

‘These men are signs of the times — emblems of our era.’¹ What does the fall of John Sadleir, and of his fictional derivatives, tell us about his age?

John Sadleir, ‘the prince of swindlers’,² was born in 1813 of a middle class farming family in Co. Tipperary. His father, a Protestant, married a Catholic and converted to Catholicism, and Sadleir was educated by the Jesuits. He trained as a solicitor and joined his uncle’s practice in Dublin. At the age of 32 he left the law for a career in business, finance and politics. He became involved, as the chairman or a director, in various banking and railway companies, notably the London and County Bank, the Tipperary Bank and the Royal Swedish Railway Company. He was the agent for a number of landed interests in Ireland, and was an active purchaser of mortgaged estates in the Encumbered Estates Court (a mechanism thrust upon heavily indebted landlords as a means of solving the agrarian crisis in Ireland). He launched a newspaper, the *Telegraph*, in the Catholic interest in Dublin in 1852. He graduated from being the parliamentary agent for Irish railways to become the MP for Carlow, and subsequently for Sligo. He was an active supporter of tenant right (a portmanteau term whose meaning, in the Irish way, was different for different people, but was, at its simplest, the alleged right of an incumbent tenant to sell the benefit of his tenancy). Following the publication of the Ecclesiastical Titles Bill in 1851, which sought to counter papal attempts to establish a Catholic hierarchy in Britain, he was one of the leaders of the so-called ‘Irish Brigade’ in Parliament (otherwise known as ‘the Pope’s Brass Band’), whose object was not only to oppose the bill but also to obstruct government business as a whole. Nonetheless, in December 1852 he accepted office as a Junior Lord of the Treasury under Lord Aberdeen. At this, the apogee of his career, he was the coming man, perhaps the next Irish leader, consulted by Cabinet ministers and spoken of as a future Chancellor of the Exchequer.

He was, however, obliged to resign his position because of an electoral impropriety, and his troubles forced themselves in upon him. So heavily had he speculated (and lost) in Irish land, railway stocks, Californian gold companies, German coal mines and commodities that he had borrowed huge sums from the London and County Bank and from the Tipperary Bank, he had embezzled trust assets and misappropriated title deeds, he had forged conveyances and bills of exchange, and he had sold counterfeit shares in the Royal Swedish Railway Company and peculated the proceeds. Pressed for cash, with the elaborate edifice of his malfeasance crumbling, he took prussic acid on Hampstead Heath on 17 February 1856. ‘Thus died, by his own hand, John Sadleir, one of the greatest, if not the greatest, ... swindler that this or any other country has produced’,³ wrote the editor of *The Bankers’ Magazine*, David Morier Evans, in 1859. When the full extent of Sadleir’s defalcations was revealed, they were found to have amounted to about £1.25 million (about £75 million in 2001 terms).⁴ According to Charles MacCarthy Collins, writing in 1880 on Irish banking, his death precipitated ‘a panic which was the greatest that ever occurred in Ireland.’⁵ *The Times* summarily pronounced him ‘a national calamity.’⁶

¹ Charles Lever, *Davenport Dunn: A Man of Our Day* (London: Routledge, 1859), Vol. I, p. 76

² D. Morier Evans, *Facts, Failures & Frauds. Revelations Financial, Mercantile, Criminal* (London: Groombridge, 1859), p. 229.

³ Evans, *Facts, Failures & Frauds*, p. 235.

⁴ Patsy Richards, *Inflation: the value of the pound 1750–2001*. House of Commons Research Paper 02/44 (London, 2002), pp. 13–17.

⁵ Charles MacCarthy Collins, *The Law and Practice of Banking in Ireland* (Dublin: J. Cornish, 1880), p. 91.

⁶ *The Times*, 10 March 1856, p. 12.

Sadleir's was one of the largest instances of fraud in the 1850s. *The Economist* of 1 March 1856, a fortnight after his suicide, reacted to his death in terms which amounted almost to hysteria. It highlighted the threat to property — so sacred a principle of English law — which arose from the moral failure of those who were supposed to set an example to the lower classes; and it maintained that the crimes of the fraudsters were symptomatic of a great disease in society. A significant passage read: 'He [Sadleir] adds...one to the comparatively long list of persons, well-off in the world, nursed even in the lap of opulence, who, within a very short number of years, have astounded society by the magnitude of their crimes against property. If we rightly comprehend the public feeling on the subject, it begins to partake of alarm and despair. Confidence in the rule of law seems coming to an end; the distinction between right and wrong seems weak or obliterated; the classes who were relied on to set an example, and restrain the needy from invading property, no longer rely on themselves, and are not relied on by others; and fearful forebodings are becoming generally prevalent. The crimes of the individuals are regarded as indications of some great disease in society which threatens still greater disasters — alarming symptoms of a great derangement of which the extent and the cause are unknown.'⁷ The sense of impending dissolution was to be echoed in contemporary fiction.

