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Businessmen and land ownership in the late nineteenth century revisited

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Using a comparative dataset of business and non-business elites compiled by Perkin and Rubinstein, Smith argues that I underestimate the extent to which businessmen owned land in the late nineteenth century. My data source, she contends, provides little (if any) useful information about patterns of businessmen's land holding and wealth accumulation. Through her analysis Smith claims to impart a better understanding of inheritance, social mobility, and land ownership in Britain. She alleges that the traditional land-owning class was sustained by primogeniture, while the business elite was more dynamic socially, as evidenced by low rates of intergenerational wealth transmission. The land held by businessmen was small in size, but it was not insignificant given primogeniture and the concentration of land ownership during these years. Few of Smith's objections are sustainable. Her data support my central conclusions, while her analysis is sometimes erroneous and often misleading.

Smith begins with a critique of the *Dictionary of business biography* reiterating the well-known bias towards heavy industry and related fields.[1] However, it is difficult to understand her reluctance to see this collection of business biographies as a credible source for investigating patterns of wealth and land holding when combined with probate records and Bateman's *Great landowners of Great Britain and Ireland*. Although Smith prefers to analyse 'pre-defined groups' of business and non-business elites, there is no evidence that she is able to categorize businessmen as if they were a homogenous group.[2] The principles for inclusion in the *DBB* allow for underlying population variability. Hereditary landowners with business interests are included alongside founders of firms, managers, and those who inherited family enterprises. Whether businessmen chose to exchange their personal wealth for the ownership of landed assets and the life of the country gentleman is central to our understanding of social

[1] Smith, 'Land ownership and social change', pp. 767-8.

[2] There is nothing in Smith's comment to suggest that the Perkin-Rubinstein dataset more clearly defines businessmen than the *DBB*. The central difference between our definitions of who was a businessman and who was not is conditional upon the selection criteria imposed by the editors of the *DBB* and those deemed worthy of inclusion by Perkin and Rubinstein. As Smith does not report the names of her businessmen landowners in the way I did for the *DBB*, there is no way of scrutinizing her definitional stance.

structure in Victorian Britain.[3] Because of its concentration on founders of firms during this period, the *DBB* is an ideal source for analysis of the extent to which new business magnates became integrated with traditional society in terms of their wealth and land ownership.

As a consequence of the differences between our samples, it is no surprise that Smith detects a larger proportion of businessmen landowners than in the *DBB* (50 ÷ 220 = 23 per cent compared with the *DBB*'s 26 ÷ 295 = 9 per cent). A higher rate of land ownership will be observed with higher levels of wealth, as shown by Rubinstein's 1981 article on nineteenth-century new men of wealth. On average, 46 per cent of Rubinstein's business and professional millionaires who died between 1840 and 1914 held sufficient acreage to be included in Bateman's returns,[4] compared with 25 per cent of half-millionaires.[5] The average probate wealth of the 220 businessmen in Smith's sample is £1.19m, which compares with an average of £402,041 for the 295 businessmen taken from the *DBB*.[6] The Perkin-Rubinstein data contain more financiers and inheritors of firms than the *DBB*. The City of London, the site of the most profitable commercial and financial trades, was more closely linked with traditional land-owning society than the new industrial regions of the provinces.[7]

Despite sample differences, Smith's study shows that the *DBB* can be used with a great deal of confidence to analyse the wealth portfolios of businessmen active in the late nineteenth century. I estimated that, on average, businessmen who were large landowners held between 69.5 and 82 per cent of their wealth portfolio as personalty when capitalizing the gross annual value of their estates at 40, 30, and 20 years' purchase.[8] Smith's sample confirms this result (see her table 3). The 50 businessmen in the Perkin-Rubinstein dataset who acquired large landed assets held between 70.6 and 76.7 per cent of their wealth as personalty at 30 and 20 years' purchase. Contrary to Smith's assertion that the proportion of wealth held as personalty by business owners of land is 'much lower' than the proportion I reported using the *DBB*, her results are almost exactly the same as mine. Smith's remaining estimates in table 3 are not

[3] Habakkuk, *English landownership*; Rubinstein, *Men of property; idem*, 'Businessmen into landowners'; *idem*, 'New men of wealth'; *idem*, 'Response'; Spring, 'Social mobility'; Spring, 'Businessmen and landowners re-engaged'; Stone and Stone, *Open elite?*; Thompson, 'Business and landed elites'; *idem*, 'Stitching it together again'; *idem*, 'Life after death'; *idem*, *English landed society*.

[4] Bateman's final listing covered those in possession of at least 2,000 acres yielding at least £2,000 in gross annual rental.

[5] Percentages calculated from Rubinstein, 'New men of wealth', p. 130. Rubinstein argued that these totals were 'derisory' when placed in the context of business and professional wealth accumulation and the potential for land acquisition in the nineteenth century. See *idem*, 'Businessmen into landowners', p. 90.

