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Author(s): Joshua Thorpe

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JOSHUA THORPE

Introduction

In December 1904, the life clerks at the Norwich Union crossed Surrey Street to their new head office. The interior of the building was fitted with a large quantity of marble that had been mined from Italian quarries and was initially intended for Westminster Cathedral.[1] The level of opulence was not abnormal for the life assurance industry. In the most basic terms, companies within this industry invested their accumulated funds at interest while they waited for their clients to die. By gaining a healthy rate of interest the companies could indulge in lavish offices. Indeed, the District Inspector for the Norwich, after a stroll in London, remarked that in terms of 'imposing and magnificent establishments, insurance ranks an easy first'.[2] However, the new head office was a marked change for the firm which just a decade earlier had been managing a fund of £1,872,270, which had been decreasing year-on-year.

The manner in which the firm invested its capital had significantly changed during the preceding decade providing an unmatched opportunity to understand what influenced investment decisions within the life assurance industry. The close of the century saw opportunities for domestic investments diminish substantially; the network of British railway lines was all but complete and other infrastructure and industrial development in Britain was more advanced than elsewhere in the world.[3] The yields on other domestic investments such as land and mortgages, which had been so

[1] P. Rogers, *Westminster Cathedral: From Darkness to Light* (London, 2003), p. 8.
[2] F. A. McKeand, *The Palatial Halls of Insurance* (Norwich, 1897), p. 21.
[3] E. Hutson, 'The Early Managed Fund Industry: Investment Trusts in 19th Century Britain', *International Review of Financial Analysis*, 14 (2005), p. 442.

favoured by the firm, had also declined having been saturated by foreign capital, especially from the US.[4] Falling rates of interest in Britain forced the directors to look further afield to gain the security and returns which they required. Indeed, as early as 1891, it was openly acknowledged within the assurance industry that part of the proverbial 'mine has [*sic*] been worked out'.[5] Thus, with the difficulty of finding suitable investments in Britain increasing, almost half of all British life assurance companies extended their limits of investment between 1880 and 1896, allowing them to invest in the relatively higher-yielding colonial and foreign securities.[6]

This raises the question: what influenced the Norwich's perception of risk? Two factors are fundamental in exploring the investments of the firm as their capital flowed overseas. The first barrier is informational and the second can be grouped as ethnic, cultural, and linguistic. The development of information technology during this period was dismantling the first barrier to investment. The British Empire provided a field in which the perceived differences in ethnicity and culture were minimised, consequently stimulating a more substantial flow of information.

The research in this paper will explore how the firm perceived risk as it ventured into investments abroad. The first section will focus on the increasing flow of information during the period under analysis, how it allowed the firm to engage in investments unavailable to other investors, and the effect that this had on the flow of capital. The second section will focus on empirical data relating to the investments, how the perception of safe investments within the empire provided an opportunity for

[4] H. Cockburn, 'Opening Address by the President', *Journal of the Institute of Actuaries*, 39 (1905), p. 5.
[5] A. G. Mackenzie, 'On the Practice and Powers of Assurance Companies in regard to the Investment of their Life Assurance Funds', *Journal of the Institute of Actuaries*, 29 (1891), p. 213.
[6] Finance Committee Minute Book, No. 1, NU3938, Aviva Archives, Norwich (AA), No. 28/10/1890; D. Paulin, 'Life Office Investments Retrospect and Outlook', *Transactions of the Actuarial Society of Edinburgh*, 3 (1896), p. 239.

more broad investments. It will also explore how professionalisation and the view of investments as a portfolio as opposed to an individual basis allowed the firm to adopt diversification.

The importance of this research is its contribution to an ongoing historical debate over whether insurance companies conducted their investments in a manner which did not best benefit the British productive sector. The central allegation is that British financial institutions invested an undue portion of their funds abroad, forsaking the domestic business sector. Insurance companies had ever-increasing importance as institutional investors and as such the development of insurance companies' investment policies is significant within a broad set of issues concerning British economic development. Furthermore, this research will be able to provide details regarding the evolution of institutional investors' investment policies and address the importance of information and empire to their decisions and perceptions of risk. The narrow focus of this research will add to the limited existing literature focusing on the Norwich and more broadly the assurance industry, therefore enabling a richer understanding of the influences on investment decisions.

The archives of the Norwich Union, although filled with sources, have been relatively neglected by scholars. There are two exceptions, both of which, rather than being historically analytical, had a more commemorative purpose. Robert Blake's *Esto Perpetua* provides an account of the firm's management hierarchy and explores how mortality rates were calculated.[7] Although these details are important, Blake does not focus on how the firm chose investments or what influenced its decisions. Jonathan Mantle's *Norwich Union: The First 200 Years*, on the other hand, provides a narrative

[7] R. Blake, *Esto Perpetua: Norwich Union Life Insurance Society, 1808-1958* (London, 1958), p. 62.

of the directors appointed at the firm. It is an illustrative book with numerous photographs and details of the changes introduced by each director, for example, holidays, new business, and bonuses.[8] Taken together, these contributions provide useful background information about the Norwich, from its daily running to the appointment of directors. However, absent from these contributions is a rigorous analysis of the firm's investments.