Sadleir was remarkably prefigured in two characters in Samuel Warren's novel, *Ten Thousand a Year* (1841), Oily Gammon, of Quirk, Gammon & Snap, solicitors, and — a notable conjunction of fraud and death — Swindle O'Gibbet MP. Described by Charles Dickens as 'that precious rascality',⁸ Sadleir was the inspiration for Merdle in Charles Dickens's *Little Dorrit* (1857); and he was the prototype of Davenport Dunn in Charles Lever's novel of that name (1859). He is also widely acknowledged to have been a source for Melmotte in Anthony Trollope's *The Way We Live Now* (1875). The name Merdle is a play on the French word for shit, *merde*, and foreshadows the association of dust heaps, corruption and money in Dickens's *Our Mutual Friend* (1865). Melmotte may be a Gallicization of Melmoth, the Faustian Irish anti-hero of The Revd. Charles Maturin's great Gothic novel, *Melmoth the Wanderer* (1820). Dunn suggests importuning. All the fictional characters are conceived on a grander scale than Sadleir. Merdle is more of an archetype, a less realised figure, than Melmotte or Dunn. The origins of all three are notably humbler than Sadleir's, Dunn being 'without name, family, blood or station',⁹ Merdle having 'sprung from nothing',¹⁰ and Melmotte having been 'tumbled up in the world... sprung out of some Californian gully.'¹¹ All of them rise higher than Sadleir: Dunn can detain the Prime Minister, and Melmotte entertain the Emperor of China. The full compass and character of their commercial activities is only hinted at. 'Mr Merdle is a most extensive merchant',¹² but 'nobody knew with the least precision what [his] business really was, except that it was to coin money.'¹³ All of them, like Sadleir, are elected to Parliament; place could be exploited for profit. Two of them, Merdle and Melmotte, commit suicide (Melmotte with prussic acid), while Dunn is killed in circumstances which anticipate the collapse of his empire, as though he had invited his own end.

Sadleir has recently been the subject of a biography, *Prince of Swindlers. John Sadleir MP 1813–1856*.¹⁴ Despite its length, the book tells us rather less about Sadleir's

⁷ *The Economist*, 1 March 1856, p. 223.

⁸ John Forster, *Life of Dickens* (London, 1872–4; repr. London, 1911), Book VIII, p. 203.

⁹ Lever, *Davenport Dunn*, Vol. I, p.36.

¹⁰ Charles Dickens, *Little Dorrit* (1857; repr. London: Everyman, 1999), p. 722.

¹¹ Anthony Trollope, *The Way We Live Now* (1875; repr. London: Penguin, 1994), p. 267.

¹² Dickens, *Little Dorrit*, p. 245.

¹³ *Ibid.*, p. 401.

¹⁴ James O'Shea, *Prince of Swindlers. John Sadleir M.P. 1813–1856* (Dublin: Geography Publications, 1999).

character and about how fraud was perceived in the mid-Victorian era than the novels by Dickens, Lever and Trollope. Those novels are used in this essay to illuminate our understanding of the nature of the swindler, of the character of suicide verdicts, of the relationship of the new man to the established order, and of the peculiar character of the Ireland from which Sadleir sprang. The essay then discusses the raw and unregulated capitalism of the financial world of the 1840s and 1850s, and examines the terms in which two of the leading financial periodicals of the day assessed the state of commercial morality. The strands of the essay are drawn together in the concluding paragraph.

In 1835, J C Prichard, senior physician to the Bristol Infirmary, published his *Treatise on insanity and disorders of the mind*. In it he proposed a new term, ‘moral insanity’, which he defined as a ‘morbid perversion of the natural feelings, affections, inclinations, temper, habits, moral dispositions and natural impulses without any remarkable disorder of the intellect or knowing or reasoning faculties and in particular without any insane delusion or hallucination.’¹⁵ ‘A propensity to theft is sometimes a feature of moral insanity and sometimes it is its leading if not its sole characteristic’,¹⁶ he wrote. Henry Maudsley (1885) applied the term moral insanity to someone who had ‘no capacity for true moral feeling — all his impulses and desires, to which he yields without check, are egoistic, his conduct appears to be governed by immoral motives, which are cherished and obeyed without any evident desire to resist them.’¹⁷ In the early twentieth century Emil Kraepelin refined the concept of moral insanity when he substituted for it the term ‘psychopathic personality’,¹⁸ of whose seven types one was the ‘swindler’.

