imposed a maximum price for the commodity (without one being imposed by Parliament).⁴⁵

Wishing to preserve their borrowing power for other expenses, Glasgow's Town Council had no intention of buying out the water company "lock stock and barrel." Instead, they offered to convert company stock into perpetual municipal annuities that provided a fixed and guaranteed rate of interest. Since these dividends were to be paid forever the proposals were astonishing by almost any standard, considering that the only precedent concerned the possible nationalization of the railroads which made no such provision.⁴⁶ What percent should the council offer the shareholders? The most costly answer was to offer them the maximum dividend that they had been receiving from the companies as perpetual annuities. Yet, neither the Gorbals nor Glasgow water companies had been paying their maximum dividend, at least up until the early 1850's.

Even if a particular company paid its maximum dividend, it might have done so out of its reserve fund, or in some other way that overstated profits. One argument against a

⁴⁵ In practice, companies found many ways to get around the restrictions of the reserve fund. This eventually resulted in an incentive approach to get commodity prices down later in the century.

⁴⁶ The 1844 Railways Act provide a precedent for buying out private companies, after twenty-one years, but it was limited not perpetual. Water in Scotland is today provided by Scottish Water, a quasi-government company answerable to the Scottish Parliament.

high purchase price (based on the dividends that they paid) was that the only reason that these public utility companies could afford to pay their maximum dividend was the protected conditions under which they operated. The reserve fund, specifically, provided shareholders with a form of insurance. If a company had no reserve because business had been bad for a number of years, and subsequently found itself with profits that allowed them to create reserves, they could still be used to pay prior dividends. These conditions paralleled the experiences of the previous twenty years in Great Britain with respect to the development of the railroads, which had led to the idea that some types of distribution businesses were “natural” monopolies that should be allowed to operate without competition, but which then needed to have profits limited by law.⁴⁷

For Glasgow borrowing was the only way open to purchase the private companies and finance the Loch Katrine project. Debt allowed the city to amortize the cost of the purchase over thirty to forty years through sinking funds. These funds received annual payments that a corporation made from the operating income of the municipalized utility. Payments were mandated by Parliament in the town’s authorizing legislation, and usually set at one percent of the face value of the stock. The funds were invested at compound interest while the payments, made annually for the annuities, were at simple interest.⁴⁸ Thus, at 3.5 percent it took 45 years to accumulate enough in the sinking fund to pay the

⁴⁷ Falkus, *Development of Municipal Trading*, 140. On railroads as “natural monopolies” see J. S. Foreman-Peck, “Natural Monopoly and Railway Policy in the Nineteenth Century,” *Oxford Economic Papers* 39, (Dec. 1987): 699-718.

⁴⁸ I will have more to say about sinking funds in Chapter 6 concerning how these funds contributed to the circulation of capital within the city.

perpetual annuity from the sinking fund income without further recourse to operating income. (At 4 percent it took 42 years.) Alternately, the money in sinking funds could be used to buy out annuitants at times of high interest in the open markets, when the cash value of the annuities was low. Annuitants always had the option of commuting their annuity into cash.

From the point of view of investors, the advantage of perpetual annuities was the conversion of, at times, questionable annual dividend payments into guaranteed income. Records of annuitant transfers of the Water Commission in Glasgow between July 1856 and December 1857 show that £ 123,000 of annuities were transferred from original owners (that is sold on the open market). This represented 17 percent of the total value of annuities held by the public during this period. Similarly, from December 1869 to December 1870 £ 39,186 of annuities of the Municipal Gas Commission were sold and re-registered. These represented just 9.4 percent of the total amount of the annuities issued.⁴⁹ These data strongly suggest that most of the original shareholders of both the private water and gas companies were satisfied with the purchase prices the city offered. The value of the annuities is reflected in the fact that among the major purchasers of the transfers were five local banks which purchased a total of £ 18,255 of annuities.⁵⁰ Annuities were also held by individuals, trusts and insurance companies. Even the names of some of the most bitter opponents of these projects appear in the registers of the

⁴⁹ These figures come from my analysis of the Glasgow Corporation Waterworks, Register of Transfers, 1856-75 and the Glasgow Corporation Gas Annuities, Register of Transfers 1869-84. ML.

⁵⁰ Glasgow Corp. Waterworks, Register of Transfers, 1856-75, vol. 1. ML.

annuitants.⁵¹ All this confirmed what everyone knew— water and gas were good investments.

Ironically, the immediate increase in the selling price of the annuities vindicated the arguments of many of the water bill opponents that the price paid for the companies was much more than they were worth. Yet, the high purchase price and the long-term interest payments, still did not result in higher than planned water rates. Rather quickly, municipal management was proving itself more efficient and economical than private ownership. Glasgow borrowed at lower than commercial interest rates, it consolidated the cumbersome operations of the two water companies, and distributed overhead costs more efficiently for the water services that the town's new Water Commission provided. Many other towns followed Glasgow's lead in the provision of water in the second half of the nineteenth century, although the adoption of municipal water systems may be attributed more to the Public Health Act of 1875 which made water supply the responsibility of local authorities. Glasgow's Town Council had shown that you could borrow substantial sums at low interest, keep water prices first at and then below their previous levels, and manage a public water corporation as well as any private company. In the end, between 1845 and 1914 a total of 326 municipal water systems were established in Great Britain.⁵²

The purchase price of the companies was partly determined by audits of the books

⁵¹ Andrew Gemmill was a member of the Glasgow Town Council and an ardent opponent of the 1854 Water Bill. He died in 1872 leaving an estate worth £ 14,321. It was truly astonishing to find that he owned several hundred pounds of annuities from the Corporation Water Commission. City of Glasgow Archives, Sederunt Books, T-AF104/1, 61. ML. The next chapter discusses Gemmill's role in the debate over water.

⁵² Falkus, "The Development of Municipal Trading," 152.

of the private companies conducted by local accountants. There was general knowledge about the financial health of local companies because of reports in the *Glasgow Herald* on annual meetings, but the auditors provided a formal confirmation of the financial condition of the companies to the town council. In Glasgow the audits confirmed that prior to 1850 the water companies had paid no dividends for “a number of years” which confirmed the charges made by at least one councilman.⁵³ One might expect that this would have resulted in the council getting a lower interest rate for the annuities, but this was only partly true. This is because the Glasgow Water Company obstructed municipalization by refusing to settle on a price, thus forcing the council to arbitration.

In Scotland, arbitration operated under common law. It could be conducted with one or more judges and once completed was enforced by the courts. The outcome was unpredictable and could easily go against a municipal authority. This was the case in Paisley when the town council entered into negotiations with the local water company. When the parties there could not come to an agreement arbiters set the price for the £60,000 paid-up capital stock at over 6.5 percent. This was close to the maximum dividend that the company had been paying, and represented a generous payment to the stockholders into perpetuity.⁵⁴

In Glasgow the failure of negotiations between the Glasgow Water Company and the Town Council from June to December 1853 resulted in Parliament adding an

⁵³ This was Councilman M'Lellan. Anon, *Water Supply from Loch Katrine*, 19, 190.

⁵⁴ See Paisley Town Council, “Report to the magistrates and town council of Paisley as commissioners under the Paisley water works Act of 1854,” (Paisley: James Cook, 1855) (University of Glasgow Special Collections).

arbitration clause to the Water Act.⁵⁵ Ironically, this lack of a settled price provided opponents with another argument against the Water Bill. In the end, the Glasgow Water Company's ordinary stock of £345,380 was purchased by perpetual annuities of 4.5 percent, and its preferred stock of £41,680 was purchased at 6 percent which was 1 percent below their maximum dividend.⁵⁶ Glasgow struck a similar deal in 1869 with its gas companies, paying between .75 and 1 percent below their maximum dividends.

The men who controlled the council during the negotiations were not the petty bourgeois tradesmen and landlords who opposed both increased taxes and high purchase prices (for stock that they did not own). Rather, as we have already seen, the council was controlled by wealthy landowners, merchants, and a few professionals and manufacturers who could afford the total charges for water because they were probably already buying it from the private company, and saw no reason to oppose a high purchase price since it was the members of their class who owned stock. This group had no desire to do anything that might have damaged the private companies in the process of municipalization, such as threatening to create another company. Referring to the idea of creating a new water company in 1852, Sir James Anderson opposed "rendering their property valueless."⁵⁷ Councilman Archibald M'Lellan concurred, opposing "that summary mode of extinguishing and cashiering that company."⁵⁸ A new company that used a gravitational

⁵⁵ Glasgow, Water Committee Minute Book, 29 June - 31 Dec. 1853. ML

⁵⁶ Bell & Paton, *Glasgow: Its Municipal Organization*, 247.

⁵⁷ Anon, *Water Supply*, 21.

⁵⁸ Anon, *Water Supply*, 22.

supply of water would have effectively undercut the profitability of the Glasgow Water Company.

This attitude set a limit on the terms for municipal acquisition and thus tended to raise the price, but not to the extent of the claims of the opposition. The *Glasgow Examiner* falsely claimed that the city was going to pay £12,800 forever (over 7 percent) for the Gorbals Water Company where its directors had only been paying 5 percent dividends on a company that might only be worth 3 percent.⁵⁹ Letters to the editor often reminded the public about the results of the inflated prices being paid for the companies. In a letter on “The Gas Question” to the *Glasgow Herald*, “a ratepayer” claimed “that at the present time the 6 percent annuities of the Water Corporation are worth £151, so that if £100 secured at 6% is worth £151 what will £100 bring if secured at 9%? Answer — £226 10s.” He ended by writing that “instead of the trustees for children etc., being called on to make a sacrifice, they get an immediate benefit of £22 10s per cent which may be instantly realized or held for the benefit of the parties interested.”⁶⁰ This last bit of sarcasm aside, it was clear that there were many ratepayers who felt that the city was overpaying.

Glasgow’s municipal leaders established a reputation for progressive government as well as prudent administration and stringent financial control. One method to establish the latter was the creation of depreciation accounts. These accounts reduced the value of an asset (for example a building, pipelines, an entire waterworks) by a fixed amount each

⁵⁹ *Glasgow Examiner*, Nov. 18, 1854.

⁶⁰ *Glasgow Herald*, Sat. April 17, 1869 p.6 col.2.

year until the asset's value was zero.⁶¹ The pressure to keep current taxes low, and the fact that unborn generations could not complain, made it too easy for many local governments to pass some of their costs along to future generations by under-funding these accounts. At the end of the century, as debates intensified over municipal trading activities, Glasgow's fiscal prudence became obvious during Parliamentary hearings concerning municipal trading. The use of depreciation accounts is a normal accounting function in a private company which decreases both assets and profits (and can often be used to hide the latter). In the municipal context, however, over time money needed to be available to pay for repairs. Without it additional taxes might be needed in the long-term.

Glasgow was a model city, in this regard, creating both sinking and depreciation accounts. In his testimony before Parliament in 1900, Lord Provost Samuel Chisholm stated that the city had both sinking and depreciation funds to cover the existing long-term debt of its various trading enterprises. Chisholm was asked about the value attached to these assets because Parliament was trying to determine if local governments were over-valuing them. If true, municipal debt in comparison would appear lower than it was in reality. Chisholm said that unlike private companies, which include "good-will" as part of the assets of their business, Glasgow used only the "actual cost price" in computing the value of their assets. Chisholm said, "Our capital is never watered by an additional of half a million of money, although for our tramway enterprise I am satisfied we could get

⁶¹ In accounting, as you reduce the value of your assets you reduce your profit. This can have a number of important consequences in business, but not necessarily in government which does not pay taxes on profits.

several millions for the concession.”⁶² Many cities failed to implement such rigorous financial controls and as a result, Parliament eventually imposed these after the end of the century.

Conclusion

Middle class elites were able to commence the municipalization of water in Glasgow only after they had overcome the opposition within the broader middle class which included both petty bourgeois landlords, shopkeepers and the wealthier Tory and Whig remnants of the pre-reform era. These groups delayed reform but they could not stop it. The newly dominant merchants and manufacturers (along with professionals), satisfied both the shareholders of the private companies and a majority of the ratepayers by capitalizing the general taxing authority of the city without actually raising taxes above the rates charged by the private water companies. Glasgow was able to offer a good deal to the shareholders through debt financing. Yet, this debt may well have been much riskier than the elites were willing to admit to the public or themselves. Had technology changed faster than it did, the gas municipalization projects might have proven to be a substantial liability. As it was, municipal governments were eventually accused of impeding progress in electrification by the end of the century. Municipalization imposed a tax burden on the petty bourgeois landlords who had successfully resisted sanitary reform in the face of calls from the medical establishment in the 1840's, but who were outvoted by the new political leadership. The lower middle class was swimming against the tide of increased public

⁶² Great Britain, House of Lords and House of Commons, Joint Select Committee on Municipal Trading, July 10, 1900 (London: Wyman and Sons Ltd., 1900): 222.

responsibility *at the municipal level* because the problems of the city were not going to be solved either by the central government or by private companies, both of which had their own agendas.

The new elites would prove to be better entrepreneurs than the private company directors, and better philanthropists than the “Chalmerians.” Many were disciples of Chalmers ideas but they had moved beyond his reliance on voluntarism. What they had achieved was almost a contradiction of Chalmers’ idea of the Godly Commonwealth — municipal empowerment. The public sphere was expanded not, however, by sacrificing voluntary societies but by co-opting company shareholders who could be placated by a municipal corporation just as well as by a private joint-stock company. Municipalization of water also helped complete the process of amalgamation of Gorbals into the city, although as we shall see in the next chapter there were a number of geographic divisions that were briefly intensified by the controversy over the water project.

Glasgow’s town council reconciled the conflicting interests of ratepayers and shareholders, and those of current and future generations of ratepayers, as they worked through the details of the prices they were paying for the private companies and the period of time over which they repaid the debt that they placed upon themselves. They placed a high value on the acquisition of these trading activities and paid a high price for the companies. Although they valued the convenience of municipal control of their streets and the contribution that these trading activities might have upon their future, they also were prepared to recognize the contribution that the monopoly companies had often made to their cities’ previous prosperity. Council members drew a new line between private and

public activity that increased the public domain but they paid for it in the long term. The burden of debt and financing played a decisive role in how all of these issues came together as part of the process of municipal trading. In spite of all the difficulties, the success of these trading activities helped to legitimize the ascendance of the upper middle class as community leaders. Although few of them ever went on to national prominence, they had shown that, as a group, they could deal effectively with sanitary problems that central government was only slowly coming to confront.

Chapter 3

The Middle Class and the Politics of Municipalization

The previous chapter discussed both the difficulties of determining an equitable local rate structure, as well as fair prices for private companies during the municipalization debates. Although the upper middle class was in firm control of Glasgow's town council, as the debates began in 1853 there was no consensus over the proposed water project. Large expenditures that dwarfed virtually all previous municipal activities, and ventures into areas previously reserved for private initiative, created heated confrontations that fractured the Town Council.¹ Ideological, socioeconomic, and geographic divisions within the middle class were brought into greater contrast as council members expressed the interests of specific groups or their local wards during the course of the debates. Although other concerns would eventually prove crucial in dealing with the controversy over water, disagreements about money and financing played a central role in this debate. These financial disagreements provide the most revealing window into middle-class Victorian divisions. Yet, although these fractures were real, and sometimes bitter, the fact that they were also along differing lines of wealth, occupation, and residence meant that alliances were not completely static and thus were not likely to harden permanently. Eventually most of the bitter opponents of the water project were reconciled to municipalization. Thus, these very divisions reflect a strength, not a weakness, of the

¹ Besides the water project in the 1850's there was a debate over new parks in the city. See, Irene Maver, "Glasgow's public parks and the community, 1850-1914: a case study in Scottish civic interventionism," *Urban History* 25, no.3 (1998): 323-347.

middle class. The financial requirements for the water project in Glasgow required borrowing considerable sums, and as will be discussed later (Chapter 5), the money came in quickly, demonstrating considerable local support. Had the differences not been reconciled this support might not have been as forthcoming.

We have previously discussed the religious and ethical values that motivated greater municipal activism, but there were other more immediate and personal reasons that, at times, helped explain individual positions on the Water Bill. The motivations that led council members to speak out on controversial issues can be inferred from the circumstances of the council members' backgrounds including their social, political, and religious affiliations. As previously discussed, Christine Bellamy argues that on the local level individuals were influenced by "relations to houses, parks, rivers, farms, woods, mines, factories, markets and so on."² There is much that supports Bellamy's materialistic construction, including the fact that the members owned property and businesses, and supported their constituents who were similarly placed. Materialism however, did not preclude some flexibility when it came to even the most contentious issues. For example, E. P. Hennock argues that the petty bourgeoisie stood to lose the most from rate increases, yet it is clear that, at least as far as Glasgow is concerned, this group was prepared to compromise once the rate was lowered to 1d. from 3d. Clearly, they were willing to pay part of the cost, as long as they did not feel that it was disproportionate. In addition, ideas about what was truly "English" took precedence over practicality.

² Christine Bellamy, *Administering Central-Local Relations 1871-1919* (Manchester: Manchester University Press, 1988): 12 .

Parliament would never have imposed taxes on local business activities even though such a tax might have provided a greater source of local revenue. It was considered too much of an interference in English liberty, and any such a “European” system of taxation stood no chance in Parliament during the nineteenth century.

Council members were motivated by numerous factors, most of which could be openly expressed in debates on municipalization. Their religious beliefs exerted a profound influence on many council members. Indeed, towards the end of the nineteenth century, many municipal reformers were influenced by a new generation of evangelical dissenting ministers who preached a “civic gospel.”³ This perpetuated the secularization of Chalmers’ religious doctrines. Glasgow’s Town Council, although still influenced by the voluntarism of Thomas Chalmers’ Godly Commonwealth, secularized his ideas in their proposals to municipalize water. Water became the purifying agent that the gospel had been under Chalmers.⁴ The civic gospel that evolved later added an openly partisan element to what had been non-partisan in Glasgow and extended civic activism to a new generation of urban reformers. The other influences affecting council members were more personal, and thus were not so easily discussed, as it may have exposed the members to charges of blatant parochial self-interest.

³ One was R. W. Dale, a minister in Birmingham, who influenced the development of the idea of the civic gospel. E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in 19th century Urban Government* (McGill-Queen’s University Press, Montreal: 1973): 154-169.

⁴ This argument is similar to Christopher Hamlin’s view about the growth in public health. Christopher Hamlin, *Public Health and Social Justice in the Age of Chadwick, Britain, 1800-1854* (Cambridge: Cambridge University Press, 1998): 301.

The last chapter discussed the issues of rates and prices in a broad historical and national context. Here I will examine all of the arguments concerning the water proposal emphasizing the variety of divisions within the middle class, and ultimately how these arguments were resolved. As mentioned earlier, the working class was excluded from the franchise based on a £10 ratepayer requirement that effectively eliminated all but a few elite workers from the vote, thus there were no identifiable working class voices raised over this issue. A careful examination of the arguments that were made concerning water, reveals the limits of middle class social consciousness as well as their views on interclass relations. As the middle class groups ultimately compromised their various positions over water they created a consensus that allowed the town council to move ahead. This chapter will present these arguments in some detail to show both the depth of feeling and how issues were ultimately resolved.



Party politics played a secondary role in Glasgow Town Council debates in the 1850's. Party affiliation had not disappeared from Scottish politics. Instead, those who stood for local office generally presented themselves to the voters as non-partisan.⁵ This was a result of the abandonment of local political contests by both Tories and Whigs. The former stopped organized participation in local elections after the Disruption in 1843 (as discussed in Chapter 1), while Whigs stopped local campaigning after an alliance of the

⁵ Although candidates presented themselves as representatives of interest groups and not parties, local papers commonly revealed the party affiliation of candidates for office. The *Glasgow Sentinel* reports on elections in October 1853 provide many party affiliations.

United and Free Presbyterian Churches in 1847 ousted them from Parliamentary representation.⁶ What remained, however, were intra-class divisions along geographic and economic lines. Individual candidates were often identified with various interest groups. For example, representatives of both small landlords and publicans on the council opposed the water bill. Still, Glasgow's Town Council debates were remarkably free of conventional partisan politics.

There were two main geographic divisions within Glasgow, the north-south divide centered on the River Clyde, and an east-west divide which separated the city's poorer from the wealthier districts. The latter were also associated with a higher elevation above the river. The north-south divide was created by the existence of the Gorbals Gravitational Water Company, which supplied water south of the Clyde. Gorbals recent incorporation into Glasgow (in 1846) and that area's general satisfaction with its water company resulted in all but one of the council members who represented districts south of the river opposing the plans for a new municipal water supply. In December 1853, when the municipalization plans were first presented to the council, councilmen from Gorbals moved to limit the new project to the north of the river, but this motion was defeated by a vote of 30 to 14. This north-south division was to continue during the entire period of debate through the end of 1855. It illustrates that more than political affiliation divided Glasgow's population. The varied attitudes about water supply, an issue that was

⁶ W. Hamish Fraser, "From Civic Gospel to Municipal Socialism," in I. G. C. Huchison, ed., *A Political History of Scotland, 1832-1924* (Edinburgh: John Donald Pub. Ltd., 1986): 80-83.

generally recognized as important, exposed parochial as well as benevolent views held by the middle class.

The east-west divide was less apparent in most of the debates but is evidenced by the opposition testimony before Parliament in 1854. Speaking on behalf of Councilman Archibald McLellan, Mr. Sergeant Andrews said that “it was a singular circumstance that all the witnesses in favour of the bill lived in the higher districts of Glasgow— not a single inhabitant living in the lower levels having been called. The cause of this it was not difficult to see. A glance at the existing bill would show how it came that the people living in the higher districts — the rich men of Glasgow — were anxious to tax the poor for a supply of water.”⁷ McLellan had been a member of the pre-reform council and considered himself a traditional Tory.⁸ He was a distinguished member of the community and had been instrumental in improving the condition of the Glasgow Cathedral.⁹ McLellan represented the fourteenth ward located on the far west side of Glasgow. This ward was a new area of the city where many liberal members of the middle class had re-settled. As a coachbuilder and proprietor McLellan opposed the water bill on *laissez-faire* principles, arguing that his constituents were already well supplied by the Glasgow Water Company. When the bill was first introduced in council he repeatedly tried to have limits placed on the maximum charges to property owners. The failure of the majority in December 1853

⁷ *Glasgow Courier*, “Glasgow Water Bill,” March 28, 1854 page 1 col. a-b.

⁸ Irene Sweeney, “Municipal Administration,” 928.

⁹ He eventually donated his extensive art collection to the city.

to accept any of his compromise proposals made him an implacable foe thereafter.¹⁰ The irony in Andrews' testimony is that he opposed the Bill on behalf of the poor people of the city, a group that McLellan did not represent.

Charges of self-interest were always a powerful weapon at council meetings. One councilman, William Bankier a local merchant, claimed that there were members of the council who either "hold an interest in the Gorbals Water Company" or "are landlords and builders of property" or lastly are "professional gentlemen, who hire themselves out by the hour for the express purpose of defeating measures of such paramount importance to the city of Glasgow."¹¹ A number of the opponents then rose in their own defense, categorically denying the charges. For example, Mr. John Mitchell, a wealthy merchant representing Gorbals, admitted that he was, indeed, a proprietor of the Gorbals Water Company, but asserted that, "I opposed the bill because it proposed to levy rates on the inhabitants on the south side of the river when they were already well supplied." The Deacon-Convener Craig also admitted "as holding a large stake in the Gorbals Company" but also claimed to have supported the measure until the Admiralty Report opposed it.¹² Council members were sensitive to the appearance of fiscal impropriety, and were often the first to admit their financial connections to an issue when these were direct. What they did not admit were indirect and social connections. Individual statements could, at times,

¹⁰ Glasgow, Minutes of The Corporation of the City of Glasgow, Dec. 1853. ML. McLellan died at the height of the controversy in November 1854.

¹¹ *Glasgow Courier*, July 27, 1854

¹² This will be discussed below.

be easily traced to personal self-interest, but the transparency of such personal involvement was not lost on the parties to political debates in cities like Glasgow. As a result, council members substituted various rationalizations or circumlocutions for openly self-interested statements, or else they had to recuse themselves from some controversies. Some claimed that their positions hurt their own interests and damaged their relations with their constituents. One effect of these kinds of statements was to diffuse some of the tension that existed on the council and by inference in the community, through arguments that were based on community interest.

Opposition Arguments

There were a number of arguments raised against the water project. These began with claims that the cost of the project was too high. This was based not only on opposition to the price that was being paid for the company stock (as discussed previously), but also to the cost of individual aspects of the Loch Katrine project as well. Again, there were many arguments concerning rates and prices. Objections were also raised to the excessive time that was involved in managing the project, fears that the town was already overtaxed, and concerns about the safety of the water from Loch Katrine. All of these objections came out in a torrent of criticism directed against the council majority, and especially the Lord Provost, beginning in the fall of 1853 and continuing until the fall of 1854.

The central figure in the opposition was Andrew Gemmill, the last Chief Magistrate of Gorbals before it was incorporated into Glasgow. He was one of the original

council members from Gorbals, which had started as a quiet backwater village in the seventeenth century, but had been trying to create middle class housing since early in the nineteenth century.¹³ Gemmill was an attorney, involved in the creation of the Gorbals Water Company, and at one time its Secretary. His story is one of opposition and eventual reconciliation. He was vehemently opposed to the water project from the time that it was first proposed in 1853 almost to the very end, but he eventually became a member of the Water Commission (and purchased Water Commission Annuities). Yet, he was outspoken and at times personal in his attacks, and was treated rather poorly by other council members in return. In 1850, although he was a member of the council he was part of a delegation from the Gorbals Water Company to the council which, at the time, was offering to sell the entire company to the city for 3.5 percent on their stock.¹⁴ By 1853 he had a falling out and was no longer the company's Secretary, thus there was no clear conflict of interest that explains his opposition. It may simply be that he was dutifully representing the views of his constituents who did not want to pay any more for water than they were already paying. Or perhaps he saw himself as Gorbals's last protector, and resented the fact that the proposed legislation was less favorable to Gorbalsians, although it established equality within the boundaries of the entire city of Glasgow. In any case, his arguments illustrate both the geographic division within the city and some of the socio-economic differences within the middle class.

From the time that the council first seriously entertained the idea of the

¹³ By the 1930's Gorbals became one of the most neglected slum areas of Glasgow.

¹⁴ Glasgow, General Committee Minutes, Dec. 19, 1850. ML.

municipalization of water, Gemmill offered an extraordinary range of arguments in opposition to the proposal. In September 1853 Gemmill attempted to delay the initial motion to consider the report of John Fredrick Bateman which favored bringing water from Loch Katrine. Bateman was a civil engineer highly regarded for his knowledge of municipal water supply, having been the principal engineer for Manchester's expensive water project. He was hired to investigate the best source of water for the city.¹⁵ Bateman examined all the options available including getting more water from the south side of the Clyde and the proposed use of Loch Lubnaig or Loch Katrine. He concluded that the latter was the best source of a plentiful supply of water and reported this in March 1853.¹⁶ When Gemmill's motion failed he threatened that "all parties who voted for the resolution shall be personally liable in such expense no part of which shall be defrayed from the corporation funds."¹⁷ Gemmill claimed that the council could not spend public money promoting the proposal because of the lack of council members' unanimity. The corporation funds that he referred to were the ancient yearly income and savings that the

¹⁵ John Frederick Bateman (1816-1892) was responsible for the system of reservoirs designed for Manchester in 1844, which were, at the time, the largest system of municipal reservoirs in Europe. He had been recommended to the Glasgow Town Council by Edwin Chadwick. Irene Sweeney, "Municipal Administration of Glasgow, 1833-1912," Ph. D. diss., Strathclyde University, Glasgow, 1990, 251.

¹⁶ Sir James Bell and James Paton, *Glasgow: its Municipal Organization and Administration* (Glasgow: James MacLehose & Sons, 1896): 244. Although Loch Katrine was 35 miles from the city, slightly further than Loch Lubnaig, less underground tunnels were required than the route from Loch Lubnaig. Its area was 3,000 acres three times the size of Loch Lubnaig, and it was very deep. These physical conditions at Loch Katrine were more favorable in general, making it the better of these two alternatives.

¹⁷ Glasgow, Town Council Minute Books, Sept. 22, 1853. ML.

city had which were used for the common good. He cited a case brought against members of the Plymouth Town Council as proof that such expenses were improper.¹⁸ Gemmill's point was not without precedent. When the Manchester Town Council opposed the creation of a private water company fifty years earlier, the £1,760 they spent was disallowed by the Salford Quarter Sessions and the council members were forced to pay the expense.¹⁹ At least one member of the council found these remarks to be a veiled legal threat, and Gemmill was forced to recant. He said his protest was "merely for the protection of his own interests, and [he] had no intention of following it up by any judicial proceedings."²⁰ Gemmill exposed his bitterness towards the company, distancing himself from the controversy by "some strong remarks, condemning the quality of the Gorbals Gravitation water, and the management of the directors." Council members understood that "circumstances had occurred" recently which had altered his attitude about the company; apparently they all knew that Gemmill's position as Secretary of the Gorbals Water Company had just been terminated.²¹

Gemmill opposed all of the charges in the proposed bill. The initial legislation contained no limit on the proposed public rate, even though the Gorbals Gravitational Company's rate was limited. This exposed his constituents to a future increase which would require no *council* approval (because the Water Commission could increase the

¹⁸ Anon, *Water Supply*, 53.

¹⁹ Wilson, *Lighting the Town*, 185-6.

²⁰ *Sentinel*, Dec. 3, 1853, p. 5 col.6.

²¹ *Ibid.*

rate). He also took up the issue of the “domestic rate” to be imposed on all landlords, whether they provided their tenants with water or not, ignoring the benefits of water for the working classes. This constituted a new tax, and he found it “most objectionable.”²² He also claimed that the price to be paid for the companies was too high in comparison to the income that was expected. He implied that the rates would have to be raised above the amounts being mentioned at the council meetings.

In spite of his previous complaint about the quality of the water from the Gorbals Water Company, Gemmill proposed that they expand their operations to the north of the Clyde. He ignored or discounted Bateman’s report that there were inadequate water resources south of the Clyde, at certain times of the year, to provide water beyond what was already available. He paid no attention to the fact that the Gorbals company had shown no interest in competing on the north, and would have encountered opposition from the Glasgow Water Company in Parliament. He also ignored the issues of duplication of services and increased disruption due to road construction.

Gemmill took quite a verbal beating from his colleagues on the council for his, at times, obnoxious comments. Eventually, one of the councilmen revealed that Gemmill had wanted to be named a Baillie (an appointed position within the council that carried greater prestige), but when he was told that the Lord Provost could not support him, he threatened to oppose the water bill. The revelation effectively silenced his opposition thereafter.²³

²² Anon, *Water Supply*, 50.

²³ Anon, *Water Supply*, 172; Sweeney, *Municipal Administration*, 167.

Arguments of Local Newspapers

Gemmill received considerable support from some of Glasgow's local newspapers. Two radical newspapers argued that the council was paying too much for the companies, and that secret deals were being made in spite of public opposition. For instance, in March 1854, as the proposed legislation was before Parliament, the *Examiner* stated that the Council was going to pay £400,000 to £500,000 to the existing Glasgow Water Company, but their works were only worth some £50,000 to £70,000. They expressed the opinion that "the Citizens may therefore count on forking out some half million of money for the special benefit of an obsolete company, which will neither supply the city nor allow others to do it."²⁴ Accusations about overpaying were combined with criticism of the council and its leaders. The *Examiner* heaped scorn on the Lord Provost, and charged shortly after the first bill had been defeated that "it is whispered that the Lord Provost has committed himself with the old company, and promised to purchase their works though the Loch Katrine scheme be abandoned. We hope the citizens of Glasgow have enough pluck to make his bargain revert on himself."²⁵ In December the *Examiner* published a letter from a David Bell who wrote that the true cost of the project would be £1.2 million, double Bateman's estimate. Bell sarcastically suggested that they had better things to do than be "Hewers of Wood, or Drawers of Water," and they should amend the preamble to the proposed bill to "omit the per pound cost assessment to the ratepayers to

²⁴ *Examiner*, March 25, 1854.

²⁵ *Examiner*, April 8, 1854.

be filled in later, as they pleased,” for water people may or may not want to use.²⁶

Personal attacks were not uncommon and often most offensive at elections. In October 1853 the *Sentinel* used the election cycle to characterize one of the reformers on the council, Mr. George Mitchell, as one of a group of “used-up ‘foggies’” and suggest that Mr. James Taylor had “neither experience nor brains” to be returned in the 4th ward.²⁷ The editor of the *Sentinel* was a local “radical” named Alexander Campbell and the *Examiner* was know as a “crusading” paper. There was also a conservative paper, the *Courier*, and these three papers provided most of the critical comments about the water project.²⁸ Such comments reflected the deep distrust toward the majority of the council exhibited by those who represented themselves as defenders of fiscal economy from a working class perspective.

The arguments could also turn against the council because of their use of English experts when perfectly good Scottish advice was available. The *Courier* criticized the council for hiring Mr. Bateman whose experiences in Manchester, which involved a million pound water project, were used against him. The argument was that Glasgow could not afford such a high price, and that only an Englishman (and an English city) would spend such lavish sums. Two local experts claimed that they had proposed a Loch Katrine gravitational scheme as early as 1845, and they were supported by others who

²⁶ *Examiner*, Dec. 2, 1854, p. 6.

²⁷ *Sentinel*, Oct. 29 1853, p. 5 col.6 ‘The Ward Elections,’ and Oct. 22, 1853, p. 5 col. 3.