The assurance industry more generally has also suffered relative scholarly neglect. This neglect does not arise from the lack of primary source material as Cockrell and Green have produced an extensive guide to the archives of British insurance companies, listing the types of sources available.[9] Published material on the companies generally focuses on how mortality rates were calculated and the management practices.[10] In 2003, Mae Baker and Michael Collins emphasised the need for widespread archival research to further our understanding of the insurance industry.[11]

Information: Cables, Connections, and Capital

By the close of the nineteenth century, there was a global network of cables that connected all of the world's major financial centres. These reduced the past delays in communication from days, weeks, or months to just minutes. The London Stock Exchange (LSE), where brokers bought and sold securities on the Norwich's behalf,

[8] J. Mantle, *Norwich Union: The First 200 Years* (London, 1997), pp. 44-45.
[9] H. A. L. Cockrell and E. Green, *The British Insurance Business, 1547-1970* (London, 1976).
[10] G. Clayton, *British Insurance* (London, 1971); P. J. Franklin and C. Woodhead, *The UK Life Assurance Industry* (London, 1980); H. E. Raynes, *A History of British Insurance* (London, 1964); O. Westall, *The Historian and the Business of Insurance* (Manchester, 1984).
[11] M. Baker and M. Collins, 'The Asset Portfolio Composition of British Insurance Firms, 1900-1965', *Financial History Review*, 10 (2003), p. 138.

was the pre-eminent financial centre in the world. Indeed, governments, municipalities, and private enterprises across the globe turned to London for capital. The result was that by the eve of the First World War (WWI) 5000 securities were listed on the LSE, the vast majority of which were for overseas locations, either colonies or foreign states.[12] During the period under review, the firm steadily increased its holdings of securities, particularly foreign bonds. This trend mirrored that of the insurance industry as a whole, with holdings of this type of asset increasing from 7 percent in 1870 to over 40 percent by 1914.[13]

With each company possessing a unique set of connections and indeed, each financial centre being part of a particular network, the information available to different firms and locations was intrinsically unique. The access to information fundamentally influenced the Norwich's perception of risk and thus the geographical locations in which it invested. The inequality of information, or informational asymmetries, meant that each company possessed a different assessment and management of risk. This section will track the transformation of the flow of information accessible to the Norwich, assessing the extent to which this influenced its investment decisions.

Although a number of contemporaries such as Keynes recognised that there was an inclination among many companies to invest in countries with colonial status, the cause of this tendency is debated.[14] Magee and Thompson deny that imperial patriotism determined the destination of capital, remarking that British capital was not influenced by 'imperial piety'; instead, at the heart of their concept is the notion that

[12] J. Rutterford, M. Upton, and D. Kodwani (eds), *Financial Strategy: Adding Stakeholder Value* (Chichester, 2006), p. 8.
[13] P. Scott, *The Property Masters: A History of the British Commercial Property Sector* (Oxford, 1996), p. 27.
[14] N. Ferguson and M. Schularick, 'The Empire Effect: The Determinants of Country Risk in the First Age of Globalisation, 1880-1913', *The Journal of Economic History*, 66 (2006), p. 283.

investors were rational and entirely self-interested.[15] They argue that capital was directed to these particular regions as a result of the information which flowed through networks across the 'British world'. Similarly, deep interpersonal connections existed with Americans, which helped to promote the dissemination of knowledge and a feeling of trust.[16] In this sense, knowledge of the location, which was naturally increased by the empire, reduced the perception of risk. In other words, the British investor was better informed about developments within imperial territories and thus more likely to view investments within these regions as relatively low risk.

The information available to the Norwich as it initially ventured into the stock market came primarily from brokers. The finance committee received lists of securities from multiple brokers, frequently as many as five, arranged by the amount of interest that they yielded. Many of the brokerage companies would be used throughout the period by the Norwich, including Messrs Buchanan & Fergusson, Basil Montgomery, and Gurney. The investments needed to provide an interest rate of more than 3 percent to allow the Norwich to generate sufficient capital to pay upon the death of a customer, but the capital also needed to be secure. The lists of securities were first received in 1891 following the extension of the rules of investment, which allowed the firm to broaden its holdings from domestic to overseas.[17] A method used to decrease the risk of investing abroad was to limit the amount of capital invested in any one security to no more than £10,000. This amount would steadily increase during the period and eventually double, demonstrating increased investing confidence.

[15] G. B. Magee and A. S. Thompson, *Empire and Globalisation: Networks of People, Goods and Capital in the British World, c. 1850-1914* (Cambridge, 2010), p.170.
[16] A. Smith, 'Patriotism, Self-Interest and the "Empire Effect": Britishness and British Decisions to Invest in Canada, 1867-1914', *The Journal of Imperial and Commonwealth History*, 41 (2013), p. 66.
[17] Finance Committee Minute Book, No. 1, NU3938, Aviva Archives, Norwich (AA), No. 18/02/1891; Finance Committee Minute Book, No. 2, NU3939, Aviva Archives, Norwich (AA), No. 02/09/1896.

At the finance committee meetings, the firm's senior officials would decide which stocks would be selected as well as the amount of capital to be invested in each of these securities. If required, further information from the City of London was requested and obtained via telegraph, and after 1896 using the trunk telephone line. The information received from the City became part of the director's input to the board of directors, which had the final say on all investments, and the finance committee.[18] The firm developed more confidence with its investing during this period and, as demonstrated later in this section, gathered information from its growing network of overseas branches, especially those within the 'British World'.