A study of the terms in which Sadleir, in fact, and his three derivatives, in fiction, are described shows that they have a number of characteristics which constitute the type of the swindler. Swindlers are male. They are clever: Sadleir was said by *The Times* to have ‘had more brains in his head than all his fellows [in the Irish Brigade] put together.’¹⁹ They are unscrupulous. They are ambitious. They are arrogant: ‘there had grown upon the man [Melmotte]... an arrogance, a self-confidence inspired in him by the worship of other men’,²⁰ ‘I think myself quite as great a man as any prince’,²¹ he boasted. But they are socially awkward: Merdle’s hand ‘seemed to retreat up his sleeve’;²² ‘Mr Melmotte may have been held to have clearly proved the genuineness of that English birth which he claimed by the awkwardness and incapacity which he showed on the occasion.’²³ They are introspective: ‘what puzzles me at this moment is myself’,²⁴ says Dunn. They depreciate themselves: Melmotte ‘told himself over and over again that the fault had not been in circumstances... but in his own incapacity to bear his position.’²⁵ They thus betray their origins, which are a source of shame but a most powerful motive force; even Sadleir, with his highly respectable Protestant cousins, lies at the ambiguous conjunction of Catholicism and the Ascendancy. Is he Irish or Anglo-Irish? He is a child of the Ascendancy but is he a gentleman? Dunn burns with a desire for revenge for the slights and rejection of his childhood, and of his later life (he

¹⁵ Michael Gelder, Dennis Gath and Richard Mayou, *Oxford Textbook of Psychiatry* (2nd edn., Oxford: Oxford University Press, 1989), p. 126.

¹⁶ *Ibid.*, p. 127.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

¹⁹ *The Times*, 18 February 1860, p. 9.

²⁰ Trollope, *The Way We Live Now*, p. 404.

²¹ *Ibid.*, p. 422.

²² Dickens, *Little Dorrit*, p. 622.

²³ Trollope, *The Way We Live Now*, p. 77.

²⁴ Lever, *Davenport Dunn*, Vol. I, p. 81.

²⁵ Trollope, *The Way We Live Now*, p. 623.

is blackballed at Brooks's): he exclaims, '... with all the boasted liberty of our institutions, we cultivate a social slavery in these islands, to which the life of a negro is freedom in comparison.'²⁶ They are secretive and friendless, and belong to nothing and to no-one: 'like all men of strong ambition, [Dunn] encouraged few or no intimacies.'²⁷ Melmotte has an associate, Cohenlupe, but his role is confined to business matters, while Sadleir has a brother, who is his tool. They are manipulative. They are cold and reserved, although Melmotte can drink and bluster. Not 'a single person had [Sadleir's] confidence. He was a most reserved man. It was extremely difficult to get any information beyond what he cared to impart.'²⁸ Merdle too 'was a reserved man.'²⁹ The two who are married, Merdle and Melmotte, do not have much to do with their wives, while Sadleir and Dunn have little time for women and do not understand them. Dunn 'had never succeeded in unravelling the female heart';³⁰ Sadleir has been rebuffed by several wealthy Catholic heiresses, 'through whose money he naturally hoped to retrieve his position.'³¹ No doubt women know the nature of the men with whom they are treating: 'to women alone' writes Lever, 'pertains that marvellous freemasonry that scans character at a glance, and investigates the sincerity of a disposition and the value of a lace flounce with the same practised facility.'³²

Clever financiers (now as well as then) are revered: 'such men as Dunn are made the marks of an adulation...',³³ expostulates the Earl of Glengariff. They are, he says, 'magicians'.³⁴ 'Melmotte was not the first vulgar man whom the Conservatives had taken by the hand... and told that he was God' (a hit at Disraeli).³⁵ 'Merdle! O ye sun, moon and stars, the great man! The rich man, who had in a manner revised the New Testament, and already entered into the Kingdom of Heaven'³⁶ and is 'invested with a power for good and evil'.³⁷ They are Supermen, excepted from the constraints of conventional morality: 'Mr Melmotte was not like other men',³⁸ the American Mrs Hurtle says of him, 'Such a man rises above honesty as a great general rises above humanity when he sacrifices an army to conquer a nation.'³⁹ But just as they are elevated to the supernal, so their descent into the infernal is described in apocalyptic terms. 'The fatal machinery of deception and falsehood which [Dunn's] life maintained crumbled to ruin at the very moment of his death'.⁴⁰ Dickens's language in *Little Dorrit* is both more vivid and more metaphorical, reflecting the sense of the end of the moral order which had so pervaded the columns of *The Economist* of 1 March 1856. 'The admired piratical ship had blown up, in the midst of a vast fleet of ships of all rates, and boats of all sizes; and on the deep was nothing but ruin: nothing but burning hulls, bursting magazines, great guns self-exploded tearing friends and neighbours to pieces, drowning men clinging to unseaworthy spars and going down every minute, spent swimmers, floating dead, and sharks.'⁴¹

²⁶ Lever, *Davenport Dunn*, Vol. I, p. 368.