²⁸ Irene Maver, *Glasgow* (Edinburgh: Edinburgh University Press, 2000): 71, 88, and 144

claimed that Bateman's estimates were far too high.²⁹ This Scottish chauvinism reflected both a desire to be free of central government control, and pride in Scottish ability and institutions. Both pride and the desire for autonomy explain the general reliance on Scottish financing.³⁰ The council might have approached the Public Works Loan Commission, in London, for loans, but simply did not pursue this route. They wished to preserve and protect their autonomy, and saw financial support as the first step toward outside control.³¹ As late as Jan. 15, 1855, after most of the opposition had been overcome, the *Examiner* claimed that the City Chamberlain, Dr. Strang, had probably opened some secret account to recoup the £30,000 expense related to the water scheme, and that some "hocus pocus" would be found to pay it off.³²

Supporters' arguments

Proponents of the municipal take-over of the water system invariably offered two primary reasons for their position. The first was that the Glasgow Water Company had acknowledged that they could do nothing to improve the supply of water to the city, yet

²⁹ *Sentinel*, Nov. 12, 1853. Lewis D B Gordon, *The Respectful Remonstrance of Lewis Gordon against Mr. Bateman's Plan for Carrying out the Loch Katrine Water Scheme* (London: C. Richard, 1853).

³⁰ This will be demonstrated in Chapter 5.

³¹ This topic will be examined again in Chapter 7 in the comparison between the differences in approach to financing used in Birmingham versus Glasgow.

³² *Examiner* Jan. 20, 1855 page. 5. I have almost twenty years of experience in data processing and accounting prior to beginning this study, and spent a considerable time trying to verify the total expenses posted in the ledgers, but was unable to. Whatever "system" was used to enter the expenses was anything but self-evident. The total cost of legislation was £ 26,000 according to one source. Bell & Paton, *Glasgow: Its Municipal Organization*, 246.

they opposed any effort that was made by anyone else to do so.³³ The second was that something had to be done to improve the health of the town. Those who favored reform often referred to outbreaks of cholera, and the evidence that the locations where the disease was at its worst were in areas with impure or limited water supplies. This argument especially appeared to be so persuasive that no one ever said that improved water supply had nothing to do with the reduction of disease.

Unlike the *Sentinel* and the *Examiner*, the *Glasgow Herald* supported the water project from 1853, when the initial legislation was proposed. The paper tied the interests of the whole community, including the working classes to the proposal, writing: “the Corporation of Glasgow never went to Parliament with so good a cause, or indeed with any one nearly so good, or one in which the best interests of the whole community, and especially of the lower classes, were so closely bound up.”³⁴ After residents of Gorbals presented a petition to the Council against the inclusion of their district in the plans, the *Herald* suggested these were similar to “national petitions” and should be similarly ignored.³⁵ However, because of the seriousness of the complaints about the initial legislative proposals, the Lord Provost moved to amend some of the most controversial elements of the proposed act in December 1853. At a Council meeting he agreed to limit the domestic rate to 2 s. and set the public rate to 1 d. The public rate could go to 2d. if

³³ Anon, *Water Supply*, 11.

³⁴ *Herald*, Feb. 20, 1854 p. 5 col. 3-4 .

³⁵ This was a reference to Chartism which the paper clearly looked upon with disdain. *Herald*, Feb. 24, 1854 p. 5 col. 2-3. There was a major Chartist riot in Glasgow in 1848 widely reported in local papers as well as in *The Times* (London).

the domestic rate (which would start at 1s 1d.) increased beyond 1s. 6d. These compromises were attempts to satisfy the complaints that the rates in the proposal were unlimited. Most of the council approved these changes.³⁶

Support for the bill existed even within the communities seen as centers of opposition. There was one prominent member of the council who represented a district on the south of the Clyde who favored the water project. There were wealthy landlords and property owners who felt they would benefit by a plentiful supply of water. Speaking before the House of Commons, Mr. James Scott said he “was a proprietor chiefly of warehouse and counting-house property in Glasgow to the value of £ 7,700. . .” and also owned a house valued at £5,000 but was currently paying less than twenty pounds in rates. He had no objection to new rates if a plentiful supply of pure water were provided. Part of his support came from the fact that he estimated that just one of his properties would be worth £150,000 a year when fully developed, if water were available. Scott was not unique, with other manufacturers testifying that they were currently pumping their own water from the Clyde which was dirty and expensive and thus supported a scheme that brought clean water from Loch Katrine by gravitation. For example, a Mr. Reid of Monteith & Co., dyers, said that they would be willing to pay £1,000 per year for a supply of good water. The Clyde was “very impure and getting worse.”³⁷ In all likelihood manufacturers would pay less for municipal water, supplied by gravitation, than they were paying for pumped water because their rates were based on use and received volume

³⁶ Glasgow, Minutes of The Corporation of the city of Glasgow, Dec. 26, 1853. ML.

³⁷ *Courier*, March 3, 1854.

discounts. Speaking before the Council in answer to the argument that the Gorbals Water Company could provide a sufficient supply of water, Bailie Gourley said that “bleachers in the neighborhood of Barrhead never use the Gorbals water for fine processes, because it is not sufficiently pure to finish their goods.”³⁸ Although the manufacturers did not have a controlling position on the council, only seven out of fifty members were associated with it, almost all of them were in favor of the water project and their opinion did seem to carry some weight. They clearly had much to gain from a cheap source of pure soft water.

Some small property owners also supported the bill. For example, Mr. John M'Dowall, a merchant, said he had rental property which amounted to £100 per year, a fairly modest income compared to James Scott, and “he did not consider that it would be any hardship at all to pay off this £ 100, 16s.”³⁹ M'Dowall also reminded the council that “in the upper districts particularly — the supply had been quite limited.”⁴⁰ Thus, he inadvertently affirmed that the higher and wealthier districts did have a vested interest in a gravitational water supply from Loch Katrine. In December 1853 Lord Provost Robert Stewart claimed that there were six “proprietors of public works in the city” on the council, and some rather large owners of property as well who favored the bill, and approved the public rate.⁴¹ Thus, a privileged position was afforded the larger land and

³⁸ Anon, *Water Supply*, 57.

³⁹ Anon, *Water Supply*, 63.

⁴⁰ Anon, *Water Supply*, 45. M'Dowell represented the 11th ward in the north-west part of the city. Sections of it were likely at greater height above the river than many other wards.

⁴¹ Anon, *Water Supply*, 69.

property owners. Yet, in spite of the large majority on the Council in favor of the initial bill sent to Parliament at the end of December 1853 two unforeseen issues led to the failure of the initial proposal.

Failure of the Initial Bill

Two unexpected events occurred in the spring of 1854 which led to the failure of the initial Water Bill. First, Dr. Frederick Penny, a chemist at the Andersonian University, reported that his tests of the water from Loch Katrine showed that it absorbed lead. Loch Katrine's water was especially pure and soft, making it unnecessary to filter and valuable to the chemical industry growing in and around Glasgow. No one, however, had considered that it might absorb lead as it traveled through the lead distribution pipes called for in Bateman's plan. This revelation hit the council and the public like a thunderbolt. Dr. Penny had taken samples of the water from Loch Katrine and placed them in vials along with pieces of lead. After several hours the water became murky, indicating that it had absorbed some of the lead. His claim was made to the unending delight of the local opposition. Theatrical demands were made to introduce samples of contaminated water at a council meeting, and to cancel the entire scheme. Eventually however, the supporters on the council hired their own group of experts who examined the issue and also reviewed the conditions of other cities with a similar water supply (although they did not actually conduct any independent tests of their own). In the end Dr. Penny's conclusions were rejected by this new group of experts and his findings were ignored.

As the initial legislation appeared headed to possible defeat, its fate was sealed when the Admiralty published a report claiming that the plan would extract an

unacceptable quantity of water from local rivers. This would hurt fishermen in Stirling and make navigation more difficult. They suggested that water could be pumped from Loch Lomand to a height of 300 feet above the level of the lake (which would then allow for enough height to supply the whole of Glasgow), and that the extra cost would not exceed the cost of bringing water from Loch Katrine which was further from the city.⁴² None of these claims was substantiated with actual evidence, but at this point the original bill was considered doomed.

Opponents pointed out that Gorbals should have been left out of the project. Had it, the proposal would have been approved in 1854, and the expense of going back next year to renew the quest for legislation would have been unnecessary. The repeated concern of the Gorbalonians was that they were already “well served” by an existing company, and they expressed the fear that they would end up paying more for the same service, not to mention being poisoned if Dr. Penny was correct. One of the opponents, however, mentioned that the landlords had stated they would withdraw their opposition if the public rate were limited to one penny in the pound. This elicited a typical response from councilman Wilson, who called out, “I see. ‘Poison the tenants and save our pockets’ was the cry.”⁴³ This kind of personal remark explains why council members tended to be very careful when they had direct financial relations to proposed projects.

Laissez-faire vs. Public Health

⁴² Report of the Admiralty, Glasgow Corporation Waterworks Bill, March 27, 1854, 14.

⁴³ Anon, *Water Supply*, 158.

The only aspect of the debate over water that stirred little opposition was the view that public health concerns now outweighed the sentiment that local government had no role in the provision of water. Almost all of the members of the council were able to draw on earlier research concerning the relationship between dirty water and infectious disease. For instance, Baillie Gourlay presented a proposal in 1852 for the creation of a private company to supply water to Glasgow by gravitation and in so doing he referred to increased death rates for Ayr, Hull, and Dumfries.⁴⁴ In December 1853, when the first water bill was under consideration, the Lord Provost referred to the national report on public health by Symonds and its call for an abundant supply of clean water.⁴⁵ Only rarely did a council member take a stand in support of *laissez-faire*. But one, Councilman D. Y. Stewart, an ironfounder and Liberal, said that “water should not be vested in the corporation,”⁴⁶ and cited as his proof the example of Liverpool which he claimed had failed to fulfill its contracts to pay their debts as part of their own municipalization project extending back to 1848. Yet, this attitude, which was influential in an earlier decade, drew almost no support in the mid 1850's. The city had been shaken by outbreaks of cholera in 1832, 1848-9, and most recently 1853-4. As has been discussed, Cholera added to middle class fears because it struck down people in the prime of health in all areas of the city, not like the fevers that seemed to be limited to the poor. Typhus outbreaks killed over 2,000 in 1837 and 4,000 in 1847, but they did not affect the middle class directly.

⁴⁴ IBID., 16.

⁴⁵ IBID., 70.

⁴⁶ *Courier*, July 27, 1854, and Anon, *Water Supply*, 147.

However, repeated reports of medical investigators including a report from Dr. Sutherland of the General Board of Health in 1849 which referred to the “human wretchedness which lay along the High Street, Saltmarket, and Bridgegate” had eroded council members’ beliefs in municipal *laissez-faire* when it came to issues of public health.⁴⁷ As previously discussed, Edwin Chadwick’s ideas on sanitary conditions had further taken hold of the public’s imagination overpowering ideas about *laissez-faire*. Consider that speaker after speaker at town council meetings expressed the opinion that a plentiful supply of pure water was required for the city. The reports of doctors in Glasgow from the 1840's and before pointed to a lack of clean water as one of the explanations not just for uncleanness but immorality among the working classes.⁴⁸

The idea that there was a valid role for municipal authorities in public health was only gradually accepted by the public. Edwin Chadwick’s report on the sanitary conditions in England and Wales, and the creation of Local Boards of Health, starting in 1848, which should have created a consensus on the value of general sanitary measures, did not. Even in 1862 Glasgow’s first medical officer, Dr. William Gairdner, complained that the city’s new supply of pure water would not save it from a visitation of cholera if the middens and ash-pits were not cleaned out more regularly.⁴⁹ Anthony Wohl points out that it was not until after 1867 that the Public Health (Scotland) Act provided for local

⁴⁷ James Burn Russell, *Public Health Administration in Glasgow* (Glasgow: James Maclehose and Sons, 1905): 12.

⁴⁸ Russell, *Public Health*, *passim*.

⁴⁹ Dr. William T. Gairdner, *Special Report on the Prevention of Cholera* (Glasgow: Robert Anderson, 1865).

rates specifically for health purposes.⁵⁰ Although Scottish legislation often took a back seat to English bills, it is clear that there was only a partial consensus in Glasgow for a public supply of water based strictly on health concerns. Christopher Hamlin argues that it was not until the end of the Victorian period that public health became a matter of political concern to office-seekers.⁵¹ If it was not axiomatic that infectious diseases could be controlled or eliminated by the proper circulation of air and by a plentiful supply of clean water, then what made the old *laissez faire* position seem so out of date?

The answer may lie in the fact that simply asserting that government should not be involved in the business of supplying water or gas failed to take into account the urgent need for reliable and inexpensive supplies of these commodities, and the failure of private companies to keep up with the demand. A number of historians have suggested that this was the case in cities by the middle of the nineteenth century, and use that suggestion to explain the rapid increase in municipal water and gas operations.⁵² It should be no surprise that by 1884 William Gladstone referred to municipal trading in water and gas as “the

⁵⁰ Anthony Wohl, *Endangered Lives: Public Health in Victorian Britain* (Cambridge: Harvard University Press, 1983): 200.

⁵¹ Christopher Hamlin, *Public Health and Social Justice*.

⁵² For a discussion of the abandonment of competition for regulation see William A. Robson, “The Public Utility Services,” in Harold J. Laski, ed., *A Century of Progress* (London: George Allen & Unwin Ltd., 1935): 302-308. For a complete discussion of attitudes toward *laissez-faire* see William C. Lubenow, *The Politics of Government Growth: Early Victorian Attitudes Toward State Intervention, 1833-1848* (Newton Abbot, Devon: David & Charles, 1971).

most elementary among the purposes of municipal government.”⁵³ Even Andrew Gemmill, in his opposition to the water project, spoke in terms of the fact that the city had recently borrowed £100,000 for the new Kelvingrove Park (which everyone also knew was in the western and wealthier area of the city) and therefore they should not get into even greater debt.⁵⁴ His main concern appears to have been with the dangers of too much public debt (and the increasing taxes that went with it), and not the expanded role that the city was planning. That appears to be the case not just with Gemmill but with most of the opponents of the water project, from the overwhelming concern for its monetary aspects.

Few of the opponents objected to the idea of municipal ownership and control on its own merits. This suggests a much simpler explanation for the outcome, namely that money trumps ideology. The council used debt as a way around rate increases. It bought off the opposition, and paid a handsome price to the shareholders. Little room was left for any argument other than one based on money. That may also explain the exuberance of the opponents when Dr. Penny claimed that the water absorbed lead— it gave them something else to talk about. When that argument failed there was nothing left to say.

The events in Glasgow from the summer of 1854 illustrate this. In July council negotiators offered stockholders of the Gorbals Water Company 6 percent perpetual annuities for their shares, and a revised bill was amended to stipulate that south side residents would not pay any more under this legislation than they had been paying to the

⁵³ Quoted in Falkus, “The Development of Municipal Trading in The Nineteenth Century,” *Business History* 19, no.2 (1977): 138.

⁵⁴ Irene Maver, “Glasgow’s public parks and the community, 1850-1914: a case study in Scottish civic interventionism,” *Urban History* 25, no. 3 (1998): 323-348.

Gorbals company. The Lord Provost reported that the initial bill was rejected in Select Committee by the “barest” of margins, and that the Admiralty had never indicated that there was any problem with the legislation. However, he was then informed that unless the Council could come to some terms with opponents of the legislation there was no chance that the bill could be passed in the current session.

Gemmill made one last attempt to stop the process and inflamed the atmosphere by charging that all of those with objections had been dealt with in “a tyrannical fashion” and with “utter contempt.”⁵⁵ He had previously charged that the scheme would never work, and all that the council was doing was “to transfer the Glasgow Water Company at enormous expense to the public.”⁵⁶ But his protests now fell before an even more committed majority. At this point the council moved ahead with revised legislation. In the fall, after the new bill was introduced, Lord Provost Stewart sought to end all of the politically powerful opposition by buying it off. He offered to compensate the fishermen in Stirling for any damage caused by the reduction of water flowing through the Forth by the Loch Katrine project (which ended the Admiralty’s opposition), and the wealthy landlords of commercial and industrial property received a guarantee that the public rate would not exceed one penny in the pound of rateable value. By November (as previously mentioned) attacks on Gemmill had weakened his position, and the other opponents

⁵⁵ *Glasgow Courier*, July 22, 1854, p. 1, col. 2-3.

⁵⁶ *Glasgow Herald* April 28, 1854. In July he again charged that the council members were going to be personally responsible for the expenses citing as his source this time a statement from the Dean of Faculty in Edinburgh to the affect that a municipal corporation should not pay the expenses for a new enterprise when those expenses had to come from “the capital stock.” Anon, *Water Supply*, 137.

dropped their objections. The council then voted unanimously in favor of promoting the revised water bill.⁵⁷ In its final attack the *Glasgow Examiner*, referring to the buyout offered to the Gorbals Water Company, charged, “here we have a pretty lot of patriots! Six percent makes them quiet as lambs, where formerly they raged like lions!”⁵⁸ In its final discussion of the legislation in December 1854, before approving all of the clauses and submitting the bill to Parliament, Councilman Robert Stewart, an ironmaster, presented the last report. Stewart discussed in detail the income that could be expected over each of the following four years, before the Loch Katrine system was in place, and showed that in spite of the anticipated borrowing of £700,000 there would be enough income to cover all of their expenses. Even Gemmill said “he would not offer any further opposition. . .nor stir up opposition to it.”⁵⁹ Once the legislation passed, the following summer, councilmen tried to outdo one another in praise of the plans and the excellent work of the Lord Provost and his committee. Gemmill rose to say that “He would yield to no one in acknowledging the necessity for a better supply [of water]; and he would do all in his power to aid the Council in procuring it.”⁶⁰

The Role of the Working Class?

The ease with which the council was able to end most of the opposition shows the

⁵⁷ *Glasgow Courier*, Nov. 4, 1854.

⁵⁸ *Glasgow Courier*, Nov. 18, 1854.

⁵⁹ *The Commonwealth*, Dec. 23, 1854, p.206.

⁶⁰ Anon, *Water Supply*, 186.

importance that money finally played in the outcome in reconciling a variety of groups, but the working classes were largely absent from the process. Neither the concerns of the working classes nor poor people in general had any effect on the council's decisions. This was not surprising considering that these classes remained disenfranchised until the Second Reform Act of 1867.⁶¹ The acrimonious debates highlighted divisions within the middle class, yet their resolution suggests that there was a basic level of agreement about the proper role of government in the mid-1850's. Win or lose, all elements of the middle class participated in the arguments over municipalization of water in Glasgow. The only role that the working classes appeared to play was rhetorical.

As strident as their opposing arguments were, the small landlords and shopkeepers were, at least, represented on the council. The municipal franchise in the mid-1850's was still only a tiny part of the entire population. This had risen from 3.4 percent in 1832 to 5.0 percent of the population of the city in 1857, so that in 1855, in a city with a population of 355,000 less than 18,000 men could vote.⁶² As mentioned, the franchise was based on a ten pound annual rental which excluded the working-class population.⁶³ Thus,

⁶¹ The electorate increased to 47,854 after the £10 ratepayer franchise was repealed. By 1881 the electorate stood at over 110,000 including 18,000 women after the Municipal Elections Amendment (Scotland) Act. Maver, *Glasgow*, 145-157.

⁶² Compiled from George Eyre-Todd, *History of Glasgow, From the Revolution to the Passing of the Reform Acts 1832-33* vol. 3 (Glasgow: Jackson, Wylie & Co., 1934): 479 and David Richmond, *Notes on Municipal Work* (Glasgow: Robert Anderson, 1899): 216. It was 20,000 in 1861 out of a total population of over 436,000. This may have represented about 20 percent of adult males, and included the middle class and a small part of the working class.

⁶³ A few of the working-class dwellings in the city might have had annual rents of £10, but most rooms were based on just £2 in annual rental. Construction costs and rental

council discussions of the impact on property taxes were limited to their effects on the middle class and only indirectly on workers. A newspaper claimed that “the bill would not only be destructive to the proprietary class in Glasgow, but would in all time coming deter people from building houses for the working classes.”⁶⁴ This was hardly a likely scenario for a growing city, but the argument was often repeated. Opponents said that the imposition of a domestic rate on rental of under ten pounds (payable by the landlord), even if it was lower than for property rated over ten pounds, would be doubled because landlords could not always collect rents from poorer tenants. The view that the poor would be hurt centered on the effect of the rates on the actions and incomes of the landlords, not on the impact of the charges on the tenants. Even the *Glasgow Examiner's* strident denunciations of the council over the treatment of Dr. Penny, appear to have stemmed from a deep-seated distrust of the council, rather than simple support of the working-classes. When the paper complained about the price being paid for the Gorbals Water Company, for example, they wrote that the city would have to pay “£12,800 forever on a company that the directors have only been paying 5% [dividend].”⁶⁵ The editors knew full well that the Gorbals Water Company was the more profitable of the two

rates are given in Thomas Ferguson, *The Dawn of Scottish Social Welfare* (London: Thomas Nelson & Sons Ltd., 1948): 60. Possibly the best paid workers in the city were 600 employed in the local bottle-works. They averaged £1, 10s per week and could afford to live in a £ 10 rental property, but probably did not. George MacGregor, *The History of Glasgow from the earliest period to the present time* (Glasgow: Thomas D. Morison, 1881): 443.

⁶⁴ *Glasgow Courier*, March 18, 1854.

⁶⁵ *Examiner*, Nov. 18, 1854, p. 2.

local companies. From their point of view these costs would be a burden to the middle class not the workers. The editors attacked the council for its delays in the release of Dr. Penny's report on how Loch Katrine water absorbed lead in the most strident language.⁶⁶ At best, working class concerns were marginalized in these tirades.

Some members of the community saw the entire water project as a gross example of the consequences of working class disenfranchisement. This is evident from an article in the *Sentinel* from Nov. 12, 1853. The editors referred to the fact that the council had "control of large funds raised by annual taxation from persons five-sixths of whom have no more voice in the nomination of administrators of these funds than the natives of New Zealand." They went on to refer to this as "taxation without representation with a vengeance." They expressed the fear of "jobbing taking place" under an "oligarchy owing to the narrow representative basis."⁶⁷ There appears to be no evidence for the latter charge in either council minutes or in local newspapers. It is possible that these views reflected the opinions of the working classes, but there is no evidence that there was any actual working class agitation in regard to the water project. From a working class perspective, the debate was carried on in a near vacuum.

This vacuum became obvious as class appeals in support of the scheme were made to the public in the *Herald*. There were specific appeals to the working classes from supporters of the legislation. As momentum in the council shifted towards support of a revised bill in 1855, the *Herald* called on the working classes to attend meetings in

⁶⁶ *Examiner*, Jan. 13, 1855 and Feb. 24, 1855.

⁶⁷ *Glasgow Sentinel*, Nov. 12, 1853, "The Water Question"

support of renewed legislation. The paper stated “if ever there was a Working Man’s question this is one. If undue mortality prevails in the city, from the lack of this primary blessing, he has the largest share of the calamity. He will be proportionately the gainer by anything which elevates the general health.”⁶⁸ Articles in the paper over the previous two years had discussed all aspects of the legislation, but had rarely touched on the water bill’s effects on workers. The idea that workers would experience moral improvement from water was a common middle class theme, but there is no evidence to suggest that workers endorsed such views. In any case, the paper’s appeal also remained unanswered. The *Herald’s* generally negative attitude about the poor may have contributed to working class indifference.

Money took precedence over concern for the poor in general. The *Herald* was fairly typical in this regard. In an article in February 1854, which was supporting the imposition of a “compulsory rate,” the editor’s contempt for the poor was obvious. He recognized that people had been stealing water from the Glasgow Water Company because they could not afford to pay for it and many landlords did not provide any water, but he opposed an exemption for properties of under £ 10 annual rental. Including the water rate as part of the rent meant that everyone who received water helped pay for it. There were “deserving poor,” but with regard to those who refused to work, the paper said that if a provision was made in law for the poor all of the “gypsies and low-lives” in the city would simply take advantage of it. Thus, no provision could be made for those

⁶⁸ Anon, *Water Supply*, 172.

who truly could not afford water rates.⁶⁹ A few years later the city planned a major urban renewal project but again it was argued that the slums were cleared less “to relieve the destitution of the poor than to preserve the dignity of the municipality.”⁷⁰

Conclusion

The middle class was in firm control of local government in Glasgow during the mid-eighteen-fifties. Their unity however, broke down at times around expensive improvement projects, especially when they were seen to have greater benefit for some sections of the public than others. The Loch Katrine water project was a primary, but not the only, example of this process of fragmentation along ideological, socio-economic, and geographic lines in Glasgow. The Municipal Improvement project of the mid-1860's and the municipalization of gas in 1870 provided other opportunities for these divides to reappear and intensify. Foremost among the arguments over these projects were monetary questions. Could the city afford to engage in the activities proposed? Was the council paying too much for land or the private gas companies? These questions continue to expose the divisions within the city and the council, but they also point to the larger context of the relationship between municipal government and Parliament. How did this relationship change between the mid 1850's and the late 1860's in Glasgow? How was Glasgow's situation different from Birmingham's in the mid 1870's when that city

⁶⁹ *Glasgow Herald*, Feb. 24, 1854 p. 5 col. 2-3.

⁷⁰ Peter Reed, *Glasgow: Forming a City* (Edinburgh: Edinburgh University Press, 1993): 59.

municipalized both water and gas? Is there any evidence to indicate a change in middle class leadership practices up to the mid 1870's? These questions will be examined in the following chapters.

In comparison to the inactivity of a number of municipal governments in England at the same time that Glasgow was arguing over a major water project, the positive steps taken by the city were astonishing. In places like Leeds in the 1840's and Birmingham in the mid 1850's, where "economist" councils stopped all improvement projects, the main concern was over saving rates at the expense of infra-structure improvements. Glasgow stands out in comparison, and at least some of the credit for this is related to the sense of self-reliance coming from a religious conviction about the proper role of the leading citizens of a metropolis. It was not unlike the "civic gospel" that would be articulated with great clarity and force in the mid-1870's by Joseph Chamberlain in Birmingham.⁷¹ Glasgow's civic leaders may have remained relatively unknown, but their contribution to civic improvement can hardly be doubted.⁷²

⁷¹ This will be discussed in full in Chapter 6.

⁷² Note the difference in England in a typical citation from Derek Fraser, *Evolution of the British Welfare State*, 61.

Chapter 4

High legislative costs and Parliamentary ambivalence about Local Legislation

The previous chapter examined the depth of the controversy over the water project in the mid-1850's to see how a political consensus was eventually reached to bring the water project about. Part of that consensus came from an acceptance of debt financing to cover the cost of construction for the Loch Katrine system. The fact that a consensus was reached however, leaves open the question of why debt finance was even necessary. Previously we saw that Parliamentary and local sentiment tended to increase the purchase price for private companies. There were other factors at work which also tended to increase the cost for all urban (and especially Scottish) reform. The argument in this chapter is that the actual procedures that Parliament set up to deal with local bills tended to increase the costs associated with new projects, and thus increased the need for debt financing. This analysis starts with a general discussion of these structures and procedures. Next, we look at the specific attitudes towards Scottish legislation, the unique history of which contributed to the cost of reform there. This leads to an examination the kinds of expenses encountered in promoting legislation resulting from these conditions.

The attitude of Parliament toward local bills is reflected in the legal and procedural structures that Parliament set up to deal with all types of legislation. Between 1798 and 1868 acts of Parliament were divided into three groups: public general acts, local acts, and personal and private acts. Acts of a general nature were prepared and introduced by the government, and had the highest priority. These might include banking legislation, national defense, and foreign relations. Such bills generally received the time and attention

needed for their complete consideration. They were heard by standing committees at government expense, and were meant to apply to a broad range of communities or bodies, or the nation as a whole. Private bills were introduced for the benefit of a single individual or a small group. They were not printed in the official registry of public bills, and might have dealt with divorce, enclosures, honors, or even incorporation. Lastly, all acts introduced by individual corporate bodies, such as municipal governments, were, by definition, classified as local acts.

Municipal governments could engage in any activity that individuals could, but if the members of a local government wanted to be protected from personal litigation for their actions on a town council, then the council had to seek legislation from Parliament authorizing it to act. In effect, this meant that all municipal activity required the sanction of authorizing legislation. For example (as mentioned in Chapter 3), Manchester's Town Council members had to pay £1,760, the cost of promoting legislation that was rejected by a local county court. In another case, Plymouth's Town Council members were ordered not to spend any town funds until a case against their municipalization plans was heard.¹ This is why Glasgow and other cities were forced to seek a series of Police Acts in the first half of the nineteenth century to get authority to clean streets, set up a patrol, repair roads and bridges, or engage in other public activity.² Municipal corporations like Glasgow, although they represented several hundred thousand people, had fewer rights

¹ Anon, *Water Supply*, 53.

² The doctrine was known as *ultra vires* and it required "statutory sanction . . . for every object of local government expenditure." E. P. Hennock, "Finance and Politics in Urban Local Government in England, 1835-1900," *The Historical Journal*, VI: 2, (1963), 220.

than any one of their residents. Significantly, Parliamentary practice and legal tradition saw no difference between a municipal corporation seeking expanded authority and a private company seeking broader powers for the benefit of its shareholders. This was the result of a tradition of local government acting, not so much for the general public, but for a small fraction of the community. The resulting Parliamentary attitude and procedural arrangements had important consequences for the cost of promoting municipal reform legislation in the nineteenth century.

Parliament was the sole legislating body for the entire nation and thus was forced to deal with local issues, but it clearly demonstrated a preference for national and international affairs. This is apparent from the limited time and alternative procedures given to the introduction and discussion of private bills in the legislative calendar.

Although the number of private bills was far in excess of public bills by 18,497 to 9,556 from 1800 to 1885, Parliamentary Standing Orders provided three days per week for government legislation leaving two days and less time for local and private bills.³

David Marsh and Melvyn Read point out that today it is even harder for a member of Parliament to get the time to introduce a private bill.⁴ MPs can sit in Parliament for years before being able to introduce one piece of legislation. The procedures ensure that limited opposition, especially from influential sources, can defeat most private bills. The

³ Frederick Clifford, *A History of Private Bill Legislation*, vol. 1, (London: Butterworths, 1885), vii. Standing Orders were Parliament's internal operating procedures and rules. It is reasonable to assume that local acts were less complex than public ones, but they were often just as complex and easily warranted just as much time.

⁴ Marsh, David, & Read, Melvyn, *Private Member's Bills*, (Cambridge: Cambridge University Press, 1988)

situation was hardly different in the nineteenth century. Normally, a local bill was deposited at the Private Bill Office instead of being introduced in a Parliamentary Session by an MP. The deadline was the end of December for legislation to be considered in the following year, and any delay could often push consideration off for the rest of that legislative session. First and even Second readings were conducted so hastily that they were usually not recorded in Hansard. With only two days available each week to discuss and vote on Private Bills, many received attention only in the Select Committees that were set up to deal with them. The procedures in these committees were only slowly rationalized during the century. For instance, any MP could claim a seat on a Select Committee, which allowed special interests to dominate.

Parliament was itself so overextended because of a lack of improved procedures, that even public bills were dealt with at odd hours. The introduction of a Joint-Stock Banking Bill- hardly an inconsequential matter- illustrates the constraints on Parliamentary time. It came before the Commons for discussion on June 3, 1858. In this case the Committee Order was being introduced at midnight! As the report was read Mr. Buchanan objected that “at that late hour it was impossible that so important a measure could be properly discussed.”⁵ He was, however, overruled and the House went into Committee of the Whole to begin the discussion.

The even more precarious standing and lowly status of local acts is illustrated by the fate of Glasgow’s initial water bill introduced in 1853. As important as the Bill was to

⁵ Hansard, 3rd ser., 150 (1858): 1503.

the town, it was still a local act and was not introduced by either of Glasgow's two MPs.⁶ It was registered in the Private Bills Office by the Town Clerk. The city's MPs, Alexander Hastie and John MacGregor, spoke on other issues between January and February of 1854, just before the Water Bill was to be discussed in committee, but never addressed the issue of water. In fact, between 1853 and 1855, during the entire period of controversy over the water bill, before it was passed into law, the only mention of Glasgow by either of these gentlemen, as reported in Hansard, was in March of 1854 when Hastie referred to the deteriorated conditions of the post office in the city. That comment was made during a debate over a postal communications act between Scotland and London.⁷

The 1853 water bill passed through its first and second reading in Parliament with barely a ripple. As we have seen, it failed in Select Committee after being tarnished by claims that the waters from Loch Katrine could absorb lead, and suffered a final blow from a negative report by the Admiralty Office.⁸ As discussed, the town council bought off the opposition in Stirling by offering them a few hundred pounds compensation. Only then did Hastie and MacGregor intervene on behalf of the Town Council by appealing to the

⁶ The Reform Bill of 1832 gave Glasgow 2 seats in Parliament. George Eyre-Todd, *History of Glasgow, From the Revolution to the Passing of the Reform Acts 1832-33*, vol. 3, (Glasgow: Jackson, Wylie & Co., 1934), 479-85.

⁷ Hansard, 3rd ser., 131 (1854): 460.

⁸ *Glasgow Herald*, Feb. 20, 1854, p. 5, col. c-d, reported the second reading of the bill and saw no problems at that point with its eventual approval. That changed drastically in the committee hearings.

Lord of the Admiralty.⁹ Eventually, a revised bill was re-introduced in the next legislative session with even less fanfare. Considering that Glasgow was the third largest city in the whole of Great Britain, this lack of attention and interest from either Parliament or the city's own MPs is indicative of the indifference of national government concerning the responsibility for the solution to urban sanitary problems.

Although the Scots were proud of their autonomy and had no desire to see Scottish legislation subsumed under bills that covered England and Wales, this came with a price. Without general acts that could be adopted by localities, towns were forced to seek local acts at their own expense, thus promoting the need for debt financing and often increasing local opposition. Scotland's separate legal system, with its own courts and laws, created numerous problems for Parliament. A range of social issues from education to poor law administration, issues of civil justice, legal disputes, and government administration required additional time which resulted in substantial delays for Scottish reform. A sample of these differences will demonstrate the severity of the problem for Glasgow and other Scottish cities as they attempted to engage in municipal improvement projects.

