The Corporation of Foreign Bondholders and British Diplomacy in Egypt 1876 to 1882, the Efforts of an Interest Group in Policy-Making

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THE CORPORATION OF FOREIGN BONDHOLDERS
AND BRITISH DIPLOMACY IN EGYPT
1876 TO 1882
THE EFFORTS OF AN INTEREST GROUP
IN POLICY-MAKING

by
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of Loyola University in Partial Fulfillment
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INTRODUCTION

August of 1973 will witness the centenary of an organization whose involvement in the financial life of many nations has been substantial, and yet whose role in these affairs has rarely been fully appreciated. The institution under discussion is the Corporation of Foreign Bondholders, first established in London in 1868 as the Council of Foreign Bondholders, a body created to champion the contractual rights of the holders of non-domestic securities against the caprices of defaulting governments.

Potentially the two most important weapons in the arsenal of the Council were government interposition and the support of public opinion. By determining the degree of efficacy of these approaches, it will be possible to appraise the nature of this organization. One might be tempted to describe it as a pressure group. But this would be incorrect. Of course it is true that "politics of national states is politics not only of the governments of the states themselves but also of numerous organized citizens' groups." Yet there is a difference between an "interest" and a "pressure" group.

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The pressure group possesses the power of the "application, or threatened application, of sanctions should a demand be refused,"\(^1\) while the interest group does not. For the latter to be successful it must energetically pursue tangible and realistic goals with a modicum of public approval, and, if possible, in tandem with organizations having similar ends. In light of this definition, it would be proper to say that the Corporation\(^2\) was in fact an interest group.

Unfortunately, the Corporation's situation was made difficult by internal dissension as well as by the generally unfavorable climate of feeling in the 1870's toward Britishers who invested in foreign stocks. The word "bondholder" more often than not evoked great displeasure both in government and in the population at large,\(^3\) while less controversial bodies (such as the Royal Geographical


\(^2\)Throughout this text the words Corporation and Council will be used interchangeably to refer to the Corporation of Foreign Bondholders (formerly the Council of Foreign Bondholders). When the title 'Council' appears in this form (i.e. with single quotation marks), it will refer to the ruling body (the Council) of the Corporation.

Society, the Society of Arts, and the Statistical Society) engaged in expanding British trade and finance, usually encountered approbation.¹ Between Government and the City there existed a positive chill which, reinforced by a social barrier, set the two apart. The money market was beyond the purview of Government's direct influence or close supervision--Birmingham might be protectionist, but London was not.²

Despite these encumbrances the Corporation of Foreign Bondholders, characterized by "doggedness and moderation,"³ managed to make progress as a "stubborn"⁴ defender of English interests. In time these characteristics were appreciated, and it was observed:

In-as-much as this body has had a long and successful experience in the adjustment of bond defaults and has had the approval if not the support of the British Government, it has served as a model for other central national organizations of Bondholders.⁵

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²Platt, p. 16.
⁴Ibid., p. 114.
Our concern here, however, is with the Council in its early years of development, from its founder's initial labors in 1868, to 1882. During this period the English foreign bondholder was beset by an epidemic of defaults and partial defaults which demonstrated the necessity for group action. High on the list of troublesome borrowers on the London Exchange was Egypt, and to its turbulent financial scene we are drawn. Here is found the exception to the normal pattern of events. Unlike the cases of Turkey, Peru, or Spain, the Egyptian bondholders fared comparatively well. Their exertions brought them palpable results and even the victory of General Wolseley at Tel-el-Kebir appeared to some to be the capstone of their efforts. However, it does not follow that since a "pro-bondholder" policy evolved, it was necessarily the activities of the English investors which were the primary motivating force. Our objectives, therefore, will be to determine the impact of the Corporation of Foreign Bondholders upon the affairs of Egypt as well as upon the diplomacy of England, and to estimate its success as a focal point for disparate bondholder grievances.

The situation was complicated by the often vigorous intervention of other European states on behalf of their nationals. Of these, France was the most vocal; the concern for his countrymen expressed by M. de Ring, French agent in Cairo in 1879, was not an isolated phenomenon;
The financial measures for the regulating of the Egyptian debts must safeguard the credit of our nationals which form an important part of the French savings placed abroad.¹ Nonetheless, there is sufficient evidence to indicate that it was English capitalists and stockholders who made the first "encroachment" into Egypt.² In this initial thrust the Council was a ready instrument, composed of the largest and most influential bondholders, supported by a few of the members of the leading contracting houses, and thus machinery was created by which pressure in favor of intervention might be brought to bear on the British Government.³

The result of the Council's intervention in Egyptian finance in 1876 may be observed in the ensuing years when it merged with a number of other currents forming the maelstrom which drew the British Government into an unwanted occupation. The Goschen Decree, the Commission of Inquiry, the Wilson-Nubar Ministry, the deposition of the Khedive Ismail, and the Commission of Liquidation were the most signal events of the chaotic years from 1876 to 1882, but each was a step which drew Great Britain more deeply into the mire of Egyptian indebtedness, hence into

an ever closer proximity with the creditors. At the same time English policy in the Middle East was being reshaped as--by fits and starts--a new course was being charted which no longer relied upon a special relationship with the Porte. A so-called "Egyptian policy" began to be spoken of as a natural alternative to the traditional British posture in the Levant, particularly as the importance of the Suez Canal was made manifest. Downing Street became more alive to the value of British influence in Egypt and to the fact that economic matters were grist for the diplomatic mill. As long as the Khedivial Administration could stumble from one financial crisis to another, major policy decisions could be postponed. But the Arabi rising of September, 1881, the result of the Fellah's headlong plunge into the nineteenth-century world of finance-capitalism, European legal codes and nationalism, made procrastination impossible.

The published literature on the Egyptian question is significant but, unhappily, quite often single-minded. On the one hand were the apologists, the administrators such as the Cromers, Milners, and Colvins, who believed the occupation was an unpleasant but necessary action, while on the other were the Rothsteins and Blunts who saw an inchoate national movement struggling to free itself from the trammels of European financiers and officialdom. The most celebrated of the genre of books which described the faceless
villains—the bondholders—luring the British Government into unwise policies was John A. Hobson's *Imperialism, A Study*. For this author the victory of the creditors occurred when they "succeeded in getting their Government to enter a most unprofitable partnership, guaranteeing the payment of the interest, but not sharing in it." However, to Edward Dicey, a journalist and capitalist, there was another moral: "the real permanent force in Egypt is that of European Capital which either directly or indirectly is interested in its welfare." Since a wide divergence exists between these perspectives, we shall take up our ground at an intermediate point. In doing so, it is not intended to diminish the importance of the argument, currently dominant, that it was consideration of imperial integrity and defense, focused upon the Suez Canal, which forced Britain's hand in 1882. What will be emphasized is the financial aspect of the problem and with it the triumphs and failures of the Corporation of Foreign Bondholders as it attempted to provide leadership to a large segment of the investing public—the much maligned Egyptian bondholders.

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2 Edward Dicey, "The Egyptian Liquidation," *Nineteenth Century*, VIII (Sept., 1880), 471.
In 1882 Frederic Harrison, in discussing the age in which he lived, wrote:

Surely no century in all human history was ever so much praised to its face for its wonderful achievements, its wealth and its power, its un­paralleled ingenuity and its miraculous capacity for making itself comfortable and generally enjoying life.1

This boundless confidence and faith in progress must have undergone a severe trial in the 1870's as the Great Depression slowly deepened in intensity. The seven good years which proceeded from the panic of 1866 were followed, in true Biblical fashion, by a like measure of poor ones, with 1879 marking the nadir. The immediate cause of the initial phase of the Depression, which lasted with inter­mittent breaks until 1896, was a panic in Vienna which reverberated through the bourses of Europe. In the long view the English dilemma was one of decreasing prices and shrinking profits. Though growth continued, increments were smaller in comparison with her principal rivals. Though tonnage was up, the 1870's marked the first decade of the nineteenth century in which Britain did not raise at least half of the world's coal supply; though the production of iron expanded, steel was making inroads

into its market, and cotton, the backbone of her industry, was sluggish due to a decline in demand. These factors, combined with an attitude of complacency, a flight of talent to other shores, and stiff competition, added to the atmosphere of gloom.¹

Monetary disorders were also in evidence in this period. The world's gold output, which had so stimulated the general prosperity, had dropped from an annual average of £29,176,000 in the period 1852-56, to £18,713,000 in the triennium 1872-74.² The unstable financial situation was reflected by the numerous changes in the rates charged by the Bank of England—twenty-four in 1873 and thirteen in 1874.³ Trade figures for the decade also told a disappointing tale.⁴ Compounding the difficulties in trade and industry was the condition of agriculture. More and more, England's well-being depended upon the importation of cheap farm commodities. Due to technical and transportational advancements, these foodstuffs were available

¹Robert C. K. Ensor, England: 1870-1914 (Oxford: At the Clarendon Press, 1936), Chapter IV (pp. 101-135). Much of the material used in discussing the Great Depression is drawn from this work.