[6] Rubinstein noted that his millionaire and half-millionaire group constituted a very small class, which is one of the reasons why he extended his analysis to those leaving fortunes in personalty of £100,000. Smith's investigation re-focuses our attention on the super-rich, a group that Rubinstein has already analysed in detail. The *DBB* is a different dataset altogether because it includes a broader distribution of wealth makers. See further, Nicholas, 'Businessmen and land ownership'; also Rubinstein, *Men of property*; *idem*, 'Businessmen into landowners'.

[7] Cassis, 'Bankers in English society'.

[8] Nicholas, 'Businessmen and land ownership', p. 37.

comparable with the portfolio shares given in my article. Her estimates of the average value of total wealth retained in personalty for a sub-sample of non-business elites do not contribute to a comparison of our datasets.

Smith inaccurately portrays the Perkin-Rubinstein data as showing that 'almost a quarter of elite businessmen held land with a median value of over one quarter of a million pounds' when capitalized at 30 years' purchase. The correct fraction is closer to one-ninth judging by the data in Smith's table 4.[9] This fraction is higher than I found in the *DBB*, but it does not mean that businessmen were 'well integrated with traditional society'.[10] Although the businessmen in Smith's sample were rich enough to buy land on a scale that would have qualified them for inclusion in Bateman's returns, the vast majority (77 per cent) did not hold large landed estates.[11] Smith's scatter plots of landed wealth against probate wealth show the marked contrast between the wealth portfolios of businessmen and other wealth elites. Businessmen in the Perkin-Rubinstein dataset displayed the same tendency to accumulate the majority of their wealth in personalty rather than in land as their counterparts in the *DBB*.

Smith's claim that my analysis of business wealth and land acquisition fails to provide a 'standard of significance' is puzzling, given the statistics I compiled from Inland Revenue *Annual reports* on the national distribution of personalty and realty for the population paying estate duty between 1894 and 1900.[12] These data directly address the problem of establishing a benchmark for a 'normal' ratio of personalty to realty noted by Thompson.[13] The portfolio shares that I estimated from the *DBB* and Smith's 'businessmen only' shares in her table 3 both correspond closely with the proportion of total capital paying estate duty held as personalty in the Inland Revenue figures (between 79.8 and 85.9 over the period 1894-1900; see my table 4). Smith's comparative dataset shows that the wealth holding of businessmen was distinct from the wealth holding of non-business elites. While businessmen held the bulk of their wealth as personalty, her 'non-businessmen only' group held the bulk of their wealth as realty (see her table 3). In terms of the proportion of landed assets within a stock of wealth, Smith provides additional evidence that businessmen were not integrated with traditional landed society.

The remainder of Smith's comment reports the findings of four regressions, which she argues enhance our understanding of intergenerational patterns of wealth accumulation and land ownership. Her probate wealth regressions (table 5) identify a low elasticity of son's wealth with respect to father's wealth for both 'businessmen' and 'non-businessmen'.

[9] If 50 businessmen held land with a median value of £270,000 at 30 years' purchase, that means about 25 businessmen held land above, and 25 held land below this value. Therefore 25 ÷ 219 = 11.36 per cent, approximately one-ninth. Figures taken from Smith, 'Land ownership and social change', tab. 3, p. 771.

[10] Ibid., p. 772.

[11] For comparative figures, and to reinforce the point that large-scale landowners were a minority, see Rubinstein, 'Businessmen into landowners', pp. 90-1.

[12] Nicholas, 'Businessmen and land ownership', p. 38.

[13] Thompson, 'Life after death' p. 49.

Using polynomials in father's wealth, Smith's regressions reveal downward and upward bending parabolas for these corresponding groups. While there is nothing wrong with Smith's econometric approach, the specification of this model and the magnitude of the parameter estimates do not support her conclusions. Harbury and Hitchens note that the regression of son's wealth on father's wealth 'cannot be regarded as definitive' in determining the relationship between inheritance and wealth inequality.[14] With measurement error in the independent variable (a not implausible assumption when using historical probate records), the ordinary least squares coefficient will be biased towards zero: that is in favour of Smith's finding that there was upward social mobility into Britain's business elite.[15]

According to Smith, aspiring businessmen were able to 'borrow to become richer' whereas the aristocracy inherited its wealth.[16] However, if there was a 'good deal of social mobility' in the business sector compared with traditional society, as she claims, we would expect to observe coefficients on the logarithm of father's wealth approaching zero and unity for businessmen and non-businessmen respectively.[17] From Smith's table 5 it can be seen that there is no significant difference between the parameters at the 95 per cent confidence interval. Both are within the bounds of 0.05 to 0.16.[18] Smith's use of a polynomial in father's wealth highlights the weak explanatory power of this model. The maximum of the derivative function for the 'businessmen' regression is reached at a father's wealth of £30,558, which means that inherited wealth exerted a negative effect on son's wealth only at an extreme of the wealth distribution[19]: over 97 per cent of the estates assessed for death duty liability in 1900 were valued at less than £25,000.[20] Furthermore, the weak association between wealth at death and inherited wealth found by Smith need not imply a business meritocracy. Those who inherit family enterprises secure privileged entry into the business elite, but they might also deplete the wealth built up by parents and grandparents.[21] Nothing authoritative can be inferred about social mobility from Smith's analysis without information on education, the conduit that links family wealth with occupational attainment.[22]

[14] Harbury and Hitchens, *Inheritance and wealth inequality*, p. 135.

