'Levelled by booksellers': Sir Walter Scott, Robert Cadell, and the Economic Crash of 1825–1826

Dr Ross Alloway *recounts a nineteenth-century tale of easy money and reckless speculation.*

IN THE MIDST of a credit crunch and faced with the likely prospect of a considerable economic recession, it may be disheartening to readers to hear that it all happened in Britain two centuries before, with disastrous results. The economic 'crash' of 1825–1826 infamously led to the bankruptcy of several well-known figures in the nineteenth-century literary world, including the venerated publisher Archibald Constable, the talented printer James Ballantyne, and the world's most popular living poet and novelist, Sir Walter Scott. While the consequences of the crash on Scott are thoroughly documented – it is often implicated as a key factor in his death in 1832 – the event itself has never been fully understood. This state of affairs is largely because Robert Cadell, who played the central role in the drama, has been relegated to the margins of the stage. My British Academy Postdoctoral Fellowship award to investigate the documentary evidence surrounding the crash, much of which is contained in Cadell's personal diaries, means that we can now make sense of the complex web of events that brought a famous author, printer, and publisher to their ruin.

Robert Cadell (Figure 1) operated as chief financial officer of Archibald Constable and Co.'s (Constable & Co.), making the day-to-day decisions about paying the bills, borrowing money, and negotiating with the trade as well as the firm's authors. Cadell joined the publishing house in 1807 as a nineteen-year-old clerk, and became a partner four years later. When Cadell has been mentioned in previous historical accounts, he is regularly portrayed as a scheming businessman who led a great writer and publisher to their downfall. But Cadell, rather than ruining Scott, Constable, and Ballantyne, single-handedly delayed the sequestration for far longer than would have been possible without his aid.

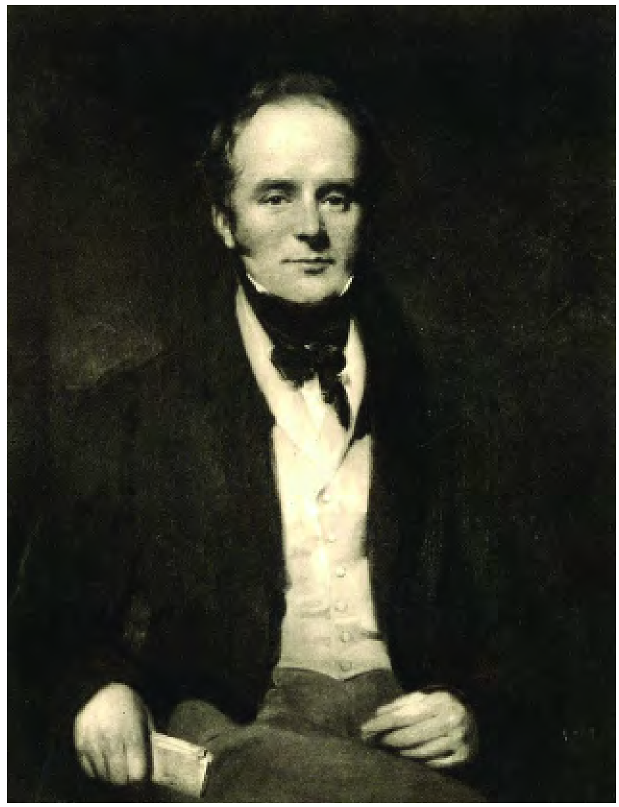

Figure 1: *Robert Cadell (1788–1849), by Sir John Watson Gordon.*

The financial crash of 1825–1826 was completely unexpected. It lasted for only a few months, from October to January, and was primarily confined to England, though a number of Scottish businesses with financial dealings in the south failed as a result. Following the Napoleonic wars, a governmental policy of economic expansion encouraged low interest rates and an abundance of banknotes. In striking similarity to today's crisis, the easy money encouraged reckless speculation. The investments of choice were joint stock companies, and in April 1825 the Bank of England tried to cool the economy by withdrawing notes from circulation. Frightened investors tried to liquidate their holdings, causing a collapse in the stock market and a run on banks. In the panic a large number of English banks failed. Numerous businesses that had borrowed in order to finance speculation went bankrupt, because lenders were unwilling to renew debts which had come due or to loan more money. Booksellers often required ready cash to fund future profits and those who had over-borrowed were hard hit by the crisis.