²Bankers Magazine, XXXV (Feb., 1875), 97.
³Ibid., 93.
⁴Ibid., XL (May, 1880), 382.
at a time when rising population and a series of very poor harvests found the British agriculturalist unable to remain a competitor in the free trade market of the period. In 1868 Britain had produced 80 per cent of its food supply, but this had fallen to only 50 per cent a decade later. The result was that as exports slackened, food imports rose sharply.

The early 1870's had also been of moment to the London money market, for in these years English capital attained its pre-eminence in international finance. Loans to governments and investments in foreign enterprise became the business of the City to the practical exclusion of all else. Walter Bagehot estimated that in 1873 the lending power (as measured by savings deposits) was £120 million for London, £40 million for New York, £13 million for Paris, and £8 million for Berlin, the latter three distant competitors. Again it is with estimates that one must deal when attempting to discover

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the actual amount of capital which Britain exported in this period. Depending upon the source, the sum of British capital assets abroad in 1870 might vary from £700 million to £1.1 billion. But whichever set of figures is selected, the story is the same: Englishmen were able and willing to lend their money on a scale which can never be duplicated.1 J. A. Hobson's widely cited statistics indicate a 45.6 per cent increase in foreign investment from 1862 to 1872, and a 27.5 per cent increment for the next decade.2

The reasons for the rapid expansion of the English money market are several, some quite fortuitous indeed, such as the removal of Paris as a rival after her defeat in the Franco-Prussian War—from that date the gold sovereign became the currency of the world.3 Yet the dramatic event ought not overshadow less glamorous ones. London for years had been a principal bullion market, plying its trade to good profit and escaping most of the

1The former figure is given by William Ashworth (An Economic History of England, 1870 to 1939 [New York: Barnes and Noble, 1960], p. 158), while Cairncross (Home and Foreign Investment, p. 4) suggests the latter, and estimates that for every £3 which was invested in home industry, £2 was sent abroad.

2J. A. Hobson, p. 62.

3Bankers Magazine, XXXIII (Feb., 1873), 71.
instability and violence which had troubled the Continent. There were no laws which harassed the Jews from carrying on business or limited the size of meetings to a certain number. The aristocracy was also open to those who would aspire to it, and in turn the nobleman was not averse to venture both time and treasure in the hurly-burly of the market place. The demand for English funds brought into existence forty new banks from 1862 to 1863 to handle foreign securities.\footnote{Wilfrid T. C. King, History of the London Discount Market (London: George Routledge and Sons, Ltd., 1936), p. 231.} Close upon their heels came a crowd of credit companies—few of which were reliably managed or legitimate—with vague general aims,\footnote{Some impetus toward foreign investment came from an organization established in 1863 called the International Financial Society. It desired to stimulate investment abroad and was composed of such banking men as Fruhling and Goschen.} but all were rudely shocked by the panic of 1866. This financial upheaval, like a bad dream, was quickly forgotten, and for the next seven years there was unbridled enthusiasm among the British investing public for bonds from abroad. This mania was fostered by an expanding and diversifying communications network, new organizational structures, and the widening attraction of the Stock Exchange.

By the 1860's the revolution in communications was so well advanced that it seemed the Earth was all but
shrinking beneath one's feet. Trunk lines were being completed, steam was challenging sail for dominance of the ocean, gaps in the world's submarine cable system were being closed, and the engineering pride of the century—the Suez Canal—was moving toward completion. With the increasing rapidity of commercial news, the average businessman perforce needed to be well-informed to be successful. In this capacity the telegraph was vital for supplying journalists with the latest intelligence. It also tightened the sinews of the diplomatic corps, bringing the far-flung agent into closer contact with home and with the business community. As for modern commerce, it is said to date from the submarine cable, which permitted the purchase and sale of goods before their arrival.\(^1\) Of even greater import to the English investor was the state of the press. Technically speaking, professional journalism was probably of higher quality in Great Britain than on the Continent,\(^2\) and with the removal of the paper duty in 1861, as well as the reduced mailing


rates for newspapers passed in 1870, the dissemination of knowledge was greatly enhanced. Advertisements of loans, reports of meetings, and price and share lists were readily available, as was a podium from which public opinion might be aroused. By 1876 the United Kingdom maintained 1,642 newspapers (320 of these in London) and 675 periodicals.¹ The financial press likewise prospered; joining the Bankers Magazine and the Economist were a number of journals, the most important of which were the Money Market Review (1859), the Investor's Monthly Manual (1863), the Bullionist (1866), and the Financier and Bondholders Register at the end of the decade.

The rising organizational tendencies toward consolidation and concentration were mirrored in the foreign loan market. An innovation in the purchasing of securities occurred in 1868 with the appearance of the Foreign and Colonial Government Trust. The object of this institution was to tap the potentially vast reserves of the small investors by offering shares at a moderate price and investing this capital in blocks of securities purchased in the open market. In the first two years the Trust paid 7 per cent

¹Money Market Review, XXXII (Feb. 19, 1876), 320.
The growth of journalism is illustrated in the comparison of the figures above with those of thirty years earlier; in 1846 the United Kingdom possessed 551 newspapers, 14 of which were daily publications.
and was so well received that in 1871 a second issue for £1 million in £10 shares, guaranteeing 6 per cent, was offered.\(^1\) The success of this enterprise was due both to the eagerness of the English public to reap large profits in a hurry, and to the Board which was selected to manage the organization's affairs. Among the most prominent of these gentlemen were Bertram Woodehouse Currie (of the private bank of Glyn, Mills, Currie and Company), Lord Westbury (a famous jurist), Philip Rose, and Eustice Cecil, M.P.\(^2\)

Emulation being the hallmark of success, it is not to be wondered that imitators soon appeared on the scene in spite of the deep suspicion on the part of the Exchange. In 1872 the Government Stock Investment Trust was born, with a seasoned leadership at the helm and a responsible body of trustees.\(^3\) While the Standard Trust

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\(^1\)Bankers Magazine, XXXI (May, 1871), 469-70.

\(^2\)The activities of Currie are discussed in Roger Fulford, Glyn's, 1753 to 1953, Six Generations in Lombard Street (London: Macmillan and Co., 1953), p. 163. Thomas A. Nash (The Life of Richard Lord Westbury, Formerly Lord High Chancellor, with Selections from His Correspondence [London: R. Bentley and Son, 1888], II, 187) mentioned Lord Westbury's place in the organization. Philip Rose was the personal solicitor and long-time friend of Lord Beaconsfield, and a principal member of the Corporation of Foreign Bondholders.

\(^3\)The Government Stock Investment Trust included two M.P.'s, A. J. Mundella and R. N. Fowler (a member of the Corporation of Foreign Bondholders).
Investment Corporation of the same year was floundering in obscurity, another company, the Government and Guaranteed Securities Permanent Trust, was making headway.\(^1\) With 1873 the loan market entered upon a downward course, but the trust movement persisted for some time longer. The Mortgage Debenture Government Securities Trust was set on foot in 1873, and was followed a year later by the Omnium Trust.

Here, of course, we are only enumerating the most important companies which dealt in non-domestic governmental stocks. There were many groups set into motion during these years involved in specialized investments, such as railways, deep-sea cables and municipal improvements. It will be necessary to return to these institutions again, for not only did their portfolios contain Egyptian securities, but their directors, in many cases, had ties with the Council of Foreign Bondholders.

Another stimulant to the British market, already touched upon, was the credit and discount companies through which the small investors could save the expenses of the contractor and deal directly with the borrower. Joint stock ventures were aided by a widening of the limited liability legislation. These brash young firms bullied

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\(^1\) A principal figure in this trust was Arthur John Otway, M.P., a man with large financial interests in Turkey who also served as a director of the Foreign and Colonial Government Trust.
their way onto the scene with abundant capital and offered the old regime, the "haute banque," competition. However, lacking the experience, the international connections, and the image of confidence and discretion of the older firms, these new associations usually embarked upon more risky operations which did not interest the prestigious houses.