The *Institute of Actuaries* occupied an essential role throughout the period by distributing information about investment practices via their journal. The Institute was also a place in which the leading figures of the insurance industry debated the best manner in which to calculate mortality rates, bonuses, and investment practices. A director of the Norwich, J. J. W. Deuchar, had been elected as a fellow of the Institute in 1883.[19] Damning testimonies about countries, and in some cases whole continents, provide an insight into the attitudes of individuals in the industry. For instance, A. G. Mackenzie, manager and actuary at the Credit Assurance and Guarantee Corporation, provided an assessment imbued with the language of a medical examiner of the situation of central and south American countries: their 'family history is unsatisfactory, their constitutions uncertain' he stated, 'and their assurances are not to be accepted'.[20] From this, it is understood that uncertainty about this region was not only based on its history of civil unrest and revolutions, but also the fact that the region's legal systems

[18] Finance Committee Minute Book, No. 6, NU3943, Aviva Archives, Norwich (AA), No. 03/07/1908, No. 11/06/1909, No. 09/07/1909.
[19] *Journal of the Institute of Actuaries*, 24, no. 4 (1884), p. i.
[20] Mackenzie, 'On the Practice and Powers of Assurance Companies', p. 203.

were considered insufficient to protect the firm's capital. In addition, their guarantees were met with uncertainty as a result of past defaults. Following the Baring Crisis, a reassessment of the region was occurring *en masse*.[21] This assessment reveals a number of salient points: firstly, that those within the insurance industry could generalise countries, secondly, that the history of the country could influence them, and finally, that political events were particularly important in shaping investment decisions.

Information in terms of both quantity and quality was of crucial importance in the decision-making process. The nineteenth-century investor still lacked important information required to discriminate between rival investments.[22] Reports of political crises were a decisive factor in investment attitudes. On 26 November 1910, *The Economist* announced alarming dispatches about Mexico. The paper depicted it as 'plunged into civil war', referring to the political turmoil that engulfed the country which had been reported during the previous year.[23] A civil war was inevitably bad for investment, and as a result the Norwich was highly dismissive of Mexican stocks during and after this period, consistently rejecting various securities offering relatively high rates of interest.[24] In this sense the reputation of countries was not a fixed value; instead, investments within certain countries could become perceived as presenting more risk due to political events.[25]

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[21] K. J. Mitchener and M. D. Weidenmier, 'The Baring Crisis and the Great Latin American Meltdown of the 1890s', *The Journal of Economic History*, 68 (2008), p. 476.
[22] N. Ferguson, 'Political Risk and the International Bond Market between the 1848 Revolution and the Outbreak of the First World War', *The Economic History Review*, 59 (2006), p. 78.
[23] *The Economist*, 14 August 1909, p. 323; 26 November 1910, p. 1072.
[24] Finance Committee Minute Book, No. 7, NU3944, Aviva Archives, Norwich (AA), p. 119, p. 132, p. 218, p. 235.
[25] M. Tomz, *Reputation and International Cooperation: Sovereign Debt Across Three Centuries* (Princeton, 2007), p. 25.

Articles in the journal provide further insight into how an image of reputation about a country was formed. Speaking at the institute in 1912, G. E. May suggested that in situations where an office is not large enough to send out a senior official, external experts on the spot must be used in order to form an opinion on the safety of the investment.[26] Hayek has shown that due to the highly decentralised nature of information, practically every individual has some advantage over all others because they possess unique information due to their location.[27] Therefore, the ability to utilise so-called 'men on the spot' provided a distinct advantage with regard to the level of information to which a firm can have access.

These individuals were often expatriates residing in a particular locale. However, in some cases, particularly within the 'British World', a native English-speaking population with comparable cultural values offered up native partners who had intimate knowledge of their immediate surroundings. The method of using external on the spot experts was adopted by the Norwich due to its overseas contacts, for instance, A. S. Preston, a British expatriate based in Alexandria, who offered advice about taking up investments in Egypt.[28] The knowledge that these experts could provide would stimulate investment in these regions. However, G. E. May was also quick to insist that these opinions were only to be used for the purpose of confirmation.[29] The concern was that these external advisors could direct firms

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[26] G. E. May, 'The Investment of Life Assurance Funds', *Journal of the Institute of Actuaries*, 46 (1912), p. 140.
[27] F. A. Hayek, 'The Use of Knowledge in Society', *The American Economic Review*, 35 (1945), p. 521.
[28] L. Mak, *The British in Egypt: Community, Crime and Crises, 1882-1922* (London, 2011), p. 131; Finance Committee Minute Book, No. 6, NU3943, Aviva Archives, Norwich (AA), No. 01/05/1908, No. 16/10/1908.
[29] May, 'Investment of Life Assurance Funds', p. 141.

towards investments in which they were themselves involved; consequently, the safest method of obtaining information was through an internal expert.

The Norwich was also in an excellent position to be able to send out senior representatives to inspect investments on the spot; this became likely when the firm was offered significant stakes in the underwriting of building works. Only a certain level of information and thus a particular ability to calculate risk was available to the officials in Norwich, and therefore staff members were sometimes dispatched to gain further information on the spot. The dispatching of senior officials to investigate potential investments was a marked feature of the pre-1900 period when the Norwich had less than twenty overseas branches and agencies; as such, no global representatives were available for the firm to investigate investments overseas. For instance, when offered an opportunity to invest in mortgages of high-class properties in Minnesota, the firm sent out a delegation to examine the business. The investment was organised by the Minnesota Loan and Trust company, whose President, A. Merrill, had been interviewed in relation to the scheme. The risk of the investment would be mitigated by taking equal stakes with the Law Union and Hand in Hand companies.[30]

By 1906, the Norwich's involvement in Canada, another part of the 'British World', was becoming more pronounced. The country had been transformed during the late nineteenth century from a relatively small and dispersed population into an industrialised nation. In the 1890s the rate of settlement in the west of Canada had significantly increased as technological changes had allowed wheat to be grown at more northern latitudes.[31] The period 1901-1911 was to become known as the 'Wheat

[30] Finance Committee Minute Book, No. 2, NU3939, Aviva Archives, Norwich (AA), No. 22/09/1897.
[31] R. Pomfret, *The Economic Development of Canada* (London, 2006), p. 147.