Booksellers typically funded their speculations by 'discounting' trade bills at banks or other businesses. Discounting was the process by which the monetary amount listed on a trade bill was exchanged for money at a bank, for a small monthly interest payment. Essentially the trade bill functioned as collateral for the loan. Trade bills represented money that was owed to the bookseller by another business, but if a bookseller needed a loan and didn't have any legitimate trade bills, they could ask another business to grant a bill that declared they owed money to the bookseller. Such bills were indistinguishable from trade bills and could be discounted, but as they didn't represent any money that was actually owed to the bookseller, they were essentially a form of credit and could swamp a firm in insurmountable debt. Crucially, bills could also be exchanged between numerous parties in much the same way as a banknote as long as the bill was endorsed over to the person who held the bill, by way of signature (see Figure 2). All parties who had signed a bill were liable to the holder of the bill for payment. If any of them failed to pay a bill when it came due, a suspicion of insolvency fell on all parties and any further bills bearing the name of the parties would immediately be refused for discount, making it impossible to raise cash, and thus impossible to continue. In such circumstances, declaring bankruptcy was often the only solution.

The Bank of England's cash withdrawal in April was immediately noticed by Constable & Co.'s London agents, Hurst, Robinson & Co. (Hurst, Robinson). Writing on 18 April, Joseph Ogle Robinson, Cadell's counterpart at Hurst, Robinson complained to the Edinburgh firm that 'money is by no means plentiful, and the reason assigned is that the Stock-jobbing companies have swallowed much good money.'

In the course of business with Hurst, Robinson, the Edinburgh firm had exchanged numerous accommodation bills which had been signed and immediately sent for discount, and a great amount of debt had been accrued by both parties. But it was Hurst, Robinson that experienced the brunt of the cash shortage and Cadell knew that if Hurst, Robinson failed to pay any bills bearing his signature, Constable & Co. would automatically be assumed insolvent; any threat to Hurst, Robinson's finances was thus a threat to Constable & Co. The third party implicated in Hurst, Robinson's cash crisis was the printing firm Ballantyne & Co., headed by James Ballantyne and partially owned by Scott. Ballantyne had exchanged around £25,000 of bills with Constable & Co. and if the Edinburgh publisher applied for sequestration after Hurst, Robinson stopped, Ballantyne & Co. would soon follow. Ballantyne helped to keep the London firm solvent by providing accommodation and sending trade bills for discount. Indeed, Constable & Co., Hurst, Robinson, and Ballantyne formed a fragile triumvirate of debt; if any party failed to pay a single bill that came due, all would be ruined. As Cadell wrote to Robinson, 'he, and you and us are one.' But Constable & Co. was the link in this chain and it fell largely to Cadell to perform the delicate task of propping up Hurst, Robinson in the short term via discounts, without letting Constable & Co.'s debts (or Ballantyne's) overrun the respective firms.

Figure 2: *Bank of Scotland Bill of Exchange endorsed by multiple parties between 1825 and 1826. Bank of Scotland Archives Acc. 2003, 105.*

In October, Cadell had his first bill refused for discount. Cadell had to be careful that his dash for ready money did not raise suspicion. In early nineteenth-century financial markets, the ability to acquire a discount was based almost exclusively on the reputation of the parties that were named on the bills. Rumours of desperate borrowing by any party could very quickly reduce the list of bankers willing to touch the bills. But banks were secretive organisations, not wanting to divulge information about over-extended borrowers as it would reflect poorly on their own finances. Cadell used this to his advantage, preferring to discount at the smaller, private banks first. Only as a last resort did he submit bills to major banks including the Bank of England, the Bank of Scotland, and the Royal Bank of Scotland.

Cadell was acutely aware of the threat to Scott. On 13 December, Cadell wrote to Ballantyne suggesting he press Scott to take out a £10,000 bond on his home, Abbotsford House, in order to 'put himself free from danger.' In as much as Cadell's strategy was to pay only the mature bills until more money could be earned, he hoped that £10,000 would enable Scott to do the same with Scott's own bills. Clearly at this point Cadell expected that the worst was likely and wanted to save Scott from sinking along with him. Constable was not so generous in his assessment according to Cadell's diary entry of 19 December: 'Mr C[onstable] returned from Sir Walter & Ballantyne – [I] had a long talk with him when he said to my utter astonishment that if a disaster befel [sic] us it would *be brought on by Sir Walter Scott* – and this when I stated that I mourned over the idea of Sir WS being levelled by Booksellers.'