As the 1860's drew to a close, London's financial strength was being underpinned by the rising number of well-known Continental banking names which began to adorn City doorposts. Joining Frühling and Goschen, the London House of Rothschild, the Baring Brothers, and others, were such newcomers as branches of Bischoffsheim and Goldschmidt, Erlanger's, and de Worms. These merchant banks were usually family affairs with ties throughout Europe—their clientele select, their reputation worth money, and their demeanor cosmopolitan, which usually made the English suspicious.

Although dealings in commodities might still be made to good profit, the real rewards lay in the floating of various government loans on Europe's bourses. Competition for these plums would have caused internecine struggle; therefore, the contractors also began to draw together to form syndicates. The pressure to syndicate a loan also came from the increasing frequency of major operations, which made it hazardous for one house to gamble its position.
on the reception of a single issue. By means of a syndicate, several financial institutions would contract with a government to place its securities before the public at a certain price. The difference between this issuing price and the contract price formed the profit for the syndicate. Naturally enough, the disparity of the two prices was in direct proportion to the credit of the borrower. The syndicate would itself pledge to take a percentage of the securities "firm," as their responsibility, but no member could negotiate his allotment until the combination disbanded. Initially, however, the loan was offered simultaneously on several bourses, with all transactions being carried out through the manager. At the conclusion of a stipulated period, the unsold stocks were divided among the participants, after which the price would begin to drop as each attempted to unload his shares for what they could fetch. With 1873 came the realization that the London market was saturated, and this method of governmental finance faded under the glare of notoriety. The Bankers Magazine declared that

the process of issuing them [loans] under the auspices of a syndicate has only recently come to the

1 "A Sketch of the History of Foreign Loans," Bankers Magazine, XXXVI (July, 1876), 519. This is one of the few articles on syndicates, and much of the above material is drawn from it.
knowledge of the public, and it is now no secret . . . that many of these bodies have yet on their hands large amounts of the various foreign loans of modern issue.¹

The Economist also frowned upon this modis operandi:

A Syndicate issue is probably tainted in itself; there is some intrinsic vice, and if it were not, the existence of the Syndicate raises a presumption that the price is much too high.²

To a great extent, the financial plight of Egypt in these years was traceable to this baneful mode of raising capital.

At bottom it was the rapid maturation of the stock market which drew to itself an ever larger public interest. In 1825 the official list of the Exchange encompassed thirty-four issues, and the operation of the institution was under the control of a handful of brokers and jobbers.³

The railway boom, the Limited Liability Acts of 1855 and 1862, and the new demands for English capital had greatly altered the character of Capel Court. By the 1860's, for many people Consols gave the temperature of the British Empire. It was to the Funds that the middle class first

¹Ibid., XXXIII (Nov., 1873), 1000.
²Economist, XXXII (Jan. 17, 1874), 64.
looked for a secure investment. The Victorian bourgeoisie was a frugal lot, as the figures of the savings banks bear witness;\(^1\) they considered money placed beyond the pale of banks and Consols as nothing if not speculation.\(^2\) Advanced elements of the middle class were, however, being drawn into a wide range of investments, and this trend continued to broaden into the 1870's as new legislation in education and property rights began to take effect.\(^3\)

By prudent selection one could have purchased securities in the home market with an income equaling that to be derived from foreign stocks. But this mania which developed in the late 1860's was not a matter of logic. It was difficult to resist the alluring prospects held out by such offerings as the "Iquique and la Noria, Pizagua and Obispo and Junction Railway," "Colorado Terrible Load Mining Company," or the "New Sombrero Phosphate Company." As competition increased, so did the risk to the buyer. This "unappeasable appetite for foreign stocks and securities"\(^4\) might be indulged in by private

\(^1\) Leland H. Jenks, *Migration of British Capital to 1875* (New York: Alfred A. Knopf, 1938), p. 255. In 1830 bank deposits stood at £30 million, while in 1866 they were £350 million.

\(^2\) Powell, p. 465.

\(^3\) Ibid., p. 466.

\(^4\) "English Capital and Foreign Securities," *Bankers Magazine*, XXIX (June, 1869), 626.
individuals, but was not to be countenanced as a safe banking practice. The Economist also warned of the serious danger of rash foreign lending, and thought the businessman should be content with 5 per cent instead of potentially larger profits on the Exchange. Although deception and fraud were rife and many suffered, the figures for the 1870's show that one did not become rich by treading the safest paths. High risk brought high interest, and "despite the extensive defaults of foreign government loans, it is probable that, prior to World War I, if not since, this expectation was on the whole realized." Although the decade of the seventies was not particularly good for the investors, the average yield on non-domestic government bonds was 4.4 per cent, while the Funds paid 3.8 per cent.

As is so often the case, it is not the rule that beckons to one's interests, but the exception. Defaulting governments there were, ready enough to break faith, and in that knowledge lay the raison d'être of the Council of Foreign Bondholders.

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1 Ibid., 627.
2 Economist, XXVII (April 30, 1870), 529.
3 Borchard, p. xxvi.
4 Cairncross, Home and Foreign Investment, p. 230.
CHAPTER I

THE CORPORATION OF FOREIGN BONDHOLDERS:
FORMATION AND OPERATION (1868-1876)

The first foreign loan raised in England was done in the name of the Emperor of Austria in 1706 for £500,000 at 8 per cent.¹ Britain's purse was not at the disposal of every borrower, for under Walpole it became a crime to lend money abroad without Governmental authorization. This proved no particular handicap since, in balance, England was a debtor nation in the eighteenth century and was herself importing capital.²

The decade of the 1820's was a significant era for the foreign government securities market. From 1818 to 1830 twenty-five government loans were enthusiastically received in London; this was the age of the triumph of nationalism

¹Money Market Review, XXX (March 13, 1875), 310.
and liberalism, towards which Britishers were sympathetic. As matters fell out, sixteen of these loans went into default, with the result that this mode of investment sank into disfavor for many years.¹ This distrust was such that the policy of most savings institutions was to avoid the purchase of foreign securities, and in the case of the London Joint Stock Banking Company, the prohibition was included in its charter of 1836.²

Until the advent of the Council of Foreign Bondholders the only recourse which creditors possessed in dealing with defaulting states was to unite behind a committee of defense.³ These self-appointed bodies had little knowledge at their disposal; being temporary, they usually commanded little backing and were often dominated by the contractor of the loan who, naturally enough, was torn between the holders' complaints and the defaulters, from whom future business was expected. In addition, the


³Most defaults, at least in these years, were not total abrogations of contractual responsibility by the borrowing state, but rather a partial default involving modifications or deletion of particular clauses.
contracting agent felt most fit to handle the problem, and wished to be on the spot to discourage any legal action involving his house. In other instances the bondholder might find more than one committee acting in his behalf. Speculators for the fall, often possessing none of the securities in question, might establish a committee sprinkled with a few well-known names, and attempt to come to an agreement which would bring profit only to the coterie whose scheme it was and to the defaulter. At any event, the decline in the value of stock which accompanied any suspension or irregularity in the payment of the dividends worked to the advantage of the speculator and debtor, who could make large purchases at low prices. Ad hoc committee solutions had shown themselves unsatisfactory, and the *Money Market Review* voiced the general belief that

> there are many objections to the system of relying exclusively upon special committees formed, from time to time, of holders of some special class of security. Such committees are rarely brought into existence until the evil which they are instituted to redress has been already done.\(^1\)

This dissatisfaction with the system of independent committees was the central consideration of the founder of the Council of Foreign Bondholders, Mr. Isadore J. Gerstenberg. While gathering support for his projected organization,

\(^1\)Money Market Review, XVII (Nov. 7, 1868), 424.
Mr. Gerstenberg plumbed the attitudes of the investing community on several issues. The remarks upon the old methods of protection were pointed. In a letter of October 13, 1866, to Mr. Gerstenberg, William Hartridge remarked:

Of Bondholding Committees, as ordinarily constituted, I may say that thirty years' observation has led me to the conclusion that they were merely representatives of speculators.¹

Mr. Maxwell Turnbull, an erstwhile chairman of a Venezuelan Committee of Holders, related how his efforts were made nugatory by internal dissension.² No wonder, then, that when the call went out for the framing of a bondholders' institution, these special committees should be characterized as bodies which "frequently failed to exercise that influence on Foreign States, or obtain that attention, from the Home Government, which are indispensable conditions in the complete fulfillment of their aims."³

The growing importance to the nation of investments abroad, including those in government stocks, was becoming obvious, and the future members of the Council were ever

2 Maxwell Turnbull to I. Gerstenberg, Dec. 9, 1867. ibid., p. 53.
3 Ibid., p. 3.
prepared to expound, by means of statistics, the considerable interests which they claimed to represent. Considering the scope of foreign investments, it would have been most unusual had not some central society been erected.