The Act of Union of 1707 guaranteed the integrity of the Scottish legal system which was based on Roman, as opposed to English Common Law. Scotland had its own

⁹ Hastie and MacGregor met with Sir Charles Wood, the First Lord of the Admiralty, in March 1855 and handed him a letter from the Lord Provost. This contained relevant documents to explain why the objections of the Admiralty could be withdrawn. According to a report filed with the Water Committee "Sir Charles had promised to give the matter his early attention." He clearly did, because the Admiralty withdrew their criticism thereafter. Glasgow, Water Committee Minute Book. March 16, 1855. ML.

court system separate from England's, and followed other practices that were unique. Because of this, parliamentary legislation for Scotland was almost always specifically designed for it alone. Sometimes this was just a matter of wording, with little difference in the contents of legislation. For example, the Married Women's Property Act (Scotland) of 1877 provided slightly less protection than the English acts of the same name of 1870 and 1874.¹⁰ However, substantial differences could lengthen the time before Scottish legislation was considered. This is true of the Poor Law of 1834 which applied to England and Wales. The Scots waited until 1845 for a separate Poor Law reform act which imitated the English system but imposed stricter Scottish standards.¹¹ Differences in the passage of municipal legislation can be traced to the fact that the origin of all Scottish burghs goes back to a single statute in 1469, while English cities' legal and administrative structures had no common origin in practice or law.¹² These conditions ensured the divergence of Scottish versus English legislation. As a result, for the entire nineteenth century, Scottish urban legislation was always separate from English and Welsh bills.

Glasgow and other Scottish towns had few legislative guidelines to follow in

¹⁰ Lee Holcombe, *Wives and Property, Reform of the Married Women's Property Law in Nineteenth-Century England*, (Toronto: University of Toronto Press, 1983), 191-2.

¹¹ For a general history of Scottish Poor Laws see R. A. Cage, *The Scottish Poor Law 1745-1845*, (Edinburgh: Scottish Academic Press, 1981). For a detailed account of the 1845 provisions see Audrey Paterson, "The Poor Law in Nineteenth-Century Scotland," in *The New Poor Law in the 19th Century*, Derek Fraser, ed., (London: Macmillan Press Ltd., 1976), 171-193.

¹² Sheila Cameron Oliver, *The Administration of urban society in Scotland, 1800-50, with reference to the growth of civic government in Glasgow and its suburbs*, unpub. Ph.D. Diss., University of Glasgow, 1995, 74.

pursuing the municipalization of water and gas. Unlike English and Welsh cities later in the century, Glasgow had only the most general guidance from the 1848 Public Health Act. This important piece of permissive legislation allowed towns to create local Boards of Health, but the act did not apply to Scotland. Glasgow did not have the powers it needed to take control of its water resources, nor borrow money to purchase unsanitary areas of the city.¹³ The legislative history in the nineteenth century perpetuated this situation, and highlighted the differences between Scotland and England.

Reform of municipal government was one of the early goals of the new Parliament created as a result of the Reform Bill of 1832. Parliament's newly elected liberal MPs were interested in continuing the process of inclusion that had brought them to office, and they prepared to tackle the reform of municipal government. In an untypical instance in 1833, Parliament passed municipal reform legislation for Scotland first, after the Earl of Grey's government decided that more time was needed to study the issue in England. A commission was created in 1833 which studied the issues of municipal reform for two years before completing its work for England. Although there was much controversy concerning the nature of municipal reform, the Municipal Corporations Act 1833 (Scotland) "attracted little parliamentary attention [because] . . . Scottish politics were

¹³ Permissive legislation provided the authority for a municipality to engage in some activity, but did not force action. Such acts were the primary vehicle for municipal reform in England and Wales for the first two-thirds of the nineteenth century. For one of the more important discussions of the development of permissive legislation see, John Prest, *Liberty and Locality: Parliament, permissive legislation, and ratepayer's democracies in the nineteenth century*, (Oxford: Clarendon Press, 1990).

still comparatively self-contained.”¹⁴ As previously mentioned, the Scottish bill required the election of one-third of council members each year who served a three year term. Mayors were to serve for one year and in the English bill aldermen for six. The English legislation was passed under Melbourne’s Whig government after Grey suddenly resigned in 1834. The legislation suggests a continuing distrust of urban governments which tended to have more radicals and liberals than were found in the counties.¹⁵

Although public health became a priority in the 1840’s, the Public Health Act of 1848, which provided for a Central Board of Health and the appointment of local Medical Officers, did not apply to Scotland. One result was that Glasgow did not get its first official Medical Officer of Health until the appointment of William Gairdner in 1863 under provisions of a local police act.¹⁶ The Sanitary Act of 1866 is another example of Parliament’s failure to resolve the differences between England and Scotland. This was a decisive piece of legislation moving the nation from permissive to compulsory rules controlling the operation of local boards and councils. Specifically, the act permitted citizens who felt that their rights had been abridged by the failure of a local council to provide sewers or to maintain a supply of fresh water, to appeal to the Secretary of State for redress. Under the provisions of Clause 49 an inquiry was conducted and if a local

¹⁴ J.P.D. Dunbabin, “British Local Government Reform: the nineteenth century and after” *English Historical Review*, (1977) 92(365), 777-805. See especially 778.

¹⁵ W. D. Rubinstein, *Britain’s Century, A Political and Social History 1815-1905*, (London: Arnold, 1998), 45-6.

¹⁶ H. W. Bull, *Working Class Housing in Glasgow, 1862-1902*, unpub. M. Lit. Thesis, 1973, Strathclyde University, 3.

authority was deemed to have failed in its duty, the Secretary of State could order the work done, and the costs recovered through the Court of the Queen's Bench.

Unfortunately, this court had no jurisdiction in Scotland, and thus the act had no enforcement mechanism there.¹⁷ Conversely, Scottish sanitary reform legislation in 1867 made use of the Court of Session to approve executive orders that were challenged, but it had "no parallel in England and Wales."¹⁸ Three other acts which were intended to move Great Britain away from permissive and towards compulsory legislation the 1871 Local Government Act, an act in 1872 to create Urban Sanitary Authorities, and the Public Health Act of 1875 applied only to England and Wales.

Recognizing these legal differences between England and Scotland and the marginal position of Scottish cities in general, Glasgow council members knew that local legislation was the *only* avenue open to bring about municipal reform. Unlike the changed environment in the mid-1870's, there was no permissive legislation available to them in 1853-54. This meant that they could not simply apply to a central office such as the Local Government Board¹⁹ or the Public Works Loan Board for a Provisional Order that did not require specific legislation.²⁰ Thus, the council routinely faced the trouble and cost of

¹⁷ John Prest, *Liberty and Locality*, 208-210.

¹⁸ *IBID.*, 212. 30 & 31 Vict. C.101. The Court of Session is the principle civil court of Scotland first created under James V. Peter Somerset Fry and Fiona Somerset Fry, *The History of Scotland*, (New York: Barnes and Noble, 1982), 126.

¹⁹ This board was not even created until 1871.

²⁰ Provisional Orders could be issued under the terms of permissive legislation that had the effect of law. They were designed to simplify municipal reform and significantly reduced the time and expense of undertaking new municipal tasks.

promoting local bills each time that they needed to expand their authority. It is arguable that had the water project not been so contentious, little attention would have been paid to the cost of promoting the water bill (as was, in fact, the case with the gas bill a decade later), but that was not the situation.

The cost of preparing municipal reform legislation started from the moment the decision was made to proceed. Local acts were drafted by the town clerk. In Glasgow, this was an experienced solicitor. His job was to ensure that Standing Orders were complied with and that new legislation took account of previous acts related to the town and the issue at hand. The council also had to meet existing public notification requirements, and all clauses were subjected to committee hearings both locally and in Parliament. These rigorous procedures were intended to protect the public from unscrupulous, corrupt, or unaccountable public bodies or companies that, in the past, had sought legislative authority affecting individuals before they were aware that something was happening, but it had the effect of making the process more difficult. Again, although parliamentary procedures for introducing and promoting legislation were similar for the whole of Great Britain, Scotland's peripheral status reduced the timeliness and numbers of government-sponsored legislation and thus raised the cost of Scottish reform.²¹

The cost of promoting local bills could, at times, be excessive. Contested legislation might require many witnesses, costing thousands of pounds, and in extreme

²¹ Frederich, H. Spencer, *Municipal Origins: an account of English Private Bill Legislation relating to Local Government, 1740-1835*, (London: Constable & Co., Ltd., 1911), 47.

cases costs could be staggering.²² In 1847 the town of Reading had sought approval for three separate schemes to improve streets, water, and sewage. Parliamentary inquiries were conducted and extensive hearings were held only to result in the rejection of the town's plans at a cost of £ 8,000.²³ Such costs could intimidate all but the largest and wealthiest communities. Small towns or burghs often ignored problems that would have required legislation because the costs for promoting them were simply prohibitive. As previously mentioned, when the Admiralty scuttled the water bill the town was forced to offer a perpetual payment to Stirling to silence their opposition. And because the opponents of the legislation presented testimony that the water from Loch Katrine absorbed lead, the council hired several scientific experts to refute the claim at great expense. Opponents of specific bills could create insurmountable obstacles by finding errors in clauses (which might have violated Standing Orders), or in the procedures followed to introduce an act. Sometimes such objections could sink proposed legislation without any reference to substantive issues. Here professionals played a vital part.

Some of the expense of promoting local bills was the cost of hiring solicitors in London who specialized in preparing or testifying on behalf of their clients. Using these professionals offered advantages even for cities, like Glasgow, whose council members and town clerk, although well qualified to present expert testimony and prepare all the necessary clauses required for Standing Orders, were not as familiar with the politics of

²² Liverpool was reported as having spent over £100,000 to promote legislation over ten years. See John Prest, *Liberty and Locality*, 5.

²³ Christopher Hamlin, *Public Health and Social Justice*, 292.

testimony in London. When Glasgow offered testimony in June 1853, opposing the Glasgow Water Company's attempt to expand their powers, they retained the services of one such gentleman — a Mr. Sergeant Wrangham.²⁴ He was able to draw the Parliamentary Committee's attention to the relevant metropolitan situation, with which they were more likely familiar. In this instance, he pointed out that one of the advantages to be gained by control of the water supply by a corporate body, like the Glasgow Town Council, was that they would be able to impose a general or public rate over all ratepayers, and not just those who took water. Wrangham reminded the committee of the suggestions of the "Health of Towns Commissioners and the General Board of Health as to the Metropolitan supply" (referring to London's water supply issues). He asserted that no private company had ever been given the power to impose public rates, and that what was needed to provide better supplies of water to large towns were appropriate and willing local public authorities.²⁵ The implication was that Glasgow's Town Council was one such willing body. His testimony, in this case, supported the Council's opposition to the private company's extension of their powers. In the end, the committee ruled that the preamble was not proved and the bill was defeated. There is an added irony in this episode because it is likely (although unprovable) that the Glasgow Water Company did not just absorb the expense of this defeat but instead added it to their capital, thus raising the

²⁴ The term "Sergeant" refers to "a member of the highest rank of Barristers" according to *The Oxford English Dictionary*.

²⁵ House of Commons Select Committee on Private Bills, "The Glasgow Water Works Bill" June 14, 1853, 58-9.

eventual price of the company to the city the following year.²⁶

Glasgow's Town Council was not the only group to make use of London's professional elite. When the opposition to the 1853 Water Bill testified before the Select Committee in March 1854 they retained a Mr. Sergeant Andrews who said that "the great bulk of the citizens would be found speaking through him, earnestly entreating the committee not to pass a bill that would be highly injurious to their interests." He also referred to the gas profits in Manchester (which committee members were likely to be aware of), and asked, "By what right were people to be taxed for their gas in order to benefit the consumers of water?"²⁷ In this case the opposition failed to persuade the committee, but this demonstrates how this professional elite in London was available to all sides — as long as they were willing to pay the expense.

The preparation of such an act as the Glasgow Water Bill of 1853 required each section or clause to be approved by the Town Council before it came before Parliament. This was part of the expense of the initial preparation. When Glasgow introduced its Water Bill at the end of 1853 several council meetings during December were devoted exclusively to approving all of the bill's clauses. The last was held on December 27, 1853— just before the deadline for submission for the next session of Parliament. At this point the bill was deposited with the Private Bills Office of the House of Commons. Although some local bills could bypass the Commons, going directly to the Lords, all bills

²⁶ Parliament may have specified the total amount of stock a company could issue and its total debt, but there were ways of including expenses in capital rather than operating expenses.

²⁷ *Glasgow Courier*, March 28, 1854 p. 1 col. 1-2.

that affected local rates and taxes had to pass through the Commons first, this added to the expense as well.²⁸

Delays in completing all the steps required before a bill could be deposited were often a problem and had the effect of duplicating costs. Re-introduction of a piece of legislation required new notices, meetings, and more expense. It was possible for those opposed to a bill to kill it by simply finding ways to delay it for a year or two. The opposition to the water bill, from the day that proposed legislation was introduced in the council in September 1853, raised complaints about the rush to legislative action. Lord Provost Robert Stewart and those in favor of the water bill did rush the process of approving all of the clauses of the water bill through council meetings in the fall of 1853, by putting several of the proposed bill's clauses up for votes at single council sessions. At least, this was the complaint of the opponents. Given that there were a number of contentious issues, there was some merit to their objections. Yet, failure to have completed work on the bill before the end of the year because of the minority could easily have led to another long-term municipal legislative hiatus, in that the opposition would have had more time to rally their forces.²⁹

Indeed, when there was little or no opposition within the council to a new bill this was not a problem. This was the case with the proposal to create a municipal gas company in Glasgow. On November 6, 1868 the council was informed that the private gas

²⁸ Spencer, *Municipal Origins*, 50-51.

²⁹ *Glasgow Courier*, Jan 21, 1854.

company was planning to seek new legislation to increase their borrowing powers.³⁰ The council's longstanding displeasure with the performance of the company to provide a quality product, coupled with that announcement propelled them into action. It took the council less than two months to prepare, publicize, and deposit two municipal gas bills in Parliament. The muted opposition to the gas bill in 1869 de-emphasized Parliamentary roadblocks to reform, although testimony against the gas bill was presented at the Select Committee.

Select Committee hearings were often the last hope of local opponents. Parliament increased the cost of local acts by requiring public notices and calling of ratepayer meetings. In Glasgow, with its sixteen election districts, ratepayers often called their own meetings both for and against legislation before the council. This occurred specifically in relation to the 1853 water bill. Several wards held meetings and prepared memorials in opposition to the bill that were presented at subsequent council sessions. In this case ratepayers took it upon themselves (at their own expense) to send a representative to Parliament to testify before the select committee in opposition to the legislation. In effect Parliament facilitated opposition by permitting almost anyone who could claim an interest in a local act to testify before a select committee where these bills were debated, which increased the time and expense for local governments' representatives in London. Often however, it then approved the legislation once the "major" objections had been eliminated. Once the landlords were appeased by limiting the

³⁰ Glasgow, Corporation Minutes 1866 - 1869 printed series. Oct. 30, 1868. A year earlier the council voted that it ought to control gas supplies in the city. In the spring of 1868 it conducted fruitless negotiations with the Suburban Gas Company. ML.

public rate, the Admiralty by the withdrawal of objections from the Stirling fishermen, and evidence was presented that Loch Katrine water did not absorb lead the continuing complaints of “ratepayers” were ignored. The gas bill was approved in spite of the objections of the gas companies because they were the only group objecting to the legislation.

Other large towns shared some of the experiences of Glasgow’s reformers. For instance Liverpool municipalized its private water companies in 1847 with only a modest amount of difficulty. At the time, the city was second in size behind London, exceeding Glasgow’s population by about 30,000. Although Liverpool had a variety of local boards which shared the authority for cleansing and water supply, the two highly profitable private water companies had not kept up with population increases. The Highway Board was offered the control of the water supply, but refused. As a result, the Town Council had almost no trouble in 1846 with the passage of the Liverpool Sanitary Act which gave it the authority to regulate public health including the distribution of water. The act even created the first local Medical Officer of Health in England. Nor did it have trouble the following year in obtaining legislation to purchase the private water companies. The Liverpool Sanitary Act of 1846 was a far more extensive piece of legislation compared to Glasgow’s Water Act of 1854. Liverpool took over the powers of the autonomous Highway Board and received the power to raise new taxes, regulate paving and streets, inspect housing, and appoint a Borough Engineer. Although the opposition to these reforms in Liverpool were more muted than in Glasgow, there was clearly less hostility in Parliament to Liverpool’s reformers who were part of a Tory constituency than Glasgow’s

who were identified as Liberals.³¹ It had a Tory-dominated council from the time of the Municipal Reform Act of 1835 which also may have eased the passage of reform legislation under Peel's administration. It was Liverpool's good fortune to pursue these reforms in the immediate wake of the Health of Towns Report. Liverpool was a great seaport and metropolis which was in England and not Scotland.

Conclusion

The cost of promoting the water bill became a source of contention from the beginning of the process. Ironically, the opposition strengthened its own arguments because its activities themselves increased the cost of the legislation. Parliament not only put obstacles in the way of reform that increased the costs leading to the need for debt financing, but it also amplified opposition by providing it with a ready platform. This promoted an increased degree of caution on the part of local governments, which Parliament then blamed for their indifference for reform.

Town councils did not actively promote local bills without good cause. The obstacles placed in their path by Parliament, the expenses associated with promoting the legislation, and the ultimate cost of improvements (which were borne by the ratepayers of the community), could not be cavalierly dismissed by any local government. Indeed, Parliament was more often concerned that local governments were ignoring problems of safety and sanitation, yet did little to save expenses. For most of the nineteenth century

³¹ One of the groups that spearheaded reform was the Liverpool Guardian Society for the Protection of Trade, hardly a radical organization. See Brian D. White, *A History of the Corporation of Liverpool 1835-1914*, (Liverpool: University of Liverpool Press, 1951), 38-44.

Parliament took a permissive approach to reform, preferring to allow municipal governments to experiment with reform within a variety of limits, but as we have seen in the case of Glasgow, large cities (especially Scottish ones), needed special legislation to handle their own unique conditions. This process of reform was gradual and incremental, and the decision to engage in reform activities had to be made quite consciously by the middle class business and professional men who made up the majority of the members of local municipal councils. All of the expenses had the effect of making debt financing a more likely result of the legislative background under which local governments labored.

The cost of seeking legislation was not inconsequential even for a large city like Glasgow. A majority of council members supported the water project, but structured the finances so that it would have the least immediate tax consequences for their constituents. Even in this regard, it took the defeat of the initial legislation for the council to agree to fix a maximum charge for the most openly aggrieved groups — the landlords and the residents of Gorbals. Limited to local financing, they avoided excessive bank loans and did not seek any funds from London's financial markets or the Public Works Loan Commission. Although they were willing to increase the city's debt to a level never seen before, even as the finishing touches were being put on the water project in 1857, they were rejecting calls for the municipalization of the local gas companies. A majority on the council voted to return this proposal to committee reflecting a lack of enthusiasm for any new municipal trading scheme, even though it might have provided them with funds for

other projects in the years ahead.³² This choice represents one of the differences between the Scottish approach to municipal trading and the British approach as exemplified in Birmingham (to be discussed in Chapter 7).

Ultimately, the arguments that the cost of promoting the Water Bill were just too expensive proved to be ineffective and were dropped by future opponents of municipal improvement projects. The arguments about municipal improvement in 1865 and municipalization of gas in 1869 were about the cost of engaging in the projects and whether it was proper for government to engage in such activities, not about the cost of promoting legislation. Such ideas, although they had not been completely repudiated in the debates over water, had proved ineffective. Instead, greater emphasis was placed on the appropriateness of government interference in the private sector. By the end of the century these arguments were to take on new meaning as the field of battle switched from the periphery to London. A backlash against the growth of municipal trading created new opponents who played a more visible role on the national scene.

As Scotland's largest city, Glasgow's sanitary problems were more noticeable than other towns of the north, and its municipal reformers became active earlier and had bigger plans than were to be found elsewhere. The lack of permissive legislation in the mid-1850's required the passage of local acts which were expensive and time-consuming. Yet, reform commenced in Glasgow before any other large Scottish city. Perhaps this is a

³² Glasgow's Town Council members had to be aware of Manchester's long history of municipal ownership of their gasworks, and that it's income paid for other municipal improvements.

reflection of the notoriety that Glasgow's working class housing had,³³ or perhaps it was a function of the legacy of moral improvement through self-help left by the work of Thomas Chalmers. Beyond the water scheme, the city proposed and began to implement the first major urban renewal legislation in the United Kingdom which involved the complete renovation of a central area of the city in 1866. This improvement scheme was an example for the entire nation in spite of the unfortunate failure of the City of Glasgow Bank in 1878, which set the project back by a decade. Viewed from England, although experiments in urban and social improvement undertaken in Scotland were admired, they remained peripheral. Birmingham's municipalization of water and gas in 1874-5 under Joseph Chamberlain took on far greater prestige as a result of his own career and the civic gospel that he espoused, even though the same ideas had been put forth by Glasgow's leaders twenty years before. And, as will be discussed subsequently, Chamberlain was able to make far greater use of both enabling legislation and the financial resources of the capital than Glasgow. Still, these differences only serve to highlight the difficulty that cities had in grappling with their attempts at urban reform for much of the period under review.

³³ Glasgow's housing conditions had become a source of open criticism in the national press. Numerous articles had appeared over the decade of the 1850's and 1860's before serious efforts were made at urban renewal.

Chapter 5

Improving the City: Debt Financing of Water and Gas Projects in Glasgow 1855-1870

Having shown that there were reasons why costs were high and why debt financing was essential, and having seen that the middle class found the political will to undertake the major investments needed for improvements in infrastructure, we now turn to a significant lacuna within the historical record concerning the role of the middle class in cities. The previous two chapters discuss how Parliament created additional costs that made debt financing more likely, and how the middle class used the political arena to build consensus for urban improvement projects. Although historians of the middle class in recent years have consistently claimed that the middle class funded urban improvement projects, little evidence has been offered to prove this assertion.¹ One way to confirm the significance of the middle class and their interest in cities is to examine the financing of municipal trading projects. The opportunities to invest in cities, especially in the activities of municipal authorities themselves, increased as town councils municipalized the private companies that had provided these services in the first half of the century. Glasgow's entry into municipal trading in water and gas between 1855 and 1869 provides an excellent opportunity to examine the funding of these projects which is the focus of this chapter.

Historians have long recognized that the middle class was not a monolithic group,

¹ Typically, R. J. Morris writes that towns were "the creation of the middle class," but offers no financial proof. R. J. Morris, "The Middle Class and British Towns and Cities of the Industrial Revolution, 1780-1870, in D. Fraser ed., *The Pursuit of Urban History* (London: Edward Arnold, 1983): 286. Malcolm Falkus provides comprehensive statistics showing the growth of municipal debt in the second half of the nineteenth century, but he does not explore the nature of this debt. Malcolm Falkus, "The Development of Municipal Trading in the Nineteenth Century," *Business History* 19, no.2 (1977): 134-161.

but rather was made up of various elements based on occupation, income level, religion, residence, and other forms of identification. As has been previously discussed (in the Introduction), most historical work on finance has focused on the national level, leaving open the question of just which groups within the larger social order, and within the middle class, funded urban improvements. A quantitative analysis of local loans will confirm and supplement the work of a number of historians who have relied on qualitative data to argue about the dominance of various groups within the middle class.

Distinguishing identifiers can be found in historical records related to finance on the local level, and thus it is possible to learn the relative levels of support for urban improvements.

As previously mentioned, R. J. Morris argued that the city was in many respects the invention of the middle class, the place where they asserted their independence from the rural squirarchy whose Tory and Anglican roots contrasted with their own Liberal and Dissenter traditions. There is ample evidence that as town councils were formed after the Municipal Corporation Act of 1835, they were often dominated by members of the middle class.² Although there was some aristocratic influence in cities, especially through the continued leasing of sub-divisions for housing, politically the middle class became dominant.³ Morris points to two main groups within the middle class: upper elements

² E. P. Hennock's work on Birmingham and Leeds deals with the kinds of men who controlled town councils. E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in 19th century Urban Government* (Montreal: McGill-Queen's University Press, 1973). R. J. Morris emphasizes the dominance of the middle class as well. See, R. J. Morris, "The Middle Class and British Towns," 286-306.

³ For a discussion of urban land development and investment see Richard Rodger, "Victorian feudalism," in *The Transformation of Edinburgh Land Property and Trust in the 19th Century* (Cambridge: Cambridge University Press, 2001).

including wealthy merchants, industrialists and professionals and a lower half composed of petty shopkeepers, publicans, landlords and others.⁴ The evidence collected in my research quantifies the financial commitment of specific groups within these upper elements of the middle class as investors in urban improvement projects. If the middle class did create the city as much as the city created them, as Morris argues, then the historical record ought to show that it was their money that paid for nineteenth century urban sanitary reforms.

Stana Nenadic, in her work on Glasgow's middle class, calls into question the common wisdom that it was dominated by an industrial elite in the second half of the nineteenth century. According to Nenadic this view predates even a Marxist view of history and received a newfound impetus in the post World War II macro-economic emphasis on large-scale industry.⁵ She challenges this perspective, and using qualitative data, shows that in Glasgow the industrialists were only a small part of the middle class, neither as wealthy nor as influential as its older established commercial and mercantile members. Although Nenadic's qualitative findings appear to be accurate, there is some question concerning her arguments about the relative wealth of industrialists in Glasgow. In his work on the business community of Glasgow in the nineteenth century, Christopher Lee argues that the wealthiest members of the middle class were industrialists, including men such as the chemical manufacturer Sir Charles Tennant and ironmaster William Baird,

⁴ R. J. Morris, "The Middle Class and British Towns and Cities."

⁵ Stana Nenadic, "Businessmen, the urban middle classes, and the 'dominance' of manufacturers in nineteenth-century Britain" *Economic History Review* XLIV, I (1991): 66-85.

both of whom left estates of over £ 2 million — amounts unapproachable by any merchant.⁶ The statistical evidence of my research, which looks at how much money was actually invested by individuals, supports Nenadic's conclusion about the political dominance of the commercial middle class through their investments in municipal improvement projects. The data on loans to Glasgow's Water and Gas Commissions does not reflect the financial potential of an industrial elite. There was an increase in loans from manufacturers by the early 1880's, towards the end of the period covered by these data, but generally the merchants of Glasgow were far more supportive of municipal improvement.

The evidence from Glasgow's debt financing also qualifies another widely held view concerning the middle class. That is the belief that as industrialization intensified in the second half of the century, the sons and daughters of the first generation of entrepreneurs abandoned the city for the countryside and involvement in industry for government service and other more genteel pursuits. According to this argument the English aristocracy were not as exclusive as in the rest of Europe, and they welcomed wealthy members of the middle class into their midst by promoting an anti-industrialist ethos in English culture. The aristocracy did not view growth as positive but as something to be controlled if ever increasing disparities in wealth were to be held in check. They romanticized the countryside over the squalor of city life, and favored deference, civility

⁶ Christopher Lee, *The Victorian Business Community in Glasgow circa 1840-1870*, unpub., Ph.D. Diss., Strathclyde University, 1985, 254.

and contemplation over competitiveness and accumulation.⁷ This process commenced in the 1850's and continued beyond the end of the century. My research questions the commencement date of this transition because these data suggest that industrialists increased their investments in urban improvements from the 1850's to the 1870's, and that other middle class groups remained equally committed to urban improvement. The middle class believed that the development of urban water and gas supplies, under municipal control, improved the moral as well as sanitary conditions for the working classes in the city, and this contributed to increased public safety.⁸ The remarks that were previously presented testify to the close relationship that members of the middle class constructed between clean water and public morals (of workers). Reformers abandoned voluntary activities (as discussed in Chapter 1), but transferred their zeal to municipal improvement projects. In the process they supported debt financing as an inevitable part of that process.

The data to be presented represents an extensive examination of the financing of the Glasgow Water Commission between its creation in 1855 and 1874, and the Glasgow Gas Commission from 1869 to 1884. Changes and continuities in the sources of financing in Glasgow will suggest the relative strengths of different groups within the middle class, as well as the level of investment from the gentry. Finally, an analysis by sex will show the

⁷ Martin J. Wiener, *English Culture and the Decline of the Industrial Spirit, 1850-1980* (New York: Cambridge University Press, 1981).

⁸

Glasgow's long winter nights made improved public lighting a concern from early in the century.

importance of women as both autonomous investors and as beneficiaries of urban investments. In short, the omission of this type of detailed analysis from previous histories will be remedied through an analysis of Glasgow's municipal records relating to the purchase and financing of the local water and gas companies from the mid-1850's to the 1880's.

Table 1

Outstanding Loans of Local Authorities in England and Wales (in millions of pounds)

<u>Purpose</u>	<u>1884-5</u>	<u>1894-5</u>	<u>1904-5</u>
Waterworks	30.3	43.9	114.7
Gasworks	13.8	17.0	23.8
Total of all debt	85.3	116.0	260.8

Source: Douglas Knoop, *Principles and Methods of Municipal Trading* (Macmillan & Co., London: 1912): 96

The municipalization of local water and gas companies, or municipal trading as it came to be known, was the primary source in the growth of local debt in industrial towns in the second half of the nineteenth century in Great Britain. Nowhere did municipal trading activity take hold more firmly than in Scotland. Malcolm Falcus points out that by 1907, 73 percent of towns with populations over 50,000 in England and Wales had municipal water, while in Scotland "no major town was privately supplied."⁹

Parliamentary returns, from which most of the statistics on debt can be determined, were not available for Scotland until close to the end of the century, however between 1882 and 1895 Scottish municipal debt increased from £9.8 m. to £ 16.6 m. *not including*

⁹ Malcolm Falcus, "The Development of Municipal Trading in the Nineteenth Century" *Business History* 19, no.2 (1977): 134-6.

municipal trading debt.¹⁰ Table 1 provides a more complete picture for England and Wales, and shows the explosion in municipal debt at the end of the century, just over 50 percent of which was related to water and gas activities. Taking the year 1895 and subtracting the water and gas debt we find that Scottish debt of £16.6 m. represents 23 percent of the total of £71.7 m. of Scotland, England, and Wales while the Scottish population was only 12 percent.¹¹

Some data does exist on the growth of debt in Glasgow in the middle of the century. For example, in 1846 the Clyde Navigation Trust, whose purpose was to provide funding for river improvements at and below Glasgow, had authorized borrowing of £450,000 compared to only £50,000 for the Police and Statute Labour debt which paid for road improvement.¹² Municipal debt increased in 1852 when the council agreed to purchase land in the western part of the city for the proposed Kelvingrove Park which cost £77,945.¹³ These plans eventually led to the creation of a residential Park district designed by the architect Charles Wilson which remains one of the most attractive areas of

¹⁰ J. Row-Fogo, "The Statistics of Municipal Trading," *Economic Journal* (March, 1901): 18.

¹¹ In 1891 the population of Scotland was 4.0 million while total for Scotland, Wales and England was 33.0 million. Robert Woods, *The Population of Britain in the nineteenth century* (London: Macmillan Education Ltd., 1992): 22.

¹² Tom Hart, "Urban Growth and Municipal Government: Glasgow in a Comparative Context, 1846-1914," A. Slaven & D. Aldcroft Ed., *Business, Banking and Urban History, Essays in honour of S G Checkland* (Edinburgh: John Donald Publisher, Ltd., 1982): 201.

¹³ Irene Maver, "Glasgow's public parks and the community, 1850-1914" *Urban History*, 25:3 (1998): 329.

Glasgow to this day. Debt accelerated with the Loch Katrine water project whose initial capital expense was £1.2 million and increased to £1.6 million by 1868.¹⁴ In addition, Glasgow's Improvement Trust, created in 1866 borrowed £1.3 million by 1874 to purchase land in the center of the city for the first major urban renewal project in Great Britain.¹⁵ Finally, the purchase of the private gas companies in 1869 increased municipal debt by £600,000.

The capital for these activities came from a variety of sources. The first place that one might naturally look was to the banks. Yet, the banks were not prepared to lend the municipal government amounts of this magnitude. There are a number of reasons for this having to do with the history of Scottish banks, their general lending practices, and the status of Glasgow and its capital needs. The basic reason, however, was that the commercial banks in Glasgow were generally seeking a higher rate of return than the city was willing to pay, while the chartered banks in Edinburgh, though more conservative in their lending practices, were not prepared to extend any loans until Glasgow demonstrated that it could run these new ventures within their proposed budgets.¹⁶

Notwithstanding these obstacles to bank finance, two commercial banks in Glasgow were prepared to open overdraft accounts. The Water Commission Chairman, Mr. James Gourlay and Mr. Andrew Gemmill - the one-time opponent of the water

¹⁴ John Burnet, *History of the Water Supply of Glasgow* (Glasgow: Bell & Bain, 1869): appendix.

¹⁵ Charles, M. Allan, "The Genesis of British Urban Redevelopment with special reference to Glasgow," *Economic History Review* 18 (1965): 604.

¹⁶ The banks did play a vital part in this process in a more general way that is discussed in the next chapter.

project but a member of the Commission in 1855- negotiated with the Clydesdale Bank in October to open an overdraft account not to exceed 5 percent. At the same time, possibly not to be excluded, the City of Glasgow Bank offered £50,000 at the same rate.¹⁷ In an attempt to be evenhanded, the Commission decided to open accounts with both banks not to exceed £50,000 each. By July 1858 the Commission negotiated a £100,000 overdraft account with the Royal Bank of Scotland at 4 percent. These overdraft accounts were used for day-to-day financing and interest was set at a higher rate than mortgages. They were a conventional form of bank activity and thus even the Royal, which was one of the chartered banks in Edinburgh, evidently became comfortable with establishing a credit line with the Commission by 1858, even though interest rates had actually dropped by one percent from 1855 and the total debt for the Loch Katrine project stood at over £1.3 million. It would be easy for the Royal Bank to have refused to lend with such large outstanding debts if they had any doubt about the Commission's ability to repay the loans. This is especially true because the banks had just gone through a liquidity crisis in 1857.

