By Marissa Knaak and Megan Soe

Female Investment in America

From the 18th Century to the Great Depression

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A PERSISTENT HISTORICAL MYTH is that women were little engaged in economic matters until the last third of the 20th century. In fact, women have always been an integral part of the market economy as consumers, employees, entrepreneurs and investors. Historians like Woody Holton have just begun to explore the strategies of famous female investors like Abigail Adams. Thousands of less famous women, however, have also left traces of their investment activities. What female investors lacked was power, the ability to exert any appreciable degree of control over the policies of the governments or corporations their money supported.

Early female investors could be married women allowed to make investment decisions under coverture restrictions (like Adams), married women who claimed *feme sole* status (the right to trade on their own accounts) or single (unmarried or widowed) women. Such women could work for wages, run their own businesses or make passive investments in financial securities like bank deposits, government bonds and corporate equities.

Prior to the Civil War, female investment patterns were similar to those of men, and female stockholders could vote in corporate elections on the same basis as male investors. A New Jersey law passed in 1841, for example, explicitly stated, "Each stockholder shall be entitled to one vote for each share … held by him or *her* [emphasis added]." Women remained passive investors in the 19th century, however, and rarely, if ever, served as directors or executives.

Passive portfolio investment by females began in Europe. Women in England began investing in corporations that paid steady dividends, like the Bank of England, in the 1690s. In late 17th and early 18th century England, as in America a century later, female investors were unmarried or acted with the approval of their husbands. Most invested in relatively safe securities, like government bonds and bank shares, though some of the investors entangled in the South Sea Bubble were women.

A few women in colonial British North America also invested in government bonds, some issued by municipalities (e.g., Philadelphia), some by provincial governments (especially Massachusetts) and some by England. Female investment in America expanded greatly during the Financial Revolution of the 1790s when women invested in the new bonds issued as part of Alexander Hamilton's funding and assumption programs. One out of every 10 federal bondholders in South Carolina, for example, was female. In New York, one in every eight federal bondholders was female. In New Hampshire, the ratio of female federal bondholders was three out of five.

The 1790s also witnessed a rapid rise in the number of corporations. Before the Civil War, over 22,000 businesses were chartered under special acts of incorporation and thousands more under general incorporation laws. Women contributed a significant share of their initial capitals. In Pennsylvania, they comprised 8.6% of the 74,588 economic entities (individuals, businesses, governments and non-profits) that invested in 764 corporations chartered between 1814 and 1859 for which public offering records survive, though the female investors bought only about 2% of the 2.7 million total shares subscribed in those companies.

Other extant records suggest that women supplied between 5–15% of corporate capital in the first half of the 19th century and comprised an even higher percentage of stockholders. In 1845, for example, 68 of the 390 (17.4%) stockholders in the Merrimack Company were women. According to political economist Henry C. Carey, shares in limited liability corporations were better investments for women than investing in their own proprietorships because they could purchase stock without the risk of losing more than their initial investment.

That is not to say, however, that many female investors did not prefer the relative safety of stocks that paid steady dividends, like banks and insurance companies, over mining, real estate development and other speculative concerns. In Massachusetts in the late 1830s, females owned about 38.5% of the state's total banking capital. At the same time in Maine, they owned about 10%, though they comprised about 15% of the stockholders in that state's 50 banks. By the early 1850s, women comprised one in four stockholders in Maine banks and owned 16% of their capital.

Women's engagement in the economy continued after the Civil War. Female proprietorship peaked in the 1870s and 1880s but was largely concentrated in the apparel and lodging industries. Females also continued to invest in financial securities and by 1880 or so had attracted the special attention of stockbrokers.

Women decided which stocks to invest in based on advice from friends, relatives, magazines and newspapers, and they continued to concentrate on government bonds and relatively liquid stocks that paid steady dividends. Again, commercial banks figured prominently in many of their portfolios. In the Merchants National Bank of New Bedford (Massachusetts), for example, 343 out of the 777 (44%) stockholders between 1880 and 1892 were female. The women actually owned more shares than the average male investor, for a total of about 50% of the bank's shares.

The number of female investors continued to grow in the early 20th century. In 1910, the Pennsylvania Railroad had 50,000–60,000 stockholders, of which almost one half were women. Following the Panic of 1907, an influx of "bargain hunters," including some women, appeared on Wall Street. Emboldened by the success of some female speculators, other women began considering a wider range of investments, including industrial, transportation, automobile and food stocks. World War I also contributed to the expansion of female investors. The Liberty Loan campaigns drew many less affluent women into the financial markets for the first time, and initiated a change in cultural values away from restrictive Victorian mores toward the more liberal ones of the Roaring Twenties.