The year of the Council's birth, 1868, was marked by an intensive wave of speculation, which doubtlessly aided the efforts of Mr. Gerstenberg. Not all of these offerings were sound; in fact, "there had taken place in a few years before 1872, frequent issues of loans for foreign countries so-called, which were only disguises to plunder the public." Matters were confused by a spectrum of opinion expressed by the journals, which perplexed rather than clarified, and by the woeful dearth of information possessed by the public on the existing loans. For some holders, 1868 proved an educational experience as Italy and, more importantly, Austria took steps to alter unilaterally their contractual obligations. The Money Market Review advised:

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1Imlah, p. 75. The author has compiled a table for British foreign investments from 1815 to 1914, including estimates on yearly dividends.

2Powell, p. 533.

3Robert Giffin, Exchange, quoted in Clarke (p. 32).

Under any circumstances, we ought for the time to button up our pockets. We have been far too free with our money, as this growing spirit of repudiation clearly shows, and we must teach the foreign debtor that there is a limit to our endurance.

But this was merely knotting the purse-strings after the pound was gone. The remedy which was shortly to emerge was the Council of Foreign Bondholders.

To the onlooker of 1868, it might have seemed surprising that the impetus behind a bondholders' society should be a man whose bread was earned on the Stock Exchange. Few then or later have impuned the sincerity of Mr. Gerstenberg's motives, though subsequent experiments in reshaping the lineaments of the organization were to generate hostile criticism. For some time Mr. Gerstenberg had been caught up in the plight of the English creditors, energetically championing their cause both in the press and at their meetings. Accordant associations

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1 Ibid., XVI (June, 1868), 659.

2 List of Members of the Stock Exchange (1863) (London: E. Couchman, 1862). From 1862 on, Mr. Gerstenberg was a member of the Exchange, but due to incomplete lists available to the author, this date might be set back as far as 1859.

3 As Chairman of the 1862 Venezuela Bondholders' Committee, Mr. Gerstenberg vigorously defended the creditors with techniques which were anticipations of those to be used later. In these years prior to 1868, Gerstenberg and Mr. George Joachim Goschen first became acquainted when the latter took up the cause of the holders in Parliament (Money Market Review, XIV [May 18, 1867], 598).
with investors, fellow brokers and contractors were obvious assets when he began to gauge opinion as to the feasibility of establishing his proposed institution. The means of garnering support took the form of a letter-writing campaign launched in July of 1866. From the mass of correspondence which was exchanged during the next two years, a pair of overriding questions thrust their way into the foreground, namely: how was the Council to be financed, and what would be the character and nature of those who would fill an executive capacity. Mr. S. Vardon, in a letter to Mr. Gerstenberg, stated that despite the shortage of talented individuals who could donate their time to a bondholders' society, the problem of obtaining adequate funds would be worse. Eventually the thorny matter of money did become a most destructive issue in the Council's history, and led to deep division and open hostility, which greatly hampered the association's power of action.

The suggestions which Mr. Gerstenberg reaped from his harvest of missives exhibited the broad scope of thinking on this topic. It was recognized by many that a general fund might be a necessity, and that an obligatory

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1S. Vardon to I. Gerstenberg, Sept. 1, 1866, Gerstenberg, p. 39.

2Lawford Richardson to I. Gerstenberg, July 19, 1866, ibid., p. 24.
"penny in the pound" might be "cheerfully" given to a Council as a good investment.¹ Less optimistic appraisals were advanced by the Rothschilds as they warned that voluntary contributions by the holders would be the wisest policy;² from Paris, M. Maurice Aubry advised that a tax for services rendered ought only to be resorted to when a loan had floundered.³ In the years that followed, all of these ideas were adopted at one time or another, as the disbursement of funds for the Council's operations grew ever greater.

Those who addressed themselves to the question of the personnel of the contemplated organization agreed that there should be no remuneration for the staff. Mr. Moxon, himself a member of the original Council, argued for absolute honesty and no "jobbing";⁴ others envisioned the executive body as a "court of honor."⁵

¹ W. T. Ingall to I. Gerstenberg, Aug. 22, 1866, ibid., p. 37.
² Baron Rothschild to I. Gerstenberg, Aug. 9, 1866, ibid., p. 30.
³ Maurice Aubry (of Price and Devot) to I. Gerstenberg, Sept. 29, 1866, ibid., p. 43.
⁴ Thomas Moxon to I. Gerstenberg, Aug. 14, 1866, ibid., p. 33.
⁵ Maurice Aubry to I. Gerstenberg, Sept. 29, 1866, ibid., p. 43.
or as "trustees"\(^1\) for all bondholders. Nurtured by hopes such as these, sentiments for the projected society began to mount.

By the autumn of 1868 Mr. Gerstenberg had produced enough interest to warrant a general meeting to discuss the implementation of his plan. The tempo of events in this year had graphically illustrated the vulnerability of the English creditors. Spain, Venezuela, and Mexico, along with others, had already violated their bonds, and joining the parade were Italy and Austria, who had arbitrarily modified their loan contracts and had imposed special taxes of 8 per cent and 16 per cent, respectively, upon their foreign creditors. These partial defaults excited a general call for action.\(^2\) Italian and Austrian bondholders' committees were formed, and they, in concert with existing independent committees, found themselves at least temporarily in agreement with the concept of a unified authority. The Foreign and Colonial Government Trust, which held £1 million in securities of various descriptions (including Austrian), also encouraged the formation

\(^1\) Edward Redman to I. Gerstenberg, Sept. 29, 1866, ibid., p. 51.

\(^2\) Mr. Gerstenberg was personally interested in the Dual Monarchy and sat as a director of the newly-formed Anglo-Hungarian Bank (D. Morier Evans, ed., The Banking Almanac, Directory, Yearbook and Diary for 1873 [London: Richard Groombridge and Sons, 1873], p. 250).
of the Council, and the collaboration between these two was such that the former was always heavily represented in the Council. ¹

Another possible ally to the Council lay in the contracting houses and their agents. But to some of these gentlemen a bondholders' association posed a threat which could damage business. They wondered what pretensions Mr. Gerstenberg entertained. Mr. Edward Redman, one of those whose opinions had been solicited, warned that it was unreasonable to require approval of loans by the Council before issuance to the public. ² This view was strongly seconded by Charles Bell ³ of I. Thomson and N. Bonar and Company, a contracting establishment:

The Council would be beneficial, provided it were composed of influential persons, and ... that interference with the business of loan contractors would be inadmissible. ⁴

¹In addition to Philip Rose, the Foreign and Colonial Government Trust supplied such Council members as Francis Bennoch, Augustus Abraham, and George Bentinck.

²Edward Redman to I. Gerstenberg, Oct. 19, 1867, Gerstenberg, p. 51.

³Charles Bell (1805-69), a Conservative M.P. for London, was chosen as a member of the first 'Council' for the bondholders (The Times of London, Feb. 11, 1869, p. 6).

⁴Money Market Review, XVII (Nov., 14, 1868), 457.
Although such an idea had never been entertained openly by Mr. Gerstenberg, he was nevertheless looked upon with misgiving by many in the issuing business. The air was at last cleared when Gerstenberg wrote an open letter to The Times in which he stated:

The cause of the Council has met with almost unanimous support, only some of the loan contracting houses seem to fear that it might interfere with them and look upon it as a kind of supervision over their operations.¹

This, he declared, was not their objective. It was decided to invite all firms who would, to close ranks with the bondholders, and a motion to that effect was presented and assented to at the initial meeting on November 11, 1868.² Such a decision was both wise and imperative, since several of these City men were sympathetic to the aims of the new group, or if not that, considered it prudent to remain on amicable terms with, or even to join with the bondholders, until the general drift of public opinion could be ascertained.