Given the fact that local banks were willing to make some loans, but not nearly the amounts needed to cover the entire cost of the water project, Glasgow's Town Council turned to the one source of funding that was available to them, public borrowing.¹⁸ Other

¹⁷ This particular loan is interesting because the City of Glasgow Bank was lending at between 7 and 9 percent overseas at about the same time, but it was also covering up the fact that its loans to a number of American railroad companies were already not performing. This information did not become public knowledge until after its failure at the trial of its principal owners in 1881. Minute Book City of Glasgow Bank, 1857-78, Glasgow University Archives.

¹⁸ Although overdraft accounts can be viewed as a form of public borrowing, and banks, as it will be shown, purchased loans from the Water Commission, these accounts were both more expensive and less "reliable" than loans.

financial options open to private companies in the 1850's that were used for funding capital intensive projects were not available to the Water Commission. For instance, the rail companies issued debentures (fixed interest rate stock), and ordinary stock to cover their capital needs. Commercial banks in Glasgow often purchased many of these shares and even lent money based on them as security. However, the authorizing legislation for the water and gas projects did not give the Glasgow Town Council the authority to issue debentures, nor did the Council ask for such authority. It is reasonable to conclude that the Council was not willing to pay the higher interest rates that debentures would have required in the marketplace, nor would they have been willing to pay the extra costs that were often associated with public stock issues. Such a proposal in the mid-1850's from a public Corporation might have seemed too novel for public acceptance. Later in the century Birmingham consolidated all its municipal debt into corporate debentures, but they dealt directly with London's money markets and had the assistance of Joseph Chamberlain.¹⁹ Thus, loans or mortgages (as they were generally called), were the only source of new capital available to the town. These mortgages could not be re-sold on the open market as easily as stocks (although they were transferrable through notice to the Water and Gas Commissions). They were issued for varying numbers of years (usually three to five), and were subject to early redemption and market interest rate fluctuations, at times of renewal. Accordingly, Glasgow made extensive use of mortgages to build the Loch Katrine reservoir, and as we shall see the money flowed into the Commissions' coffers "like water."

¹⁹ This is discussed in Chapter 7.

As mentioned, the water act authorized the Water Commission to issue mortgages to cover the cost of construction of the Loch Katrine reservoir system. The city advertised for and began to sell mortgages to the general public. Mortgage debt soon surpassed the total value of the annuities.²⁰ These mortgages were issued at between 4.5 and 4.75 percent. They were issued in amounts from £50 to £10,000, although individuals and institutions could (and did) purchase greater amounts.

In addition to mortgages, the Council was authorized to purchase the private water and gas companies by converting their shareholder stock into perpetual annuities. Annuities, in the simplest terms, were loans that paid a fixed rate of interest each year, but did not repay any of the principal during the term of the loan. These municipal annuities had no expiration date and thus closely resembled debentures - only lacking their ease of sale.²¹ Under the terms of the 1855 legislation the city was authorized to buy out the two existing water companies by issuing perpetual annuities for their capital stock totaling £525,380. This was composed of a perpetual annuity of 6 percent on the capital stock of £180,000 of the Gorbals Water Company. After arbitration, the Glasgow Water Company's ordinary stock of £345,380 was purchased by perpetual annuities of 4.5 percent. Its preferred stock of £41,680 was purchased at 6 percent.²² The resulting annual interest payment was £26,967. The Act further authorized borrowing up to

²⁰ Within the first six months 130 mortgages were issued totaling £189,910. An additional 159 mortgages were issued in the next six months worth £205,595. By the end of the next year the entire authorization was exhausted.

²¹ The annuities were sold at premiums of fifty percent and more above their face value.

²² See "Determining a Fair Purchase Price for the Private Companies" in Chapter 2 for a discussion how these rates were established.

£700,000 to cover the actual Loch Katrine project. Together this represented over £1.2 million of debt.²³

The purchase of the gas companies in 1869 was also accomplished by the conversion of their stock into annuities, although the argument for the take-over and circumstances were slightly different. Public health issues were at the center of the arguments for municipalization of water, but they were not the main reasons for acquiring the private gas companies. Instead, concerns about quality of service, price, safety, and control of streets were at the center of the desire to take over the city's two gas companies. As previously mentioned (Chapter 3), the Council decided in 1857 to put off municipalization of the private gas companies but continuing concerns about over-charging and poor service resulted in the council commissioning a report on the history of the older company which argued that it had, in fact, been keeping excess profits in a variety of ways that denied the public a reasonable price for gas.²⁴ When the council learned, in October 1868, that the City and Suburban Gas Company was going to seek additional capital to expand its works, without having responded to the questions raised about excessive gas losses (losses that were passed along to the consumers as part the company's prices), the council resolved to seek a competing bill to create a rival company of their own to provide the city with gas.²⁵ Ultimately, the Town Council purchased the existing works of the two gas companies for £34,762 in perpetual annuity payments

²³ Burnet, *History of the Water Supply*, 102-7.

²⁴ James M'Clelland, *Report by James M'Clelland in the matter. . . against the city and Suburban Gas Co.* (Glasgow: Wm Edie & Co., 1860).

²⁵ Glasgow Corporation Minutes 1866 - 1869, October 30, 1868.

(representing approximately £600,000 of debt). On June 1, 1869 it took over the manufacture and supply of gas to the city and the surrounding area. Again, the council converted the company stock into municipal annuities, and borrowed additional money from the public in the form of mortgages with fixed terms and interest generally lasting from three to five years.²⁶

For both water and gas, there was no practical alternative to the conversion of the company stock into municipal annuities. The outright purchase of the companies' shares was out of the question since the share prices of the local Glasgow companies were inflated in anticipation of their possible sale and because they were considered attractive investments. Offering perpetual annuities was the only available option. By offering a fixed interest rate against the called-up value of the stock for perpetuity, and guaranteeing this with the city's entire taxable rate-base, the Town Council created a very attractive (and as it turned out lucrative) investment for the stockholders. Indeed, the radical newspapers in Glasgow loudly complained during the debate about the municipalization of water that the council was paying a very high price for the companies, and that all they were doing was taking on an excessive debt burden worth far less than the assets acquired.²⁷

²⁶ Between 1866 and 1902 Glasgow's Improvement Trust spent £ 568,000 under the terms of the 1866 Improvement Trust to build new streets, parks, improve sanitation, create new homes and lodging houses. C.M. Allan, "The Genesis of British Urban Redevelopment with special reference to Glasgow" *Economic History Review* Series 2, 18, no.3 (December, 1965): 598-613. This is one of many sources on this non-trading municipal activity.

²⁷ These comments appeared in the *Sentinel* and *Examiner* during the period of debate from 1853-1855. See "Arguments of Local Newspapers" in Chapter 3.

Because shareholders of the private companies had the right to sell their annuities, those who chose to keep them thus became part of the largest group of municipal creditors in the city's history. Both the water and gas acts stipulated that the Corporation Commissioners were authorized to issue annuity debentures to every shareholder. These were "declared to be moveable or personal estate, and transmissible as such, and not to be of the nature of real or heritable estate."²⁸ These provisions protected these assets from being taxed as part of the rates, and eased their sale or transfer. From the available evidence only 7 percent of the stockholders sold their annuities within the first year of the take-overs, even though the interest rate was 1 percent below the maximum dividend previously allowed. Both of these groups — the annuitants and the mortgagees — will be discussed in what follows.

The Glasgow Waterworks Annuities

In July 1856 Glasgow purchased the Gorbals Gravitational Water Company and the Glasgow Water Company. Glasgow's new Water Commission transferred the Glasgow Water Company's outstanding shares to the Commission which recorded its shareholders in a register of annuities. Entries from July 1856 to February 1874 provide a database of 2,239 records out of a total of 2,605 original entries.²⁹ These data represent not only the original shareholders, but all the annuitants who invested in the city of

²⁸ John Burnet, *History of the Water Supply of Glasgow* (Glasgow: Bell & Bain, 1869): 102-3.

²⁹ Almost 400 entries in the register were individual postings of separate annuities for the same person. These were especially prevalent in the first year. As many of these as possible were combined in the process of compiling the database.

Glasgow through purchase of Water Commission annuities over an eighteen year period.³⁰

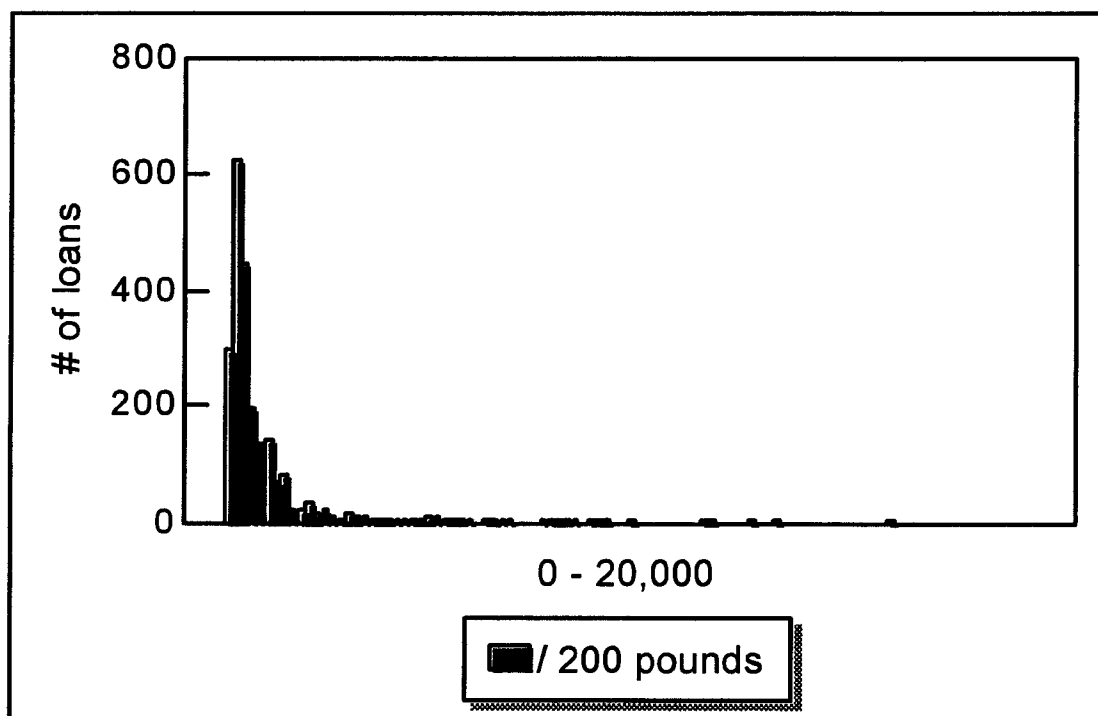
The data contains: the annuitant's name, date of the transaction, residence of annuitant, amount of annuity, and for 88.6 percent of the relevant entries occupation of the annuitant.³¹ The total amount of annuities recorded is £1.86 million. The average was £832, the median was £400, and the mode was £100.³²

³⁰ Although there is no precise way to determine which entries were the actual original shareholders, it is not unreasonable to assume that the entries dated July - December 1856, at the start of the first register, represent the original shareholders. Using that assumption 21 percent of the records and 30 percent of the total amount in the database represent the original shareholders.

³¹ The database was broken down into male, female and institutions. Only men had occupations and were thus relevant to occupation although some women were listed as wives of men whose occupations were known. In addition, 16.8 percent of the "male" records refer to executors or trusts which were not further categorized by occupation. These "occupation" entries represented 44% (n=891) (£ 828,450) of the total amount of all loans.

³² The median is the middle score if you lined up all the entries in ascending sequence. The mode is the most frequently encountered single amount.

Figure 1



Number of loans from 1855 to 1874 in £ 200 increments.

An overall picture of the annuities is presented in Figure 1, which shows the distribution of all 2,239 entries. These data reflect the fact that there were a few very large annuities: there were 11 annuities of £10,000 or over, with the largest one of £16,500. Given that the most frequently issued amount for an annuity was for £100, it seems reasonable to assume that it represented just a part of investors' portfolios.³³

Considering that the venture by the city council into a municipal water supply was new and its prospects relatively unknown, it should not be surprising that most investors were cautious. As can be seen in figure 1 most annuities were, as one might expect, in the £ 0-600 range.

³³ Evidence from my analysis of Sederunt Books in Chapter 6 will make this clear. Also, a £ 100 investment is equal to approximately a \$10,000 investment today. Most middle class investors who can afford such a single investment are likely to diversify and thus likely to have other investments besides a water or gas company bond.

Table 2
Loans by Occupation / period (in pounds)

	1856-8	1859-62	1863-66	1867-70	1871-74	Totals
	total	total	total	total	total	total
	% of	% of	% of	% of	% of	% of
Advocate	2,150	1,300	9,610	900	4,450	18,410
	0.4	1.0	5.1	0.5	2.9	2.9
---Writer	75,640	7,400	5,700	6,200	100	95,040
	15.2	5.5	3.0	3.4	0.1	0.1
---W.S.	4,850	3,740	0	0	300	8,890
	1.0	2.8	0.0	0.0	0.2	0.2
sub-total	82,640	12,440	15,310	7,100	4,850	122,340
	16.6	9.2	8.1	3.9	3.1	3.1
Accountant	5,980	0	0	10	0	5,990
	1.2	0.0	0.0	0.0	0.0	0.0
Ambassador	1,050	0	0	0	0	1,050
	0.2	0.0	0.0	0.0	0.0	0.0
Architect	540	0	0	0	0	540
	0.1	0.0	0.0	0.0	0.0	0.0
Army/Navy	22,510	7,200	7,600	9,700	4,750	51,760
	4.5	5.3	4.0	5.3	3.1	3.1
Banker	13,690	0	170	3,400	1,400	18,660
	2.7	0.0	0.1	1.9	0.9	0.9
Bootmaker	780	0	300	0	0	1,080
	0.2	0.0	0.2	0.0	0.0	0.0
Builder	1,450	100	800	1,250	0	3,600
	0.3	0.1	0.4	0.7	0.0	0.0
Civ. Engineer	10,120	300	650	0	0	11,070
	2.0	0.2	0.3	0.0	0.0	0.0
Cotton Spinner	1,050	0	0	0	0	1,050
	0.2	0.0	0.0	0.0	0.0	0.0
Councilman	14,000	0	0	0	0	14,000
	2.8	0.0	0.0	0.0	0.0	0.0
Distiller	860	0	0	0	0	860
	0.2	0.0	0.0	0.0	0.0	0.0
Farmer	4,130	1,900	500	0	950	7,480
	0.8	1.4	0.3	0.0	0.6	0.6
Gentry	99,530	16,570	10,850	9,500	15,560	152,010
	20.0	12.3	5.7	5.2	10.0	10.0
Ins. Broker	2,300	600	500	0	0	3,400
	0.5	0.4	0.3	0.0	0.0	0.0
Grocer	0	1,300	900	100	3,460	5,760
	0.0	1.0	0.5	0.1	2.2	2.2
Ironfounder	2,320	3,350	11,030	4,100	1,700	22,500
	0.5	2.5	5.8	2.2	1.1	1.1
Manufacturer	7,510	820	1,000	1,000	400	10,730
	1.5	0.6	0.5	0.5	0.3	0.3
M.D.	15,590	3,700	5,640	4,530	3,210	32,670
	3.1	2.7	3.0	2.5	2.1	2.1
Merchant	135,090	8,240	10,190	16,360	13,030	182,910
	27.1	6.1	5.4	8.9	8.4	8.4
Professor	8,440	0	0	0	1,500	9,940
	1.7	0.0	0.0	0.0	1.0	1.0
Reverend	8,930	4,610	4,750	5,510	17,590	41,390
	1.8	3.4	2.5	3.0	11.0	11.0
Saddler	7,060	0	0	0	0	7,060
	1.4	0.0	0.0	0.0	0.0	0.0
Seedsman	600	0	0	0	0	600
	0.1	0.0	0.0	0.0	0.0	0.0
Stationer	1,060	0	0	0	0	1,060
	0.2	0.0	0.0	0.0	0.0	0.0
Surveyor	530	0	0	0	0	530
	0.1	0.0	0.0	0.0	0.0	0.0
Warehouseman	3,580	0	0	0	200	3,780
	0.7	0.0	0.0	0.0	0.1	0.1
Other major categories						
Executors	39,030	67,380	96,850	106,600	70,960	380,820
	7.8	49.9	51.0	58.1	29.6	29.6
Trusts/trustees	8,360	6,400	22,930	14,420	14,890	67,000
	1.7	4.7	12.1	7.9	4.5	4.5
	498,730	134,910	189,970	183,580	154,450	1,161,640

Annuitant occupations represents an important analytical category in the database. A total of over 70 occupations were recorded ranging from diplomats and military personnel to clerks and warehousemen. Table 2 provides data on the most frequently encountered, as well as a broad spectrum of, occupations. The largest group, merchants, whose loans dominated all other groups over the entire period of the sample, suggests their continuing importance over the period covered by this research. They were followed closely by attorneys.³⁴ The loans from the gentry were probably greater than indicated because at least some of the loans made by military persons may have been gentry related. Taken together these two categories exceeded merchants after the first three years (1856-58), accounting for 12.8 percent of loans in the final four year period. As might be expected, the average loan from the gentry tended to be larger than from other groups. For example, this was £1,074 for gentry versus £968 for merchants. Taken together, as a group, professionals (bankers, doctors, ministers, professors, and solicitors) account for 22.3 percent of the loans categorized by occupation in the first three years. These declined to 17.8 percent in the final four year period. It should be noted that over the period covered loans from all classes of attorneys fell from a high at the start of 14.2 percent to 3 percent of the total loans received. Similarly, annuity purchases from the gentry declined after the first two periods to 5 percent and then remained constant. Members of the military, on the other hand were consistent lenders to the city for the entire period. Manufacturers were never a significant group of annuitants,

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. Attorneys were listed under separate categories. The most common were advocates, writers, and W.S. The latter refers to Writers to the Signet a more elite group within the class.

with only 1.3 percent of the total at the beginning and a mere .3 percent in the final period. However, if the ironfounders are included these figures change to 1.7 percent and 1.4 percent respectively. There were no workmen's occupations found in the registers, but this should not be surprising because the most frequent investment of £100 was more than twice the average annual income for manual workers by 1870.³⁵ Even those listed as cotton spinners or boot makers were most likely employers and not laborers, although this could not be determined.

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Paul A. Johnson, *Saving and Spending: the Working-class Economy in Britain, 1870-1939* (Oxford: Clarendon Press, 1985): 12.

Table 3
Loans from outside Glasgow

<u>Scot</u> <u>County</u>	<u>Location</u>	<u>Total</u> <u>amount</u>	<u>Number of</u> <u>Loans</u>	<u>% of</u> <u>amount</u>	<u>% of</u> <u>loans</u>
Midlothian:	Edinburgh	250,210	202		
Midlothian:	Leith	39,730	22		
Midlothian:	Portobello	18,880	8		
	Sub-total	308,820	230*	57.4	49.8
Fife:	Kirkaldy	7,780	21		
Fife:	Cuparfife	6,300	13		
	Sub-total	14,080	34*	2.6	7.4
Renfrew:	Paisley	36,850	45	6.8	9.7
Renfrew:	Greenock	17,890	7	3.3	1.5
	Sub-total	54,740	52*	10.1	11.2
Lanark:	Partick	11,923	19		
Lanark:	Carluke	10,040	1		
	Sub-total	21,963	20*	4.1	4.3
Ayr:	Ayr & Ayrshire	30,130	22*	5.6	4.7
Dumbarton:	Dumbarton	9,830	8*	1.8	1.7
Stirling:	Falkirk	13,100	10		
Stirling:	Stirling	10,970	13		
	Sub-total	25,070	23*	4.6	5.0
Perth:	Perth	6,070	10*	1.1	2.1
Bute:	Rothsay	5,020	16*	.9	3.5
Non-Scot	London	44,363	34	8.2	7.3
	Liverpool	9,420	7	1.7	1.5
	Dublin	7,400	1	1.3	.2
	Manchester	2,450	3	.5	.6

Analysis by region reveals 921 loans from Glasgow residents and 1,272 from other locations (36 could not be determined). The respective averages were £924 and £757 with medians of £430 and £400 respectively. The loans from all of Scotland were £1.33 million or 71 percent of the total. There were eighteen loans from overseas for £16,080. Some of these were from as far away as China, India, and Jamaica. Table 3 shows loans

by various locations, outside Glasgow, by county for Scotland. The counties that immediately surround Glasgow include: Stirling, Renfrew, Lanark, and Dumbarton. Bute is west of Glasgow, Ayr is to the south-west, Midlothian and Fife are to the east, and Perth is to the north. Edinburgh was the home of the chartered banks in Scotland and it also had a substantial *rentier* class in and around the city. The data does suggest that the further away from Glasgow the lower the frequency and amount of loans. This seems only natural and a number of the more distant loans were made by executors which suggests a local connection for many of the more distant investments.

Table 4- Sex distribution of loans by amount

	<u>Men</u>	<u>% of Total</u>	<u>Women</u>	<u>% of Total</u>	<u>Totals</u>
# of loans of £ 1000 and over	397	29	66	9	463
# of loans of £ 500-999	320	23	201	27	521
# of loans of £ 50 - 499	<u>673</u>	48	<u>485</u>	64	<u>1158</u>
Total	1390		752		1462
amount of loans of £ 1000 and over	988,599	73	145,130	38	1,133,729
amount of loans of £ 500-999	207,600	15	132,600	34	340,200
amount of loans 0-£ 499	<u>153,230</u>	11	<u>109,150</u>	28	261,380
Total	1,349,429		386,880		

Annuitant names allow for an analysis by sex. The entries that can be so categorized total £1,736,309.³⁶ There were a total of 1,390 loans from men and 752 from women. The average loan amounts were £970 and £514 with median values of £500 and £200 respectively. Women were 33.6 percent of the annuitants providing 20.7 percent of the total amount. A further loan distribution by amount for men and women is

³⁶. The difference represents institutional loans.

provided in Table 4. Ninety-one percent of women's loans were under £1,000 while the number for men was 71 percent. The difference in distribution in loan amounts between men and women is even more striking. For women the distribution in pounds went from 28 to 38 percent, but for men the range was from 11 to 73 percent. This reflects a number of large loans by a small group of very affluent male lenders. Fully 24 percent of the amount was controlled by or for the benefit of women. It should be clear from this evidence that women played a vital part in the improvement of the city. Without these substantial sums from or for women investors the municipal government could not have undertaken municipalization of water or gas.

Although women's investments were usually smaller than men's, Glasgow generally welcomed a wide range of loan offers.³⁷ One thing that sets Glasgow off from Birmingham was that Glasgow seems to have welcomed some large investments by interested individuals. The principle figure in this regard was a John Russell (not related to Lord John Russell), who was a local solicitor. He lent a total of £68,000 between January 1857 and November 1868. Russell maintained two addresses in an affluent area of the city (one was most likely an office). He appears to have invested for himself because purchases made by solicitors for clients (at least for trustees or estates) were usually clearly indicated in the registers. Another substantial investor was William Henderson of Park, who was mostly likely a member of the gentry. He purchased £22,540 in water annuities and his estate invested a further £10,650 after his death. It is possible that other

³⁷

To purchase a mortgage or annuity an investor had to write a letter offering to make a specific investment. Unfortunately, none of these letters have survived nor the responses to them, but it is possible that an offer could have been rejected for some reason.

members of his family were also purchasing water annuities as well. These two men are almost emblematic of the relative financial involvement of affluent sections of the middle class and the landed gentry. Both groups were lending large sums to the city. Between 1856 and 1874 the total annuities purchased by the gentry exceeded those from all types of solicitors by about £30,000. However, considering the relative wealth of these two groups I suggest that solicitors were more committed to the city.³⁸

Table 5

Institutional Annuitants

<u>Name</u>	<u>Amount</u>	
Scottish Amicable Life	28,960	1859-6
Bank of Scotland	22,070	1859-63
Royal Bank of Scotland	19,550	
Clydesdale Bank	11,350	1856-74
Glasgow City Mission	3,000	
Kapunda Copper Co.	3,000	
Bank of Glasgow	1,600	1856
Commercial Bank of Scotland	1,200	
British Linen Company (Bank)	1,000	
Merchantile House	1,000	
City of Glasgow Bank	520	
Atkinson Institute	500	

Several institutions purchased large annuities, but in general banks and insurance companies did not play a decisive role in this aspect of municipal finance in Glasgow. This can be explained in part by the historical experience of insurance companies with annuities in the 1820's and 1830's. During that period a number of insurance companies invested

³⁸

See tables on wealth by various occupations in W. D. Rubinstein, "The Victorian Middle Classes: Wealth, Occupation, and Geography," *Economic History Review* 30 (1977): 605-7.

heavily in annuities purchased from the aristocracy that were tied to life insurance policies.³⁹ These annuities were a form of gambling and were not subject to the usury laws which limited interest rates to 5 percent. The problem was that far too many of the “gilt edged” aristocrats turned out to be unwilling or unable to pay their annuity payments. A number of insurance companies lost money and delayed far too long before getting out of this line of investments.⁴⁰ Together institutional annuities totaled £127,560, or just 6.9 percent of the total of all annuities posted between 1856 and 1874. The total purchases of the banks were £82,160 which represented 4.4 percent of all purchases. Scottish Amicable, which was based in Glasgow, was the only insurance company to purchase annuities between 1855 and 1874 from the city. They purchased a total of £29,060 or 1.5 percent of all annuities. Their records show approval of a 4.75 percent loan of £10,000 to Glasgow Water Commissioners in September 1857.⁴¹ In 1868 Scottish Amicable also lent £10,000 to the Glasgow Improvement Trust. Although the company clearly had confidence in the city, it was not boundless. A request in 1861 for an extension of their £10,000 loan to 1867 or 1868 was declined.⁴² Even as they made loans to the Water

³⁹

The insurance companies lent a large sum to landed aristocrats for a term of years based on the life of a person or person chosen by the insurance company. (Usually a child or children). Only the interest had to be paid each year, and if the aristocrat died, the estate did not have to repay the principal — which is why these policies were tied to life insurance.

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Clive Trebilcock, *Phoenix Assurance and the development of British Insurance* (Cambridge: Cambridge University Press, 1985): 630-645.

⁴¹ Scottish Amicable, Ordinary Director’s Minute Books, Book 1/1/2 1855-1857.

⁴² Scottish Amicable, Ordinary Director’s Minute Books, Book 1/1/4 1859-1861.

Commission, they were also buying “debentures” (actually loans at 4.5 percent for 3 to 3 ½ years) from the Edinburgh and Glasgow Railroad Company. This reflects the fact that the city was paying interest at the market rate of preferred investments in spite of the fact that the annuities were guaranteed by the general tax rates of the municipality, and therefore should have been saleable at a slightly more favorable rate by the corporation. It means that investors viewed municipal risk at about the same level as investments in railway loans in spite of the period of rail company failures in the last half of the 1840's. It suggests that although the middle class was supportive of sanitary improvements in Glasgow, and may have had a certain pride in these works, they were still pragmatic about the actual interest that they intended to get for their money, and still saw municipal trading activity and municipal debt as riskier than it actually was.

The Gas Committee Annuities

Data on gas annuities was collected from a Register of Transfers of annuitants for the period December 1869 through February 1884. A total of 1,387 records were recorded totaling £537,173. The average annuity was £387 and the median was £225. These registers contained names, locations, dates, amounts, and occupations (for 52 percent of entries, excluding executors and trusts). This data overlaps the Water Commission Annuities for only six years, and extends the information on annuitant investors into the mid-1880's.

Table 6 - Occupations of Gas Committee Annuitants

<u>Occupation</u>	<u>Total</u>	<u>Total</u>	<u>Glasgow resident</u>	
	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>
Merchant	43,334	60	32,226	44
Gentry	20,737	23	0	0
Manufacturer	17,870	9	17,145	8
Founder	875	2	875	2
<u>Professionals:</u>				
Military - all	4,055	7	1,540	1
Engineer	1,810	6	1,410	4
Gas Co. manager	1,640	3	826	1
Minister	4,668	13	387	2
Accountant	4,625	15	4,625	15
M.D.	7,142	21	3,037	10
Stockbroker	840	2	840	2
Actuary	200	2	0	0
Banker	2,425	5	400	2
Writer/W.S.	9,337	16	4,310	10
Lawyer / Solicitor	4,550	9	2,750	3
other professionals	2,676	3	826	1
<u>Services:</u>				
Warehouseman	1,125	2	1,125	2
Builder	972	3	150	1
Distiller	970	3	0	0
Confectioner	6,842	3	0	0
other services	1,850	8	655	5
Farmer	2,032	6	0	0

There were 427 women annuitants in this database whose average loan was £343.

This represented 30 percent of all transactions and 27 percent of the total amount. There were 588 loans from Glasgow residents averaging £377. The table 7 shows the most common occupations listed with again, merchants exceeding any other group. The total invested by those with occupations was £156,883.⁴³ Using this total the merchant investments represented 27 percent, the gentry 13 percent, and the manufacturers 12 percent. These results are rather different from those obtained by John F. Wilson in his

⁴³ This excludes trust investments of £ 19,388 and executor investments of £ 147,996.

research on gas investments in private companies between 1836 and 1860. Wilson found that merchants represented 11 percent, the gentry 5 percent, and manufacturers 25 percent of his totals.⁴⁴ Wilson looks at gas companies in smaller towns in the north of England.⁴⁵ He also looks at the purchases of shares at the inception of the gas companies in his sample. Yet, his results which show the direct link between users of gas such as manufacturers and investors, suggests a narrower interest in gas investments and support than the data for Glasgow's Gas Commission. Although merchants used gas in their stores, the largest consumers were the municipal government itself and the manufacturers. Yet, the Glasgow data suggest that manufacturers were not supporting the gas Commission as much as their colleagues were supporting the private companies, as shareholders, a decade before. In addition, Wilson argues that over a thirty to forty year period from the creation of gas companies an increasing number of investors came from a *rentier* class of gentry and women. Once the gas companies proved that they were profitable and reliable, these *rentiers* increased their share of stock in the companies that Wilson studies. The data collected here from Glasgow's Gas Commission does not support Wilson's findings. An examination of the total amount of purchases by gentry between 1870 and 1884 shows that they remained relatively flat during the whole period, averaging under £1000 per year, except for 1877 to 1879 when purchases averaged just over £5000 per year. Wilson may be correct that this *rentier* class was attracted to gas stock because of its reliability and high yield, but that does not appear to be the case in

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John F. Wilson, *Lighting the Town: A Study of Management in the North West Gas Industry 1805-1880* (Paul Chapman Publishing Ltd., 1991): 106-107.

⁴⁵ In this instance mostly in Lancashire and Cheshire generally near Manchester or Oldham.

Glasgow.

The Water Commission Mortgages

As mentioned above, the other source of funds for the Water Commission came from mortgages. The Water Minute Books from September 1857 through July 1859 contained a total of 484 entries of mortgages totaling £734,064. The Commission's original borrowing power had been limited to £700,000 but was extended to £900,000 in April 1859. The data contains names, dates, amounts, and to a much more modest extent occupations of mortgagees. However, the data provides information on trust lenders as well as loans received from insurance companies and banks.

Banks and insurance companies were more at ease with these types of loans than annuities. Three banks — the Royal Bank of Scotland (£74,800), the National Bank of Scotland (£35,200), and the British Linen Company (£5,000) — provided mortgages for £115,000 or 16 percent of the total. In addition, four insurance companies provided loans totaling £55,000 or 7.5 percent of the total amount received. Taken together this represented 23.5 percent of the mortgages, which is a substantial share of all loans coming from only seven institutions. This amount represents a fifty percent increase over the total annuities purchased by banks and insurance companies. Clearly, they were much more willing to make this type of investment in the city.⁴⁶

Other mortgages were more difficult to evaluate because of a lack of information in the minute books. There were 152 loans made by women equaling £110,484, and 96 loans made by trusts for £159,622. Thus, 34 percent of all loans came from women (15

⁴⁶ For a complete discussion of banks and insurance companies see Chapter 6.

percent of funds) and 20 percent (21.7 percent of funds) came from trusts. The National Exchange Co., one of the small private banks in Glasgow lent £9,000. In addition, the Weston Bank Relief Fund lent £7,000; the Free Church College lent £5,500; the Merchant's House of Glasgow lent £4,000, and various churches lent a total of £10,900. In general, mortgage money came in quickly and in large amounts. Table 7 shows that this was an excellent source of funds for the Water Commission.

Table 7

<u>Rate of Water Mortgage Receipts</u>		
<u>Period</u>	<u># of loans</u>	<u>Total amt. received</u>
Sept. - Dec. 1857	74	136,888
Jan. - Mar. 1858	76	77,317
Apr. - June 1858	91	94,922
July - Sept 1858	101	147,698
Oct. -Dec. 1858	43	48,912
Jan. - Mar. 1859	43	80,882
Apr. - June 1859	50	93,615

The Gas Committee Mortgages

Unfortunately, the records of the gas committee for its first year of operations in 1869 are not extant and the committee books for 1870 through 1871 provide only minimal information on the number and amounts of loans received as mortgages for the gas project. This was due partly to the fact that less capital was needed than the Loch Katrine project fifteen years before and the minute books were not used as registers. In the event, there were 162 mortgages posted totally £202,970. This gave an average of 6.5 loans per month between February 1870 and February 1872 with an average loan of £1,252. Mortgage rates on new loans made by the gas committee in February 1870 ranged from

3.5 percent for three year to 4 percent for five and one-half years. Clearly, mortgage money was still easy to find but no data exists to provide an analysis of who was providing loans or where they were from. However, given the experience of the water committee it is likely that these loans were of local origin. In December of 1870 the Clydesdale Bank set up an overdraft account with the gas committee at a maximum interest of 5.5 percent. The Clydesdale was charging an annual fee to manage the account and it had a long-standing working relationship with the Council as well.