²⁷ *Ibid.*, Vol. I, p. 86.

²⁸ Evans, *Facts, Failures & Frauds*, p. 251.

²⁹ Dickens, *Little Dorrit*, p. 252.

³⁰ Lever, *Davenport Dunn*, Vol. II, p. 332.

³¹ Evans, *Facts, Failures & Frauds*, p. 239.

³² Lever, *Davenport Dunn*, Vol. II, p. 332.

³³ *Ibid.*, Vol. I, p. 55.

³⁴ *Ibid.*, Vol. I, p. 358.

³⁵ Trollope, *The Way We Live Now*, p. 417.

³⁶ Dickens, *Little Dorrit*, p. 623.

³⁷ *Ibid.*, p. 575.

³⁸ Trollope, *The Way We Live Now*, p. 345.

³⁹ *Ibid.*, p. 204.

⁴⁰ Lever, *Davenport Dunn*, Vol. II, p. 392.

⁴¹ Dickens, *Little Dorrit*, p. 724.

The retribution which Society exacts is terrible. Trollope devotes a whole chapter of *The Way We Live Now* to the inquest into Melmotte's suicide. 'Perhaps', he writes, 'it would be well that all suicides should be said to have been mad, for certainly the jurymen are not generally guided in their verdicts by any accurately ascertained facts.'⁴² Since 1700 or so there had been a presumption (or convention) that suicides were temporarily insane. 'Who would be heavy on a poor clergyman who has been at last driven by horrid doubts to rid himself of a difficulty from which he saw no escape in any other way?'⁴³ asks Trollope. 'But let a Melmotte be found dead, with a bottle of prussic acid by his side — a man who has become horrid to the world because of his late iniquities... and of course, he will not be saved by a verdict of insanity....'⁴⁴ As for Sadleir, whose inquest was presided over by the eminent Dr Thomas Wakley, for a verdict of insanity to be reached it was not sufficient to show that he might have been suffering 'from depression of spirits [or] agony of mind'.⁴⁵ The test was: was he a 'responsible agent' at the time of his suicide, 'in other words, in such a condition of mind as made him morally and legally responsible for his actions?'⁴⁶ Did not the letters which he had written before his death, evincing great remorse for the actions he had taken, for the misery he would cause, show that? A verdict on Sadleir, as on Melmotte, of *felo de se* was, in the scheme of things, inevitable. A defence of moral insanity would have carried no weight. The morally insensible, in our canon, are criminal.

Sadleir was, indeed, no poor clergyman like his distant cousin, the Revd Dr William Digby Sadleir, Fellow of Trinity College, Dublin, who hanged himself in July 1858. 'Although [he was] naturally cheerful and communicative,' recorded *The Times*, 'it was known to his friends for some time that Dr Sadleir had been liable to fits of intense depression, without any apparent motive',⁴⁷ and his brother deposed 'that he had become quite melancholy with reference to religious matters.'⁴⁸ As Trollope would have expected, the good doctor was found to have killed himself 'while labouring under temporary insanity.'⁴⁹ What would Wakley, who so clearly steered the jury in the John Sadleir inquest, have made of it? Would he just have followed the Trollopian prejudice in favour of Dr Sadleir? Or would he have adopted the more scientific approach of the emerging psychology of the nineteenth century and differentiated between the temporary depression which afflicted John Sadleir and what seems to have been the permanent bipolar disorder from which his cousin suffered?

'Mr Merdle never was the gentleman',⁵⁰ says his butler ('the Avenging Spirit of this great man's life')⁵¹ after his suicide; after all, he had 'carrie[d] the Shop about, on his back rather... like Jew clothesmen with too much business.'⁵² Sadleir, Dunn, Merdle and Melmotte are all tolerated, even lionised, provided that they are successful. Indeed, a judicious marriage with a new man's daughter may be the way to secure the future of a failing aristocratic house. Old money (or a lack of it) interacts with new; a board looks all the more impressive for a few titled directors. But the parvenu cannot become the gentleman, however much he may ape his betters, buy a country estate, ride to hounds, and send his sons

⁴² Trollope, *The Way We Live Now*, p. 672.

⁴³ *Ibid.*

⁴⁴ *Ibid.*

⁴⁵ Evans, *Facts, Failures & Frauds*, p. 263.

⁴⁶ *Ibid.*

⁴⁷ *The Times*, 10 July 1858, p. 5.

⁴⁸ *Ibid.*

⁴⁹ *Ibid.*

⁵⁰ Dickens, *Little Dorrit*, p. 721.