As a would-be organizer of an investors' protec-

¹The Times, Nov. 14, 1868, p. 8.
²Money Market Review, XVII (Nov. 14, 1868), 457. This journal covered in detail the General Courts of the Corporation and was considered by Mr. Bishop as "practically the official reporter of the Council" (William Henry Bishop, The Corporation of Foreign Bondholders: A Narrative [London: Effingham Wilson, 1901], p. 10).
tive society, Mr. Gerstenberg recognized that the cooperation of the "great" in the world of finance would assure success. On July 11, 1866, he sent a draft copy of his proposals to the House of Baring for their perusal. In two days their response arrived:

As contractors of loans, and representatives in many cases of Foreign Governments and of Bondholders, we do not think it is desirable for us to offer an opinion as to the expediency of the plan suggested or to make any observations which might in any way influence the decision of a matter which we think should be left to the spontaneous action of the Bondholders.¹

Despite this reply, Mr. Thomas Baring promoted equity for the bondholders and assisted them both before and after 1868.² There was hope of much assistance from the London Rothschilds, but here too caution prevailed. While affirming their belief that many of the terms

¹Baring Brothers to I. Gerstenberg, July 13, 1866, Gerstenberg, p. 23.
²For a time Thomas Baring was the chairman of the New Granada Bondholders' Committee, and in addition, his firm had aided Mr. Gerstenberg's Venezuelan Committee by enlisting the Dutch Government in its behalf in 1866. Upon the death of Thomas Baring in 1873, the Council praised the assistance he had rendered in the formation of the Corporation (Corporation of Foreign Bondholders, First Report of the Council of the Corporation of Foreign Bondholders for 1873 [hereafter this and succeeding annual reports of the Council will be abbreviated For. Bondh. Rep., date]][London, 1874], p. 51.
forced upon the creditors "would never have been listened to if such a Committee as you suggest had existed," the head of this illustrious firm declined at the eleventh hour to chair the opening session of the Council. But where the giants dared not walk the lesser came more readily. George A. de Worms, of the house of the same name, saw the projected association as a force to "strengthen the hand of the contractor," and hence he openly supported Mr. Gerstenberg. By late autumn of 1868, more backing had been gained by the adhesion of the General Credit and Discount Company, represented by Mr. J. Macdonald, its General Manager, as well as I. Thomson and N. Bonar and Company, Louis Cohen and Sons, and Messrs.

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1 Baron Rothschild to I. Gerstenberg, Aug. 9, 1866, Gerstenberg, p. 30.

2 The Times, Nov. 5, 1868, p. 5. The paper remarked that up to this date it had been expected that Baron Rothschild would hold the seat of honor.

3 George A. de Worms was selected to sit upon the first Council of Foreign Bondholders but was forced to withdraw when the Government sent him on a mission to Austria in 1869. From this vantage, he continued to help the bondholders by transmitting messages to the London Committee from Vienna. (In all cases where source material is not indicated for biographical sketches of 'Council' members, information has been drawn together from financial journals of the time.)

Horstman and Company. Participation in the Council's activities did not mean that the loans which these houses had issued, or would issue, were any safer for the bondholding public.

The greatest buttress, without exception, was the Stock Exchange; from its ranks came the majority of the organization's membership. The brokers certainly could provide needed information, wrote one of their number to Mr. Gerstenberg, and on November 12, 1866, the plan was laid before the Committee of the Stock Exchange. Mr. Francis Levien, Secretary of the Committee for General Purposes, responded:

Your communication enclosing a copy of your letter to Messrs. Baring Brothers has been duly considered by the Committee for General Purposes, who have directed me to inform you that, in their opinion, the proposed council if properly organised and supported by influential capitalists, is calculated to be of very great advantage to the interests of the holders of foreign bonds.

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1 Money Market Review, XVII (Nov. 14, 1868), 457. Thomson, Bonar and Company was well represented on the Council, with Mr. Gerstenberg himself having close business connections with them.

2 Thomson, Bonar and Company had a discredited Peruvian loan on their hands, as well as the Guatemala 6 per cent loans of 1869 which also went into default. Mr. Gerstenberg's name appeared on the advertisement for this latter offering.

3 F. Campion to I. Gerstenberg, July 24, 1866, Gerstenberg, p. 28.

4 Mr. Francis Levien to I. Gerstenberg, Nov. 21, 1866, ibid., p. 47.
Since much of the new association's labor was complementary to that of the Exchange, and considering the number of brokers who were to hold positions on the Council, it was only by chance that the Corporation was not completely absorbed by Capel Court. "Nothing but positive want of space," wrote the *Money Market Review*, "can have prevented the Stock Exchange from making necessary provision from its own staff, and on its own premises."  

In one other direction, aid was to be found for Mr. Gerstenberg's scheme, but although this assistance could be powerful, it was also mercurial. The financial press in this period was in general accord regarding the necessity for some protective society for English creditors of foreign governments. The *Money Market Review*, the most tenacious of the Council's defenders, first advocated a bondholders' league in 1867. When the Council became a reality, no other journal devoted more space to its affairs or stirred up more flagging enthusiasm than did this periodical.  

The *Economist* gave grudging approbation, although

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1 See Table 1 in the Appendix.
3 *Ibid.*, XV (Sept. 28, 1867), 323.
it feared that the holders' bellicosity might drag the
nation into war. Even The Times appeared in the bond-
holders' camp and observed that honest countries would
benefit from any measures which kept defaulters from the
market. Generally speaking, Mr. Gerstenberg was pleased
with the publicity and acknowledged this by moving a
resolution to thank the press at the meeting on Novem­
ber 11, 1868.

All the principal publications had carried the
announcement of the forthcoming assemblage of bondholders
for November 11, and consequently the throng was such
that many had to be turned away. Chairing the meeting
was a man who had befriended the English creditors in
the past, and whose path was to cross theirs again,
Mr. George J. Goschen, M.P. Having entered the family
concern of Frühling and Goschen in 1858, he acquitted
himself so well in financial affairs that he was made a
member of the Bank of England at the age of twenty-seven.

1 Economist, XXVI (Nov. 14, 1868), 1300.
2 The Times, Jan. 26, 1869, p. 5.
3 George Joachim Goschen (1831-1907) was born in
England of German Jewish parentage. After graduating
from Oxford in 1853, he spent two years in Granada be­
fore returning to London to enter into business. But
his calling lay in politics. By 1868 he had already
held the posts of Secretary of the Board of Trade, Chan­
cellof the Duchy of Lancashire, and Secretary of the
Poor Law Board (Dictionary of National Biography [here­
Press, 1917- ], 134-40).
In 1863, he successfully contested a City seat in Parliament and politically supported Lord Palmerston. While in Commons he demonstrated his sympathy with the Venezuelan holders; thus, in all respects, the appearance of Mr. Goschen boded well for the nascent society.

The outcome of this opening session was the unanimous adoption of four resolutions which set the machinery into motion for the creation of the bondholders' league. The first resolution, aptly enough, was proposed by the founder and chairman-to-be, Mr. Gerstenberg, and read:

That in the opinion of this meeting, the formation of a council for the purpose of watching over and protecting the interests of holders of foreign bonds is extremely necessary and desirable.¹

The next motion was proffered by Mr. H. B. Sheridan² and called for the loan contractors to be welcomed into the new league. The third resolution which was presented by the most venerable of the advocates of creditor unity, Sir Provo Wallis, dealt with the financial aspect of the scheme under debate, and stated:

¹The Times, Nov. 12, 1868, p. 4.

²Henry Brindsley Sheridan, M.P., had assumed the Chairmanship of the Mexican Bondholders' Committee in 1867. In the following year he was one of the key individuals who came forth to support the Council.
That this meeting recommends and will support the adoption of any reasonable and practical plan for defraying the necessary expenses that may be submitted by the council hereafter and the holders of foreign bonds, when such council shall have been duly constituted.¹

Finally, Colonel Beaumont² moved that those who had summoned them should constitute themselves as the first 'Council' with power to add to their number, and that they should set to work to prepare rules and regulations for the governing of the projected institution.³

On February 2, 1869, the bondholders reconvened to approve the measures which had been educed from the resolutions of the previous year. The honorary chairman on this occasion was Mr. Robert W. Crawford, who, like Mr. Goschen, was an M.P. for London. The major items on the agenda were the ratifications of the by-laws and the confirmation of the first governing 'Council.' This

¹The Times, Nov. 12, 1868, p. 4. Sir Provo William Parry Wallis (1791-1892) was a naval hero of the Napoleonic Wars who lent color, solid respectability, and a title to the makeup of the Council. He ran away to sea in 1804, and by 1877 he had risen to Admiral of the Fleet. Although he remained on the Executive Committee of the 'Council' until his eighty-seventh year, he seldom put in an appearance in London after 1870 (DNB, XX, 603-604; see also John G. Brighton, Admiral of the Fleet Sir Provo W. P. Wallis: A Memoir [London: Hutchinson and Co., 1892]).