Table 8

Annuity purchases of selected occupation or status within Glasgow

<u>Occupation / status</u>	<u>Amount</u>	<u>Number of individuals⁺</u>	<u>Average</u>
Merchant	148,350	107	1,386
Writer/Solicitor *	123,660	25	4,946
Ironfounder	19,750	5	3,950
Army/Navy	16,300	4	4,075
MD	11,590	14	828
Manufacturer	7,130	8	891
Banker	6,690	7	955
Accountant	5,130	9	570
Engineer/Civil Engineer	5,110	8	638
Warehouseman	3,580	5	716
Minister	3,360	8	420
Milliner**	100	1	100
Spinster [°]	2,780	6	463
Widow	31,150	22	1,416
Single women	25,260	48	526
Married women	71,040	86	826
executors	155,790	176	885
executrix	9,070	15	605

+ This table combines, as best as possible, duplicate names to reflect the true number of individual annuitants.

* Writers were solicitors, but both terms were used in the records. This average reflects the purchases of John Russell (mentioned previously).

** This was the only woman in the entire database with an occupation.

° Described as such in the register!

Data analysis

Extending back to the middle of the eighteenth century, Glasgow's merchants had dominated the commercial life of the city. First as tobacco importers and later cotton and other raw materials traders, they amassed great wealth and ensured the growth of Glasgow, in part by dredging of the River Clyde to accommodate ocean-going ships. The Merchants House provided Glasgow's political leaders, before the Municipal Corporation Act, and its Dean of Guild still sat as an unelected member of the city council. Thus, it is not surprising to find that merchants were the largest group of annuitants for both the Water and the Gas Commissions. As water annuitants, not only were they the largest group within the original annuitants, from 1856-58, but they continued to be among the top three groups of annuity purchasers between 1859 and 1874 (Table 2). Their total annuity purchases from 1859 put them just below the gentry as municipal investors. This pattern continued with reference to the gas annuitants, where merchants were the largest group as well, both in number and amount (Table 6). This financial power was converted into political power. Of the 76 men who served on the Town Council between 1853 and 1858, 31 (40 percent) were merchants, but only 8 were manufacturers.⁴⁷

By contrast, manufacturers were tenth on the list of water annuitants in 1856-58, and by 1871-74 their purchases of annuities were down to only £400. Manufacturers' relative status changed considerably as gas annuitants, becoming the third largest group of lenders by amount (£17,870), although over 90 percent of this came from three families.

⁴⁷ This data was compiled from the minutes of the Town Council over this period which reported the annual election results and always indicated the occupation of those elected. See Glasgow Town Council, *Minutes of The Corporation of the city of Glasgow*, (ML).

Manufacturers had a vested interest in a plentiful supply of pure water, especially in the bleaching related textile industries. They also had a vested interest in gas production, although they generally did not take the lead in the development of new techniques in the production or distribution of gas because the industry itself was well developed in Scotland by the 1840's.⁴⁸

Annuitant data for Glasgow residents confirms merchants' importance within the city. Table 8 shows occupation groups within Glasgow with merchants leading all others by over £50,000. At least as far as annuity investments are concerned, merchants were more active lenders than other groups, but one factor that may have limited manufacturers was their need to reinvest profits. Still, these data tend to support the suggestion of Stana Nenadic that manufacturers were not the dominant element of the middle class as suggested by the continuing growth of the industrial revolution with its implicit assumption of a rising industrial oligarchy.⁴⁹ This is in spite of the fact that the wealthiest members of the middle class were a small group of manufacturers. It is possible that more capital was coming from this elite group through intermediaries but as yet this suggestion remains speculative. Clearly, merchants were the dominant group within the middle class through their support for urban improvement projects, and this is reflected in their political dominance of the Town Council between 1855 and 1882.

⁴⁸ M. S. Cotterill, "The Development of Scottish Gas Technology 1817-1914: Inspiration and Motivation," *Industrial Archaeology Review* 5, no. 1 (Winter 1980-1): 19-40.

⁴⁹ Stana Nenadic, "Businessmen, the urban middle classes, and the 'dominance' of manufacturers in 19th century Britain" *Economic History Review* XLIV, no.1 (1991): 66-85. Nenadic writes that in 1861 73 percent of the income of the middle class came from businesses. (68)

Members of the gentry were the second largest group identified for both water and gas annuitants (Tables 2 and 6). Yet, within Glasgow there were probably only one or two lenders who could be so classified (both were wealthy army officers). This lack of urban presence did not stop the gentry from making substantial loans to both commissions. Although the gentry may have been politically uninvolved in urban affairs, they were still committed to urban improvement through their loans.⁵⁰ In the 17th and 18th centuries it was often members of the gentry whose urban lands were used for housing development which became a new source of income for many. Urban infrastructure improvements tended to increase the value of their lands (and increase their rents), thus investments in water and gas improvements served their interests, making them willing lenders to the city. Thus, some members of the gentry were drawing money from the city in two ways: first from the rent and feu duties that they received, and second from the interest on mortgages that they purchased. Increasing rents in the final decades of the nineteenth century at a time of tighter municipal budgets and near the end of a long economic slump may explain why local governments and other tax reformers were so anxious to tap this potential source of revenue. The gentry's urban investments represented one form of financial diversification that they engaged in that increased their cosmopolitanism.

Clergymen were an increasingly important group of investors in water annuities.

By 1871-74 clergy were lending more than any other individual group. For example,

⁵⁰ Whatever the make-up of the pre-reform council in 1833, by the mid 1850's all members of the council had occupations. There were no "gentlemen." It should be noted however, that it was not uncommon for a local businessman to retire to the country and become a gentlemen. This happened with Lord Provost Blackie in the mid-1860's.

almost £9,000 was lent in 1874 by just three men. One of them, the Reverend James A Fell who lent £5,150 in February of 1874, moved from Stafford in England to Galashields south of Edinburgh. Some of these funds were invested as trusts for wives or children. Perhaps the most interesting aspect of these investments was that most of the money from clergy was coming from outside of Glasgow (Table 8). Although there were 184 churches of all denominations in Glasgow in 1860 and many more clergy both within the city and in nearby communities, there were only 8 ministers who personally purchased annuities. An analysis of the clergy's loans shows that 65 percent (£24,810) came from within Scotland, although there were some from clergy in London, and one from a Reverend George Brown in France. These loans averaged just under £600 although the median was only £360. Again, this reflects a small number of sizable loans. It is quite possible that these loans were made by Scots who settled elsewhere to spread the gospel, but still had strong personal ties to family and institutions, and knowledge of events and conditions "back home." They may also have relied on the advice of solicitors or other agents for advice on safe and reliable investments.

Executors and trustees represent a distinct group within the overall database. They were responsible for investing other people's assets. Often several people acted as executors for the deceased. Executors were also under some legal constraint limiting their investments to domestic securities and land.⁵¹ Wills and trust documents could further limit and direct their actions. Trustees were appointed in marriage contracts to control the

⁵¹ Thomas Lewin, *A Practicle Treatise on the law of Trusts*, Vol. 1 (Boston: Charles H Edson & Co., 1888). Augustine Birrell, *The Duties and Liabilities of Trustees* (London: Macmillan & Co., 1896).

assets a new bride received from her parents or for minor children or orphans. Over time as more local solicitors became aware of the safety and lucrativeness of water and gas annuities and mortgages, these investments became increasingly popular. Not surprisingly, the two groups in Table 2 which show a marked increase in loans from their initial level are executors and trustees. The data suggests that as Glasgow's Water Commission became more established between 1859 and 1874, more executors and trustees turned to its annuities as appropriate investments. It was a commonplace that widows' and orphans' assets were invested in safe securities such as municipal and government bonds. The data tends to confirm this. Mortgage data also shows the strong presence of executors as lenders in urban improvement projects.⁵² Examination of Sederunt Books, which contained the financial activities of executors, shows several investments in a variety of Glasgow's bonds and annuities by trustees.⁵³ It is clear that Glasgow's middle class was supporting municipal improvements not only during their lives but in their legacies as well.

Turning to women's loans we find that the level of women's contributions to municipal finance either as annuities or mortgages are reasonably consistent with each other. Women represented 33.6 percent of all annuitants and provided 20.7 percent of the total funds. Women mortgagees represented 34 percent of the lenders providing 15 percent of the funds. Fixed municipal investments represented a stabilizing element of overall British investments because so much money was invested overseas. Most of the overseas investments were high yield but also high risk, and always had the potential to

⁵² Almost £160,000 was invested by trusts and executors.

⁵³ Sederunt Books are discussed in detail in the next chapter.

put a strain on the pound if there were failures on the part of overseas borrowers.⁵⁴

Municipal bonds were relatively safe, especially because they were issued based on the unlimited taxing authority of the local jurisdiction. This worked to the advantage of the municipality because it led to the lowest rate available in the money market, as well as to the investor because of the assurance of interest payments regardless of the profitability of the particular scheme. (Although at least one insurance company advised against just this type of loan on the basis of the increased risk of default by a municipality).⁵⁵ Women and other small investors thus stabilized a money market that always threatened to become over-extended. Similarly, the higher proportion of women investors in low risk municipal loans can be viewed as a check on male recklessness and over-optimism. Men were, most likely, the major overseas investors.

Lack of evidence prevents a definitive statement on whether single women were making their own investment decisions. Married women's legal status was based on the concept of *feme covert* under English and Scottish law until the passage of the Married Women's Property Act of 1882 (1881 for Scotland). Under this common law doctrine women lost all control of their property at marriage. Although there were separate rules for different types of property, the basic doctrine in common law was that "in law husband

⁵⁴ A. G. Ford, "Bank Rate, the British Balance of Payments, and the Burdens of Adjustment, 1870-1914," *Oxford Economic Series* NS 16, no.1 (March 1964): 24-39.

⁵⁵ London Life Assurance Company Minute Book 1852 - 57. September 1879. (Guildhall Library).

and wife are one person, and the husband is that person.”⁵⁶ Thus, the investments made for married women or by them were always under the control of their husbands. Even for widows the property that was theirs before marriage reverted to their control only under specific circumstances, otherwise it was controlled under the terms of the deceased’s will which usually meant several male executors. Widows were often provided a lifetime income from their husband’s estate controlled by executors who invested in municipal and other income-producing securities. Widows were entitled to live in their husband’s home, but this property then passed to his children after her death (or to whomever he chose). But if a widow wanted or needed extra money for some purpose she had to plead for it from the executors who were free to turn her down at will.⁵⁷ Fathers could protect their daughters (and their own property that they were passing to their daughters), by using marriage trusts which provided additional income for them, and specified how these assets were to be distributed after the daughter’s death. (This was also a way to keep fixed assets out of the hands of a future son-in-law.) However, these trusts were almost always administered by male family or close friends. Thus, most women who had absolute control of their assets were ones who never married.

The evidence on all women’s investments comes from two sources. There are

⁵⁶ Sir William Blackstone quoted by Lee Holcombe, *Wives and Property, Reform of the Married Women’s Property Law in Nineteenth-Century England* (Toronto: University of Toronto Press, 1983): 18. It is worth noting that women did not get the right to sit on town councils until 1907, nor could they vote in municipal elections until 1918. E. P. Hennock, *Fit and Proper Persons*, 11.

⁵⁷ Leonore Davidoff and Catherine Hall, *Family Fortunes: Men and Women of the English Middle Class, 1780-1850* (Chicago: University of Chicago Press, 1991): 211-214.

solicitor files in Glasgow which contain correspondence between solicitors and their clients as well as copies of wills and records of the activities of the trustees of estates, and entries in the registers of annuitants. The records of trustee activities will be analyzed in detail in the following chapter, but generally women's estates were quite small. However, my review of the registers found that about 10 percent (representing £18,110 of purchases) of the executors for smaller investments were listed as "executrix" indicating that *no men* were involved in the supervision of that estate (38 out of 407 entries). In many others at least some of the executors were women, although they were usually a minority of the executors for a larger estate. In addition, many investments referred to one or a group of women, listing their names and city or town with no indication of male control. There were many investments that specified a man's name and said "wife of" or "daughter of" so that the entries in these kinds of citations suggests the lack of male supervision. Although these records represented a minority of the executor and individual investment records, it would appear that at least some women made their own financial decisions. In addition, £73,340 were for the benefit of women. Given the generally acknowledged dependent position that women were in financially in the nineteenth century in Great Britain, it was surprising to find even this limited number of autonomous (and by implication financially secure) women.⁵⁸ It means that within the male-dominated world there was a small, invisible but autonomous sphere of independent women which served as a model for those who sought to reform laws on women's status.

⁵⁸ A rather gloomy portrait of women's financial dependence can be found in Davidoff and Hall, *Family Fortunes*, 275-9.

Table 9
Annuity Purchases within Glasgow 1856-1874

<u>Year</u>	<u>Total purchases (in pounds)</u>
1856	248,690
1857	61,073
1858	69,560
1859	34,430
1860	29,260
1861	33,080
1862	26,070
1863	15,920
1864	56,910
1865	35,090
1866	31,990
1867	40,640
1868	46,950
1869	13,350
1870	20,150
1871	20,350
1872	9,310
1873	8,430
1874	<u>40,490</u>
	841,743

The annuity data suggest that at least through the mid-1870's key elements of the middle class were still firmly "invested" in urban life. Table 9 shows that investments from within Glasgow itself remained remarkably steady for most of the period. The initial entry for 1856 of £248,690 represents the total Glaswegian shareholders at the point of municipalization. Thereafter the yearly purchases do not fall off until 1869. Almost half (45 percent or £841,743) of the capital for the water project⁵⁹ came from within the city and from what were middle class sources such as merchants, solicitors, accountants, engineers, and professors. The dominance of the merchant middle class remained

⁵⁹ This was from the annuities. It was not possible to get the same information for the mortgages.

unmistakable for the entire period. Merchants were more likely to be able to tolerate debt as both borrowers and lenders compared to industrialists who tended to reinvest their profits, and not seek outside financing. A significant, but by no means overwhelming, part of their investments were in these urban projects.⁶⁰ Although these middle class investors clearly had investments outside of the city (railroads, foreign investments, land, business and private loans can all be found within their portfolios), they were still the single most important source for funding improvement projects in Glasgow. The data does not support the suggestions made by some historians (as mentioned above) that the sons and daughters of the middle class abandoned the cities to become part of the gentry. At least, the data suggests that the timetable for such an evaluation came after the 1870's. The evidence here shows that if the middle classes were abandoning cities, then it occurred later in the century.

There were several surprising results obtained in this research. The first of these has to do with the absence of the names of some of Glasgow's most influential citizens. As mentioned earlier the chemical manufacturer Charles Tennant, whose works were a prominent sight in Glasgow, does not appear to have invested in the city. Also missing were the names of the Lord Provosts whose work led to the municipalization of water and gas. This includes Robert Stewart, Lord Provost from 1851-54, who was credited with the political victory for the project, and Andrew Orr who oversaw most of the actual construction of Loch Katrine. Last, in this regard, is the failure of a number of local insurance companies to purchase mortgages. Scottish Amicable's confidence in the city

⁶⁰ See Chapter 6 for an analysis of Sederunt Books.

did not extend to other companies (even the City of Glasgow Life Assurance Company whose with home office was in the city). Less surprising was the dominance of Glasgow's mercantile class whose investments made these projects possible. The data does show that 71 percent of the capital for Loch Katrine came from Scotland. Scots were fiercely proud of their identity and autonomy, and this was illustrated by the ease with which capital was obtained for municipal improvement projects. However, a number of questions remain open that might explain how it was possible for such large sums to be available for municipal capital projects given that some of the most obvious sources were only marginally involved. How had the financial system developed in Scotland? What were some of the competing options open to individuals and institutions for their excess capital? What were the conditions that limited insurance companies and banks investments in municipal government? These questions provide the focus of the next chapter.

Chapter 6 - The Middle Class invests in the City

The data presented in the last chapter show who was lending to Glasgow in some detail. What is missing from that picture however, is an explanation of the financial conditions that existed in Scotland that first enabled adequate surplus capital among institutions and individuals, and an explanation for why these groups would be willing to turn over sufficient sums to municipalities for investments in urban improvements. What were the circumstances in Glasgow that made the middle class so financially self-reliant, and what were the competing choices that might have drawn capital away from the city into other regions? When the city advertised for loans for the water project in 1855, money did not just appear on their doorstep. It was offered to the city by mostly middle-class Glaswegian investors (often merchants), who were willing to lend it to the town. Individuals and institutions made a choice among various options open to them to put some of their funds at the disposal of city governments. Even the shareholders of the private companies voted to accept the offer of the municipal government for the take-overs of the companies, and most decided to trust that their money would be just as safe in municipal as in private hands. Understanding the financial background in Scotland helps put those choices into perspective, and contributes to understanding how the middle class actually created healthy viable cities.

Municipal investments were just one of a number of choices open to the investing public. They were no more or less privileged, in law and practice, than other investments. In a practical way, cities were at a disadvantage in the marketplace because, for most of the nineteenth century, municipal securities were less available and less easy to trade than

a number of other investments. As a result, cities were faced with an uphill battle to attract the capital needed for expensive improvement projects. What were the social or structural impediments to municipal investment, and what motivated banks, insurance companies, and executors to invest in municipalities? This chapter will examine each of these institutions and groups, and lastly it will examine how municipal investments fit into the choices of individual investors through the legacies that they left. Before beginning this analysis, however, some background on the general economic conditions that existed in Scotland will put municipal growth in the context of Scottish industrial change.

In the eighteenth century commerce with the Americas in tobacco created great wealth in western Scotland largely in Glasgow, but the textile industry became the driving force of the industrial revolution in Scotland early in the nineteenth century. By the 1830's iron production and investment began to replace textiles after the introduction of the new "hot-blast" production technique developed by James Neilson. During this period capital accumulation reached £6 million.¹ By the mid-1840's Scottish iron represented 25 percent of British output. After that production leveled out and remained flat for twenty years. Railroads achieved their major growth during the 1840's. Indeed, the decade was a boom period. A brief rail mania in 1845-6 and a dramatic collapse by 1847, was followed by a new round of investment in Scottish rail projects. The period from 1855 to 1875 was one of re-investment in railroads. Glasgow's merchants played a particularly vital role in these

¹ Richard Brown, *Society and economy in Modern Britain 1700-1850* (London: Routledge, 1991): 192-3.

projects. During the 1860's alone capital formation doubled.² Investors bought shares in companies such as the Caledonian, the South-Western, and the Great North of Scotland. Shares were sold through exchange companies although many of these companies speculated in loans on rail shares and failed after the boom ended. A general decline in textiles especially marked by the “cotton famine” associated with the American Civil War, reduced investments in that industry. Although there was a brief upsurge in investment in cotton after the war ended, the industry had already passed its zenith. Other textile production had moved south, particularly to Lancashire. Other industries such as whiskey, paper, and construction also attracted small investors during this period, although information about these investments is difficult to quantify. Finally, Scotland’s unique system of land tenure (see below), encouraged continuing investment in land leases, purchases, and property development. In general, Scotland was dependent upon exports and its industrialists were willing to introduce new technologies or develop them on their own (as they did in chemicals and engineering).

The Financial Environment

Supporting Scottish industry was an advanced banking sector, in many ways far ahead of England. Unlike England, where until 1833 the Bank of England was the only chartered joint-stock bank permitted to both issue notes (paper currency) and operate in London, Scotland had four chartered banks by 1850. In addition, after 1845 note issue

² S. G. E. Lythe and J. Butt, *An economic history of Scotland, 1100-1939* (Glasgow: Blackie, 1975): 161-200.

was regulated, limiting it to the nineteen existing joint-stock Scottish banks.³ Branch banking was an important feature of the Scottish system. By 1800 there were already sixty-four bank branches in Scotland, and by 1810 the capital of the average Scottish joint-stock bank was five times that of their English counterparts. The chartered banks capital exceeded £3 million. In the early decades of the nineteenth century a number of private and joint-stock banks formed in the western part of Scotland to support increasing industrialization. By 1845 their total authorized circulation also exceeded £3 million. Scottish banks were more willing to accept notes than English banks and this also contributed to bank liquidity. Small depositors were welcome in the Scottish banking system as well. By 1839 there were twenty savings banks in operation with almost £400,000 in small deposits, and by 1846 these had reached £1.3 million.⁴ Scotland had two banking centers by 1850. A western one in Glasgow which had four joint-stock banks which concentrated on providing capital for foreign trade and commerce and the Edinburgh center, home of the older chartered banks, whose lending policies tended to be more conservative.⁵

Scotland's more advanced banking system, during most of the nineteenth century, encouraged local capital accumulation. Not only did the greater number of bank branches increase the total deposits in Scotland, but the lack of restrictions on partnerships made

³ Sidney G. Checkland, *Scottish Banking A History 1695-1973* (Glasgow: Collins, 1975): 452-6.

⁴ Lythe and Butt, *An economic history of Scotland*, 153-8.

⁵ S. G. Checkland, *Scottish Banking*, 340-342.

amalgamation and greater capitalization easier than the limited number of partners that existed in England. Compared to England, Scotland's system of branch banking, its more competitive banking system, and its long tradition of bank savings by a broader section of the entire public provided a favorable environment for all forms of investment. These conditions favored capital expansion in Glasgow in spite of the financial distress created by the failure of specific local banks such as the collapse of the Western Bank of Scotland in 1857.

Additional financial resources were generated by the insurance companies. Several were founded in Scotland in the first half of the century, and these grew rapidly. There were sixteen such companies in Scotland by the 1870's and the value of their policies were in the tens of millions.⁶ All of this suggests the strength of the Scottish financial sector in the middle decades of the nineteenth century with diversified and sophisticated investment instruments and options.

These general regional factors, including a strong banking system with *per capita* deposits higher than in England, a growing insurance industry with capital to invest, and an economy largely involved in coastal and foreign trade, gave investors many options.⁷ However, other considerations aside, interest rates played a decisive role in individual and institutional investment decisions. These were based on a benchmark which, in Great

⁶ Lythe and Butt, *An economic history of Scotland*, 159.

⁷ Michael Collins, "Long-term Growth of the English Banking Sector and Money Stock, 1844-80," *Economic History Review* 36 (1983): 381.

Britain, was the yield of Consols.⁸ These were Bank of England long term bonds issued at a fixed rate and ultimately backed by Parliament. They were the most “guilt edged” of all securities, but, as a result, they did not pay the highest interest rates available. As local conditions in Glasgow changed, the Water and Gas Commissions raised or lowered the interest rates that they were offering. It was not uncommon to encounter investor comments in the minutes of the commissions that showed that even a half percent reduction in current rates was enough for some to decide not to renew their mortgage or annuity with the city.

The Problem of Attracting Capital

Local municipal borrowing ought to have been fairly easy once a political decision was made to engage in municipal improvement projects. In fact, there were a number of factors working against the decisions that individuals and institutions made in lending to municipal governments. Glasgow advertised its municipal bonds and annuities in local newspapers but did not channel its investments through local brokers.⁹ Using local brokers might have been a mutually advantageous arrangement because many of them

⁸ There were approximately £ 700 m. worth of Consols and other central government bonds outstanding in 1879. Most of these had a guaranteed rate of interest of 3 percent which could only be changed by act of Parliament. Consols, short for Consolidated Annuities, were the major portion of “funded debt” of the British Government in the nineteenth century. Issued from 1751, their price varied with changes in the money supply. Robert L. Nash, *A short inquiry into the profitable nature of our investments* (London: Effingham Wilson, 1880): 9.

⁹ As mentioned in the last chapter, bonds were referred to as mortgages and the annuities represented the conversion of the private water companies’ stock into perpetual bonds paying a fixed rate of interest.

were well-placed to have provided a sales service. For example, one investigation showed that an Edinburgh firm, in 1833, handled £152,000 “of which 76 percent was in Scottish banks and insurance companies, 19 percent in local gas, water and industrial undertakings, and 3 percent in local canals and railways.”¹⁰ Brokers charged a commission for their services, but the city did not. The city’s practice was to register all transfers of loans and annuities and deal directly with investors. Investors could thus purchase annuities or mortgages from the city, saving commission fees (an incentive to purchase municipal mortgages), and since these investments were held for long periods and were not otherwise transferable, there was little incentive for brokers to become involved.

As previously discussed (in Chapter 5), most of the water and gas stockholders became municipal annuitants, but because the city had not considered a business relationship with the brokers, they did not become an avenue for additional municipal investments. This was a significant loss for the city because there were over 36 brokerage firms in Glasgow by 1860. Many were also insurance agents, and creating a relationship with them might have facilitated greater interest in municipal investments from insurance companies.¹¹ There are at least three reasons why brokers were not utilized more extensively. The first is that the Glasgow and Edinburgh stock exchanges were “infant institutions,” and may not have had the confidence of council members.¹² The second is

¹⁰ R. C. Michie, “The London Stock Exchange and the British Securities Market, 1850-1914” *The Economic History Review* 38 (Feb. 1985): 64.

¹¹ Slater’s *Royal National Commercial Directory of Scotland* for 1860 provides this count.

¹² Lythe and Butt, *An economic history of Scotland*, 197.

that this would have necessitated the creation of debenture stock (which could have been sold on the open market), but that would have required additional Parliamentary approval and would have broken new financial ground for Glasgow. That might easily have generated opposition in Parliament from any number of parties who might have found municipal debentures or stocks to be threatening or too radical, and it is doubtful that council members at the time were completely prepared for this. Also, debentures required bank underwriting which again would have represented something that the chartered banks would have considered too far out of their normal business practices. The third reason relates to the fact that many investments were made by solicitors on behalf of trusts and estate beneficiaries. Members of the legal profession were excluded from local stock exchanges which bought and sold shares of local companies that were almost exclusively traded among local customers.¹³

Trust Investments

Trust investments were a very important source of funds for Glasgow. They represented 24 percent of the total annuities purchased between 1856 and 1874.¹⁴ Thus, solicitors who handled trusts, and served as executors for individuals from all of Scotland, played an important role in selecting municipal investments. As executors and trustees they had a direct influence over the purchase of water and gas annuities, mortgages and

¹³ R. C Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth-Century Scotland* (Edinburgh: John Donald Publ. Ltd., 1981): 182.

¹⁴ The amount was £447,000. See, Chapter 5, Table 2.

heritable securities. Legal restrictions, ambiguities in law and court decisions that held solicitors personally liable for losses, limiting clauses of wills and trust documents, and their own inclinations tended to make solicitors very conservative in their investment decisions. The law excluded investments “in the stock of any private company” unless specific provisions were made for this type of investment in the will or trust.¹⁵ Richard Rodger has recently argued that trustees were inclined to invest in land and heritable securities, in part, because many of them were involved in this business. Further, the high feu duties unique to Scottish land transactions, made various forms of land loans an attractive investment because feu duties could be “front-loaded” into the lease price for the property.¹⁶ Future feu income could also be sold or traded like any other commodity, and because it was a first charge on land, it was an attractive investment for those who valued safety. Yet, municipal bonds and annuities were attractive investments as well, because they paid competitive interest rates and were considered safe. The evidence already presented in Chapter 5 shows the large number and amounts of investments derived from trusts and estates. Given all these choices however, competition for trust and estate investments was intense.

¹⁵ Augustine Birrell, *The Duties and Liabilities of Trustees* (London: MacMillan & Co., 1896): 442-3.

¹⁶ Richard Rodger, “Victorian Feudalism”, in *The Transformation of Edinburgh Land Property and Trust in the 19th Century* (Cambridge: Cambridge University Press: 2001): 69-71, 147-8. Feu duties were a central feature of the Scottish system of land tenure. They were annual payments made to the original landowner. The feu system was equivalent to a perpetual lease that permitted the landowner to place restrictions on the lessee.

Insurance Companies

The situation with insurance companies paralleled the investment issues raised by trusts in some respects but in others was rather different. Insurance company attitudes about municipal investments evolved slowly from the beginning of the nineteenth century. Initially, insurance investment options were relatively limited beyond Consols and land mortgages. Most were in government funds, but as long-term investments these did not perform as well as was expected, especially after the high returns achieved during the Napoleonic Wars. The total funds available from life insurance increased dramatically from the founding of the first Scottish life insurance company, the Scottish Widows fund in 1815, to include many companies by the mid-1850's with policies that totaled £33 million.¹⁷ Insurers needed returns above 3.5 percent because their premiums assumed this as the minimum yield, and with growing premium incomes, they needed to find a wider range of investments. They found these by making loans to wealthy landowners.

Insurance companies turned to land mortgages and then increasingly to municipal and county lending to replace some of these loans by the 1830's and 1840's. The Royal Exchange Assurance and the Phoenix and Pelican Companies concentrated most of their investments in the southern part of England and especially in and around London. Barry Supple points out that companies relied on personal contacts and places that they knew best when making investment decisions.¹⁸ Although Clive Trebilcock and Supple show

¹⁷ Lythe and Butt, *An Economic History of Scotland*, 159.

¹⁸ Barry Supple, *The Royal Exchange Assurance, A History of British Insurance 1720-1970* (London: Cambridge University Press, 1970): 312.

that there were considerable loans made to a number of counties and cities by the 1850's, their data unfortunately ends at the Scottish border.¹⁹

Research on the Standard Life and other Scottish companies, however fills this void. Yet, although Scottish companies were lending worldwide and under a variety of conditions by the 1870's, there was continuing reluctance to make municipal loans. Often the long term nature of these loans was discouraged by home offices. For instance, a committee report of the Associated Scottish Life Offices from 1873 suggested that their branches seek 4.5 percent on loans made for up to 25 years and more than that for longer periods. Yet, some branches were prepared to extend loans at lower interest.²⁰ Standard Life did participate in the financing of the Edinburgh Water Company providing over £133,000, but they took a mortgage on the company's works. They refused to lend £30,000 toward the purchase of a new municipal park to the Glasgow Town Council in 1857 which was only secured by the rates. Nor did they lend to the Leeds Corporation ten years later because they "did not consider such securities clear and satisfactory."²¹ In general, Scottish insurance companies were known for their conservative lending practices.

Glasgow, as previously mentioned (chapter 5), received loans from four insurance

¹⁹ Clive Trebilcock, *Phoenix Assurance and the development of British Insurance*, Vol. 1 1782-1870 (Cambridge: Cambridge University Press, 1985): 631-58.

²⁰ The Association was a trade organization comprised of all Scottish Life Offices. This material comes from the forthcoming book by Timothy Alborn, *Regulated Lives: Life Insurance and British Society, 1820-1920*.

²¹ Michael S. Moss, *Standard Life, 1825-2000: The Building of Europe's Largest Mutual Life Company* (Edinburgh: Mainstream Publishing, 2000): 79.

companies. One of them, Scottish Amicable, whose head office was in the city, has left a unique record explaining their interest in municipal investments. Their Minute Books first recorded a loan to the Glasgow Water Commissioners in September 1857 for £10,000. This initial loan was paid off by 1861 although the Water Commissioners had requested that it be extended. However, by 1881 their balance sheet showed an outstanding investment of £27,471 with the Water Commission. It was the only municipal authority listed individually.²² Their familiarity with the city may have facilitated their investments in Glasgow. The company had a strong interest in this investment, and the Board prepared a report for the annual meeting which explained in detail, along with a few other investments, the attraction of water annuities. The company's actuary computed their cash requirements based upon a constant 4 percent return on investments. Yet, their experience, as far back as 1854, showed that interest rates were generally declining, and thus any investment that provided both security and a guaranteed rate was more attractive than higher yielding but more short-term obligations. They were not concerned about convertibility (meaning liquidity) since, as the report stated, "In an institution of this nature there is little or no occasion to look to the convertibility of the funds -- their productiveness, combined with security for the maintenance of such productiveness, is the primary object."²³ The Glasgow Water Commission perpetual annuities at 4 percent were

²² Scottish Amicable Insurance Company, Ordinary Director's Minute Books, Book #1/1/2, 1855-1857. *Slater's* provides information on the head office.

²³ Scottish Amicable Minute Books MJ 1/1/12, 163. H. A. L. Cockerell & Edwin Green, *The British Insurance Business* (London: Sheffield Academic Press, 1994) has statistics on the size of insurance companies.

thus extremely attractive investments.

Almost the exact opposite view of municipal government investments existed in at least one London insurance company. The London Life Assurance Company was not a small insurance company in the mid nineteenth century. Their assets in 1873 were £3,219,214, and they were making loans in the mid-1850's to counties in and around London for substantial amounts.²⁴ Yet, they had very few loans to municipal governments, and apparently to explain their position, the Board prepared an internal report in September 1879 which offers a very different perspective on such loans. The report states that county loans offered “greater security than other loans” because “the money borrowed is spread over a large area including *many* contributory bodies,” and therefore there was less to fear in “general insolvency.” In addition, because counties were generally using the funds to build “gaols, asylums, or police, the chance of extravagant expenditure by the justices is improbable.” On the other hand, they argued that local boards and the towns and districts that they represent “enjoy the convenience of increased comfort or health which the expenditure promotes.” Thus, they were more prone to “extravagant and speculative outlay.” As a result they urged caution in providing loans to these bodies.²⁵ Still, they acknowledged that “a local insolvency for rates is probably hitherto unknown.” They suggested that were such an event to occur Parliament would

²⁴ The London Life Assurance Minute Book, 1852-57 (Guildhall) showed loans of £ 18,000 to Worcester for a new Jail in 1856, £ 9,000 to Surrey “on security of county rates,” £ 48,500 to Sussex on the same terms in 1857, as well as loans to the central London School district, and the county of Middlesex.

²⁵ London Life Assurance Company Minute Book 1875 - 80, Sept. 26, 1879 (Guildhall).

provide a remedy. Nevertheless, this speculative fear suggested to them that such loans be avoided. Although by 1879, when this report was prepared, towns could borrow more easily under sections of the Public Health Act of 1875, the same reasoning stands for the period before this. The idea that a local municipality received a benefit, and thus might tend to engage in extravagant spending however, hardly justifies this company's policy. London Life's board may have reflected views in the City that municipal government should leave such matters to private initiative — that was the status with respect to water and gas in London at the time. It might also have reflected a certain anti-provincialism from within the City. In either case, examination of the records from Glasgow and Birmingham show a lack of investments by London-based insurance companies. The attitude of this London insurance company explains why Glasgow relied on Scottish sources for capital. Clearly, retrenchment ideas were more firmly held by the London financial establishment.