⁵¹ *Ibid.*, p. 565.

⁵² *Ibid.*, p. 405.

to Eton (although the sons may, with luck, emerge as gentlemen from the public school chrysalis.) He lacks honesty, and he lacks integrity. He does not possess what Trollope would have recognised in a gentleman, that quality of grace which transcends language. (Trollope, when challenged to define what he meant by a gentleman, wrote, in his *Autobiography* (1883), that ‘a man would fail should he attempt to do so. But he would know what he meant, and so very probably would they who defied him.’)⁵³ He may have started, like Sadleir and Dunn, as a solicitor, a role greatly inferior to that of a barrister, and little better than being in trade. Money might buy status, but it could not buy class. The World would feel itself vindicated when the upstart fell; it had, after all, known how hollow were his pretensions.

Ireland was a special case, as ever. The heirs of the Ascendancy were almost guilty of class suicide. The leisured Anglo-Irish seemed oblivious to the vast change in economic conditions which occurred during the first part of the nineteenth century. Conspicuous consumption persisted while income, chiefly from rents, fell as a result of increasingly straitened agricultural circumstances. In consequence, estates were heavily mortgaged. Men like Sadleir and Dunn profited both from lending to landowners and from advising them. Sadleir duped the Earl of Kingston out of property and money. He duped the Earl of Shrewsbury, who was found to have made a will bequeathing his estate to Sadleir absolutely and unconditionally in the touching belief that Sadleir would make the whole of it over for charitable and ecclesiastical purposes. Just so had that perennial favourite of the Victorians, Oily Gammon, duped the egregious Earl of Dreddlington: Dreddlington’s ‘heart [was] of the size of a pea, and his brain very soft and flabby; both, however, equal to the small occasions which, from time to time, called for the exercise of their functions.’⁵⁴

The Earl of Glengariff might protest in *Davenport Dunn* that ‘an ancient nobility, like a diamond, require[s] centuries of crystallisation to give it lustre and coherence’;⁵⁵ but the respect due to his rank in the conduct of the world’s affairs was now being accorded to Dunn, a man of no lustre and no antecedents, and he had to accommodate himself to the unappealing prospect that Dunn might become his son-in-law. What was to be found in Ireland, after the Commissioners of the Encumbered Estates Court had swept away ‘the old feudalism that had linked the fate of a starving people with the fortunes of a ruined gentry’,⁵⁶ was a set of ‘spurious gentry’,⁵⁷ Manchester manufacturers and the like.

The financial world of the 1840s was characterised by the speculative frenzy on the stock market known as ‘the railway mania’ and the market’s subsequent collapse, and that of the 1850s by a series of frauds. There was a tension — the perennial tension — between customary constraints and regulation, on the one hand, and the economic ‘efficiency’ which flowed from unfettered, or ‘free’, enterprise, on the other. Dickens wrote of the morality of the day in *Household Words* on 30 August 1856: ‘Nobody’... ‘the great irresponsible, guilty, wicked, blind giant of this time’ took responsibility for anything.⁵⁸ Ethics had been traduced. According to Lever, ‘... the standard of material value was constituted to be the standard of all moral excellence: intending to honour Industry, the nation had paid its homage to

⁵³ Robin Gilmour, *The Idea of the Gentleman in the Victorian Novel* (London: Allen & Unwin, 1981), p. 4.

⁵⁴ Samuel Warren, *Ten Thousand a Year* (Blackwood’s Magazine, 1839–41), Part X (August, 1840).

⁵⁵ Lever, *Davenport Dunn*, Vol. I, p. 402.

⁵⁶ *Ibid.*, Vol. I, p. 84.

⁵⁷ *Ibid.*, Vol. I, p. 53.

⁵⁸ Charles Dickens, ‘Household Words’, 30 August 1856, in Michael Slater (ed.), *The Dent Uniform Edition of Dickens’ Journalism. Vol. 3. ‘Gone Astray’ and Other Papers from Household Words 1851–9* (London: Dent, 1998).

Money.’⁵⁹ How then could a rational man prefer the product of patient industry to the fruits of speculation, which were much larger and realised far more quickly? ‘It savoured of superior intelligence to exchange the toil of the hands for the exercise of speculative talents’,⁶⁰ claimed Lever.