²Colonel (later Major General) R. H. I. Beaumont was another who added stature to the first 'Council,' although not a City man. He did not participate actively in its functions but remained at his post until his death in 1874.

³The Times, Nov. 12, 1868, p. 4.
was speedily accomplished. The 'Council' contained fourteen members, three of whom were Members of Parliament, and was a representative sampling of the main elements in the organization--large investors, brokers, and contractors--with the chairmanship accorded to Mr. Gerstenberg.¹

For the next few years until incorporation in 1873, the Council tasted both success and discomfiture as it discovered the extent of its influence. Optimism and energy of purpose marked this period, as various techniques and services to assist the bondholders were developed. Circumstances also reinforced the idea that in defending a particular interest, "ultimately a group seeks to influence those institutions which carry the power of decision upon its demands."² But the influence necessary

¹The Times, Feb. 3, 1869, p. 5. The first 'Council' was composed of the following members:

Col. R. Beaumont
Charles Bell, M.P.
G. Bentinck, M.P.
E. Philip Cazenove
George de Worms
*Isadore J. Gerstenberg
H. R. Jameson

*Sir Francis Lycett
Thomas Moxon
Philip Rose
*George Schlotel
H. B. Sheridan, M.P.
*Admiral Provo Wallis
Thomas M. Weguelin

Those with an asterisk were on the Executive Committee of the 'Council'; Mr. Weguelin was added later in 1869.

to treat with a sovereign state removed the problem to
the rarefied atmosphere of international law. The
Bankers Magazine had definite ideas on the power to
be exercised by the English holders:

No more than moral pressure can ever be brought
to bear; yet this pressure, concentrated and intelli-
gently directed, is likely to achieve better
results than threats or official action could
accomplish.¹

Being the "conscience of the loanmongers"² no doubt
lent prestige to the body, but being pragmatic men,
they also knew that self-interest caused defaults and
only a larger draught from the same cup could alter
affairs. To achieve this end, a variety of procedures,
none of them foolproof, were available and upon these
some time will now be spent.

At first glance one might expect, as did many
who purchased the bonds of foreign governments, that
the payment of the yearly dividends rested on a legal
base and not merely upon the good faith of the borrower.
In fact, however, the loan was only a debt of honor, for
the contract could not supersede the sovereignty of the

¹Bankers Magazine, XXXII (Feb., 1872), 79.
²Jenks, p. 288.
nation. Other lines of argument (some of which were discussed at Council meetings) were advanced on the legal nature of such government borrowings, but all foundered on the shoals of state sovereignty. Even the prospectus, although fraudulent, was adjudged an advertisement rather than a contract, and *caveat emptor* was in force. A state could, of course, allow itself to be sued in England, but in all particulars of the case, the law in the debtor country would be applicable. But in the last analysis, no court decision can bind a country to any action it chooses not to take. The most solid claims could be rejected by English courts on jurisdictional grounds, while the cost incurred in obtaining the occasional victory over a broker, or agent, was repaid only by the satisfaction of bringing a swindler to book.

Legal options were possible, however, where the borrower

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1 In 1877, the Court of Chancery supported this view in Twycross vs. Dreyfus. This decision was to have a direct impact on the Egyptian creditors (Borchard, pp. 155-56).

2 A discussion of this topic is available in the volume by Borchard (pp. 161-72).

3 This was decided in 1869 in C. Weguelin (of I. Thomson and N. Bonar and Company) vs. Smith; see *Bankers Magazine*, XXIX (July, 1869), 762.

4 The case of Egypt which created much trouble for the Khedive Ismail is a peculiar exception to this rule.

5 *Macmillan's Magazine*, XXXII (May, 1875), 94.
was a municipality or other national political sub-
division. Many American states were counted among the
defaulthers in these years, which meant the Council
could defend the holders' interests by appealing their
cause as far as the United States Supreme Court. In
such matters, Mr. Hugh McCulloch, who became a member
of the 'Council' in 1873, and who was described as
"unquestionably one of the highest financial authorities
in the United States," was prepared to represent the
English creditors. ¹ When incorporation came, the group's
concern in this direction was illustrated by its creating
the post of Foreign Legal Advisor and appointing to it
Mr. Aubrey Mauriarty of the Inner Temple. The following
year the position of Standing Law Advisor was added. ²

Of more immediate import to the Council was the
success of the press in producing a favorable milieu in
which the Corporation could operate. Upon the default

¹Mr. Hugh McCulloch (1808-95) was born in America
and served as Secretary of the Treasury under both Presi-
dents Andrew Johnson and Chester Arthur. He came to Lon-
don in 1870 where he established a banking firm, and, having
joined the Council, made several trips to his homeland for
the English creditors (The Times, May 27, 1895, p. 6).

²In 1864 Thomas W. Snagge (1837-1914) passed the
bar. Ten years later he became Standing Law Advisor to
the Corporation of Foreign Bondholders, and from 1881 to
1883 was junior counsel to the Board of Trade.
of a country, the English creditors would make application to the Council to take up the matter. Should these petitioners constitute a significant number of the holders, a meeting of protest would be convened, if size permitted at the Council headquarters. At these gatherings a committee of bondholders would be elected in conjunction with the Council which would guide their efforts towards a settlement, be they appeals on moral grounds, attempts at negotiations, or resorts to sterner measures. Through all of these phases the press played a vital role. By giving notice of meetings, by publishing letters and articles on the erring borrower, by reproducing the complaints of the investors in full, and by supporting the decisions arrived at, the journals, if not supplying the bite, at least provided the bark for the creditors.

Albeit special pamphlets and publications might be resorted to, the Council never forgot its vote of thanks to the press, and at the General Court of the Corporation of Foreign Bondholders, February 29, 1876, the Deputy Chairman Sir John Lubbock observed that without

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1 Max Winkler, "Defaults and Repudiations of Foreign Loans," *Foreign Policy Association Information Service*, IV, No. 11 (1928), 238. The author enumerates eleven types of default based mainly on modifications of either the interest, principal, or sinking fund.
journalistic exposure, the organization's usefulness would be greatly impaired.¹ "Society cannot capitulate to one group,"² but the "campaign," or appeal to general sentiment, was a natural aspect of interest group tactics. Channels of communication did not exist in the nineteenth century between Parliament or the Cabinet and the interest group, and therefore a greater emphasis was placed upon this mode of indirect pressure than was the case later.³

The most injurious weapon the defaulter had been able to wield upon the ranks of its creditors was the sword of divisiveness. National organizations of bondholders generally were disinclined to act in harmony with their confreres in other lands, and so the borrower could play group against group, often with remarkable success. If international unity could be achieved and the wayward debtor be confronted by a phalanx of determined investors, an agreement would be that much closer. Accordingly, Mr. Gerstenberg sought to prepare the soil on the Continent for movements similar to that which he was sowing

¹Money Market Review, XXXII (March 4, 1876), 283.
²Stewart, p. 123.
³Ibid., pp. 120-25. Mr. Stewart argues that the "campaign" or appeal to the public is something which nowadays is only undertaken as a last resort where large issues hang in the balance.
in England. Initial inquiries were promising. Mr. Prosper Vande Velde of Paris thought the concept of a league of bondholders would meet with universal approval in France and elsewhere,\(^1\) and in fact Le Financier in 1868 urged that Frenchmen should heartily support the London endeavor.\(^2\) Of greater value was the endorsement of the principles of the contemplated council by L. H. Weetzen, Chairman of the General Committee of the Amsterdam Stock Exchange.\(^3\) Less sanguine news arrived from Berlin where Mr. Gerstenberg’s correspondent lamented that at the moment it was impossible to obtain either men or contributions; nevertheless, as soon as a default to Prussian creditors should occur, a committee would no doubt be established and be placed in contact with London.\(^4\) As time was to prove, national differences between fellow creditors were not to be removed, and organizations similar to the Corporation were

\(^1\)Gerstenberg, p. 31. Prosper Vande Velde, of the House of N. Herbault, agent du change, Paris, wrote to Gerstenberg on August 11, 1866, to this effect.

\(^2\)Hamza, p. 158.

\(^3\)L. H. Weetzen to I. Gerstenberg, Sept. 9, 1866, Gerstenberg, p. 41.