Competition and security were foremost considerations for insurance companies. Standing somewhere between Scottish Amicable and London Life were the other companies that lent to Glasgow. The Caledonian Insurance Company approved £5,000 to the Glasgow Water Corporation at 4.75 percent for a term of 3 years. Their records show a great number of loan requests that were rejected by the company from individuals, commercial establishments, and other municipal governments. At the same time that they approved the loan to the Water Corporation, they rejected a £8,500 loan, offered at 5 percent, from the Dumbarton Water Works Commissioners.²⁶ The company took great

²⁶ Caledonian Insurance Company, Minute Book, Sept. 1855 - Jan. 1860. (Guildhall)

care in its loans, requiring substantial collateral and often rejected loans from public authorities it did not find creditworthy. The Caledonian was well represented in Glasgow with eighteen offices or agents scattered around the city, as well as having its own offices on St. Vincent Street. The Metropolitan Life Assurance Minute Book of September 1857 shows that they purchased a £10,000 “debenture” at 4.75 percent from the Glasgow Corporation Water Commissioners from a society member but refused to pursue any other loans to the Water Commission.²⁷ Thus, insurance companies were important lenders to the city, but at the same time their investments did not overshadow the loans of individual investors. Although municipal governments were not major recipients of insurance company loans, there is no evidence that any municipal government ever defaulted. Thus, those loans that were made were both profitable and secure.

The Role of the Banks

Like insurance companies, Scottish banks provided substantial loans and purchased annuities which supported the Loch Katrine water project, the Improvement Trust,²⁸ and the municipalization of gas. Lending policies tended to be more conservative among the three “chartered banks” (the National Bank of Scotland, the Royal Bank of Scotland, and the British Linen Company), than among the commercial and joint-stock banks (often

²⁷ Metropolitan Life Assurance Minute Book, 1856-59, Sept. 23, 1857, p. 247. (Guildhall) Their records refer to this as a debenture, but say it was for “5 years,” which suggests that this was a mortgage. Also, the Glasgow Water Commission Minute Book records a £ 10,000 entry for Metropolitan Life in September.

²⁸ The Improvement Trust was undertaken by the city in 1866. It was the first large scale urban improvement project of its type in the United Kingdom.

located outside of Edinburgh). Banks operated under stricter investment regulations (both self-imposed and government sanctioned) than insurance companies, and thus bank lending was often in the form of credit or overdraft accounts. These accounts were generally not at favorable interest rates, and were not used for the long-term financing that was needed to underwrite the cost of projects. Numerous examples of this exist in the written record. For instance, when the Glasgow Water Commission opened an account with the Clydesdale Bank in 1855 the rate was set at a maximum of 5 percent (although the city was paying 4.5 percent for other small loans).²⁹ The Gas Commission received the same treatment at the hands of the Clydesdale bank in 1870, when the bank's manager informed the commission that the maximum rate would be 5.5 percent.³⁰ Given this limitation however, banks were important sources of finance. Board and Directors Minutes for a number of banks refer to the authorization of loans to the city of Glasgow. Unfortunately, these minutes do not explain the decision-making criteria used in the approval process. Correspondence between the banks and the Water Commission provides some discussion as to rates that are requested versus offered, and thus reflects the perceived risk that the banks attributed to the city. For example, the Bank of Scotland purchased a £10,050 annuity from the Water Commission in November 1857, but they had been offered £20,000.³¹ By combining information on the banks in operation in 1860

²⁹ Glasgow Water Commission, Minute Book, Oct. 1855.

³⁰ Glasgow Gas Commission, Minute Book 2, Dec. 21, 1870.

³¹ National Bank of Scotland, NS/22/17, 12 Nov. 1856 - 10 March 1859, 196, 22 Sept. 1857.

from *Slater's Directory*, with the records of both annuitants and mortgages, Table 10 below provides an overview of the contributions to municipal improvement projects by all the banks in Glasgow.³² It should be noted that of the ten banks listed all but one lent money to the city in one form or another. Even the chartered banks became involved in lending after the first three years of operations of the Water Commission. Once they did, the Royal Bank became especially active.³³ It lent £100,000 at 4 percent in 1858 for one year. Further, it provided an extra £60,000 of credit at a crucial moment in November 1859 when the Commission had almost exhausted their borrowing powers under the 1855 Water Act. The bank was able to do this based on "personal security."³⁴ Although the records do not name the individual, this suggests that at least one member of the council gave a personal guarantee that the loan would be repaid.

The commercial banks in the city such as the City of Glasgow Bank and the Clydesdale Bank, which were more willing to engage in speculative investments, lent funds from the commencement of the water project in 1855. In October, the Chairman of the Commission, James Gourlay, Esq. met with a representative of the Clydesdale Bank and reported they were willing to "open an account . . . and allow a credit to such an

³² Isaac Slater, *Slater's Directory, 1860* (Manchester: Isaac Slater, 1860).

³³ For an internal history of the Royal see *The Royal Bank in Glasgow 1783-1983* (Scottish County Press Ltd., Bonnyrigg, Midlothian: 1983). On savings banks as they relate to Glasgow see, H. Oliver Horne, *A History of Savings Banks* (London: Oxford University Press, 1947): 208-227. For a discussion of the role of joint-stock banks see, Timothy Alborn, *Conceiving Companies, Joint-stock politics in Victorian England* (London: Routledge, 1998): 87-92.

³⁴ Royal Bank of Scotland RB/12/35, March 1857 - Sept. 1858 # 159 - Nov. 2, 1859.

extent as they might deem necessary . . . not exceeding 50,000 pounds in the meantime.”

After this the minutes indicate that the City of Glasgow Bank offered a credit account on the same terms as the Clydesdale Bank. Because these two banks were in competition with each other, the Water Commission kept the balances in these two banks as close as possible.³⁵

³⁵ Glasgow - Water Commission Minutes Book July 1855-July 1861, August 3 - October 16, 1855.

Table 10 -Glasgow Bank Lending

Bank of Scotland	Water Commission £ 10,050 annuity Oct. 1857
	Water Commission Mortgage £ 25,200 Aug. 1858
British Linen Company	Water Comm Mortgage £ 5,000 May 1858
City of Glasgow Bank	Opens credit account for £ 50,000 Oct. 1855
	Water Commission £ 500 annuity Sept. 1856
	Water Commission £ 740 annuity Aug. 1857
Clydesdale Bank	Opens credit account for £ 50,000 Oct. 1855
	Water Commission £ 410 annuity May 1857
	Opens for £ 30,000 credit acct. authorize loans at 4.5% Feb.1867 (for Improvement Trust of Glasgow)
Commercial Bank of Scotland	Water Commission £1,200 annuity Apr 1861
National Bank of Scotland	Water Commission £ 440 annuity Jan. 1857
	Water Commission Mortgage £ 10,000 Oct. 1857
Royal Bank of Scotland	Opens credit acct for £ 100,000 July 1858
	Water Commission Mortgage £ 30,000 May 1859
	Water Commission Mortgage £ 44,800 July 1859
Union Bank of Scotland	Opens credit account for £ 50,000 Nov. 1870
Western Bank of Scotland (in liquidation)	
National Security Savings Bank -- (The Savings Bank of Glasgow)	Gas Commission Mortgage £ 19,700 Feb. 1871
	Gas Commission Mortgage £ 5,000 March 1871
	Gas Commission Mortgage £ 6,000 Aug. 1871- Feb. 1872
	Water Commission £ 40,000 of annuities by 1871 once they open a special "chartered" department grows to over £ 100,000 by 1873.

Although these accounts were important for the city to provide operating funds, the banks did not provide most of the capital needed for the improvement projects. That is because the interest rates were simply not high enough for the banks to provide the margins that they needed. The best example of this is the City of Glasgow Bank. At the

same time that the City of Glasgow Bank was providing credit to the Water Commission at 5 percent, it was charging interest on overseas investments at between 7 and 9 percent. This Bank was paying dividends to its shareholders of 7 percent in 1857; it averaged 4.7 percent between 1857 and 1865. The problem for this bank was that it was carrying over £117,508 of Western Union Railway of America bonds on its books which were in default. Thus, this bank desperately needed higher interest rates than the city was willing to pay.³⁶

By May 1858 the Water Commission had outstanding mortgages of £426,869 which ranged from 4.5 to 6 percent. The £100,00 loan with the Royal Bank at 4 percent was for current expenses (much like a modern checking account). By May 1859 mortgages for land and expenses had reached £777,957.³⁷ This represented the total cost of the Loch Katrine water project for the acquisition of land, the construction of the aqueduct, the creation of a new small reservoir near the city, and the installation of underground pipes throughout the city. Table 10 shows that there were a number of mortgages carried by the banks, but clearly they did not play a decisive role in lending. The collapse of the Western Bank in 1857 placed strains on Scottish banking in general.³⁸ Although it may have been quite clear that the purchase of municipal annuities and

³⁶ The eventual collapse of the City of Glasgow Bank and the trial of its principal officers brought out all of this information. It is clear that the spectacular collapse of the City of Glasgow Bank in 1878 was clearly underway 18 years earlier. See *Minute Books City of Glasgow Bank*, Appendix A - Petitioners Proof against William MacKinnon, 1-5.

³⁷ Glasgow, *Water Commission Minutes Book*, July 1855-July 1861.

³⁸ Neil Munro, *The History of the Royal Bank of Scotland 1727-1927* (Edinburgh: R & R Clark, Ltd., 1928): 244-5.

mortgages were safe investments, both the local commercial and Edinburgh based “national” banks were not going to take the lead in funding municipal improvement. Yet, it is equally clear that the advanced level of Scottish savings, coming primarily from an affluent middle class was prepared to do just that.

Unlike the commercial and joint-stock banks, savings banks were required to invest their deposits with the Commissioners for the Reduction of the National Debt. Although Scottish banks were exempted from this requirement, the Savings Bank of Glasgow followed this practice from its founding in 1836. Savings banks were created with the specific intent of encouraging working class savings. As a result they limited new depositors to a total of £100 in the first year and £50 per year thereafter. But, they were allowed to pay interest at over 4 percent if they chose to although most small banks could not afford this.³⁹ Average balances tended to be small. For example, in 1848 they were only £14. Clearly, workers were not in a position, individually, to invest in municipal mortgages or annuities. The Savings Bank of Glasgow, which had experienced substantial growth in deposits from the mid 1850's, wanted to provide its depositors with the opportunity to participate with “capitalists” in these more lucrative (but still safe) investments. To that end, they opened a special “chartered” department in 1871 which invested worker’s deposits in annuities of the Glasgow Gas and Water Commissions. These were paying between 3.5 and 4 percent at the same time that Consols were paying 3 percent on average for most of 1871. The local origin of the annuities plus their

³⁹ Peter Payne, “The Savings Bank of Glasgow, 1836-1914,” in *Studies in Scottish Business History* (New York: Kelley, 1967): 153.

guaranteed security made them an attractive investment for many small depositors. This permitted workers and artisans to become indirect investors in their city through the bank.⁴⁰ It created an urban capital circulation with working-class residents paying water and gas rates as part of their rents, part of which were then returned to them as interest on their savings accounts.⁴¹ Thus, part of the cost of water and gas circulated in the city, lubricating the urban financial system; just as the commodities themselves circulated in pipes, providing heat and health to the population.

Individual Investors

These indirect workers' investments suggest the more general question concerning all the investments in annuities and mortgages made by individuals. In spite of the importance of insurance companies and banks as lenders to the city, individual loans far surpassed these institutions in both number and total amount. As we have already seen (Chapter 5), between August 1856 and August 1857, for example, before the Water Commission had negotiated a £100,000 overdraft account with the Royal Bank of Scotland and before they had established a reputation or record of reliability, they recorded over 85 mortgages from individuals, trusts, and estates totaling over £109,000. By May 1858 the total mortgages had reached £426,869, and by the following year

⁴⁰ H. Oliver Horne, *A History of Savings Banks* (London: Oxford University Press, 1947): 221-2.

⁴¹ I owe this idea about the circulation of capital in the city to David Harvey's work on Paris. See for example David Harvey, *Consciousness and the Urban Experience* (Baltimore: Johns Hopkins Press, 1985): 82-96.

£795,377. Most of these loans were from individuals.⁴² These are large sums, lent over a short period of time to a new public Water Commission, a body that had barely proved that it could run the water supply efficiently. The water from Loch Katrine began to flow in 1859 with much fanfare, and that may account for the surge in loans at the beginning of the year. Clearly, Glasgow's investing public was excited about what was happening in the city as the Commission began to supply the pure waters of Loch Katrine. The council had created this new institutional structure — the commission — which solicited mortgages at a competitive interest rate to attract investments. More than any other project in its long history, the water project opened the pockets of the city's own merchants to fund something whose benefits included both pride and increased public health.

The numbers of mortgages received are impressive considering the novelty of a municipal water supply and the acrimony over the proposal over the previous several years. From the individual investor's perspective these loans defied the conventional wisdom about where to invest one's money. Numerous books and pamphlets written in the middle of the nineteenth century offered advice and counsel on where and how to invest. These books dispensed with theory and went directly to advise on a series of specific investment options. Typical of these pamphlets was one by T. S. Harvey, *What shall I do with my money?*. It discusses government bonds (Consols and other Bank of England issues) and then reviews "Public Companies" which included railroads, canals, docks, gas companies, and bridges. Harvey comments that local gas companies "are

⁴² Glasgow Water Commission Minute Book July 1855-July 1861. (ML)

numerous, and are of very various values — the market for their purchase and sale is very much confined to their localities.”⁴³ His reference to waterworks is specifically to London waterworks companies. He never mentions municipal investments. Other advice manuals discuss Consols, Bank of England securities and railroads, but never even refer to any investment options outside of the “national” ones. Some mention overseas investments railroads in the United States and Canada, government bonds in Australia, but again they never mention Scottish or other local municipal investments. Reading these manuals one would infer that such investment opportunities simply did not exist. Yet, we know that hundreds of people were investing in municipal annuities and mortgages in spite of this lack of information.

One large group of investors, executors, purchased annuities for testors. As previously discussed, my research found a total of 407 annuitant entries for executors of the Glasgow Water Commission totaling £381,040. Of these, thirty-three were administered solely by women (the records refer to an executrix and no executors). They invested £16,650.⁴⁴ Many more were administered by wives or other single women along

⁴³ T. S. Harvey, *What shall I do with my money?* (London Washbone & Co.,: 1858): 23. Other examples include: Anon, *The hand-book of investments: being a complete account of government stocks, railway shares, foreign stocks, etc.* (London: Cassell, Petter, and Galpin, 1861; Gresham Omnium, *A Handy guide to safe investments* (London: Groombridge & Sons, 1860); Robert A Ward, *Ward on Investments* (London: Gilbert & Rivington, 1852); John Whitehead, *Guaranteed Securities: their merits as investments considered* (London: Effingham Wilson, 1858).

⁴⁴ Davidoff and Hall indicate that the executrix role was more limited than that of a trustee, and that they did not control “other people’s money.” My research found just one or two possible examples where this was not the case, but not enough to contradict the basic argument. Leonore Davidoff and Catherine Hall, *Family Fortunes: Men and Women of the English Middle Class, 1780-1850* (Chicago: University of Chicago Press, 1991):

with one or more men. Those accounted for an additional sixty-nine entries of £46,270. Thus, out of 407 registered purchases of Water Commission Annuities 102 entries with a value of £62,920 appear to have been either completely controlled or influenced by women. This represents 16 percent of the funds and 25 percent of the entries. This is consistent with the gender analysis given previously (Chapter 5) which indicated that 20 percent of the amount and 33 percent of the number of loans were made by women. Similar results were found by Eleanor Gordon and Gwyneth Nair in their investigation of the economic status of middle class women in Glasgow. They found that marriage contracts often gave wives control of assets that they brought with them. They write that “women could have considerable autonomy over their financial affairs.”⁴⁵

The evidence accumulated here, from annuities in Glasgow, suggests the financial authority exercised by a number of middle class women, and it confirms the findings of Leonore Davidoff and Catherine Hall from an earlier period. They write that women “made up 20 percent of loan capital in late eighteenth-century towns.”⁴⁶ However, they point out that women were seldom trustees or were so only with men. One example typifies these findings. The largest single amount administered by a woman was £2,120 for William Gale by his wife as sole executrix. In comparison, the largest single annuity purchased by an executor was £11,730 in June 1865 by an accountant acting for a James

211.

⁴⁵ Eleanor Gordon & Gwyneth Nair, “The Economic Role of Middle-class Women in Victorian Glasgow,” *Women’s History Review* 9, no. 4 (2000): 802.

⁴⁶ Davidoff and Hall, *Family Fortunes*, 211.

Spiers. The Gale estate may have been fairly substantial considering that purchases of Water Commission Annuities were a small part of overall portfolios.⁴⁷

Ultimately the decision to invest in municipal securities was made for a variety of reasons which can only be guessed. However, we can get a sense of how municipal investments were viewed by noting how often they appeared in individual portfolios as well as what part of someone's total investments they represented. The picture that comes from those choices is a mixed one, but it reflects the reality of the variety of options open to investors. Since people did not leave a written record of individual investment decisions we can only learn about the choices that they made from an examination of their legacies. Using Sederunt Books⁴⁸ from solicitors offices in Glasgow provides a way of understanding how municipal investments were viewed by members of the middle class in the city.

Information in the Sederunt Books reflected the general pattern of middle class investments typical of Victorian society. Most had holdings in banks, railroads, and land. Approximately 20 percent had investments in municipal securities. Typical of these was the Sederunt book of Elias Gibb, a wine merchant in Glasgow, who died in 1853. The trust documents extend over thirty years starting in 1850. This was a lengthy period often

⁴⁷ Although my research into this area is limited, this is a reasonable assertion based on the evidence.

⁴⁸ Sederunt Books contain records from individual testor's wills, marriage trusts, and subsequent meetings of executors. They included inventories of all assets at the time of death (insurance policies, private business loans, land and property, stocks, bonds, etc.), and records of the progress and ultimate liquidation of estates over as many years as the estate existed. A total of 45 sederunt books were used for this chapter.

found in cases where a surviving spouse long outlived a deceased, and where a life-time income was provided in the estate which was liquidated only after the spouse died. In Gibb's case, the total value of the estate exceeded £7,000. The trustees invested £3,350 in December 1868 in Glasgow Water Commission Annuities which paid 4.5 percent. This represented over 40 percent of the trust's assets and were chosen to provide income. The trust also held shares in both of Glasgow's private gas companies, as well as a local railroad, and in heritable bonds of two individuals.⁴⁹ These securities paid between 4.25 and 5.5 percent. It is clear that the proven reliability of the Commission's annuities by this point made them an attractive investment. In fact, they showed a capital gain on Gibb's records by 1885 when the Water Commission stock was valued at £4,864 4s 4d against their original investment of £4,300.⁵⁰

Some estates started with shares in the Water Commission but sold them off to purchase higher yielding investments. Such was the case with the estate of the ironmaster John Ferguson, who died in June 1859 leaving an estate valued at £16,093. It included a £2,000 Glasgow Corporation Waterworks Mortgage paying 4 percent, but by September 1866 the executors sold it off to buy Caledonian Railroad shares paying 4.5 percent.⁵¹ The estate also had a £1,000 mortgage in the Glasgow Gas Works paying 4.5 percent, but its principal holding was in his share of a co-partnership in Auchenheath valued at

⁴⁹ Such bonds on the security of land were a common feature of many estates. They might have been based on rental income, feu duty, or simply unencumbered property.

⁵⁰ Glasgow Municipal Archives (ML henceforth), T-BK - 61 no.1.

⁵¹ ML, T-BK 46.

£12,221. The estate was to be divided equally between his seven children and was wound up in 1872 with a final payment to his surviving son who was living in Nova Scotia.

There were several examples where executors purchased municipal mortgages. This was the case with the estate of Charles Risk a manufacturer who died in 1859. Risk's estate was worth over £12,265 plus at least \$47,000 due from Philadelphia. Part of the estate was transferred to his sister, at which time the trustees purchased Glasgow Water Commission Mortgages worth £6,780 to help provide lifetime annuities to a number of people including his sister, some cousins, and several others whose relationship to Risk was not stated. Risk was a generous man, leaving over £2,000 to provide interest for charitable societies in Glasgow such as the Royal Infirmary and the Missionary Society. In this case, the investment in Water Mortgages appeared to have provided short-term income rather than the long-term commitment of annuities. Eventually, his estate was divided between his surviving sister and her husband.⁵² Similarly, from 1876 to 1880 the trustees of Archibald McNair, a merchant in Glasgow who died in 1855, invested over £1,400 in both Glasgow Improvement Trust Debentures and Gas Corporation Mortgages. The estate had originally consisted of property investments but after the death of his only son, the trustees began to convert more of the estate into more liquid assets for the benefit of his surviving daughter.

Some estates were liquidated quickly, but the presence of municipal investments at the time of death reveals their relative importance to the deceased. For example, the estate of James Lumsden, a merchant in Glasgow who died in May 1856 included £5,150

⁵² ML, T-MJ 155.

of Glasgow Water Company stock which was registered with the Water Commission in January 1857. This was 15 percent of his total assets, of which over £10,000 were due from house rents and “open account debt.” Lumsden held £5,793 in Clydesdale Bank Stock and about £1,800 in other companies. His estate was divided between his two sons.⁵³

Investments in municipal annuities or mortgages tended to play a smaller relative role as estates grew larger. This was the case with the estate of Edward Collins, a Glasgow paper-maker and merchant who died in 1864. Although the estate held Glasgow Water Commission Annuities valued at £3,165 (no small sum), they were a small part of his £53,437 estate. In Collin’s case most of his assets were in railroad shares and over £18,685 was owed to the estate by his company Edward Collins & Son.⁵⁴

James Buchanan of Edinburgh was a substantial investor in the Water Commission Annuities. At the time of his death in 1857 he held £10,083 in annuities which he had only purchased the year before. Buchanan’s estate was very diversified. He had interests in Scotland which totaled over £43,000 and United States holdings worth over \$445,000. Although Buchanan resided in Edinburgh at the time of his death, he clearly had close links to Glasgow. Not only had he recently purchased the Water Commission Annuities but he left £3,000 to the city of Glasgow to pay for a school for destitute boys to prepare for a life in the Navy, Army, or Merchant Marine, as well as other legacies to other local charities. He also left £10,000 to the Merchants House of Glasgow which had a long-

⁵³ ML, T-MR 235.

⁵⁴ ML, T-MR 73/1.

standing charity for widows and orphans.⁵⁵

Having a connection with the city was not a guarantee that someone with substantial assets would invest in it. One might have expected that a Lord Provost would show his personal support for projects that he promoted by being an investor himself, but this was not the case. Sir James Anderson, the Lord Provost in 1851-2, who died in May 1864, left a substantial estate valued at £25,788. Although he held stock in the Clydesdale Bank, and over £5,000 of stock in the City and Suburban Gas Co., his estate held no municipal investments. It is possible that his two sons, who were both his trustees and the principle beneficiaries of his estate, after its use to provide a life-rent of £800 for his widow, held no particular interest in the city.⁵⁶ Ironically, the descendants of one of the principle opponents of the water project, Andrew Gemmill, had several hundred pounds invested in Glasgow Corporation Water Annuities. Gemmill's estate was valued at £14,321 at the time of his death in 1872.⁵⁷

Occasionally, evidence connected Sederunt Books to purchases of annuities. The wife of William Grandison, an engineer who died in 1884, Jane McCue Grandison, purchased £850 of Glasgow Water Commission Annuities between December 1867 and February of 1874. At the time of William's death his estate was only worth £2,932. He provided a life income of £150 per year for Jane to provide for his children's education.⁵⁸

⁵⁵ ML, T-MR 45 vol 1 (1850-65).

⁵⁶ ML, T-MR 12.

⁵⁷ ML, T-AF104/1.

⁵⁸ ML, T-MR 153.

Smaller estates did not usually contain municipal investments and were often liquidated quickly if there was no need to provide a lifetime income. There were many examples of this. A brass founder, James Miller who died in 1870 left an estate worth £2,521. He owned shares in three “screw steamers,” a life insurance policy and household effects worth £255. The estate was divided equally between his four children.⁵⁹ The estate of Dugald MacCallum, a lawyer who died in 1854 consisted of £213 in cash, and a property in Bellville. It was divided between his children and grandchildren, and only one daughter was singled out for special mention.⁶⁰

Most of the estates of women were smaller than men’s. When Miss Catherine Macdonald died in 1862 she left her £882 to her sister Elizabeth, wife of John Lochhead “sometime engineer . . . now supposed to be in Australia or elsewhere,” a sister-in-law, and the son of her deceased brother.⁶¹ The estate of Charlotte Tennant, a widow who died in 1856, was worth £1,407, most of which was auctioned off after her death. She left it all to her son who was living in Australia.⁶² In cases like these there were few investments beyond bank shares or deposits, household effects, and some small debts owed to the estate. These more modest members of the middle class could not afford to purchase municipal investments and generally they did not.

⁵⁹ ML, T-MR 291.

⁶⁰ ML, T-AF 161.

⁶¹ ML, T-AF 161 A.

⁶² ML, T-MS 266.

Conclusion

For those who paid income taxes, national tax policy in Great Britain offered no special treatment to income from municipal mortgages or annuities (just as Parliament showed little preference for municipal corporations over private ones). Thus, individuals chose municipal investments, from a tax perspective, on the same basis as any other. There was both value and safety in municipal investments, and people with the money chose them first and foremost for those reasons. Both Andrew Gemmill and his executors recognized this value in spite of Gemmill's own opposition to the water project. The element of safety was emphasized by the status given to municipal investments in trust and estate law. Further, in spite of the opinion of the London Life Assurance Company, it is clear that local progressive governments, like Glasgow and Birmingham, were extravagant only to the extent that they were willing to take control of their own destiny and not rely on market forces to continue to provide only partial solutions to the vital health and safety needs of their residents. They knew from bitter experience that approach had failed. It is clear from the rapid response of many residents to the offer of municipal securities for water and gas projects that people recognized the value to the community represented by these investments as well as the value to themselves. Banks and at least some insurance companies lent money as well, confirming these individual assessments. The Board records of these institutions show that they were very careful (at least most of them most of the time), in their lending practices. Financially solvent and well run municipal governments were an excellent risk compared to at least some loans that were made overseas. Neither Glasgow nor Birmingham ever defaulted on any of their loans, and the shareholders of the

private water and gas companies all received a substantial capital gain in the conversion to municipal annuities.

The Loch Katrine scheme neither created the financial structure that modern cities were built on, nor was it responsible for the existence of the capital that made the project possible. It did however, establish a new sense of urban pride and the confidence within the middle class that they could successfully undertake a major financial undertaking within a municipal governmental system. They proved to themselves and the outside world that they could do this largely on their own in Scotland. There were few other large-scale urban projects before Loch Katrine, notably in Manchester and Liverpool. Glasgow built on existing precedent, although it then went on to a number of other urban improvement projects which established the city as the preeminent center for urban activism by the end of the century. All of these projects followed the financial roadway laid down by Loch Katrine. What did change however, were the approaches to finance used by Birmingham in the 1870's that were quite different from the choices made by Glasgow in the two decades before. It is to those differences that we now turn in the following chapter.

Chapter 7 - Birmingham and the Spirit of Centralization

Like other large industrial cities of the north and midlands, Birmingham experienced a period of industrial growth in the middle decades of the nineteenth century. And just like Glasgow, rapid industrialization brought with it problems of overcrowding, poor sanitation and inadequate water supplies. Unlike Glasgow, which had a long municipal history before the nineteenth century, Birmingham was not incorporated until 1838, and hence had little in the way of municipal institutions to build upon. Initially, there were conflicts between the new town council and the existing Street Commission, but as mentioned previously (in Chapter 1), just as the council began several improvement projects, the reformers were ousted by a group of parsimonious small businessmen. Their control lasted for almost twenty years during which time the main interest of these “small men” was to keep the rates down.¹ By the mid-1860's the power of these “economists” had started to erode in favor of modest reforms, but it was not until the 1870's when reform returned under the leadership of Birmingham's most well-known mayor — Joseph Chamberlain.

There were a number of important similarities between Birmingham and Glasgow that make comparisons between the two cities valuable. Their town councils began major municipal reform projects in the third quarter of the nineteenth century. They municipalized water and gas, as well as undertaking important urban renewal projects, and later in the century they took over local trams and electrical services. In both, the upper-

¹ E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in 19th century Urban Government* (Montreal: McGill Queen's University Press, 1973): 32-3.

middle class established political leadership which was, at least partly (if not strongly), motivated by religious convictions. Each claimed the status of the “second” city of Great Britain at different times, and both were called the “best governed city” in the world.²

Both cities experienced rapid industrialization in the first half of the nineteenth century although there were some differences in their trajectory. At mid-century Glasgow still had 41 percent of its workforce in textile production with only 9 percent engaged in engineering, although the textile industry was already beginning to lose its dominance to competition from the south. Glasgow’s industrial development after mid-century turned towards shipbuilding and engineering. These industries tended to require large capital outlays, a highly-trained workforce, and international markets.³ Birmingham’s brief encounter with textiles ended before the beginning of the century, and was known by the 1830’s for metal-working trades, “toys,” jewelry manufacturing, and later in the century for the production of motors and electrical equipment. By mid-century roughly 20 percent of Birmingham’s middle class was involved in manufacturing. The dominance of the metal trades in Birmingham gave an entrepreneurial spirit to the city’s middle class which contributed to its rapid growth after the middle of the century. There is some recent research which suggests that the switch to steam power in the metal industries increased capitalization requirements which may have eroded this sector’s distinctive character.⁴

² This claim was made for Birmingham by Julian Ralph, “The Best-Governed City in the World,” *Harper’s Magazine* 81 (June 1890): 99-111.

³ Irene Maver, *Glasgow* (Edinburgh: Edinburgh University Press, 2000): 44 .

⁴ Leonore Davidoff and Catherine Hall, *Family Fortunes: Men and Women of the English Middle Class, 1780-1850* (Chicago: University of Chicago Press, 1987): 248.

The economic and political differences do not account for the different approaches that the two cities followed to finance their municipal trading activities. These differences were not a reflection of mere local conditions, but were part of changes in national legislation which eased the progress of municipal improvement. The financial approaches to municipalization were so strikingly different that they warrant our attention. A fundamental problem for Birmingham was that they needed to find over £2 million to fund improvement plans in little over two years. Where were they going to find such a sum quickly and at the lowest possible cost? Glasgow had raised a half million pounds in fifteen months to fund the Loch Katrine project by relying almost completely on mortgages. Although Birmingham's Town Council made use of mortgages and bank loans, they decided to use the profits from the proposed municipalization of gas to subsidize a general municipal improvement project. This may have cost them some social capital with local investors. Partly this explains why they looked to agencies of the central government for most of their capital needs. This decision needs to be explained, and as we will see, it had important implications for subsequent municipal reform both in Birmingham and elsewhere. In part, the decision was based upon the existence of new government boards, but also reflected the thinking of the city's political leaders. What was the significance of their ideas, not just for Birmingham, but for the changing relations between central and local governments. To what extent was the middle class becoming more aware of, and indeed more willing to propose the use of alternative financial instruments?⁵ As we shall see, there were new sources of finance, and the specific

⁵ The council seriously considered issuing corporate debentures and annuities.

conditions in Birmingham predisposed its political leadership to look to these for capital. The political leadership of Joseph Chamberlain, whose business background and personal inclinations favored a more aggressive financial strategy, was also important. However, the differences between Glasgow and Birmingham concerning their approaches to finance point to deeper ones between the cities that also reflect changing religious attitudes, as well as local class relations, and national politics. This chapter seeks to explain the events in Birmingham both in contrast to the actions taken in Glasgow, in the two decades before, but also in light of the changing institutional, financial, and ideological conditions that were moving Great Britain towards greater central government control of local government.

One of the most important factors that set Birmingham apart from Glasgow was the availability of more easily accessible central government finance. Parliament, first under Gladstone and then Disraeli, between 1871 and 1875 provided several important pieces of legislation that facilitated municipal reform. While seeking greater accountability through the creation of the Local Government Board in 1871, Gladstone's Liberal government also simplified the process of acquiring additional borrowing powers by providing Provisional Orders which could be approved by the Board instead of seeking local legislation which was more time-consuming and expensive. In addition, the Public Works Loan Commission (PWLC) could approve substantial loans for sanitary projects. Birmingham's Town Council made frequent use of the LGB and the PWLC for approval of improvement plans and expenses. The Public Health Act of 1875 created Urban Sanitary Authorities which were given the power to seek government finance for sanitary

improvement projects without a local act.⁶ In 1875, under the Conservative government of Disraeli, which mixed an imperial foreign policy with social reform legislation, the Artisans Dwelling Act gave municipal governments the power to acquire land for urban renewal projects. This legislation was vigorously promoted by R. A. Cross, Disraeli's Home Secretary, who consulted Chamberlain on some of the specific provisions of the Act.⁷ As a result, although Chamberlain had run an anti-Tory campaign relating to education reform, he developed a close working relationship with Cross and others that made it easier, at crucial points, for Birmingham to obtain financing from the central government over objections of the Treasury.

As a result of these legislative initiatives, by the mid-1870's many cities in Great Britain had municipalized their private water and gas companies. There were 127 towns that controlled the supply of water and 66 that supplied gas in 1875. By 1882 the number of municipal gas authorities had grown to 148.⁸ These projects increased the total debt of municipal government by 50 percent between 1868 and 1875. This trend continued with total municipal debt rising from £92.8 million in 1875 to £235.3 million by 1895. Yet, as municipal debt increased, imperial debt actually declined by £131 million in the same

⁶ The Birmingham Town Council became the Urban Sanitary Authority in this case.

⁷ W. D. Rubinstein, *Britain's Century* (Arnold, London: 1998): 172. Also see Peter, T. Marsh, *Joseph Chamberlain Entrepreneur in Politics* (New Haven: Yale University Press, 1994): 93.