The interests of company directors were increasingly divorced from those of the shareholders which they were nominally dedicated to upholding. In *The Bubble of the Age* (3rd edition, 1848), Arthur Smith wrote: ‘The interests of directors and shareholders in public companies, however much may be said in theory, are not always found in practice to be identical — the former are too powerful for the latter, possessing as they do, a thorough knowledge of all details; while the real state of affairs is constantly kept back, misrepresented or made unintelligible to the proprietors.’⁶¹ He added a footnote: ‘The writer is happy to say that this admits of much qualification, for, on investigation, since the preceding editions, he finds that only two or three directors have been admitted into the secrets of each board, and many most honorable men have been nominated directors, to give a character to the directories; but men of very questionable origin and standing, have been the real managers and movers.’⁶² Directors were concerned with maximising their own fortunes; in 1848 the President of the Board of Trade referred to railway directors as ‘chartered libertines.’⁶³ ‘In 1844 and 1845,’ wrote Smith, ‘the only thought amongst directors [of railway companies] was (to use their own term,) how “to calve”, — that was, how to propose branches that would appear plausible — the real object being the creation of new shares, in which the directors took great care of themselves by issuing largely to their nominees — generally [stock]brokers. These shares were puffed and rigged to large premiums, and immediately sold.’⁶⁴ Insiders profited at the expense of the small shareholder. Company accounts were falsified, as the Tipperary Bank’s were on Sadleir’s specific instructions. Dividends were paid out of capital or on shares which had not been issued or had been issued for no consideration. Capital raised for one purpose was diverted to another. The issue of loan notes, unauthorised by shareholders, left companies critically overborrowed. The prospectus, ‘the imaginative literature of speculation... [had] reached a very high development’,⁶⁵ we are told in *Davenport Dunn*. Investors were lured into schemes which took fancy into a new dimension: Harriet Martineau (1849) tells us of the proposal to sell skates to South Americans ‘who had never heard of ice.’⁶⁶ ‘... This man [Dunn] walk[ed] a world that was a mere hospital ward of moral rotteness.’⁶⁷

To the extent that it occupies scarce resources of time, capital and skill, speculation entails an economic cost, except where the stabilisation of prices, typically commodity prices, is achieved. Speculation is, however, an intrinsic feature of a market economy. It has not abated with time. Indeed, there are aspects of modern financial markets, such as the tendency of large investors to follow a common course, that lead to the intensification of price fluctuations, as the recent bubble in technology stocks has shown. What has changed markedly since the middle of the nineteenth century is the degree to which financial markets

⁵⁹ Lever, *Davenport Dunn*, Vol. II, p. 394.

⁶⁰ *Ibid.*, Vol. II, p. 44.

⁶¹ Arthur Smith, *The Bubble of the Age: or, the Fallacies of Railway Investments, Railway Accounts, and Railway Dividends* (London: Sherwood, Gilbert and Piper, 1848), p. 3.

⁶² *Ibid.*

⁶³ *Ibid.*, p. 7.

⁶⁴ *Ibid.*, p. 14.

⁶⁵ Lever, *Davenport Dunn*, Vol. II, p. 141.

⁶⁶ Harriet Martineau, *The History of England during the Thirty Years’ Peace: 1816–1846* (London: C. Knight, 1849), p. 257.

⁶⁷ Lever, *Davenport Dunn*, Vol. I, p. 83.

are regulated. Banks are now subject to statutory supervision and to limits on the proportion of assets which may be concentrated in lending to any one customer. The requirement for companies' accounts to be audited is almost universal (although the independence of auditors is sometimes questionable), and companies whose shares are listed on stock exchanges are subject to special rules. Companies have to observe various sets of accounting principles. Insurance companies are governed by solvency requirements, and investors generally are protected by a substantial regulatory apparatus. The financial press subjects companies to a greater and more refined measure of scrutiny. In such conditions Sadleir could not have perpetrated his frauds in the way that he did. But fraud has not been banished. Robert Maxwell, the Melmotte of his day, was still able to flourish, as former employees of the Mirror Group, surviving on exiguous pensions, can attest. In many respects, too, the charter for greed that the mid-Victorian financial markets afforded has not materially changed. For example, the conflict of interest to which directors are subject, in seeking to maximise their own income and wealth while still owing a duty to shareholders, is particularly intense. At least shareholders are now shielded by limited liability, whereas under the joint-stock system of Sadleir's day they were often liable to the full extent of their private wealth if a company in which they had invested, such as the Tipperary Bank, became insolvent.