\(^4\)Julius Alexander to I. Gerstenberg, Aug. 21, 1866, ibid., p. 38.
not to take root on the Continent for many years.\textsuperscript{1} Although bondholder co-operation was not customary, still the Council continued its efforts in that direction. As it reported in 1873:

\textit{The Council have not been unmindful of invoking the attention of their continental allies to the common danger, and they believe that they are justified in stating that there will be full accord in dealing stringently with those who do not meet the claims upon them in a fair spirit to the best of their power.\textsuperscript{2}}

Within the reach of the vigilant creditors of a defaulted loan was always the possibility of closing the world’s money supply to the offending nation. If achieved, this action could be extremely effective. In many cases default had occurred because poverty-ridden states had been duped by promoters; in others, the willful violation of contract was the cause, and here the likelihood of settlement was in proportion to the damage done by the breach of contract. If internal pressures caused by the suffering of home commerce were severe, or if another loan was desired, an obstinate borrower would see the wisdom of removing the heretofore immovable

\textsuperscript{1}A Chamber similar to that of the Council of Foreign Bondholders was set up in Paris at the request of the Finance Minister in 1898, while in the same year a similar institution was established in Belgium. Germany did not acquire such an organization, however, until World War I (Borchard, p. 212).

obstacles to a rapprochement between himself and the bondholders. This assumed, of course, that the British Stock Exchange would co-operate and that other bourses would follow suit, neither of which could be counted upon. Article 61 of the Rules of the Stock Exchange did provide the bondholders with a remedy:

The Committee will not recognize new bonds, stocks, or other securities issued by any foreign government that has violated the conditions of any previous public loan raised in this country, unless it shall appear to the Committee that a settlement of existing claims has been consented to by the general body of bondholders. Companies issuing such securities will be liable to be excluded from the official list. 1

As a matter of fact, the Exchange had been closed to certain offenders in the years preceding 1868. 2 But on balance these seizures of activity were rare and occurred after much publicity or when it suited the brokers to intervene. Pleading a dearth of information, the sanctity of contracts, or the undesirability of their passing judgment upon the merits of a loan, the Stock Exchange Committee permitted states who had already broken faith to offer their wares to the British public, and only with the sudden demise of the loan mania did

1 Borchard, p. 173.

2 Powell, p. 618. In 1866 Russia was dropped from the official list of the Exchange for tampering with the loan of 1859. In 1867 the State of Massachusetts was also refused a quotation.
Capel Court come under widespread criticism. As the British money market grew in stature, the weight of the Stock Exchange likewise grew in importance, and in the case of Egypt, the bondholders' position vis-à-vis the Khedive Ismail was greatly strengthened merely by the co-operation of Capel Court alone among the world's bourses.¹

Finally, the ultimate authority from whom the investors might expect aid against the defaulter was Her Majesty's Government. Unlike present-day politics with its proliferation of vocal interest groups, the nineteenth century did not afford any machinery for consulting with various factions of English opinion before embarking upon a chosen policy. In these circumstances, the Council was obliged to carry its cause to the Government's doorsill as well as it could. Personal interviews at the Foreign Office, correspondence with the secretaries, questions in the House, and publicity given to meetings of protest all were employed to catch

¹ Nonetheless, should a country choose to defy its creditors, it could do so without retribution as long as an external loan was not needed. An illustration is the case of Mexico, who was closed out of the world's money markets by the Council's efforts from 1876 to 1886 (Edgar W. Turlington, Mexico and Her Foreign Creditors [New York: Columbia University Press, 1930], p. 11.
the Government's attention. There were even plans for creating a permanent Parliamentary Committee to represent the holders, but this idea was never fully implemented.\(^1\) In general, the resort to Government was a step taken only after careful consideration, for the Council was of two minds as to what role, if any, Downing Street should assume in bondholder affairs. The Corporation usually requested introductions for bondholder representatives to foreign dignitaries preliminary to negotiations, and the transmission of memorials to defaulting states, and, on special occasions, importuned the Foreign Office to take up the cause of the English creditors in earnest.\(^2\) The latter course was definitely the exception, but deep-seated clan and communal feelings made the individual bondholder believe that his government at the last would not turn its back on his distress, should trouble arise over a loan.

Hence, the Council in 1868 could not entertain very hopeful views on the assistance which would be afforded from Her Majesty's Ministers; on the other hand,

\(^1\) Money Market Review, XXIV (Jan. 20, 1872), 90.

\(^2\) Many other services might also be provided by British agents abroad, such as collecting hypothecated funds for their nationals, or even acting as representatives for bondholder committees. For a list of the officials whom the Corporation found most helpful, see Corp. For. Bondh. Rep., 1873, p. 50.
neither was pessimism in order. Although it was true that England's "response has been none too sympathetic," still "it has seldom remained completely indifferent to the treatment of its nationals by a defaulting foreign government."¹ At the very least the Government normally wished to be kept informed of developments, and could even be induced to assume a decisive stance when it appeared that English creditors had been singled out as recipients of flagrant acts of injustice.² It was clearly understood that these interpositions were unique, and that the British investor ought not turn to the Foreign Office every time a contract was violated. The attitude of the Government in these years was spelled out in the famous Palmerston Circular of 1848, which read in part:

It is therefore simply a question of discretion with the British Government whether this matter should or should not be taken up by diplomatic negotiation, and the decision of that question of discretion turns entirely on British domestic considerations. . . .

The British Government has considered that the losses of imprudent men who have placed mistaken confidence in the good faith of foreign governments would prove a salutary warning to others, and would prevent any foreign loans being raised in Great Britain, except by governments of known good faith and ascertained solvency.³

¹Borchard, p. xxiv.
²Examples of British action on behalf of her creditors can be cited in regard to Spain in 1824, Mexico in 1861, and Venezuela in 1862.
³Borchard, p. 234.
In the face of this situation, many adherents to the Council still felt that through the intercession of their new organization, Government would become more hospitable to investors' requests.

Some representative opinions were reflected in letters to Mr. Gerstenberg by J. A. Franklin, Hyde Clarke, and E. Jeggins. Mr. Franklin was a firm proponent of "timely" appeal to Government and used his personal influence in behalf of the bondholders. ¹ Mr. Jeggins, who was to become one of the perennial figures at Corporation meetings, expected that a watchful Council would assure that "British representatives at Foreign Governments would be more likely to render us energetic assistance, in compliance with the instructions from our Government." ² Mr. Hyde Clarke was not as confident, and thought more in terms of self-help, as he argued:

Nothing can be a greater mistake than to rely too much on the sole exertions of Her Britannic Majesty's diplomatic agents, however able, however willing, or however influential they may be. ³

Those most eager for diplomatic aid were men of strong character who had won their spurs by grappling with de-

¹J. A. Franklin to I. Gerstenberg, July 5, 1866, Gerstenberg, p. 25.

²E. Jeggins to I. Gerstenberg, Aug. 18, 1866, ibid., p. 36.

³Hyde Clarke to I. Gerstenberg, Jan. 5, 1867, ibid., p. 48.
faulters in person; H. B. Sheridan, M.P. for Dudley, at the November, 1868, meeting termed "listless" the Government's policy in defense of her subjects who had invested in foreign securities.¹ Seconding Mr. Sheridan, and bringing the audience to life, Mr. Gerstenberg said that

he certainly thought the rights of English bondholders ought to be protected by the Government of this country, and he was sure such protection would be granted if the bondholders continued to demand it with perseverance and unanimity.²

Mr. Goschen, in his closing remarks as chairman of the meeting, said he believed that moral influence was all very well and good, but felt constrained to state that it would be damaging as regarded the result of the meeting if it was considered that the meeting had endorsed the opinion that it was the duty of the English Government to compel foreign governments to pay debts which they had incurred to British subjects.³

With this remark the afternoon's activities terminated, leaving with the members the impression that the Council was off on a proper tack. Mr. Sheridan, however, fearing lukewarm support from the new association, withdrew his

¹ *Economist*, XXVI (Nov. 14, 1868), 1300.
Mexican Bondholders Committee within a few months and launched his own vigorous campaign.

Over the next several years a number of bondholder grievances were brought to the Council's notice and were handled with varying success. Government taxes upon stock purchases and the periodic rash of canards publicly telegraphed and posted to affect the securities market were matters which naturally interested the investor; but, as expected, the defaulted loan was the primary bugbear.¹

In 1872, the Council compiled its first report, in which were outlined its achievements, as part of its propaganda effort to win support for incorporation.²

The most successful of these operations was the settlement of the Austrian loan. All the elements for a triumph were there: an energetic and experienced committee,³ the closing of the Stock Exchange to the Dual Monarchy,⁴

¹Winkler, p. 237. Writing in 1928, the author states that over half a century earlier, 50 per cent of the foreign government loans on the London Exchange were in some state of default.