⁸ For data on the extent of municipal trading see Malcom Falkus, "The Development of Municipal Trading in the Nineteenth Century," *Business History* 19, no.2 (1977): 136, 152.

period.⁹ By 1914 total municipal debt was almost equal to the national debt. This virtual explosion of local debt alarmed Parliament, and was a factor in the changing relationship between these two branches of government.¹⁰

Glasgow's Town Council did not rely on either the regional or chartered banks for its capital needs. Yet, there was a strong banking center in Glasgow (damaged by the failure of the Western Bank in 1857) which had an extensive branch banking network. This might have drawn potential lenders away from municipal mortgages but it was clear that was not the case in Glasgow in either 1855 or 1869 when the water and gas projects were funded. The situation appears to have been quite different in Birmingham. There was a well developed regional banking network in Birmingham by the 1870's, led by a number of banks that have survived into the twentieth century. The Birmingham and Midland Bank (known as the Midland), Lloyds Bank and others established in the city after the Banking Act of 1826 provided the bill discounting services vital to the industrial economy of the city and region. These were strong banks, protected from further competition by the Joint Stock Bank Act of 1844 which required that banks incorporated under the Act had to have a minimum of £100,000 of paid up capital before they could open for business.¹¹

⁹ H.H. Fowler, *Municipal Finance and Municipal Enterprise* (Westminster: Orchard House, 1900): 2-3.

¹⁰ John Wilson, "The finance of municipal capital expenditure in England and Wales, 1870- 1914," *Financial History Review* 4 (1997): 31-49.

¹¹ A. R. Holmes, and Edwin Green, *Midland 150 Years of banking business* (London: B. T. Batsford, Ltd., 1986): 22.

These bank could offer considerable financial expertise to Birmingham's town council and might have provided more funding even if they were in competition for lenders. Indeed, Joseph Chamberlain, the future mayor of the town, was not only a successful businessman, but was a director of the Lloyds Bank when he was only 29, and was closely associated with Timothy Kenrick, the banks' chairman.¹² Yet, like Glasgow, Birmingham did not rely on the local banks for its capital requirements. But unlike Glasgow, Birmingham did not receive the same kind of local support from individuals and institutional purchases of municipal mortgages. The latter may well have deterred local investments in municipal mortgages by offering a reasonable and safe return to their depositors. As we shall see, other factors worked against the kind of local funding that Glasgow had been able to find to pay for its sanitary projects in the preceding twenty years.

These financial circumstances were overshadowed by the political situation that developed in Birmingham. At the time that Glasgow's Town Council was putting the finishing touches on a revised water bill in 1854, which received Parliamentary approval the following year, Birmingham's Town Council was taken over by a group of lower-middle class shopkeepers, tradesmen and clerks led by Joseph Allday. Allday was a vicious¹³ newspaperman who joined the council in 1849 and led a successful campaign

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R. S. Sayers, *Lloyds Bank in the History of English Banking* (London: Oxford University Press, 1957): 31. They were appointed together in 1865. The two were neighbors in the Edgbaston but even more importantly, Chamberlain married one of Kenricks' daughters. G. B. Lloyd, the great-grandson of Sampson Lloyd III was also a neighbor.

¹³

He launched a "scandalmongering newsheet which at one stage led to his imprisonment

against municipal spending and improvement which resulted in almost a twenty year reign by his “economist” cohorts. These men had so debased council activity that the affluent citizens of the town shunned any involvement in local politics. Allday fired qualified but well-paid professional employees and replaced them with underlings. He ended mandated improvement projects, and the Council was forced to pay penalties when law suits were successfully prosecuted against the town. He and his cronies congregated in a local tavern earning the period the title “the Woodman Council” for its association with the so-named establishment. However, by 1859 the tide had turned against Allday, and he was defeated for Alderman and withdrew from civic activity. Within three years a small group of moderate reformers were elected to the council. These men were led by Thomas Avery, a well-known local businessman, whose financial skills helped reform the chaotic accounting of council committees. Avery led a period of more disciplined expenditure as opposed to the regressive retrenchment of Allday’s “economists.”¹⁴ By the end of the 1860's these reformers had expanded municipal borrowing powers to just under a half million pounds in order to complete unfinished projects, but had not undertaken more expensive new ones.

Municipal improvement was already long overdue as the “economists” were

for libel . . . He could outface, insult and defeat his opponents, who included magistrates and leading figures in the public life of Birmingham.” Hennock, *Fit and Proper Persons*, 32.

¹⁴

The story of Birmingham has been repeatedly told. See for example, Derek Fraser, *Power and Authority in the Victorian City* (New York: St. Martins Press, 1979): 95-101. E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in 19th century Urban Government* (Montreal: McGill-Queen’s University Press, 1973): 104-130. Asa Briggs’ account of Birmingham in this period borders on hagiography. Asa Briggs, *Victorian Cities* (Berkeley: University of California Press, 1993): 184-240.

eclipsed. The center of Birmingham was a mix of factories, workshops and working-class residences with overcrowded narrow streets and inadequate public sanitation. Public health in the city, in the early 1870's, varied from good in wealthy communities, such as Edgbaston, to deplorable in the central working-class districts. These central streets with little air or light, uncollected refuse and human waste combined to create the type of unsanitary conditions characteristic of a previous generation of Victorian cities. Compounding the problem, the private water company's pipes were filled only three days per week, and there were numerous polluted wells that were used by the poorer residents as their only source of drinking water.¹⁵ Thus, there was much work to be done when Joseph Chamberlain joined the council in 1869.

While Allday and his cronies were running the city council from a local pub, several churches in Birmingham were being led by ministers who were espousing a much more radical view of civic engagement. Where Allday's influence would prove to be temporary, the latter development would have more lasting consequences. The men who were responsible for this included: George Dawson, R. W. Dale, and H. W. Crosskey. Together, they were creating a new doctrine which came to be called the "civic gospel." Its central idea was that "it was the duty of those who derived their prosperity and opportunities of culture from the community to become its servants."¹⁶ Its prophet was George Dawson who came to Birmingham from London in 1844. Dawson began

¹⁵ Denis Judd, *Radical Joe: A Life of Joseph Chamberlain* (London: Hamish Hamilton, 1977): 62.

¹⁶ A. W. W. Dale, *The Life of R. W. Dale of Birmingham* (Hodder and Stroughton, London: 1899): 402.

preaching at a Baptist Church in Birmingham but broke with them over his lack of doctrine. He then became pastor of the Church of the Saviour which his supporters built for him. If Dawson had a creed it was municipal, and he preached hundreds of sermons on the value of civic activism before his death in 1876. He influenced a number of clergy including R. W. Dale and Dr. H. W. Crosskey (who was Chamberlain's Unitarian Minister). Dale became a vocal supporter of the civic gospel. Speaking in 1864 at a Town Hall gathering, he said: "that in a country like this, where the public business of the state is the private duty of every citizen, those who decline to use their political power are guilty of treachery both to God and to man."¹⁷ Like Dawson, Dale was espousing a civic gospel long before Chamberlain became active in public life. He was known as sympathetic to Liberal political ideas, and although he stood above politics itself, he was not above going into wards at election time to give speeches in support of those candidates who represented the his views.¹⁸

The idea of the civic gospel appears to have contributed to a difference in approach to ameliorate poverty and unsanitary conditions as compared to the version of evangelicalism that was central to Chalmers' Godly Commonwealth and the generation of evangelical ministers who preceded Dawson and Dale. Although evangelicals in Birmingham, in the 1870's, were just as committed to individual responsibility as those in Glasgow two decades before, they appear to have been more willing to make use of the

¹⁷ Quoted by Dale, *Life of R. W. Dale*, 250.

¹⁸ Dale, *Life of R. W. Dale*, 404.

instruments of government for social improvement than was the previous generation.¹⁹ Glasgow's Presbyterian council members were willing to take hold of the instruments of municipal power, but at least part of the reason that they avoided financial entanglements with central government can be attributed to their commitment to voluntary activity and self-reliance (so characteristic of Chalmers). Although Dawson and Dale came from a similar evangelical tradition, their activism had no such inhibitions. Perhaps this is best illustrated by the difference between W. R. Dale, pastor of the Carr's Lane Church in Birmingham, and his immediate predecessor and benefactor Rev. John Angell James. Both men led this Congregationalist Church for decades and both came from strong evangelical roots. But where James emphasized his pastoral work over his public duties, Dale (as mentioned above) was known for his commitment to civic improvement and political activism.²⁰ The willingness of the Birmingham Council to seek funds from Westminster is a reflection of the activism of this new generation of evangelicals. In addition, there was an important Quaker presence in Birmingham that was out of proportion to its numbers. Many Quakers were in the upper middle class and there were a

¹⁹ Chalmers was not afraid of government sanctioned activity. He needed Glasgow's Town Council to approve his St. John's Parish experiment, and was not afraid to seek their endorsement for his plans. He simply opposed taking public funds for his activities. See R. A. Cage and E.O.A. Checkland, "Thomas Chalmers and Urban Poverty: The St. John's Parish Experiment in Glasgow, 1819-1837," *Philosophical Journal* 13(1976): 37-56.

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James was minister of Carr's Lane from 1804 until 1859 and Dale succeeded him on the pulpit there until his death in 1895. For background on James see Davidoff & Hall, *Family Fortunes*, 126-130 for Dale see Hennock, *Fit and Proper Persons*, 157-9.

few on the council during its most activist period in the 1870's and 1880's. They were supporters of municipal reform but not leaders of the movement. Nor did the Quaker emphasis on individual religious reflection translate into the same type of voluntary activity of evangelicals. At the heart of the activists were the Unitarians who were also very small in number but often from the upper middle class as well.²¹ Chamberlain was a Unitarian as were a number of others on the council. These men believed in a doctrine of social improvement that was not limited to religious education and personal contact with the poor. Although Dale was a Congregationalist, he shared much of the same philosophical outlook of the Unitarians. He once replied to a Catholic Vicar colleague who asked, "When do you mean to quit politics and look after your soul?" by saying, "I have given my soul to Christ to look after, He can do it better than I can: my duty is to do His will."²² The civic gospel preached by the non-conformist ministers in Birmingham appeared to downplay voluntarism, preferring partisan political activity. The end result desired by both evangelical Presbyterians in Scotland and these dissenters in Birmingham was not different, but the emphasis on the type of actions to undertake were. Where voluntarism translated into financial self-reliance, hence the importance of local mortgages, the partisan politics that grew out of the civic gospel contributed to a willingness to find outside financing.

Chamberlain and Municipal Improvement

²¹ Davidoff & Hall, *Family Fortunes*, 81-7. Hennock, *Fit and Proper Persons*, 144-6.

²² Dale, *Life of R. W. Dale*, 399.

Joseph Chamberlain had already demonstrated his many talents before he was elected to the Council in 1869. He had a successful business career as a young man, and established a considerable national reputation for himself within the Liberal Association which was promoting education reform. Chamberlain joined the Birmingham Liberal Association at its formation in 1865, and along with his family subscribed £6,000 towards the Association's immediate financial goal. The Association's Secretary was John Jaffray who owned the *Birmingham Daily Post*, the most important newspaper in town. As a result, Chamberlain had the continuing support of the paper and its editor J. T. Bunce well beyond his brief municipal political career.²³ Chamberlain was to repeatedly demonstrate his talents of persuasion at several key points in the quest for municipalization of water and gas. Yet, although all these assets would serve him well, Birmingham was also fortunate to have the example of other cities which had already engaged in all of the types of reforms that Chamberlain was putting forth.

In 1873 Chamberlain became mayor after a hard fought political campaign; one that showed that the Liberal Union had successfully created a grassroots political alliance between the middle class and newly enfranchised workers. Chamberlain had two major urban improvement projects which he immediately wished to pursue. These were the municipalization of water and urban renewal in the center of the city. However, Chamberlain realized that Birmingham's general lack of municipal revenue and its reliance on rates as the principal source of funds for the city, would quickly doom any improvement project. The "economists" may have been defeated but they were hardly

²³ Judd, *Radical Joe*, 35.

gone, and a fresh round of rate increases would swiftly throw the reformers out. However, municipal trading in gas had grown from its beginnings in Manchester, early in the nineteenth century, to include dozens of towns across England. Many were following Manchester's example and were using the profits from gas to subsidize local rates. Parliamentary legislation in the mid-1870s confirmed the increasing municipalization of gas companies, leaving open the use of municipal gas profits to subsidize rates on a case by case basis.²⁴ Chamberlain could thus rest assured that a proposal to use gas profits from a municipal corporation would not seem particularly foreign or alarming to his co-council-members or constituents. Gas profits were crucial to his plans, but the decision to use them would come at a price.

Chamberlain's rationale for the gas municipalization began with the premise that any local (or "natural") monopoly ought to be in the public's hands. He added to this a business argument that the city could consolidate the two companies into one reducing overhead and labor costs, and a financial argument that they could borrow at lower than commercial rates. The result would be that the current prices for gas would generate enough profits to cover the cost of a municipal purchase and still provide a substantial subsidy for the rates. Profits from the gas project would make his goals possible. Although the water project would pay for itself through municipal water rates, the improvement scheme required a subsidy from rates for a number of years before enough land could be leased to developers to pay the costs of associated with acquisition and

²⁴ Arthur S. Silverthorne, *The Purchase of Gas and Water Works, with the Latest Statistics of Municipal Gas and Water Supply*, (London: Crosby Lockwood & Co., 1881):10-14.

improvements. Thus, in the fall of 1873 Chamberlain first proposed the acquisition of the gas companies, and a year later he proposed the purchase of the water company. Finally, in 1875 he put forth his plans for urban renewal of the city along the lines of Glasgow's Improvement Trust, which had been implemented in 1866.

Chamberlain enlisted the help of his friend and fellow councilman William White, whom he appointed to head the Improvement Committee in 1875.²⁵ White's report to the council explicitly referred to the "fortunate precedent" of Glasgow nine years earlier. He estimated the cost of Birmingham's improvement project at £1,308,221 compared to Glasgow, which he said had already cost them £1,537,000, and had resulted in the displacement of 21,000 residents "from wretched and unwholesome dwellings."²⁶ Glasgow's historical precedent made Chamberlain's task in promoting his improvement scheme easier. In addition, as discussed above, whereas Glasgow had to absorb the expense of a private bill to get the powers it needed for the project, Birmingham was able to simply adopt provisions of the Artisans' Dwellings Act (1875) which provided the power to compulsorily acquire property in unsanitary areas, and more importantly, borrow money from the central government at 3.5 percent re-payable in fifty years.

The idea that a municipal government ought to own such local monopolies was firmly established by 1873. Chamberlain had heard Councilman Avery promoting the idea in 1869. The contribution that Chamberlain made to these proposals was to create a

²⁵ Asa Briggs, *The History of Birmingham, Borough and City 1865-1938*, Vol. II (London: Oxford University Press, 1952): 226.

²⁶ Birmingham, *Proceedings on the Adoption by the Council of a Scheme for the Improvement of the Borough*, 1875, 15.

coherent argument to support municipal take-overs based on the idea of “natural monopolies,” which he said ought to be in the hands of municipal government. His frequently quoted speeches on municipal responsibility have come to be associated with the “civic gospel” of Dawson and Dale, although for him it was a matter of pure business. Chamberlain zealously argued for the involvement in municipal reform of his elite middle class associates (both family and friends), and this led to a new level of involvement in municipal affairs by Birmingham’s commercial and industrial elite, who had avoided such involvement before.²⁷ He maintained that the proposals were not “a party or personal question, which ought to be considered and decided in view of the interests of the ratepayers and of the inhabitants of the town generally.”²⁸ Such an argument could even appeal to the “economists” in his midst, but considering the politically charged atmosphere in Birmingham that was hardly likely. If he was correct about the potential for long-term profit, he still had to find the capital to cover the cost of both the water and gas projects in relatively short order.

Although it is easy to argue that Chamberlain was just being a good businessman by seeking the lowest cost loans available, it is less clear why the local middle class appeared less willing to purchase mortgages from the city as compared to the response that Glasgow’s town council received. The simplest possibility was that investors wanted the highest returns for their money and these were increasingly available overseas. In fact,

²⁷ Linda J. Jones, “Public Pursuit of Private Profit? Liberal Businessmen and Municipal Politics in Birmingham 1865-1900,” *Business History* 25, no. 3 (1983): 240-259 makes Chamberlain’s role in improving the image of civic involvement explicit.

²⁸ *Birmingham Daily Post*, April 14, 1874, p.5, col. 4-5.

British overseas investments were increasing in the last quarter of the nineteenth century in part because they offered greater returns or improved security by providing a diversified portfolio for many investors.²⁹ Glasgow's investors were, however, quite aware of overseas investment opportunities.³⁰ In addition, the Birmingham banks were beginning to branch out from their regional orientation by first establishing offices in London and later the big banks in the city, such as Lloyds and the Midlands established overseas offices. This suggests that Birmingham's middle class was both more aware of and more inclined to seek a diversity of investments.

Chamberlain wanted the public to view the proposals as business ventures, but then investors would view potential loans in the same light— not as a moral or social obligation but strictly as a business opportunity. Although utility companies were a good investment, the mortgages that were being offered to the public by Birmingham's Finance Committee were below prevailing rates. They were not particularly attractive. Only the existing shareholders stood to reap real financial gains from the purchase. The political controversy surrounding Chamberlain's partisan style of leadership may have smoothed the passage of the enabling legislation but it may have hurt his chances with local investors. Again, even though the use of gas profits as a rate subsidy was becoming common practice in England, that did not necessarily translate into investor confidence in Chamberlain.

²⁹ Benjamin Chabot and Christopher Kurz, "That's Where the Money Was, Home Bias and English Investments Abroad, 1866-1885," <http://www-personal.umich.edu/~mrkurz/span29.pdf>: 5.

³⁰ As the records of individual estates indicates in Chapter 6.

However, this may not have mattered because it was Chamberlain's inclination to fund the entire cost of all his plans from the central government. He felt that was where he could get the lowest rates. Thus, although he turned to loans just as Glasgow had previously, he immediately sought them outside Birmingham itself. Debt financing was not new to the Birmingham Town Council. It stood at £568,000 in 1874 before the water and gas projects began.³¹ This debt had been accumulated over many years. It began when all the functions, property, and debt of the old Street Commission were absorbed by the Council in 1851, and the Improvement Act of that year specifically permitted the council to take on over £400,000 of new debt for various public works. Using mortgages, the Council had borrowed from local residents in amounts from a few hundred to several thousand pounds. Avery said that "it had worked admirably well for those who had money to lend, while it had answered equally well for the borough."³² But, as with Glasgow before, the proposed new projects dwarfed the previous ones.

There was an important difference between Glasgow and Birmingham with regard to the municipalization of gas. Specifically, when Glasgow took over the gas company in 1869 the council stated that it was being done only because there had been years of poor service from the private company, and the city was tired of asking for improvements which never came. The plans there called for the selling price of gas to be reduced, and

³¹ Although I have no specific sources on Glasgow's municipal debt at this time, it probably stood at over £ 3 million considering that Loch Katrine debt was over £ 1 million, the gas municipalization was close to a million pounds, and as mentioned above the Improvement Scheme of 1866 had already cost the city £ 1.5 million.

³² *Birmingham Daily Post*, March 11, 1874, p.6, col.4.

that any profit would be used to either improve the service, or reduce the price still further. Profits were not to be used to subsidize the rates. As a result of these stipulations there was no protest from surrounding communities opposing the municipalization, but as we shall see below that was not the case in Birmingham.

The negotiations with the two private gas companies commenced in 1874. The purchase of the smaller Birmingham Gas Company was eased by a major mismanagement scandal that had rocked the company the previous year. The company's precarious financial position led to a cash buy-out. The city then offered the stockholders the option of taking 4 percent corporate debentures payable in from three to ten years. The Birmingham Gas Company Board presented this offer to the shareholders and reported back to the Town Council that shareholders of £136,800 of stock had accepted the council's debenture offer.³³ The council needed to keep its cash requirements down because it was also negotiating with the Birmingham and Staffordshire Gas Company which was larger and more profitable, and any reduction in immediate cash needs was essential. The council offered the Staffordshire their maximum dividend on called up stock (which amounted to £670,400) as a perpetual annuity. In addition, the proposed legislation provided for a sinking fund to pay off all the debt in 100 years, although Parliament subsequently reduced this to 85 for gas and 95 for water.

There was some opposition to the entire gas scheme. Within the council this was

³³ Birmingham Corporation, Minutes of Gas Committee, Aug. 1875 # 48 and Sept. 2, 1875 #100.

rather muted, coming from just two councilmen.³⁴ One was Councilman Lowe, who used many of the same arguments seen in Glasgow years before. He said that the council should not go into the gas business because they had other things to do with their time, and that this Bill would lead to the purchase of the water company. He chided the council that next they would turn to the “Grammar School” and the “proofhouse,” eventually followed by the banking establishments. Lowe then made the novel observation that “in this age of science” what if a new mode of lighting was discovered?³⁵ That would result in leaving the town with a largely unpayable debt for the municipal gasworks.

He further observed that there was potential for the abuse of patronage (a charge already leveled at Chamberlain by Conservatives who were ousted from power when he first came to office). Finally, he went to the heart of the argument—the expense. The shareholders, he claimed, welcomed the purchase because “the council were going to secure them their maximum dividend in perpetuity, without any risk, and they would be the greatest dunces in the world if they did not accept and jump at such a proposal. They

³⁴ This is not surprising considering that the 1874 election brought 54 Liberals to the council, but only 9 Conservatives.

³⁵ Lowe did not realize how close he had come to reality in anticipating the arrival of electric lighting. By 1882 both J. W. Swan (the British inventor of a workable incandescent light) and Thomas Edison had set up companies in England to provide electric light. Swan’s company provided light for the Law Courts in London and Edison set up a lighting station at Holborn. Shortly thereafter, Swan gave up his claim to Edison and the two formed a joint company to promote electric lighting in the United Kingdom. I.C.R. Byatt, *The British Electrical Industry 1875-1914* (Oxford: Clarendon Press, 1979):16.

not only got this, but an additional sum of all the reserve capital they had saved.”³⁶ This last sum was money that could not otherwise be touched by the shareholders. There was nothing specifically wrong with Lowe’s arguments, except that he ignored the problems with the duplication of mains, and the entire rationale (discussed above) that Chamberlain had offered for the plan to begin with.

The acquisition of the gas companies represented a way of removing some municipal funding sources from direct ratepayer oversight, hardly the desire of most liberals. Recognition of this was at the center of Councilman Stone’s opposition to the proposal. Although he said that he “looked at the matter as a business man” and wanted “a good and fair bargain,” he thought that they were going to pay too much for the companies. Stone argued that the profits from gas were an indirect form of taxation that the council could use without further ratepayer approval. He, as well as all the council members, were aware of the fact that all *rate* increases had to go before ratepayer meetings, but once a Gas Commission existed it would not need ratepayer approval to increase gas *prices*, as long as they did not violate the limits of the authorizing legislation. He cited the example of Manchester where profits from their gasworks were used to pay for the construction of the Assize Courts. Stone also observed that the existing municipal bondholders were placed in greater jeopardy because of the proposed increase in new

³⁶ *Birmingham Daily Post*, March 25, 1874, p. 6, col. 1-6. It should be noted that Lowe was correct about the price. Years later Birmingham Gas Annuities were selling at a substantial premium.

bonds that were also to be based on the rates.³⁷ Throwing increasing debt on the rates could have easily led to increasing public resistance to the purchase of new bonds or increased their cost to the town and lowered the price of existing bonds. This argument had not been made in Glasgow, nor did Chamberlain or any of the proposal's supporters every respond directly to it. Stone had a valid point but somehow it got lost in the debate.

Although it proved to be ineffective, perhaps the most serious opposition to the gas proposal came from some of Birmingham's surrounding communities. There were seventeen communities around the city whose gas supply had come from one of the private companies. Seven of them objected to the scheme.³⁸ One town's response illustrates not simply their concerns, but the level of distrust of municipal governments in some quarters, and points to one of the reasons that the city took the approach that it did concerning financing. The Town of Wednesbury objected to the purchase of the gasworks by the Birmingham Municipal Corporation. They wanted to know if they were going to continue to pay the same price for gas as the city's residents. This had been 4s per thousand cubic feet, and they wanted it to remain the same. They were also concerned about any profits. The company had a reserve fund that they claimed benefitted all consumers (through interest on the reserve), but they thought that the corporation would use its profits only for Birmingham's residents. They requested that their local

³⁷ *Daily Post*, April 14, 1874, p. 5, col. 4-5. Little did Stone know that several years later profits from the Gas Commission would pay for a municipal art museum without any ratepayer approval.

³⁸ Edward Orford Smith, "Municipal Finance, or Local Taxation and Local Expenditure," *Royal Statistical Soc. Journal* 58 (1895): 338.

representatives be on the Board of the new gas corporation to see to their interests. It was the most that they believed that the city would be willing to do since there was no guarantee that the price would remain the same forever.³⁹

Why would this town be any more concerned about the Corporation supplying gas as opposed to a private company? Surrounding towns and districts claimed that the corporation might borrow funds to expand or improve the gasworks at some future date. Based on increased debt they might raise prices so that profits exceeded the traditional ten percent limit.⁴⁰ Since Chamberlain's stated objective was to underwrite other municipal projects from profits, they would be "taxed" for the benefit of Birmingham— exactly the opposite result that many of the surrounding districts' residents had sought by leaving the city. The defenders of the bill argued that there was no need to set such limits because the ratepayers and the consumers were one in the same (which was clearly not the case), and they (referring to the town's ratepayers) would have no need or desire to see gas prices go up. In addition, Chamberlain argued that other provisions in the legislation allowed the outlying districts to purchase their share of the gasworks if they so desired. This would protect them in the unlikely event that the city was overcharging. Wednesbury ratepayers' distrust might also be explained by the fact that in Manchester, the Tories, who controlled the program, structured the financing so that the costs were put on the consumers and not

³⁹ *Birmingham Morning News*, Dec. 29, 1874.

⁴⁰ House of Lords, Select Committee on Private Bills, June 23, 1875, 7-8. Testimony of Sir Edmund Beckett on behalf of the Birmingham Corporation Gas Bill.

on the ratepayers.⁴¹ A number of communities objected to the bill on the basis that the legislation failed to set a maximum profit on the corporation (as such bills did to private companies). They ignored the fact that the profits of a private company were distributed to the shareholders, and generally most companies found ways to get around the return of excess profits to their customers.⁴² Small surrounding communities distrust may finally have been based on the fear that as the city provided increased services (gas, water, and road maintenance) there would be increased justification for eventual amalgamation.⁴³ Cities were expanding in the second half of the nineteenth century, and one of the arguments that they used before Parliament to justify unwelcome amalgamation was that they were supplying many services to outlying districts that were not paying their fair share of local taxes.

Although Chamberlain and his supporters argued that these monetary and political concerns were not issues because gas customers and municipal ratepayers were synonymous, such arguments skirted the objections. Chamberlain said that the council would create a sinking fund to eventually buy the annuities on the open market. This was

⁴¹ John F. Wilson, *Lighting the Town: A Study of Management in the North West Gas Industry 1805-1880* (London: Paul Chapman Publishing Ltd., 1991): 188.

⁴² The Gas Works Clauses Acts of 1847 and 1871 (sec. 10) limited the dividend on paid up capital to 10 percent, but sec. 31 provided that a reserve fund of no more than 10 percent of a company's nominal capital could be used to make up "the deficiency in the dividends of any previous year." Edwin Upton, *Organization and Administration of the Gas Undertaking* (London: Sir Isaac Pitman & Sons, Ltd., 1925): 10. Companies found ways to increase their capital or could simply waste money once they had reached their maximum dividend and accumulated their reserve fund.

⁴³ Wednesbury was a Parliamentary borough and became a municipal borough in 1886. It had one representative in Parliament. *Encyclopedia Britannica*, Vol. 23 (1957): 476.

itself a gamble that interest rates, in the future, would be higher than the rate that the annuitants were getting, thus reducing the annuities' selling price. This risk was compounded because the financial plan assumed that the future operating income of the gasworks would more than cover expenses, and that interest rates would move in a favorable direction. Yet, Chamberlain had run his business, before joining the council, in just this way, that is seizing an opportunity to make a greater profit in the future, trusting in his capacity to manage operations efficiently. Chamberlain was willing to support increased taxes, in whatever form, if the money was used to benefit some higher public good — be it improved sanitation, or educational reform.

The partisan political atmosphere in the town did not stop the reformers, but it did intensify the animosity of their opponents who naturally directed their criticism at Chamberlain. One letter to the *Daily Gazette* charged that the price of gas was going to be raised because the annuities were so expensive. The writer identified the people who would bear this extra burden as “shopkeepers and tradesmen of the town.”⁴⁴ Another letter observed that workers for a corporation were more likely to demand wage increases, and they would provide “less efficient service,” and that all the other risks would fall on the corporation (including any new thefts by cashiers), making the entire proposal much too dangerous.⁴⁵ Chamberlain responded by saying that the opposition was willing “to

⁴⁴ *Daily Gazette*, April 11, 1874.

⁴⁵ *Daily Gazette*, April 12, 1874. The potential of a thieving clerk was real. In December the *Weekly Post* mentioned that a James C. Ridley “the absconding clerk in the rate department” had walked off with £ 142 15s. *Birmingham Weekly Post*, Sat. Dec. 5, 1874 p. 7, col. 4.

throw away future large profits for the sake of small present gains.”⁴⁶

A good deal of opposition was encountered outside of the council. Chamberlain had to defend the proposal at a raucous public meeting, which was held owing to a requirement imposed by Parliament to prevent reckless and excessive spending by town councils. But Chamberlain, using his prodigious speaking ability, and a good measure of audacity as well, claimed that “if they [the Council] will take this bargain and farm it out to me, I will pay them £20,000 a year for it, and at the end of fourteen years I will have a snug little fortune of £150,000 or £200,000.”⁴⁷ Chamberlain’s boast won the day but came at the price of some ridicule from local tabloids. He was “the wizard of the gas” who would produce £54,000 out of a magic “corporation gas” jar.⁴⁸ He was not only Mayor but “High Gas Generator, Chief and Principle Waterman” as well.⁴⁹ Later, after the water proposal was before the public, *The Town Crier* poked some good-natured fun with the following verse:

We love our pipes, we buy the gas,
So dear to us, so dear;
But why we buy the water too,

⁴⁶ Judd, *Radical Joe*, 61.

⁴⁷ Quoted by Garvin from Speech at Ratepayer’s Meeting April 13, 1874. J. L. Garvin, *The Life of Joseph Chamberlain*, Vol.1, 1836-1885 (London: Macmillan & Co., 1935): 189-190.

⁴⁸ Briggs, *History of Birmingham*, 70, plate XIV.

⁴⁹ *The Town Crier*, April 1876, 3. This must have been particularly galling to Chamberlain, because *The Town Crier* was a tabloid set up by Birmingham reformers, including one of the founders of the Caucus to criticize previous failures of the council. Fraser, *Power and Authority*, 103.

It is not always *clear*.
 And so good townsmen one and all,
 I think upon the main,
 That men, alas, have got the gas
 And water on the brain. (*The Town Crier*, June 1875)

The *Town Crier* could also tease the private gas company. Once municipalization of the gas companies was complete townspeople could read about “a Gas Director. Observe this vacant rolling eye. And say, don’t you suspect or Wonder why I’m loose without a keeper or protector? I’ll tell you in a word, my boy I was a Gas Director!”⁵⁰

All of these arguments point to the level of distrust that existed by 1875 towards the growing power and reach of larger municipal governments, but even more significantly, Birmingham was creating a for-profit business and as such investors had the right to question all aspects of it just as they had for private ventures. Thus, the lack of support locally from Birmingham’s banks and other potential municipal investors becomes quite understandable. There were serious concerns about how the city was going to finance all of the expenses that they were undertaking. It was not only that the outlying towns, where a good deal of wealth often resided, objected to the plans, but also that other key financial institutions were beginning to pull back from their previous commitments to the city. At least one of the local banks was reducing its monetary commitment. Concerns about meeting the financial needs locally begin to explain why the city turned to the Local Government Board and the Public Works Loan Board (PWLB) for an ever increasing share of the financial requirements that the city faced.

⁵⁰ *The Town Crier*, November 1875, 11.

The Limits of Local Finance

A close examination of the financial arrangements that Birmingham set up for its Improvement, Water, and Gas projects shows that the city was having increasing difficulty with its relationships with the local banks. Simultaneously, its political elite was demonstrating increasing sophistication in its selection of financial instruments, while at the same time various branches of the central government were in conflict over support for funding large municipal improvement projects even as Parliament was easing the procedures for local governments to engage in these activities. As mentioned previously, the Artisans Dwellings Act (1875) was a key part of this process because it eliminated the need for seeking private bill legislation for sanitary improvement projects, but as the following narrative will show, by itself it was not a complete solution to Birmingham's financial needs.

Chamberlain's political status played an important part in all the subsequent events even after he left Birmingham for Parliament in 1876. By the end of his local tenure Chamberlain was in a secure political position. Speaking before the Town Council after his first year as mayor, on the proposed take-over of the water company, Chamberlain justified the municipalization of water by saying that the death rate in the town had gone from 22 to 29 per thousand reflecting an erosion in the general health of the city. He cited repeated examples of the relation between cholera and contaminated water supply, and asserted that it had become generally accepted that clean water was essential for public health. Not one of the council members voted against the proposed municipalization of

water, and Chamberlain was able to move ahead with this project virtually unopposed.⁵¹ In Parliament only the water company itself opposed municipalization, and its efforts to thwart the take-over were rebuffed in both houses.⁵² In fact, Chamberlain's political position, by 1876, was so secure that he was able to write to his friend Sir Charles Dilke that he had "almost despotic authority."⁵³

The council acquired the Birmingham Waterworks Company in August 1875 by converting their stock to perpetual annuities. This cost £ 54,491 per year based on a total of £672,000 of called up stock. The Corporation also took over the company's outstanding debt of £189,000. The water scheme thus increased municipal debt by £861,000. Together with the purchase of the two gas companies, municipal debt was almost £2 million by 1875. Of this the city had to come up with over £300,000 in cash. Chamberlain then presented his plans for urban renewal. This project was estimated to cost another £1.3 million. The new Improvement Committee estimated that they would need £750,000 in the first year alone.⁵⁴ The cash and financing that Birmingham needed

⁵¹ Birmingham General Purpose Committee, *A Short History of the Passing of the Birmingham (Corp) Gas Act & Water Act* (Birmingham: G. Jones & Son, 1875): 52.

