

## ‘THE BREWERY SCHEME IS QUITE AT AN END’

CLIVE CAPLAN

### The brewery scheme

On Tuesday 14 June 1808 Jane Austen said goodbye to her brother Henry in London and set off for a visit with her brother Edward at his Godmersham estate. On the next day she sat down to write to her sister Cassandra, who had remained at their home in Southampton (*Letters* 125-8). Jane, after describing her journey, and giving news of Edward’s family, reverts to news of Henry: ‘I left Henry, I hope, free from his troublesome complaint, in other respects well, and thinking with great pleasure of Cheltenham and Stoneleigh’, and immediately follows this with: ‘The brewery scheme is quite at an end: at a meeting of the subscribers last week it was by general, and I believe very hearty, consent dissolved’. The news was from Henry, whose bank, Austen, Maunde and Austen, had been promoting a new joint stock company - a brewery. Jane knew that her sister was aware of the scheme and would be interested in news of the outcome. Her comment opens a window for us onto a notable episode in British economic history - the greatest speculative bubble in commerce since the South Sea Bubble of 1720.

### The Bubble

In early 1806 the conflict between France and Britain had become a ferocious war on each other’s commerce. Napoleon, who had mastered the Continent of Europe, embargoed all trade with Britain, while Britain, who controlled the seas, blockaded all trade with France. Neutrals, principally the United States, were furious, and would not trade with either. Britain became desperate for an outlet for its manufactures, and looked longingly at the Spanish Empire in South America. In June

1806 a military expedition to Buenos Aires, commanded by Sir Home Popham, created a rush of speculation in the export trade. Unfortunately his buccaneering adventure progressed quickly from boom to bust, after British forces were expelled. With that outlet closed, commercial capital, still abundant, hunted greedily for other targets, preferably those earning more than the standard five percent. The result was a new outburst of irrational exuberance, in a proliferation of speculative joint stock companies. On 5 November 1807 the *Morning Chronicle* showed its concern, fearing that the abuses of the South Sea Bubble, with its fantastic and often fraudulent schemes, were about to be revived. The newspaper listed proposals for forty new companies floated in the previous six months: no less than seven projected breweries; five traders in wine; five insurance companies, four distilleries; and so on, to a succession of ever more fanciful ideas.

On 10 September 1807 the following notice had been printed in *The Times*:

THE OLD ENGLISH ALE BREWERY. - Committee-Room, Albany Tavern, Piccadilly, Aug. 11, 1807.-The Acting Committee for carrying into execution the Resolution relative to the Establishment of a Public Brewery at the West-end of the Metropolis, for supplying the inhabitants with a wholesome and nutritious Beverage, to be brewed from MALT and HOPS only, and delivered free from adulteration, confident of the benefits which will accrue from as early a commencement of the Establishment as possible, are happy to announce that the number of Shares which it was originally resolved should be filled up, antecedent to the opening of the Brewery, are nearly completed. The bulk of the Subscription already received is invested in Exchequer Bills. The intended capital is 75,000 L. to be raised by 3000 Shares of 25 L. each,

payable by installments of 5 L. The first installment to be paid on subscribing; the second, on or before the 15th of August, 1807; and the remaining three installments when called for by the Committee, on notice of one calendar month. Books are open for Subscription at Messrs. Birch, Chambers, and Hobbs', Bankers, New Bond-street; Messrs. Austen, Maunde, and Austen's, Bankers, No. 10, Henrietta-street, Covent-garden; and Messrs. H.T. Williams and Co. No. 12, Copthall-court, near the Bank. Prospectuses may be had at the above places; No.1, Cecil-street, Strand; the Secretary's, No. 3, Hare-court, Temple; and at the Albany Tavern, Piccadilly.

By order of the Committee. R. TAYLOR, Secretary.

This was the first public appearance of Jane Austen's 'brewery scheme', and already came the first signs of trouble: The delay of a month between meeting and announcement was neglectful, and meant that the deadline for paying the second instalment of 5 L. on 15 August was already obsolete. The suspicion is that the announcement of the sale of shares being 'nearly completed' in fact meant the opposite. The difficulties might be that a large amount of capital was needed, that there was fierce competition among the rival joint stock companies for this capital, and furthermore, that the London market for beer was already dominated by half a dozen influential, well established, and well financed companies.

### **'MALT and HOPS only'**

The insistence that the proposed new brewery would brew beer 'from MALT and HOPS only' was a response to a widespread problem then existing about the quality of British beer. Following several unfavourable harvests there had been universal complaints that beer was lower in quality and was being made with substitutes for malt and hops. The problem was laid out by James Baverstock Sr. (1740-1815) a scientific brewer from Alton, writing to Cobbett's *Weekly Political Register* (14:768-773, 12 November 1808). He champions the exclusive use of malt, hops, yeast and water, and says the quality of the beer depends on careful attention to the temperature, specific gravity and timing of the brewing process. Molasses or treacle and sugar had been substituted for the sweetness of the malt, but they are of inferior quality, more expensive, and even illegal. The bitters, gentian and quassia, had been used as substitutes for hops, but allow vinegar to form, lack flavour, and do not have the preservative quality of hops.