After the war, many companies instituted employee stock ownership plans (ESOPs) and customer ownership plans (COPs) that allowed more small investors, including women, to buy shares. Companies began those programs because they saw the impact women had on the financial market. These plans allowed more women to invest in stocks, further increasing the stockholder pool.

As the number of female shareholders increased, so did the types of corporations they invested in. By 1920, female investors owned between 25–40% of General Motors, B. F. Goodrich, Borden's Condensed Milk Company and the National Carbon Company. They also owned a majority of the preferred stock in the American Locomotive Company and a majority of all stock in the American Express Company and

Left: Two women read ticker tape in a stock broker's office in St. Paul, Minnesota, 1929.

Abigail Adams invested in US government bonds
and is one of the earliest known female bond speculators.

the Delaware, Lackawanna & Western Coal Company. In 1924, the Pepperell Mill's two largest groups of shareholders were women and trustees. By 1926, about 200,000 of American Telephone's 366,000 shareholders were women. By the Great Depression, many leading corporations had more female than male shareholders.

That is not to say, however, that women exerted any significant degree of control over the companies that they nominally owned. Most women owned a few shares in many different companies and did not vote as a gender bloc. As corporations grew ever larger and replaced prudent mean or capped voting rules[1] for uncapped, one vote per share rules, small investors lost any power of persuasion they once had.

Moreover, directors and executives increasingly limited the quantity and quality of information available to potential investors and even their own stockholders. Women were unlikely to attend annual meetings, thus further limiting their access to information and their ability to sway corporate elections or decision-making. The proliferation of non-voting stock and classes of restricted stock with super voting rights disenfranchised many small investors (male and female), while those who retained their traditional voting rights typically ceded them to executives via proxy mechanisms.

By the Depression, many large corporations were controlled by their salaried executives rather than by boards of directors freely elected by stockholders. Hired executives had little incentive to guard the interests of any small investor, let alone female investors in particular. After ownership and control divorced, female and other small investors were essentially devoid of any significant form of representation. If they disliked a particular corporation's policies, their only viable option was to sell their shares and invest in another large corporation in which they had no control or to leave the stock market altogether. But women faced even greater challenges when they tried to invest more actively, both in their own businesses or as angel investors or venture capitalists.

The traditional view that women were largely excluded from the financial system until after World War II is factually flawed. Following English precedents, women in America since the colonial period invested in financial securities, including government bonds and corporate equities. What they lacked, as both females and as small investors, was control. Before the Civil War, when small holders still exerted influence over corporate affairs, female investors remained in the minority. When they owned a majority of shares in some commercial banks in the late 19th century, Victorian mores excluded them from directorships. And by the time they came to own a majority of the shares in major industrial concerns in the early 20th century, executives had successfully seized control of corporate elections and entrenched themselves in power. Despite their effective disenfranchisement, women were expected to continue to turn their savings over to the control of men and, effectively blocked from other lucrative investment options, for the most part did so. $

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Note

1. Prudent mean voting rules increased the number of votes that a stockholder could cast at a rate less than one vote per share. Capped voting rules placed a maximum on the number of shares any one stockholder could cast in corporate elections

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The $1 Conspiracy

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were purchased from the suppliers with an agreement not to buy any part of the same from any party competing with them. They provided, in short, that existing purchase contracts of all operating companies with other competitive suppliers should be terminated at their earliest possible moment; that the operating companies would equip all their units with defendant suppliers' products to the exclusion of any products competitive therewith and that City Lines and their operating companies would not renew or enter into any new contracts with third parties for the purchase of such products or change any then existing type of equipment or purchase any new equipment using any fuel or means of propulsion other than gas."

In short, it was an illegal conspiracy, but only to the extent that the vehicles, tires, fuel and parts were only bought from within the cartel. The practice of replacing streetcars with buses was never at issue. At the time a considerable number of voters and elected officials considered that progress.

Unchastened, NCL went back to business. In 1950 it acquired the bus systems in Davenport, IA, Wichita Falls, TX, and even the railroad town of Rock Island, IL. The last acquisitions were in 1955, Peoria, IL, and a significant part of the Philadelphia bus system. Notably, Philly continues to operate one of the most extensive urban and suburban rail systems in the country, including that last inter-urban link to New York.

Although NCL had also shed some lines, a few as early as 1936, 1946 was a big year for divestitures, either to other operating companies, or to municipal authorities. There were a few divestitures in the 1950s but the period 1966 to 1974 saw most of the operations unwound. Among the graduating class of 1974 was the Birmingham system. The last NCL operation, in El Paso, TX, ceased in 1976. The debate over its legacy continues to smolder as transit funding is argued in local, state and federal budgets. $

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