In the United States of America there were even fewer qualms about commercial morality. Whatever was the picture in Britain was painted in larger and more garish terms there. Trollope, above all, recognised that where the constraints of gentlemanliness did not exist, the outright pursuit of personal profit without regard to the wider interests of 'Society' (a vague and, in the pejorative sense, 'liberal' notion) would be applauded without qualification. The American company promoter in *The Way We Live Now*, Hamilton K Fisker, says proudly that 'we take care in the West not to cripple commerce too closely by old-fashioned bandages.'⁶⁸ Trollope writes, 'Fisker was not only unscrupulous himself, but he had a thorough contempt for scruples in others. According to his theory of life, nine hundred and ninety-nine men were obscure because of their scruples, whilst the thousandth man predominated and cropped up into the splendour of commercial wealth because he was free from such bondage.'⁶⁹ The favour accorded to privilege in the administration of justice was even more pronounced. Referring to the recent conviction in England for fraud of William Strahan and Sir John Dean Paul, Bart., the *New York Shipping List* of 15 October 1856 said: 'We never should think of using "respectable men" in that way. It is only the perpetrators of your small crimes who are sure of getting justice done them here. Not only is it possible to prey upon society legally, but when a sanguine genius oversteps the shadowy limits of our law, he stands a good chance of being let off, either through the leniency of juries, or the political necessities of Government.'⁷⁰

Indeed, what was 'Society', here or there, beyond a mere aggregate of individuals? A man owed his loyalties to himself, and thereafter to his group. An 'invisible hand' would ensure that economic welfare would be maximised if each man pursued what he saw as his best interest. Anything further smacked of collectivism, or of that nasty French disease, communism. Beatrice Webb wrote that her father, a railway magnate and entrepreneur, 'tended to prefer the welfare of his family and personal friends to the interests of the companies over which he presided, the profits of these companies to the prosperity of his country, the dominance of his own race to the peace of the world.'⁷¹

⁶⁸ Trollope, *The Way We Live Now*, p. 73.

⁶⁹ *Ibid.*, p. 703.

⁷⁰ *The Economist*, 1 November 1856, p. 1203.

⁷¹ Walter E. Houghton, *The Victorian Frame of Mind, 1830–1870* (New Haven and London: Yale, 1957), p. 193.

It was not surprising that, against this background, *The Bankers' Magazine* and *The Economist* should address themselves to the question of whether there had been a decline in business ethics. In an article entitled 'The Decadence of Commercial Morality' in April 1856, *The Bankers' Magazine* argued that it was probity and fairness which had secured the British merchant the markets which his enterprise had opened up, and were the foundations for trade and credit. England's financial pre-eminence was based on credit. But, it went on, 'we are becoming far too familiar by repetition with not only laxity of honourable principle in mercantile dealings, but with the most unblushing frauds and grossest dishonesty in men of high standing in the commercial world.'⁷² Sadleir appeared 'to have directed the whole of the influence which his social rank and [his] high mercantile position gave to him, to one sole object — that of amassing a rapid fortune by inordinate and unprincipled speculation, and resorting, as difficulties presented themselves, to swindling and forgery to remove them.'⁷³ The creation of new capital to meet the requirements of technological advances was in itself good, but that good was qualified by the evil of speculation, and by the fraud to which speculation might give rise. There was a danger that mercantile bad faith might 'deprive the country of the high character which it has always maintained.'⁷⁴ 'Legislative interference,' it concluded, 'may .. be necessary to facilitate the detection, and to enhance the punishment of mercantile criminality.'⁷⁵

The Bankers' Magazine returned to the subject later in 1856. It alluded approvingly to the theory that 'the moral health of the human race is subject to epidemical influences similar to those which from time affect their physical condition.'⁷⁶ The epidemics might break out at the same time in widely separated regions. 'When these epidemics appear in the civilised world, they are generally in relation to some species of mercantile speculation.'⁷⁷ Hudson, the 'Railway King' of the 1840s, was 'the discoverer and the professor... of a new alchemy',⁷⁸ and stimulated men 'to look for the profit upon their investments and the reward for their labour, not in that fair and legitimate gain which results from prudent and conscientious management, but in the dishonest emoluments which are drawn from fictitious values and moonshine prosperity....'⁷⁹ It lamented that 'the multiplicity of cases of moral delinquency and guilt... lead to the inference that the taint has penetrated deeper into the social system than on former occasions.'⁸⁰ The current frauds, it argued, were all attributable to 'the cupidity which successful swindling has generated, and the superior respect and consideration which, in this age of tinsel, boast and a display of wealth, however acquired, obtain over modest merit and undeviating probity.'⁸¹ It concluded, however, on an optimistic note: there was sufficient soundness in business and businessmen for 'the honourable principle'⁸² to be upheld; and precautions against fraud would increasingly be established.

The Economist's argument was set out in definitive form in its issue of 4 January 1868. It conceded that there was a deficiency in integrity among the middle class, but asked whether that deficiency was growing relative to past generations and to other countries. It argued that what determined the incidence of crime was the conjunction of dishonesty and

⁷² *The Bankers' Magazine and Journal of the Money Market*, 1 April 1856, p. 202.

⁷³ *Ibid.*, p. 204.

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*, p. 205.

⁷⁶ *The Bankers' Magazine and Journal of the Money Market*, 1856, p. 785.

⁷⁷ *Ibid.*

⁷⁸ *Ibid.*, p. 786.