Boom', during which per capita income increased by 20 percent.[32] The industrialisation and thus urbanisation of Europe provided a large market, and the decreasing transport costs from the wheat fields on the Canadian Pacific made produce more competitive. Consequently, farming on the prairies became more profitable.[33] The growing affluent population located in the new urban centres required utilities and to accommodate these requirements municipal and provincial governments borrowed capital to pay for waterworks and electricity grids. The opportunities for investors had thus significantly increased during this period.

Having operated its branch in Toronto since 1899, the Norwich was in a favourable position to be able to take advantage of these opportunities. In 1906, the firm directed a native Canadian senior official within the branch, W. Kirby, to take on the role of granting loans to farms. Kirby granted a significant number of loans throughout the period with relatively high interest rates of up to 8 percent.[34] The firm was willing to offer loans from $1,000 to $5,000, and by limiting the amount of capital it could ensure that the risks involved were kept relatively low.[35] Kirby was given the authority to accept loans of up to $2,500; for loans above this amount he would have to seek approval from the board in Norwich. He was paid a commission of 1 percent.[36] His role was crucial as he had access to much more information than the directors who were thousands of miles away in the boardroom. The native senior officials that

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[32] G. W. Bertram, 'The Relevance of the Wheat Boom in Canadian Economic Growth', *The Canadian Journal of Economics*, 6 (1973), p. 545.
[33] A. G. Green, 'Twentieth-Century Canadian Economic History', in S. Engerman and R. Gallman (eds), *The Cambridge Economic History of the United States* (Cambridge, 2000), p. 202.
[34] Board Minute Book, NU1402, Aviva Archives, Norwich (AA), No. 22/04/1910, No. 17/06/1910; Board Minute Book, NU1403, Aviva Archives, Norwich (AA), No. 30/09/1910, No. 07/10/1910, No. 25/11/1910, No. 09/12/1910, No. 12/05/1911.
[35] Finance Committee Minute Book, No. 5, NU3942, Aviva Archives, Norwich (AA), No. 25/05/1906.
[36] Finance Committee Minute Book, No. 5, NU3942, Aviva Archives, Norwich (AA), No. 25/05/1906.

the firm utilised for investments had a greater familiarity with and knowledge of the developments taking place within the country in question. The Norwich's network of branches allowed it to participate in opportunities that would be unattainable for other British investors.

By this point the stock exchange in Toronto had risen to become one of the world's principal exchanges, offering an assortment of domestic securities such as utilities and tramways. The popularity of Canadian municipal investments was likely influenced by a belief that the imperial government would not allow a public entity within a colony to default.[37] Canadian investors would inevitably have been in a better position to participate in investments compared to outsiders, due to their familiarity and knowledge regarding the developments taking place within the country.[38] By 1911, the Norwich held almost £100,000 worth of stock that had been purchased on the Toronto stock exchange.[39] The significant level of investment was made possible by the director of the Canadian branch at Toronto, J. B. Laidlaw. The firm began to purchase relatively significant amounts of Canadian bonds in February 1910, which were initially purchased on the LSE with advice via cable from Laidlaw.[40] Despite requesting a larger commission for his role relative to his counterpart in the US, Laidlaw received the same commission of 1/8 percent; his investing powers were kept to $10,000 per security, but he was given autonomy to select the investments.[41] This allowed the Norwich to gain safe stocks yielding relatively high interest of 4 and in some cases 5 percent.

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[37] A. Smith, *British Businessmen and Canadian Confederation* (Montreal, 2008), p. 34.
[38] R. C. Michie, 'The Canadian Securities Market, 1850-1914', *The Business History Review*, 62 (1988), p. 48.
[39] Stock Exchange Securities: Valuations, NU4298, Aviva Archives, Norwich (AA), p. 7.
[40] Financial Committee Minute Book, No. 7, NU3944, Aviva Archives, Norwich (AA), p. 125.
[41] Financial Committee Minute Book, No. 7, NU3944, Aviva Archives, Norwich (AA), pp. 128, 139, 164, 166, 202.

By the eve of WWI, the Norwich was embedded in a network of men on the spot. These men actively advised the directors and in some cases purchased stocks on behalf of the firm. The information available to the firm during the period fundamentally altered and helped to shape the firm's investments as well as its perception of risk. Information could flow quickly and with relative ease throughout the British world via sophisticated communications technology. The Norwich was significantly better informed about developments occurring in regions in which it had branches, but this was not the only important factor; while having men on the spot was vital to the Norwich's ability to discriminate between investments, it is clear that the additional insight provided by native individuals was essential. The collaboration with native employees and men on the spot was only possible with the same language. English as the *Lingua Franca* allowed the firm to engage in extensive investments in Canada and South Africa, the nature of which would be impossible in countries where English was not the native language. The following section will explore to what extent the British Empire influenced the investment locations. It will seek to answer the following questions: What were the imagined benefits of investing within the colonies? What were the actual benefits? Was the 'empire effect' an enduring influence or did the outlook of the Norwich change during the period?

‘Empire Effect’: Enduring Influence or Passing Phase?

The British Empire, assembled over more than three hundred years, encompassed no less than one-quarter of today’s sovereign states.[42] By the close of the nineteenth century, it remained the largest of the European empires. The colonies within the empire absorbed a vast amount of British capital, with as many as 71.4 percent of all railway securities listed on the LSE for construction of lines in these regions.[43] There was, however, much more to the empire than the red-painted areas that appeared on the map, as Britain also had a so-called ‘informal empire’ with influence in Latin America, Asia, and Africa. [44] With such an extensive world-system as the background to the period under review, the extent to which the empire influenced the Norwich’s investment decisions is an issue which requires further exploration.