### **The joint stock company**

Adam Smith held that joint stock companies should not be involved in manufacturing, but be confined to public works such as canals, docks and waterworks; and to banking and insurance. However, the success of corporate enterprise in those fields had suggested to some that such companies might be extended to every branch of trade and manufacture. A joint stock company was an association of investors jointly contributing to a common stock to conduct a commercial enterprise. In effect it was a partnership of the many, but while in a partnership transfer of a partner's share required company consent, in a joint stock company shares were freely transferable in the marketplace. Company promoters would develop a concept, and would look for support from family, friends and business associates. An investigating committee would decide how much capital would be needed, how many shares, the size of the shares and the timing of the deposits, and would establish a management committee. If further financing was needed shares would be advertised, with a prospectus to the general public. To attract investors the promoters would claim that their enterprise was for the public good; that it would provide a genuine product for one now adulterated; that it would break up a monopoly in the market and hence would lower prices; and, not to be forgotten, that investors would achieve a fantastic rate of return.

There were pitfalls for the unwary. Promoters lacked caution and could be less than honest over finances and prospects. With numerous, ever-changing, individual investors it might be difficult to know who was in charge, and oversight could be perfunctory or even non-existent. Retirees, widows and minors who invested would be overmatched by bankers, merchants and lawyers. And then there was the problem of unlimited liability.

### **Unlimited liability**

In November 1807, at the same time that fears of speculative excess had begun to be aired in the press, Attorney General Vicary Gibbs began legal proceedings against two companies that had implied in their advertising that the liability of shareholders would be limited. The authorities held that this violated the Bubble Act of

1720 which had hitherto lain dormant for the last 87 years. Common law held that every trader was answerable for the whole debts of his business, to the last penny of his property and personal wealth. Therefore unlimited risk attached to the unlimited liability of all shareholders, and could mean ruin. Alarm spread among promoters and investors, who argued that small investors should not be inhibited from uniting to put their capital to work in a productive way. The court disagreed, and endorsed the legal doctrine that 'he who feels the benefit should also feel the burden' and condemned the companies' claim of limited liability as 'a mischievous delusion calculated to ensnare the unwary public'. The parties concerned were advised to abandon all speculative projects founded on joint stock or transferable shares.

A second notice appeared in *The Times* on 28 October 1807, and was repeated, verbatim, on 14 November 1807:

THE OLD ENGLISH ALE BREWERY.- Committee-room, Gloucester Coffee-house, Piccadilly, Oct. 20.

Resolved, That, in consequence of the advanced state of the subscription, and of the progress of the arrangement for funding the establishment, it has become proper to call a General Meeting of the Subscribers, in order to lay before them the Report of the Acting Committee.

Resolved, That such General Meeting be holden at The Thatched House Tavern, in St. James's-street, on Wednesday, the 25th day of November next, at 12 o'clock.

The bulk of the subscription already received is invested in Exchequer Bills. The intended capital is 75,000 L. to be raised by 3000 shares of 25 L. each, payable by installments of 5 L.

Books are available for subscription at Messrs. Birch, Chambers, and Hobbs, bankers, New Bond-street; Messrs. Austen, Maunde and Austen, bankers, No. 10, Henrietta-street, Covent Garden; and Messrs. H.T. Williams and Co. No. 12, Copthall-court, near the Bank. Prospectuses may be had at the above places; No. 1, Cecil-street, Strand; the Secretary's, No. 3, Hare-court, Temple; and at the Gloucester Coffee-house, Piccadilly.

By order of the Committee, R. TAYLOR, Sec.

Two months after the initial public announcement that the sale of shares is nearly completed, the committee is still the Acting Committee, and the books are still open for subscription. Unknown is what possible internal dis-

pute might have changed headquarters from the Albany Tavern to the Gloucester Coffee-house. The change does not speak well for a company with a plan to brew beer.

And that is all we know about The Old English Ale Brewery, except that the troubled enterprise must have managed to struggle on for a few more months until Jane Austen's comment on its demise on 15 June in 1808. If permitted to speculate [and why not, in an article devoted to that very topic], Jane herself, in her wisdom, never thought the project very viable. By her use of the word 'scheme' and by the phrase 'quite at an end', she disparages the project and confirms that it had been chronically ailing. Then, confirming what had been her own opinion from the beginning, she adds that the scheme was dissolved by general, and very hearty, consent. The subscribers must have been glad to be able to retrieve their deposits. Henry's firm of Austen, Maunde and Austen, and its reputation, cannot have come out of this affair well. Time and expense had been lavished on the proposed project. It failed because of the competition for funds, the fear of litigation over the unlimited liability issue, and ultimately by the collapse of the bubble itself in 1808. Political events in the Iberian Peninsula, with the Spanish revolt against France and the transfer of the Portuguese court to Brazil, had finally opened up the markets in South America, and that was the next place where the speculative money went.

So the brewery scheme was quite at an end.

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The author would be glad to hear from any reader who could supply any further information on The Old English Ale Brewery.