⁷⁹ *Ibid.*

⁸⁰ *Ibid.*, p. 787.

⁸¹ *Ibid.*, p. 788.

⁸² *Ibid.*

opportunity, the latter consisting of new and larger temptations. Since opportunity varied, it was not possible to measure the degree of dishonesty. ‘What is it that really *tries* commercial morality in its most delicate essence? Clearly, a widely ramified system of credit’,⁸³ credit being defined as ‘trust in the honourable discretion of others.’⁸⁴ Only in England and the USA, it argued, had credit (in the sense of financial accommodation, which is the practical manifestation of credit) developed to ‘anything like the same point of perfection which it has recently attained.’⁸⁵ The temptations to the honour of managers and directors were accordingly greater than in the past. Indeed, when the enormous development of financial instruments of the past few years was considered, ‘it seems... that England has stood the strain on her commercial morality better than we had any right to expect; that the wonder is rather that we have had so few disgraceful exposures in all these years, than that we have had so many.’⁸⁶

The Bankers’ Magazine and *The Economist* talked of the relationship of fraud to technological change and the expansion of credit. Their argument was, in essence, that as capital in the economy had increased, or credit expanded, so new financial instruments had been developed and fraud had risen accordingly (and might, in any event, be subject to epidemical influences.) But the issue for them was not whether there had been an absolute increase in fraud, but whether there had been an increase relative to the opportunities for it. Their answer was clear: there had been no relative increase, indeed, there had been a relative decrease, even if there had been an absolute increase. This argument fitted neatly with the widely held mid-Victorian belief in progress. Trollope’s Bishop of Elmham says in *The Way We Live Now*, ‘I think that men on the whole do live better lives than they did a hundred years ago.’⁸⁷ The periodicals’ argument is, however, defective in two respects. First, fraud directly or indirectly involves a breach of trust by the person to whose care money has been committed. Trust is fundamental to the proper functioning of an economy, and it is subject to an absolute, not a relative, test. If trust diminishes, progress will be prejudiced. Secondly, fraud gives rise to a human cost, because it involves not only a financial loss but also (as in the case of a loss of pension rights) a violation of people’s expectations, a theft of their futures. The contemporary argument, therefore, was based rather on an abstract model of progress than on a consideration of the impact of fraud on the individual.

In George Gissing’s novel *The Whirlpool* (1897), the founder of that financial omnibus, the Britannia Loan, Assurance, Investment, and Banking Company, Limited, Bennet Frothingham, commits suicide and the company shuts its doors. ‘After all,’ writes Gissing, ‘[its collapse] promised to clear the air. These explosions were periodic, inevitable, wholesome. The Britannia Loan, &c, &c, had run its pestilent course; exciting avarice, perturbing quiet industry with the passion of the gamester, inflating vulgar ambition, now at length scattering wreck and ruin. This is how mankind progresses.’⁸⁸ Gissing’s sardonic comment on the Victorians was apt. For them fraud was an inevitable cost of progress, indeed, almost a necessary condition for it. Never gentlemen, swindlers were often revered in life and always detested in death. ‘Society’ visited its revenge on them in the judgment that they had had committed suicide while of sound mind. Their nemesis, therefore, was to be buried without the comfort of religious rites, or the hope of salvation. They acted as scapegoats for a middle class tribe which pursued wealth relentlessly, and clung to it

⁸³ *The Economist*, 4 January 1868, p. 2.

⁸⁴ *Ibid.*

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*, p. 3.

⁸⁷ Trollope, *The Way We Live Now*, p. 424.

⁸⁸ George Gissing, *The Whirlpool* (1897; repr. London: Everyman, 1997), p. 44.

tenaciously. The activities of swindlers were seen not so much as a threat to individual happiness as a challenge to the sacred principle of property rights, and to the social order which those rights sanctified. Swindlers flourished in unregulated markets where speculation was rife and conflicts of interest abounded. The periodical press might enquire into the state of commercial morality, but the comfortable conclusion of that process of introspection was that the onward and upward march of the financial markets to a state of perfection could be sustained without hindrance. Fraud was seen as an unavoidable concomitant of progress, but there was no recognition in the periodical press that the breach of trust which fraud entails was economically harmful or that fraud caused terrible suffering. Sadleir, and his fictional derivatives, had psychopathic personalities (or were morally insane) and the collapse of their meretricious empires was portrayed in fact and in fiction in appropriately apocalyptic language. As the type of the swindler, Sadleir continues to have a universal resonance and poignant immediacy; how true today, as then, was the comment by *The Times* on 18 February 1860 that, 'though dead, John Sadleir yet lives in the misery of his victims and the curses of his fellow-men.'

BILL SADLEIR April 2003