Empirical research by Ferguson and Schularick suggests that borrowing costs for the colonies were lower in London than for those countries outside of the empire.[45] This has led to them coining the phrase ‘empire effect’ to explain why British investors preferred investing within the empire. According to Ferguson, control from the metropole encouraged the investors to view these investments as more secure. Investments of this type were likely to be considered akin to domestic investments rather than foreign ones. However, some historians have questioned this conclusion, for example, Chavez and Flandreau argue that a so-called ‘empire effect’ is easily

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[42] J. Darwin, *Unfinished Empire: The Global Expansion of Britain* (London, 2012), p. 1.
[43] I. Stone, *The Global Export of Capital from Great Britain, 1865-1914* (London, 1999), p. 414.
[44] J. Darwin, *The Empire Project: The Rise and Fall of the British World-System, 1830-1970* (Cambridge, 2009), p. 1.
[45] N. Ferguson and M. Schularick, ‘The Empire Effect’, p. 297.

misidentified. If factors such as the colonies having a younger population were not controlled for in the data, then what would be called an empire effect may have had little to do with the institutions of empire.[46] Much of the existing material on the export of British capital does not consider imperial patriotism as a significant factor in influencing the location of investment. This section will argue that imperial patriotism influenced the firm in the initial phase of internationalisation, providing a channel for investment with similar cultural and ethnic elements to the domestic sphere. It will also argue that this influence lasted for just under a decade as the assurance industry in general gradually shifted towards professionalisation, calculated risks and diversification.

As early as 1885, the potential of the colonies as locations for investment was recognised within the assurance industry. Thomas Bond Sprague, in his opening address to the Institute of Actuaries, foresaw an extensive period when the vast 'unoccupied' land in the colonies would require a significant amount of British capital for infrastructure and utilities to make it profitable.[47] These areas were prosperous regions with growing populations under the same crown and with the same laws as in Britain; capital could thus be invested there without the 'feeling of doubt that must always attach to investments in foreign countries'.[48] The vast European empires did make it possible for capital to flow abroad as easily as domestically because the same currency and laws often prevailed.

[46] M. Chavez and M. Flandreau, 'High and Dry: The Liquidity and Credit of Colonial and Foreign Government Debt in the London Stock Exchange, 1880-1910', *The Journal of Economic History*, 77 (2017), p. 9.
[47] T. B. Sprague, 'Opening Address by the President', *Journal of the Institute of Actuaries*, 25 (1885), p. 82.
[48] Sprague, 'Opening Address by the President', p. 82; *The Insurance Gazette and Provident Societies Chronicle*, 1 July 1886, p. 4078.

A crucial element within Ferguson's argument is the belief that the British government would intervene to protect against default in the colonies. Ferguson argues that close supervision from Whitehall converted investments in distant lands from 'foreign' into safer investments in the eyes of the investors. The British governors did, at times, try to intervene to protect the interests of British capitalists in the empire.[49] However, as Andrew Dilley has shown, while the areas within the empire were subject to some theoretical controls, the powers were rarely used in practice, and then only for diplomatic or 'imperial' interests.[50] It is problematic to attribute the empire effect to British control over the colonies, which were largely autonomous after the grant of Responsible Government. Indeed, in 1901 *The Economist* remarked that 'for internal affairs' the colonies were 'almost independent republics.'[51] The British government had very little control over the capital invested in the colonies and investors were aware of this fact. Therefore, it cannot easily be argued that the firm was influenced by an impression that the British government would intervene to protect its capital.

Another possible explanation for the preference relates to the British government because its policies provided a tangible benefit for investing within the empire. Its policies may have encouraged the Norwich to favour investments in the colonies. The Colonial Stock Act of 1877 allowed colonies to issue inscribed stock, which was a type of security listed on a register; this would protect against loss, destruction, or theft.[52] This ensured a much more secure form of investment than had

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[49] M. Umerura and R. Fujioka (eds), *The Palgrave Macmillan Comparative Responses to Globalisation: Experiences of British and Japanese Enterprises* (London, 2013), p. 84.
[50] A. Dilley, *Finance, Politics, and Imperialism: Australia, Canada, and the City of London, c.1896-1914* (Basingstoke, 2012), p. 92.
[51] *The Economist*, 6 July 1901, p. 1007.
[52] A. Dilley, *Finance, Politics and Imperialism,* p. 95.

previously been available in the form of the 'bonds to bearer.'[53] The colonies wanted their obligations treated at a level comparable to the British Consolidated Stock (consols). The subsequent 1900 Act allowed trustees who were not explicitly empowered by their deeds to invest in stocks of this kind, to invest in inscribed stock. As demonstrated by Bernard Attard, the confidence of the investor would be further increased by the Bank of England, the registrar of British national debt, and London and Westminster acting as the registrars of the inscribed stocks.[54]

Some borrowers clearly hoped to improve the marketability of their debt by associating themselves with the Bank of England.[55] The Canadian finance minister W. S. Fielding, for instance, thought that admission of Canadian stocks to the trustee list would be a 'great advantage to Canada' as it would enhance 'the value of, its securities'.[56] The Act involved the colonial governments accepting that they could be superseded in legal terms by the imperial government if any legal provisions were altered in a manner that would be injurious to British stockholders.[57] Although the 1900 Act did open up more fields of capital for the self-governing colonies to utilise, the resulting flow of investment depressed the relevant interest rates even lower.[58] The Norwich held a significant amount of inscribed stock during the Victorian period but shifted away from this approach after 1900.