⁵² C. E. Mathews, *The Water Supply of Birmingham: A Paper read before the British Association for the Advancement of Science on Sept. 7, 1886* (Birmingham: Cornish Bros., 1886): 22.

⁵³ Judd, *Radical Joe*, 61.

⁵⁴ By August 1876 in the same month that the initial plans of the Improvement Commission were approved by the Public Works Loan Board, they had already purchased property valued at over £ 60,000. The committee was seeking a 50 year loan at 3.5 percent from the Board and was in the middle of getting a half million temporary loan from the Bank of England in anticipation of issuing Corporation debenture stock. Birmingham Improvement Commission Minutes, Aug. 1876, BMA.

between 1874 and 1875 was six times its debt in 1872. In addition, the city had other debts that its Finance Committee was urgently trying to extend or defer. For example, in July 1875 the Finance Committee applied to the Local Government Board for authority to borrow £212,590 for various street paving and improvement projects. They applied to extend loans for Aston and Highgate Park to 100 years, and to extend other loans made under the Municipal Corporations Mortgage Act to 75 years. Unlike Glasgow where parks were purchased by a mixture of subscriptions and mortgages, and most funding was done without the aid of central government boards (some of which did not exist until after 1870), in Birmingham we see the finance committee repeatedly contacting the LGB or the Improvement Committee contacting the PWLB in order to get low cost long-term financing. All these efforts were intended to reduce the current rates and distribute the total costs over the longest possible period. The city initiated plans, used some local funding, and then turned to the central government for long-term capital.

One administrative change of note evolved in the process of funding the various projects. This concerns the increasingly important role of the town's Finance Committee in coordinating all of the borrowing needs of city agencies. That committee was chaired by Thomas Avery in the 1860's, who made it an effective part of Birmingham's government by the time that Chamberlain took office in 1873.⁵⁵ At first, funding gas and water was the responsibility of the individual municipal commissions created under the respective bills. They did, however, turn to the Finance Committee to arrange local mortgages which were an important initial form of capital accumulation. Unfortunately, not as much is

⁵⁵ Hennock, *Fit and Proper Persons*, 106.

known about the sources of these mortgages as was the case for Glasgow. The Finance Committee recorded mortgages from 26 individuals in August 1875 for £25,750. Another 37 loans were received the following month totaling £25,000, and a further 21 were posted in February 1876 for £21,950.⁵⁶ But they were having some trouble with larger loans. One insurance company, the Friends Provident Institution of Bradford, only renewed half of a £30,000 mortgage when the city cut the interest rate to 4 percent from 4.5 percent.⁵⁷ The Finance Committee also moved £100,000 from a Suspense Account into the Capital Account of the Gas Commission. This included a £30,000 loan from the Royal Insurance Company. It appears that some of these funds may have been lent to the city for other purposes but were then moved to this account at the discretion of the chairman. At the same time another unidentified lender refused to renew a £30,000 mortgage after the city reduced the interest rate, at that point, from 4.5 percent to 4.25 percent.⁵⁸ With the city working towards securing long-term loans of 3.5 percent while banks and insurance companies could get overseas loans at 4.25 and even 4.5 percent, they were moving in opposite directions. The city was rationalizing this process even further as other committees were reporting their anticipated needs to the financial committee for the following year so that they could amalgamate all borrowing requirements. Within a few years Birmingham would issue Corporate debentures thus

⁵⁶ Birmingham Finance Committee Minutes (BFCM), #8805, #8870, #8994, Birmingham Municipal Archives (BMA).

⁵⁷ BFCM # 8870, BMA.

⁵⁸ BFCM # 8805, BMA.

creating truly marketable securities and combining all their borrowing needs in one form. Before that occurred the records reflect a hectic pace of borrowing both locally and nationally.

Much initiative still remained with the individual commissions. They turned to local banks for some financing, but there appears to have been some problem in this regard. Recent history in Birmingham had made the banks less willing to lend money that was not extremely well secured. First, this was caused by the failure of the Birmingham Banking Company in 1866 which left an indelible mark on the city. When the bank collapsed its shareholders were forced to pay out £9 per share above the original total capital of the bank. Many of the smaller shareholders were ruined. Second, banks were making investment decisions based on the advice that they received from their agents. In the case of the Midland, its agent favored Consols.⁵⁹

Still, one might expect the city to receive strong support from local banks, especially considering Chamberlain's personal relationship with the Lloyds Bank. Further, the council might have expected that the presence of George Braithwaite Lloyd, a prominent Quaker and member of the banking family, might have improved that bank's attitude toward city financing.⁶⁰ The Gas Committee opened an account with Lloyds in September 1875 which lent them £100,000 for three years at 4 percent. However, "the bank requested that this be in the form of bonds in 'small denominations' of £1000 to

⁵⁹ Holmes & Green, *Midland*, 44-47. The Birmingham Banking Company was able to reorganize after the collapse.

⁶⁰ Hennock, *Fit and Proper Persons*, 145. Lloyd was not a member of Chamberlain's inner circle, but he was highly respected and this should have helped the council.

£10,000 each.”⁶¹ In addition, Chamberlain met with the manager of the Birmingham Banking Company which subsequently agreed to provide an overdraft account not to exceed £300,000 at 4 percent. The bank offered this rate for 6 months, and stipulated that thereafter the rate could not exceed 5 percent.⁶² The Water Commission had a working relation with the Midland Bank whose minute books between 1877 and 1881 show ongoing loans and correspondence.⁶³ However, the Water Commission in June of 1876 had already shown a preference for mortgages over bank overdrafts. Its balance sheet at the time had £204,300 in mortgages, but only £17,593 owed to the banks.⁶⁴

Support of the banks was important, but it was decidedly mixed. This might best be illustrated by the city’s relations with the Birmingham Joint Stock Bank. The city had an on-going relationship with the bank, and the Gas Committee asked if it would like to open an account for them. The General Manager first indicated, through the mayor, that they would open an account and “make advances to the Corporation of £100,000 or £200,000 as might be required.” However, the bank immediately reversed this offer and

⁶¹ Birmingham Gas Comm. Minutes (BGCM) #125, BMA.

⁶² There was competition between the local banks, and this stipulation must have been intended to get this business for the bank.

⁶³

The likely reason for this was to give the bank greater flexibility when it came time to redeem the bonds. Birmingham & Midland Bank, Minute Book #5 (9/063) and #6 (AA59), HSBC archives.

⁶⁴ BWCM, June 30, 1876, # 198, BMA. The significance of mortgages and overdrafts is that they were at a higher rate than the committees had planned, and thus these loans could only serve for short-term needs and minimal operating expenses.

refused to provide a separate account for the Gas Committee.⁶⁵ Although Thomas Avery was a director of the bank between 1874-75 and the bank continued to provide at least one overdraft account for the Corporation, by March 1877 the bank's directors became alarmed because the Corporation's account was seriously overdrawn at £191,845. They were given a month to reduce the account to a maximum of £50,000. Yet, at the same time this bank was making overseas loans to the United States, Australian and Canadian governments, to the East India Railway Company, and other investments of a more speculative nature.⁶⁶ The Finance Committee must have become overdrawn again because eighteen months later it had to request an emergency one month extension of £140,000.⁶⁷ In 1881 the bank took £100,000 that the city had to invest offering them 1.5 percent and invested it in rail stocks at 3 percent.⁶⁸ Just a year later, however, when the Corporation briefly considered a plan to offer annuities to the public, the Bank, which had just approved a new loan of £100,000, wrote a letter saying "if the Corporation persists with this scheme the Bank will immediately review the status of all accounts now conducted with the Corporation." They stipulated that the proposed plan was "in our judgement prejudicial to the future prosperity of the trade of the town," and said it

⁶⁵ No reason was given for this lack of interest. BGCM, # 55, BMA.

⁶⁶ Their U.S. Government loans were at 4 ½ percent, while the East India RR debentures (guaranteed by the Indian government) were at 4.25 percent. Other foreign investments ranged from 4-5 percent. Birmingham Joint Stock Bank Ltd. (BJSB) Minute Books no. 3, July 1875-March 1882. See specifically, Dec. 1875, August 1876, March 1878. Lloyd's Bank Archives.

⁶⁷ BJSB, Minute Book no. 3, Dec. 13, 1880.

⁶⁸ BJSB, Minute Book no. 3, May 16, 1881.

amounts to a “Corporation Savings Bank.”⁶⁹ Subsequently, the plan to offer municipal annuities to the general public was dropped.

Although the idea for creating municipal annuities did not survive the outcry from the banks, the fact that it was suggested reflects the financing problems that the various commissions and Finance Committee were facing. It may help explain their tendency to concentrate on loans from the central government and not on local mortgages. When Glasgow advertised for Water Commission mortgages in 1855, money seemed to pour into the city’s coffers, and loans were coming in to Birmingham as well. It is quite true that the city was attempting to reduce interest rates that they were paying to 4 percent, and they were attempting to secure large loans from the central government at 3.5 percent, but does that by itself account for their seemingly strong preference for central government loans? Chamberlain had said that it was all a matter of pure business, and one-half percent on a million pounds is still £5,000. Perhaps his expense projections were tighter than he admitted which led him to look for savings wherever he could find them. Money was not coming in as fast as the city needed, and committee chairmen were more frantic than the rather sparse public record reveals. In either case, there was much pressure to quickly secure long-term financing.

It appears that the Midland was concerned about unfair competition from a *Corporation* bank more than just another competitor. The city could borrow at favorable interest rates because its loans were backed by its full credit and taxing authority. Had it

⁶⁹ BJSB Minute Book no. 3, Dec. 11, 1882.

offered some sort of general annuities to the public, these could have been at very competitive interest rates and still made a profit. There was considerable competition in Birmingham among the city's banks, and the 1880's was a period when the larger banks were actually expanding their operations in London.⁷⁰ Also, the banks were moving away from the older form of bills of exchange and towards loans and overdraft accounts.⁷¹ By the end of the nineteenth century, cities would dispense with some of their reliance on banks as intermediary investors. Cities began to place any extra funds that they had directly on the money markets in London and thus aroused the ire of those who felt that this was a threat to the stability of the financial system.⁷²

From August to September 1875 the Finance Committee received loans that totaled £50,750 from 63 individuals and transferred £100,000 into the Capital Account of the Gas Commission.⁷³ Although these sums are substantial, they did not cover the total combined costs of the three projects, nor were they long-term financing. Thus, the city turned increasingly to the two sources that offered the prospect of significant long-term finance — the Bank of England and the government. The Town Council first considered the idea of borrowing from the government through the Public Works Loan Commissioners. This commission was created in 1817 but did not become a source of

⁷⁰ Holmes & Green, *Midland*, 57. Lloyds Bank established a London office in 1884 and the Birmingham Banking Company followed in 1889.

⁷¹ Holmes & Green, *Midland*, 59. At least this was true for the Midland.

⁷² Vicary Gibbs, *Municipal Trading* (Westminster: Industrial Freedom League, 1902): 5.

⁷³ BFCM #8805 and 8870, BMA. As mentioned above.

funds for municipal governments until 1863 under the authority of the Public Works (Manufacturing Districts) Act which made funds available for municipal improvement projects.⁷⁴ The Finance Committee received approval for a loan from the PWLC in 1876 but they insisted it must be repaid in 50 years at a rate of 5 percent (a very unfavorable rate of interest).⁷⁵ The committee was borrowing over one million pounds for the 1876-77 period mostly under the Artizans and Labourers Dwellings Act 1875. Since the rate was too high the committee next considered issuing Corporate Debentures issued through the Bank of England. This deal was eventually successfully concluded in 1880, but the Improvement Committed needed over £750,000 immediately.⁷⁶ They approached the PWLC for a loan of £3/4 million. In August 1876 they received a letter that the loan had been approved but the terms stipulated that the loan was for 50 years and at not less than 4 percent instead of the 3.5 percent that all their estimates were based on. In addition, the Commission required them to repay the loan in equal instalments. Again, these terms were almost impossible to meet because the improvement project's costs were mostly "up-front" because of acquisition and physical improvement expenses while most income was to come later. It would have added £3,750 a year to their debt payments which was simply too much to add to the rates. They had already started to purchase property, having borrowed £57,618 from the Birmingham Banking Company based on the personal

⁷⁴ Wilson, "Finance of municipal capital," 35.

⁷⁵ BFCM, # 8996, BMA.

⁷⁶ John Thackray Bunce, *History of the Corporation of Birmingham* (Birmingham: Cornish Brothers, 1878): 30-40. Asa Briggs makes the same point. Briggs, *History of Birmingham*, 81.

security of 19 individuals the previous August. Chamberlain was the first of this group, personally securing £10,000. Other members of the council including Ambrose Biggs, William Kenrick, George Baker, and William White lent lesser sums. That initial loan was almost immediately spent, and the Improvement Committee needed more money quickly because land costs were likely to increase while the PWLC was busy drawing out their approval. The committee again turned to the Bank of England to see if they could secure some temporary financing. Negotiations led to a temporary loan from the Bank for £500,000 at 3.5 percent payable in 6 months. This was a stop-gap maneuver because the bank could end the loan on short notice. Subsequently the bank extended the loan, but the committee knew that they needed a real solution.⁷⁷

In comparison, when Glasgow began its urban renewal project in 1866 although it set up loan privileges with three local banks totaling £ 90,000 it never took any credit from them because it had so little trouble getting mortgage money from the public.⁷⁸ That was the approach that they had used successfully for the water project back in 1855. It kept them in control and reinforced their sense of autonomy, nor it did suggest any increasing sophistication on the part of Glasgow's municipal leaders compared to those in Birmingham. But there was no need for great finesse since the money came in without difficulty. For Birmingham the situation was more complex, and Chamberlain was nothing if not creative.

Even after he left municipal government Chamberlain's importance to Birmingham

⁷⁷ Birmingham Improvement Committee Minutes (BICM), Dec. 1875- Dec. 1876, BMA.

⁷⁸ Glasgow Improvement Committee Minutes, Sept., 1866, ML.

continued. He met with Mr. W. H. Smith of the PWLC in November 1876 to see if he could smooth the way of the Improvement Commission's request. He also approached the Treasury directly to see if they would first cover the Bank of England loan, and then approve the full £750,000 at 3.5 percent. Chamberlain said that if they had to pay the extra half percent it would have cost the ratepayers an extra £10,000 which might throw the whole project into jeopardy.⁷⁹ The Treasury however, refused to intercede on their behalf, and suggested that the city apply for a Private Act or go to the public under the terms of the Local Loans Act of 1875, neither of which was an attractive prospect. By December 1877 the Improvement Committee had already spent £285,137 on the purchase of land and although they continued to get mortgages from local residents, these funds were simply too little to cover their needs. The finance committee had combined all the needs of the various departments of the city into one by this point and thus was looking for £1.5 million for the following year!⁸⁰ By April of 1877 the Bank of England reported to them that "the money market was in a critical state and it was urgent that the stock should be got out without delay."⁸¹ (This was a reference to debentures that the city was still hoping to arrange.) By June they were forced to renew the half million pound loan with the Bank of England yet again, and request an additional equal sum for six months. By this point purchases had reached £644,144 and the Improvement Committee still had not secured long-term financing for the project.

⁷⁹ BICM, Dec. 13, 1876, BMA.

⁸⁰ BFCM, Dec. 21, 1876, BMA.

⁸¹ BICM, April 25, 1877, BMA.

Earlier in 1877 the finance committee made a formal request to the PWLB for a loan of £1.5 million. These funds were to be used for the Improvement Scheme under the authority of the Artizans and Labourers Dwellings Act 1875. In a response to a request for more information from the Board, the committee indicated that £670,618 were to be used to cover purchases already completed through June 1877 and another £379,001 for purchases under contract through the end of the year.⁸² If approved, these loans would pay off the Bank of England loans and provide the long-term financing that the committee needed. The Board was by this point prepared to extend a 30 year loan to the city, but at the last minute again stated that the interest rate would be higher than previously agreed. Once again Chamberlain interceded and produced the final result that they desired- 3.5 percent.

The large sums involved in these loans strengthened the Treasury's resolve to severely limit them in the future. The Treasury was strongly opposed to low cost central government financing because it was attempting to reduce the national debt at the same time that local debt was increasing, and such government sanctioned loans simply transferred the debt. Treasury officials were at the heart of the "retrenchment" camp, who devoted the rest of the century to trying to limit or control local spending.⁸³ Although Parliament had enacted a number of important pieces of reform legislation affecting towns, in some respects little had changed from earlier in the nineteenth century. Christine

⁸² PWLB- 2-69, no. 6506, British National Archives.

⁸³ Martin Daunton argues that in this effort they were only partly successful. See, M. J. Daunton, *Trusting Leviathan* (Cambridge: Cambridge University Press, 2001): 256-288.

Bellamy is particularly helpful in pointing out the continuing ambivalence of the Treasury versus Parliament. Although Parliament may have reluctantly approved a number of reform measures, it had not properly subsidized them.⁸⁴ After these loans were approved the Treasury was able to impose a cap of £100,000 per year on sanctioned loans to any one municipality.

Conclusion

Two main sets of factors explain Birmingham's reliance on central government for capital formation. First, middle class elites in Birmingham appear to have been less financially supportive of improvement projects than the same groups were in Glasgow. Although there were dozens of loans recorded in the minutes of the finance committee, they never rose to the level of loans received in Glasgow for either its water or improvement projects. The records of Birmingham's finance, gas, and water committees repeatedly show a preference for loans underwritten by central government bodies. Clearly, Chamberlain had convinced a number of people to get involved either directly in local government (two of his brothers and a brother-in-law were also on the council), or by providing financial support to city through mortgages, or through their role as directors of local banks. However, there was not as much support from surrounding communities for Birmingham's trading plans because of its open profit motive. Partisan politics played a greater role in Birmingham in the mid-1870's than in Glasgow a decade before. This may have intensified resentment among those members of the middle class who were

⁸⁴ Bellamy, *Administering Central-local Relations*, 81-85.

ousted from power in recent elections (such as local Tories and the remnants of the “economists”).

The second set of factors relate to the restrictions and limits placed on loans and overdrafts. The banking industry in Birmingham in the mid-1870's was highly competitive and was in the midst of seeking more profitable loans. The banks in the city were used to making loans to industry, but the Birmingham municipal government had only been in existence since the 1840's, and had never had capital requirements of the magnitude of those in the mid-1870's. Although at least two of the banks had close ties with a few members of the Town Council, it was clear that the banks' responsibility was to protect their interests before those of the Corporation. Nor did the Corporation's need to find low-cost loans, and its flirtation with experimental ideas help in promoting deeper commitments. In addition, the banks were beginning to impose greater discipline on their borrowers partly as a result of increasing mergers, and partly as they exported more capital overseas.⁸⁵ Taken together all of these factors make the specific actions of the local banks regarding the restriction of loans and overdrafts with the Corporation understandable.

The rapid progress in municipal improvement that Birmingham finally achieved in the 1870's would not have been possible without that city's turn to national government for financing. It occurred just as municipal improvement projects were increasing all over the United Kingdom, and at a time when some government measures were being put in

⁸⁵ Timothy Alborn, *Conceiving Companies: Joint-stock politics in Victorian England*, (London: Routledge, 1998): 142-3.

place to ease the process of municipal capital formation. The use of gas profits to subsidize rates was becoming commonplace in England. Parliament was increasing the demands on local government. However, the continuing ambivalence of organs of central government, such as the Treasury's refusal to assist Birmingham in securing favorable government loans, suggests the unresolved status of this process.

What does emerge from the record is a growing awareness and use of more flexible financial instruments by Birmingham's political elite. There was an increased sophistication of Birmingham's middle class elite in the selection of financial instruments to fund sanitary improvement projects. Where Glasgow had relied (almost exclusively) on mortgages, Birmingham was issuing Corporate Debentures for £1.5 million that could be sold on the open market along with other tradable securities. Thus, the middle class was not only in firm control politically but it had matured as well. Chamberlain's role in this process can not be denied. He led a new elite to a higher level of financial sophistication as they continued to work to improve the sanitary conditions of the city.

Conclusion

As the middle class established its dominance on urban political life in the nineteenth century, it used debt financing as mortar to hold together the bricks of sanitary and improvement projects that it began. Inadequate central government financing and limited direction and control from British governments in the middle decades of the century contributed to this reliance on debt. Also, a long history of pre-reform, oligarchic local government which lacked legitimacy as well as the practical taxing authority to pay for the creation of a modern sanitary infrastructure furthered the need for debt-financing. Debt was also a way to capitalize on the increasing property values in cities without actually increasing taxes on property to the point that ratepayers would rebel. What the middle class leadership was able to accomplish in the face of these initial limitations was possible only through borrowing, which reached its limits early in the twentieth century as local property taxes increased to the point that ratepayers would no longer tolerate. Before that limit was reached however, a modern sanitary infrastructure had been built.

A number of factors influenced the decisions to engage in municipal trading as well as the use and form of debt financing in Glasgow and Birmingham. These factors influenced not only where but when the decisions were made, and they were of unequal importance in the cities as well. Three factors that stand out in the process leading to trading were social capital, finance capital, and acceptance of sanitary reform. Central to social capital was the issue of the accumulation of public trust in the ability and integrity of municipal leaders to spend wisely the money that they were receiving. The extent of trust

in the two towns was different and this influenced when the decisions were made and affected how the councils proceeded. Finance capital refers to the general availability of money for capital improvement projects and relates to the competition that both towns experienced as they sought investment capital on the open market. This factor affected the form of finance that was sought. Finally, the acceptance of sanitary reform served as a pre-condition to support municipal trading projects that required the extensive public borrowing that the gas and water projects entailed. First, the timing of reform and then the actual mode of finance will be examined in light of these factors.

Social capital was most important in Glasgow as a explanatory factor in its relatively early decision to municipalize water in 1855 and gas in 1869 and less important in Birmingham in 1875. There are a number of reasons for making this claim, some speculative and others less so, but they shed light on outcomes in each city. First, public *distrust* was much in evidence in Glasgow among the opponents of the water proposal. Landlords objected to the unlimited rates, Gorbaliolians objected to the inclusion of their community in the entire scheme, and all the opponents joined together when charges were made that Loch Katrine's waters absorbed lead. However, the council successfully argued that it would provide clean water at lower cost to all the residents of the city, that Parliament would not accept a municipalization plan that excluded part of the city because of the presence of competing private companies, and that there was a duty for all sections of the community to pay a fair share for the adequate provision of clean water. By the time Queen Victoria officially turned on the water supply in 1859 the Water Commission had proved that it could do what the council said. Water rates had not gone up, the

Commission was successfully soliciting mortgages, and even the banks were lending. As I showed previously, even the most staunch opponents of the water project became committed proponents once the differences of opinion were resolved.¹

Despite internal differences, the middle class was strengthened as a consensus was achieved. That is because as the disputes were resolved the council had a basis from which to build an increasingly trusting relationship with the minority in the middle class that had opposed the water project. Indeed, even though there was a proposal to municipalize the gas companies in 1857, the council shelved the idea when strong objections were raised about another round of borrowing. Second, when a consensus was achieved concerning the municipalization of gas in 1869, the council said that it would not use profits from the gas supply to subsidize any other activity (although this was common practice in England), and even at the end of the century the Lord Provost was able to brag in testimony before a Parliamentary Select Committee on Municipal Trading that they had always used excess income from gas to reduce the price of gas or improve the service.² This staunch fiscal conservatism on the part of the council, itself a reflection of middle class values, must have increased local trust. Third, voluntary societies provided a model of transparency and accountability that was followed by middle class elites who went from private philanthropy to public service. The subscriber democracy, described by R. J. Morris that these societies created, increased social capital. The ease that the Commission

¹ See "Failure of the Initial Bill," in Chapter 3.

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Great Britain, House of Lords and House of Commons, Joint Select Committee on Municipal Trading, July 10, 1900 (London: Wyman and Sons Ltd., 1900): 215.

had soliciting over £500,000 between September 1857 and December 1858, only sixteen months, suggests that there was a considerable degree of trust within the investing community even before the project was completed.³ Later, the speed that the bill to municipalize gas in 1869 was introduced and approved in the town council attests to the growing unanimity within the council as well.

Religion also played a role in building the social capital both cities needed. In Glasgow, however, the “Godly Commonwealth” proposed by Thomas Chalmers left a legacy of voluntary activity which was more easily converted into benevolent government social action which built trust than the civic gospel associated with George Dawson and R. W. Dale in Birmingham. The self-reliance that was central to Chalmers’ vision paralleled the fiscal self-reliance of Glasgow’s municipal reformers, and reflected the prevailing views of Glasgow’s liberal elites. What was needed was some event that suggested the value of increased local government activity. This came with the Disruption which weakened the financial resources underlying the Poor Laws in Scotland and Dr. Alison’s proposal to mold a new poor law on the English model. Both supported an increasing reliance of government finance. In Birmingham, the civic gospel contained a strong dose of partisan political activity which did not translate into as much consensus, trust or social capital.

Further, in Birmingham we do not see the same degree of acceptance and resolution regarding its water and gas plans. Perhaps this is a function of the relative speed and the compressed time in which these proposals were implemented. Perhaps it is

³ See Chapter 5, Table 7.

a function of the partisan nature of Birmingham's politics in the mid-1870's and the dominance of Chamberlain, who wrote to a friend that he had almost "despotic" power in Birmingham.⁴ Chamberlain may have been overstating the case a bit, but there was an element of truth here which may have facilitated his plans but also left less room for a reconciliation process. Further, the decision to use gas profits likely alienated the middle classes living in the surrounding communities who had no special reason to want to pay for municipal improvements in Birmingham from the excess profits generated by the higher than necessary prices that they were going to pay for gas. From their perspective municipal gas prices should drop even lower than Chamberlain was proposing. The statement that reserve funds of the gas companies benefitted customers, which was reported as the feeling of the residents of the town of Wednesbury by a local paper, may also have been an oblique reference to the dividends that suburbanites were receiving from the gas companies.⁵ Although this is clearly speculative, there is little doubt that there was much lingering animosity over Birmingham's municipalization.

Finally, trust must be earned but it can also be lost as well. In both Glasgow and Birmingham the private companies lost the trust of the broader constituency that was composed of the ratepayers of the towns. These companies had failed to recognize that they had a relationship with the ratepayers through the town councils which were large customers. This failure was the result of the inadequate service and poor quality of

⁴ Denis Judd, *Radical Joe: A Life of Joseph Chamberlain* (London: Hamish Hamilton, 1977): 61.

⁵ As quoted in *Birmingham Morning News*, Dec. 29, 1874.

product they were providing. Nor did the companies appear to recognize the political advantage of having a number of council members as directors of their companies. This was a profound *faux pas* and eventually cost them their monopolies.

Finance capital was less important in affecting the timing of municipal improvement. Scotland's relatively advanced banking network in the mid-1850's suggests that there was substantial liquidity in the local market, and there was an established history of railroad investments which set a precedent for municipal investments. Glasgow decided to begin the water scheme in 1853, four years before the collapse of the Western Bank of Scotland. It also acquired the private gas companies in 1869 also prior to the collapse of the City of Glasgow Bank. As we have seen however, most of the money in Glasgow came from private investors and trusts. In Birmingham the issue of finance capital was more important in the form that borrowing took but not the timing (as will be discussed below).

The third factor mentioned, the acceptance of sanitary reform, was important in both cities and affected the timing of municipal improvement activity. Although Cholera hit Glasgow repeatedly and was important in providing some of the motivation for accepting a public health model for clean water, it was almost non-existent in Birmingham. E. P. Hennock points out that Register-general statistics showed that the city was healthier than most comparable cities of the time. He suggests that the city's relatively high elevation above sea level as well as its distance from the sea contributed to this but the outcome was that cholera provided less driving force behind sanitary reform and thus it

took more time for a “sanitary” consensus to build.⁶ In Glasgow, cholera was frequently mentioned in local papers in connection with sanitary reform and clean water supplies. The *Commonwealth* wrote: “Of late, the fervid cry of sanitary reform has added a new element of deepening interest to this hydraulic question, and under the dread of the great dirt avenger— CHOLERA — has quickened the pace of our municipal guides.”⁷ In September of 1853 when cases of cholera were reported in Newcastle, the Lord Provost reported that measures had already been taken to prevent the appearance of the disease in Glasgow.⁸ But by February of 1854 there were 592 confirmed cholera deaths. At the very time that the council was most actively promoting the water bill the city was in the midst of its third cholera epidemic. Although the epidemiology of cholera was yet to be discovered, it had become increasingly clear that clean water and proper sanitation were needed to help eradicate the disease. Yet, when Chamberlain argued in 1873 that clean water supplies were vital, he felt the need to cite a variety of statistics to support this already well-established belief. No one ever opposed his plans by arguing that clean water was not essential for public health. This suggests that by 1873 the sanitary solution had become generally accepted in Birmingham. It had simply taken longer for the idea to take hold there. Although a number of reasons have been discussed to explain Birmingham’s

⁶ E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in 19th century Urban Government* (Montreal: McGill-Queen’s University Press, 1973):112. See also Eric Hopkins, *The Rise of the Manufacturing Town: Birmingham and the Industrial Revolution* (Phoenix Mill, Gloucestershire: Sutton Pub. Ltd., 1998): 126.

⁷ *Commonwealth*, Sat. April 8, 1854.

⁸ *Sentinel*, Sept. 17, 1853 p.5 col. 4.

relatively late entry into the “sanitary” arena, which include the dominance of the “economist” council in the mid-1850's and the slower growth of a religious imperative, the development of a sanitary consensus also played a role.

The three factors just examined also affected the form of debt financing in Glasgow and Birmingham, but in different ways. In this regard, I suggest that finance capital had a significant impact in Birmingham but was less important in Glasgow. There may be some irony in this conclusion because it is based on the ease Glasgow had in attracting mortgages. Glasgow did not break new ground in the use of mortgages which eased their sale to the public. As mentioned over one-half million pounds were received between 1857 and 1858, just at the time of a nationwide financial crisis. Possibly some of this money was diverted from riskier investments. In the event, Glasgow had little trouble raising capital. This was not the case for Birmingham where, in spite of a well financed and expanding banking center, the local political leadership concentrated on getting loans from the central government. Interest rates were declining in the mid-1870's just as Birmingham was looking for over £2 million for capital improvements. Decreasing interest had the effect of increasing the difficulty of finding that money on the open market as people began to look in a wide variety of places (often foreign) for greater yields. There were foreign loans in Glasgow and in some cases it was critical that the banks get a higher rate than the city was willing to pay, but clearly there was more than enough capital available in the city. Many of the records of Birmingham's finance and other committees show that they were informing existing mortgage holders that renewals would be at lower rates. Many of these mortgages were not renewed. This also helps explain the insistence

of Chamberlain that the government loans be granted at 3.5 percent. Additionally, as was mentioned (in Chapter 7) even the banks could become competitors as interest rates fell.

The other two factors of social capital and sanitary acceptance only played minor roles in the nature of debt financing. Both of these factors increased the willingness of the middle class to support the water and gas projects. In both cities mortgages were a common form of financing but by the 1870's the idea of corporate debentures was under serious consideration as their water and gas programs were implemented. As mentioned Birmingham even proposed issuing corporate annuities and only gave up the idea when serious complaints were raised by the banks. Clearly, its middle class political leaders were willing to make use of newer financial instruments.

Glasgow's liberal elites of the 1850's and 1860's were not all that different from those in Birmingham in the 1870's. What had changed however, was a shift in the emphasis away from local autonomy and towards greater reliance on central government to approve loans at lower interest rates and for longer terms than were available from the commercial marketplace. This was not only Chamberlain's doing, although he certainly accelerated the process, but rather it was happening more generally as local governments sought capital for improvement projects across the country.⁹ I have tried to argue that there was an increasing sophistication and self-assurance within the middle class that facilitated this process. One irony was that the Treasury was not prepared for the increasing demands placed on it by these needs and called for limits to the amounts that

⁹ Christine Bellamy, *Administering Central-local Relations 1871-1919* (Manchester: Manchester University Press, 1988): 82-6.

any one local authority could borrow. Thus, Birmingham's £1.25 million loan became unique. Yet, the trend was moving to ever increasing local debt and if the Treasury would not support it municipal governments would turn to the marketplace and London for capital.

All of these factors help explain the differences in both the timing of municipal improvement and the form that debt financing took. In both cities, a key element in the process was the growing control and legitimacy of their middle class elites. This control was established within the confines that Parliament had created and worked in a contested space that had both regional and national characteristics. There was a long tradition of local sovereignty in Great Britain whose boundary was a contested arena for Parliamentary views on national sovereignty. Parliament never completely reconciled its need to treat local finance as part of the financial health of the entire nation (in spite of the growing financial needs of local government), as well as its continuing distrust of those new elites entrusted with the health of the towns. One could speculate that if no money were involved then Parliament might have let local governments spend whatever they wanted to, knowing that ratepayers were the ultimate arbiters of local spending. But Parliament was called upon by ratepayers to reduce their tax burden and thus felt increasingly free to intervene locally.

Debt financing is the deferred payment of current expenses. It is a form of taxation without representation for future generations. Where the money is spent to increase productivity, either through improved sanitation or education, better transportation or public services, an argument can be made that although future generations are ultimately

forced to pay the bill, they also ultimately reap the benefits of these current investments. Thus, just as middle class business people of Glasgow and Birmingham were so careful about providing trust funds for their progeny, they were also providing for their community. It was a fair trade.

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