As companies in the early nineteenth century operated with unlimited liability, Cadell's personal estate was under threat as well, and in late November he began selling his own stock holdings in order to pay the firm's debts, advising Robinson to do the same. Cadell also began to approach other members of the book trade, friends, and relatives for personal loans. The diaries reveal that Cadell also had other important connections, his brother William and his nephew Henry, William's son. William was conveniently placed as the Treasurer of the Bank of Scotland, and Henry as an accountant under his charge. The office of Treasurer was the second highest position at the bank and his main duty was to approve bills for discounting.

Each discount Robert applied for would have required the signature of the Treasurer or a secretary signing for him. If the bank did not pay the discounted bill in bank notes, it would have used bills of exchange, which would have required a signature of both

Figure 3: *Bank of Scotland Bill of Exchange signed by Henry Cadell, Accountant, and Robert Cormley, Secretary to William Cadell. Dated 6 December 1825. Bank of Scotland Archives, Acc. 2003, 105.*

William (or his secretary) and the Accountant, as you can see in Figure 3. Thus William would have been able to both accept Robert's bills and to pay him in notes or a bank draft without any oversight.

Were William and Henry colluding to defraud the bank? Possibly. Sometime after the crash William was investigated by the bank and was accused of having accepted a large number of bad bills and of not having operated in an open manner. William was certainly aware of the precariousness of the firm, and it is likely that Henry was as well. At the very least, William and Henry's loyalty to Robert seems to have overridden their responsibility to make prudent discounts. By January, major banks like the Bank of England, the British Linen Co., and the Royal Bank of Scotland, had been refusing Constable & Co.'s bills with regularity, but under William's treasurership and Henry's accountancy, the Bank of Scotland continued to discount the questionable bills right up until 13 January 1826, one day before Hurst, Robinson stopped payment.

The deception necessary to gain people's trust weighed heavily on Cadell's conscience and in the conclusion to his 1825 diary he morosely opined:

> If this Journal and this memorandum should at any time after my decease be read by any son that I may have, let him have my pew – the warning that experience gives of the utter want of comfort in trading upon borrow and capital – it is always deceitful & always dangerous, and places one if uncomfortable under such circumstances in the appalling situation of mining many persons ignorant of his situation – and who trusted and aided him on the strength of his character and Knowledge of business.

To save Scott, to be free of financial stress, Cadell recognised that a bolder strategy than paying off creditors piecemeal was needed. On 2 January 1826, Cadell wrote of the hope of acquiring 'a large monied aid'. In a display of creative finance, Constable suggested the scheme of raising £57,000 from London banks, a total comprised of Scott copyrights valued at £37,000 and a bond on Scott for £20,000. But, thwarting the plans, Constable declined to travel in a timely manner, claiming ill health. It was not until a number of bills were refused on the twelfth that Cadell demanded that Constable go to London at the risk of losing everything if he declined. Cadell wrote:

> Matters are now on such a pivot, that one day may do or undo all. For God's sake think of this; think of the many that must fall with us, and the ruin that must be spread far and wide. There is one other thing,—any delay, even a few hours, may stop you in a snowstorm, and upset all! Oh that you had been in London now, as at first intended.

Constable capitulated and travelled the next day. By the time he arrived on the night of the sixteenth, it was already too late. Two days before, on 14 January, Hurst, Robinson failed to pay the Bank of Scotland for a discounted bill of £1000 that had come due. It was the threat that Cadell had fought against for nearly four months and in his own words it 'settle[d] the business', ruining all three firms. Undaunted, Constable performed the quixotic task of attempting to wring money from bankers who knew his firm was ruined. Unsurprisingly, all the banks refused to discount any more bills. Upon receiving news of the stoppage, Cadell effused to Constable: 'Alas! alas! such is the end of all our hopes and expectations. I have struggled hard. I have fought as for my life … but now I see no escape.'

Cadell declared bankruptcy on 21 January 1826. Those who had been united in the common goal to stay afloat experienced very different outcomes. In a noble attempt to pay off his creditors, Scott worked himself to exhaustion and an early grave. By the time of the bankruptcy, Constable was 52 years old and in too poor health to make a financial recovery. He died in penury as an undischarged bankrupt one year later. It was the relatively young Cadell that managed to survive the failure with financial help from his family, and most importantly, the favour of Scott, who exclusively published his fiction with Cadell following the crash.

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