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[53] B. Attard, 'Imperial Central Banks? The Bank of England, London & Westminster Bank, and the British Empire before 1914', in O. Feiertag and M. Margairaz (eds), *Les Banques Centrales et L'État-Nation* (Paris, 2016), p. 198.
[54] Attard, 'Imperial Central Banks?', p. 203.
[55] Attard, 'Imperial Central Banks?', p. 193.
[56] *The Economist*, 30 August 1902, pp. 1351-2.
[57] O. Accominotti, M. Flandreau, R. Rezzik, and F. Zumber, 'Black Man's Burden, White Man's Welfare: Control, Devolution and Development in the British Empire, 1880-1914', *European Review of Economic History*, 14 (2010), p. 55.
[58] B. Supple, *The Royal Exchange Assurance,* p. 335.

As Table 1 shows, overseas investments constituted a significant proportion of the firm's portfolio towards the end of the period. The general trends are: a decline in domestic investments due to declining yields; rising investments in the colonies during this period due to the perceived security and higher yields; and increased foreign investments to a level on par with the colonies in 1905 and notably higher in the years subsequent. The firm responded to the declining returns for colonial government securities, which by the early 1890s were offering 3.5 percent or less.[59] The firm's holdings of colonial government securities in 1891 was 12.1 percent, decreasing to 4.4 percent by 1901, while the Norwich increased its holding of municipal securities which it did not hold at all in 1891 to 19.7 percent by 1901.[60] The firm seems to have mitigated the decreased rate by taking on more municipal holdings in imperial territories.

Table 1: Norwich Union Investment Distribution by Type, 1891-1916, percent[61]

	1891	1896	1901	1905	1911	1916
Domestic	66.9	21	1.4	1.5	1.6	21.1
Colonial	12.1	21.2	24.1	14	11.2	14.2
Foreign	5.2	11.6	15.6	14	30.4	21.6
Railway	15.8	42.6	38	24.9	56.7	43.2

[59] J. J. W. Deuchar's Letter Book, NU657, Aviva Archives, Norwich (AA), p. 171.
[60] Quinquennial Valuation Statements, Vol. 1, NU727, Aviva Archives, Norwich (AA), p. 3, p. 15.
[61] Quinquennial Valuation Statements Volume 1, NU727, Aviva Archives, Norwich (AA), No. 1891, 1896; Quinquennial Valuation Statements Volume 2, NU728, Aviva Archives, Norwich (AA), No. 1901, 1905, 1911, 1916.

Waterworks	0	3.5	20.8	45.6	0	0

The table also demonstrates that a sizeable amount of the firm's capital was invested in railways. Railways were being built throughout the colonies as well as in the US, Latin America, and elsewhere. Indeed, together North and South America absorbed 80 percent of British overseas railway capital.[62] The US, for instance, was exploiting its interior and as a result expanding its domestic and foreign markets; furthermore, it was experiencing years of large-scale net immigration. While investments in infrastructural developments in the colonies may appear not to make sense, more understanding can be gained when the erroneous contemporary belief that the population of Great Britain would equal that of the US by the mid-twentieth century is taken into account.[63] The flow of capital allowed for the development of the colonies, which would be able to support the predicted overflow of Britain's population.

The degrees of perceived foreignness and cultural distance may help to explain the firm's initial preference for investments in the colonies after it reduced its holdings of domestic securities. In the 1970s, academics at the University of Uppsala proposed that the internationalisation of companies' investments progressed in stages. The first countries which companies invested in outside of their own were countries which were the most similar to its own as they are perceived to offer more safety, companies then moved onto other more exotic markets. Uppsala theorists identified 'psychic distance' as a critical factor influencing investment locations.[64] Importantly, this concept may not

[62] Stone, *The Global Export of Capital from Great Britain,* p. 13.
[63] P. J. Cain and A. G. Hopkins, *British Imperialism, 1688-2015* (Oxford, 2016), p. 19.
[64] J. Johanson and J. Vahlne, 'The Uppsala Internationalisation Process Model Revisited: From Liability of Foreignness to Liability of Outsidership', *Journal of International Business Studies*, 40 (2009), p. 1412.

correspond to an actual measurable difference in values, culture or institutions. Instead, it is the perception of the economic actor or actors and thus may have led to exaggerating or underestimating the degree of cultural distance involved. The investments of the Norwich flowed initially to the colonies which presented low psychic distance before it progressed towards higher-yielding foreign investments.

The psychic distance may have been lower for countries within the empire for a range of factors. The money invested in the colonies, whether a *de jure* British colony such as India or a colony all but in name like Egypt, was arguably more secure than capital invested in sovereign states. The gold standard was insufficient to decrease the psychic distance; members of the gold standard could suspend gold convertibility and could also default on their debts. To varying degrees and at different times, Argentina, Mexico, and Japan all did precisely that.[65]