[15] Ibid., p. 126, n. 6.

[16] Smith, 'Land ownership and social change', p. 774.

[17] Quotation from ibid., p. 775.

[18] Standard errors are obtained by dividing the coefficient by the *t*-statistic. The confidence intervals for the businessmen and non-businessmen groups are 0.05-0.16 and 0.05-0.10 respectively.

[19] The condition for the maximum involves solving the following equation:

$$0 = 0.103\left(\frac{1}{x}\right) - \left[0.018 \ 1\text{n}\, x\left(\frac{1}{x}\right)\right] \text{ i.e. } x = \exp\left(\frac{0.103}{0.018}\right) = 305.58$$

In the absence of further information about her regressions, I have assumed that wealth is measured by Smith in £00s in line with the Perkin-Rubinstein data deposited at the ESRC archive.

[20] Rubinstein, *Men of property*, p. 31.

[21] See further, Nicholas, 'Clogs to clogs'.

[22] See further, T. Nicholas, 'The myth of meritocracy: an inquiry into the social origins of Britain's business leaders since 1850' (LSE working paper in economic history, no. 53, 1999).

Smith's landed wealth regressions (table 6) show the different disposition of landed assets between business and non-business elites. Her interpretation of the parameter estimates is that since traditional society was sustained by primogeniture, and therefore land ownership was highly concentrated in this period, even the small percentage of land acquisition evidenced by businessmen was 'significant'.[23] However, while the aristocracy and the gentry did use primogeniture as an instrument of estate planning to preserve landed assets, agricultural profits, and income from rents, the market for land was not closed. At the extreme, no more than two-thirds of farmland was tied up for the next generation by act of settlement.[24] Most of the land that came on to the market was unsettled land on the fringe of the family estate, sold by estate holders mainly as a way of discharging their debts. But larger plots of land were also put up for sale at the upper end of aristocratic indebtedness.[25] Although the positional value of land reflected limits of supply, the market for land was sufficiently buoyant for wealthy businessmen to be engaged in the purchase of large estates. Their reluctance to do so on any great scale confirms that businessmen were not integrated into the class of large landed estate owners.

Smith's conclusion that 'land ownership by itself does not carry any implications for entrepreneurial vigour' is unsubstantiated and beyond the ambit of my article.[26] However, there were numerous social and economic rationales for land ownership during this period, and just as many ways in which land ownership might impinge upon business performance. Anecdotal evidence shows that land could be part of an investment portfolio, while also facilitating conspicuous consumption.[27] Even 'mini-estates' of relatively small acreage could be bought for residence with a view to social status.[28] Additionally, the growth of London and the provincial districts as social centres in the late nineteenth century created an alternative form of urban gentrification.[29] The acquisition of a country mansion or landed estate was only one expression of cultural decadence in Victorian society.

Smith's analysis reinforces the principal empirical findings of my article. Although she is motivated by a concern about the representativeness of my sample, her data analysis provides evidence to allay these fears. She identifies a higher frequency of business landowners than I found in the *DBB* because her dataset focuses on the upper end of the wealth distribution. Even so, the vast majority of businessmen in Smith's dataset did not own land on a large scale. Like their counterparts in the *DBB*, the businessmen identified by Smith as owning large estates retained only a

[23] Smith, 'Land ownership and social change', pp. 774-5.
[24] Offer, 'Farm tenure and land values', p. 10.
[25] Cannadine, *British aristocracy*; Habakkuk, *English landownership*, pp. 243-400.
[26] Smith, 'Land ownership and social change', p. 775.
[27] Nicholas, 'Businessmen and land ownership', pp. 39-43.
[28] This type of estate was around 200 acres or less. See further, Habakkuk, *English landownership*, pp. 613-14; also Clark, 'Land hunger', pp. 61-2.
[29] Habakkuk, *English landownership*, pp. 557-62.

slight proportion of their total wealth in landed assets. Large-scale land acquisition by businessmen was limited in the late nineteenth century to the minority who sought political standing, prestige, amenity, or an investment opportunity from their property. A large landed estate did impart social status during this epoch, but it was not a positional necessity for new men of business wealth.

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