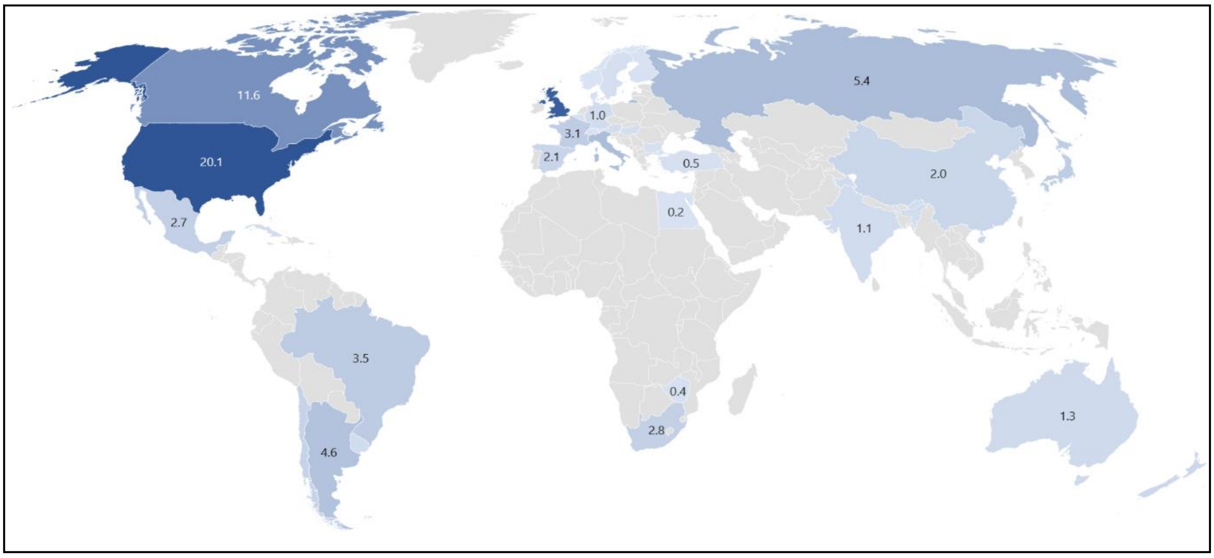
The colonies did indeed offer promising fields of investment with the need for utilities and infrastructure to support their growing populations. To a large extent, the increase in the flow of British capital to the white settler colonies was related to their inherent development potential; these societies had few sources of capital of their own, meaning that they turned to Britain for investment. There were also racial notions that informed the trust in settler colonies. Indeed, in 1901 *The Times* informed its readers that the colonists had inherited the best traditions from Britain and they may be trusted to work out their own destiny in a 'manly spirit' and with the 'practical sagacity that marks the British race'.[66] The authors of investment prospectuses often played on this

[65] Y. Cassis and É. Bussière (eds), *London and Paris as International Financial Centres in the Twentieth Century* (Oxford, 2005), p. 73.
[66] *The Times*, 10 October 1901, p. 7.

sense of imperial solidarity and notions of race when trying to encourage investment.[67] The notion of shared identity minimised the perceived distance towards the colonies.

Towards the close of the nineteenth century, the assurance industry became much more professionalised. During the examination to become a fellow at the Institute of Actuaries, the applicant had to expound their views on the merits and demerits of a list of investments including colonial municipal securities, railway ordinary stock, and freehold ground rents.[68] The trend continued into the Edwardian period with the applicants being asked about British and American railway stocks and which country they would advise investment in at the present time and the reason for this.[69] Given this level of professionalisation, the notion of a significant patriotic bias becomes somewhat untenable.

Figure 1: Geographic Distribution of the Norwich Union's Investments, 1911, percent[70]



[67] Umerura and Fujioka, *The Palgrave Macmillan Comparative Responses to Globalisation,* p. 74.
[68] *Journal of the Institute of Actuaries*, 33 (1897), p. 438.
[69] *Journal of the Institute of Actuaries*, 41 (1907), p. 598.
[70] Valuation of Stock Exchange Securities as on 30 June 1911, NU4298, Aviva Archives, Norwich (AA).

In the Edwardian period the investment decisions of the directors within the life assurance industry, in general, were being imbued with actuarial thinking; with investments increasingly being viewed together rather than individually. As Graph 1 suggests, by 1900 the new watchword for most directors was 'diversification'.[71] This was a marked change from the preceding period. G. E. May, addressing the Institute of Actuaries, acknowledged that 'the last fourteen years had completely changed actuaries' views concerning the investment of funds'.[72] He recognised that the investments of British assurance companies were diverse in their geographical distribution, a trend which he commended, and insisted that they should ensure that they did not overload 'any particular country'.[73] Furthermore, he stated:

> Since all of our assurance business is based on the law of averages, one would naturally have thought that this principle would have been given full weight when considering the question of the investment of funds. I am afraid, however, that in the past very little attention was paid to this point; the ruling consideration appears to have been to endeavour to satisfy oneself as to the safety of the capital in each investment considered by itself.[74]

This indicates that investments were viewed on an individual basis, suggesting that from the early twentieth century there was a gradual shift away from this tactic and

[71] J. H. Treble, 'The Pattern of Investment of the Standard Life Company, 1875-1914', *Business History*, 22 (1980), p. 184; T. Alborn, *Regulated Lives: Life Insurance and British Society, 1800-1914* (Toronto, 2009), p. 174.
[72] May, 'The Investment of Life Assurance Funds', p. 166.
[73] May, 'The Investment of Life Assurance Funds', pp. 159-160.
[74] May, 'The Investment of Life Assurance Funds', p. 136.

towards viewing the spread of investments as mitigating risk. The old approach would have kept the Norwich out of risky markets and in the colonies where investment was considered to be safer. The foreign market offered relatively higher yields, but was inherently riskier. Thus, the Norwich and many other life assurance companies had to use strategies to try to mitigate the risk.[75] The main strategy that the Norwich used was to diversify its portfolio; by investing different amounts in disparate locations, it could be sure that should one default on payments, it would have little bearing on the firm's investments as a whole. The method was reliant on the low correlation between different states, markets, and types of security and was a reaction to declining domestic yields, rather than a long-term plan.

As Graph 1 shows, by 1911 the Norwich's capital had reached every continent of the globe. Argentina consumed a significant proportion of the Norwich's capital (4.6 percent). Argentina was a distant country, without colonial status and without a shared language. However, as Philip Newman acknowledged while addressing the Institute of Actuaries in 1908, when attempting to categorise the investments into home, colonial, and foreign, Argentina should be substituted from the 'foreign railways' column as they are 'largely financed from Great Britain'.[76] Indeed, the Anglo-Argentine relationship was tightly bound.

Developments in transportation in the nineteenth century had seen the fertile Argentine wilderness transformed into profitable agricultural areas.[77] It was British capital that helped to fund the expansive railway network in Argentina, and it was

[75] Y. Cassis, *Capitals of Capital: A History of International Finance Centres, 1780-2005* (Cambridge, 2006), p. 96.
[76] P. L. Newman, 'A Review of the Investments of Offices in Recent Years', *Journal of the Institute of Actuaries*, 42 (1908), p. 304.
[77] A. G. Ford, *The Gold Standard, 1880-1914: Britain and Argentina* (Oxford, 1962), p. 81.

British-owned railways that contributed to the prosperity of the country.[78] This would have reduced the perceived risk as the people engaged in the building and running of the Argentinian system were British. It would have side-stepped the issue of cultural or perceived differences between the countries. Furthermore, British-owned companies ran these railway lines in Argentina. Even the features of the train lines were distinctly English, with stations designed to look like English cottages and signals to stop and go all written in English. Visitors to Argentina could therefore be forgiven for thinking that they had arrived at a British colony.[79] British-owned companies also augmented the level of investment in different regions. The British-owned China Clay Corporation, for instance, would have allowed the firm to invest £60,000 in debentures.[80] The debentures were offered to the firm through C. E. Cottier.[81] This was important because it was not dealing with natives directly; its investment was with fellow Britons.

During the Edwardian period, the Norwich held a far more comprehensive range of securities compared to the preceding decades. Rather than the traditional outlets of colonial securities, the directors had turned to those offering higher yields and mitigated the risk by scattering their capital far and wide. The period was marked by a gradual shift, first from domestic to colonial investments as yields on traditional investments declined, and then towards foreign investments as companies adopted diversification. The empire was a crucial first step into a world of opportunities. The cultural and perceived distance was small enough to mitigate the risk while the returns

[78] W. R. Wright, *British-Owned Railways in Argentina: Their Effect on Economic Nationalism, 1854-1948* (Austin, 1974), p. 5.
[79] D. Rock, *The British in Argentina: Commerce, Settlers & Power, 1800-2000* (Cham, 2019), p. 182.
[80] Finance Committee Minute Book, No. 7, NU3944, Aviva Archives, Norwich (AA), p. 63.
[81] Finance Committee Minute Book, No. 7, NU3944, Aviva Archives, Norwich (AA), p. 63.

offered were better than those in domestic investments. However, the Norwich may be an anomaly with much broader research needed to discover if its pattern was unique or if it reflected the assurance industry in general. The firm's pattern was by no means the only route a company could take: the Liverpool, London and Globe, for instance, had a relatively conservative outlook and kept its investments in low-yielding domestic railway securities.[82]

Conclusion

As Hayek suggested in 1945, information was fundamentally decentralised; thus, the Norwich's network of branches served to ensure the directors were better informed.[83] Each financial centre possessed its own network of information but so too it seems did multinational companies like the Norwich, which had established a network of branches in order to gather information. The flow of information to the Norwich fundamentally changed during the period with new branches opening up in distant places around the world. The firm was able to gather information more quickly and with better quality than other investors in Britain. The rhythm and pace of the Norwich's internationalisation was guided by the number of branches the firm opened during the period. Each branch was added to an expanding network in which the firm was embedded. These nodes took a more active role in the Edwardian period due to the possibility of entering into opportunities in the West of Canada or on the Transvaal, with the nodes functioning as lenders on the spot or utilising the New York or Toronto stock exchanges. The risk of investing in these opportunities was mitigated by the flow

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[82] Investment Ledger, CLC/B/192/MS11677/006, London Metropolitan Archives, London (LMA).
[83] Hayek, 'The Use of Knowledge in Society', p. 521.

of information gained by the firm through internal employees such as Laidlaw and Kirby in Canada or external collaborators such as Preston in Egypt. The defining feature affecting the efficiency of the network was whether these nodes were natives, which was possible in countries with shared language such as the US, Canada or South Africa.

The internationalisation of the Norwich's investment funds appears to follow that proposed by the Uppsala theorists, who suggest that internationalisation progressed with companies first investing in countries that they perceived to be similar to their own before progressing to more distant locations. Less tangible effects such as crown loyalty, the willingness of the British government to intervene, and cultural similarities, combined with more concrete benefits of investing in the empire such as inscribed stock, encouraged the firm to perceive these investments as significantly safer. The growing professionalisation of the industry and the high yields on foreign investments forced the firm to adopt a more actuarial outlook, using diversification to access high yields while keeping the risks relatively low. Anglo-Argentine railways and British-owned companies in foreign countries such as China also served to ease the flow of investment to these regions.

This paper has provided new research and brought this together with long-standing debates about the economics of imperialism, drawing links between the ways in which the Norwich received information and how this stimulated investment in the colonies. It has utilised numerous quinquennial reports in order to demonstrate how the firm mirrored the Uppsala internationalisation model, venturing first into countries which were perceived as most similar to the firm's home nation. Records of over 400 securities have also been employed to demonstrate the geographic distribution reached in 1911, thus providing a clearer understanding of how life assurance companies functioned during this time of significant change and why their capital flowed overseas instead of being invested domestically. The study has also unveiled rich details about how assurance companies weighed up investments during this period of immense change. Finally, this paper has established the ways in which the firm and the industry in general responded to a period of fundamental change in which the yields on traditional domestic investments fell and information technology significantly changed.

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