²A summary of the report may be found in the Money Market Review (XXVI [Jan. 18, 1873], 67).

³The chairman was Mr. Gerstenberg's second-in-command, Thomas M. Weguelin, and also present W. H. Bishop of the Exchange, and Drummond Wolff of Primrose League and Fourth Party fame, who was an able financier interested in Egypt.

⁴Money Market Review, XVIII (June 5, 1869), 579.
a nation which was willing to negotiate, and a person who devoted time and money to gain an arrangement. In addition, the aid of the Foreign Office was enlisted. The Council transmitted a memorial to Government asking for "friendly representations" at Vienna, which were given. The arrangements were also quite remunerative to the Council, which received a commission, and this in turn had a direct bearing upon the reorganization of the society and its incorporation, for it was evident that protecting bondholders could bring handsome rewards. But this led to the tacky problem of which investors the Council represented. In an open letter Hyde Clarke laid the problem before the public. One million pounds sterling of the Austrian securities were held in England, yet only half of the holders had come forward to help in the common cause. Those who had been content with taking whatever

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1Actually it was half a state--Hungary wanted a settlement, for it wished to float a new loan immediately.

2The hero of this episode was Mr. W. H. Bishop, who received profuse thanks from the Council for the part he played (Bishop, p. 36).

3Money Market Review, XVIII (March 13, 1869), 271.

4The Times, Dec. 21, 1871, p. 5.

5"Certificates of claim" against the amount withheld by the Austrian Government were given to those who participated; by presenting these later, the holder received a cash payment.
the Dual Monarchy gave now wished to share in the gained benefits. The resultant hard feelings all around were to be experienced again by other casts of characters, for financial necessity, spiced with a soupçon of avarice (according to the Council's detractors), forced the association generally to act as an agent on commission in behalf of a minority of the holders.

Other noteworthy successes were also won. In 1872, the hypothecations on two Turkish loans, guaranteed by the Porte in accordance with the contracts but ignored since their signing, were successfully contested by the Council, and a Commission was set up to assure that the breach would not be repeated. In this struggle the firm support of The Times was of great assistance. In addition, a Roumanian Railway loan was settled with Bismarck's help, and an 18 per cent tax on Spanish securities was forestalled. Efforts also had been made in behalf of

1 Committees for the Turkish 1858 and 1862 loans were to remain in London and be given the reports of the hypothecated revenues from the Imperial Ottoman Bank. Council members, including the secretary Hyde Clarke, were represented.

2 The Times, Aug. 2, 1872, p. 10.

3 Ibid., Nov. 18, 1871, p. 7. Clarke was able to bring the majority of European bourses into line for joint action against Spain.
the holders of Venezuelan, Liberian, Italian, and Greek bonds, with little to show.

If steady financial support was the dominant concern of the Council, the next highest requisite was the reorganization of the institution into a legal entity. The case of the Honduran Ship Railway Loan of 1872 provided an example of the sort of accusations which could be levelled at the Council upon this head. In May of 1872, Mr. Clarke publically questioned the feasibility of the construction of a railway line across Honduras for the purpose of transporting steamships from ocean to ocean. Captain Bedford Pym, special commissioner for the Honduran Government, angrily attacked the Council at an assembly of holders which saw Mr. Clarke shouted down by those in attendance. The glib Captain made the most of his situation and declared:

Gentlemen, you must see which way your interests are served, and I have no earthly doubt you will

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1 The activities of Mr. Clarke upon this loan are laid out in a series of letters between the Council and the contractors, Messrs. Holderness and Nott, which are reprinted in The Times (Dec. 25, 1871, p. 7).


3 Captain Bedford Pym was shortly to be placed in a French prison for representing this loan in Paris. By the summer of 1872 most of the South American offerings were beginning their downward trend.
act accordingly, but Gentlemen, I should not be acting with perfect frankness if I did not point out to you—painful as is the subject—the great mischief which has been inflicted on your property by the action of a self-constituted body styled the "Council of Foreign Bondholders." ¹

But long before the summer of 1872, the machinery for change had been set in motion towards incorporation.

As 1871 drew to a close Mr. Gerstenberg and company were busily engaged in the task of renovating their institution. The handicap of being a private group, coupled with the trickle of dependable income, forced the Council to the decision that a fund or trust must be created to meet the needs of the organization. ²

¹_Money Market Review, XXV (July 27, 1872), 103._

This criticism was expanded in a letter from the Honduran Minister Plenipotentiary, S. Carlos Gutierrez, to Mr. Clarke in which he said:

"I beg to inquire whether the Council of Foreign Bondholders is an institution established or recognised by the English law as having ex officio or otherwise a right to call for information from the representatives or the agents of any foreign Government in regard to financial operations, or is it a mere private trading enterprise? Of whom does the Council consist? By whom, when, and how, is the Council elected? Are the duties and responsibilities of the members and the Council governed by any Royal Charter or other instrument to which the public can have access?"

²_The prospectus for the new society was published in 1871 and gives the regular income as three pence in the pound voted by the New Granada Committee, and one penny in the pound from the Turkish 1862 Committee._
A new sign was hung out—"Foreign Bondholders Association"—and to advertise its altered character, a prospectus was issued in which subscriptions to the new league were solicited. A Councilhouse was also selected at 17 Moorgate Street, which was to remain the headquarters of the Corporation for almost a century.¹ The prospectus was an appeal for the laudable goal of bondholder solidarity, and indicated that all profits from loan settlements, commissions, and the like might be divided among the members.² The shares were offered at £100 apiece, definitely not for the small investor, and brought with them lifetime membership in the organization. A statement was procured from Lord Granville, the Foreign Secretary, that the Association would "be of great utility to the Foreign Office, by enabling it to treat with a responsible body,"³ and the financial press considered it a good thing. But subscriptions were slow in coming in, and only 10 per cent of the goal of 1000 members had been reached by late

¹The Times, Jan. 15, 1872, p. 7. The building was taken from Huth and Company on a forty-five year lease.

²Money Market Review, XXIV (Jan. 20, 1872), 90. The prospectus pointed to the windfall received from the Austro-Hungarian arrangement and to a possible Spanish settlement which might produce as much as £75,000 for the Council's coffers.

³Ibid.
January of 1872. As in the past, the stock brokers, viewing this as a speculative venture, were the primary participants and as such stimulated the general tendency toward multiple purchases by partnerships and family concerns. When it became known, however, that the Association was seeking a Royal Charter, interest in the shares immediately grew apace.

Incorporation by Royal Charter was not to be realized, for although Lord Ripon (the Lord president), as well as other ministers, was disposed to help, the scheme perished in Cabinet.¹ Despite this disappointment, another option was suggested: that the Council might retain its profit-making intentions if a private bill providing limited liability could be gotten through Commons. Here, too, the way was blocked. As the solicitors reported to Gerstenberg:

On one point, which was a sine qua non, viz., that the liability of the Members of the Corporation should be limited, we came to the conclusion that Parliament would not sanction such a condition, and after very careful search for precedents of any such conditions having ever been incorporated in a Private Bill, none could be found, and we are of opinion that such a

¹Corp. For. Bondh. Rep., 1872, p. 7. This document, quoted in Borchard (p. 205, n. 31), stated that

"the petition was presented to Her Majesty, and referred to the Privy Council, but although several ministers were in favor of granting it, the Cabinet decided against it, being unwilling to establish a precedent."
condition will not be likely to be permitted by Parliament.¹

Affairs were now deteriorating rapidly. It was obvious to the Council that incorporation could only come about by constituting themselves a non-profit organization and notifying all subscribers to that effect. As the list of members shortened,² the founders quickly moved to save the situation. A license was procured from the Board of Trade under Section 23 of the Companies Act of 1867. By this means the Corporation of Foreign Bondholders was established for the public good and thus was allowed to enjoy a limited liability position without the word "liability" actually appearing.

On August 1, 1873, the Corporation came into existence, replacing the old Foreign Bondholders Association. In many respects nothing had changed. Familiar faces still dominated the key posts, the powers of the new body were in no way enhanced by incorporation, and the meager assets with their concomitant claims, plus the Moorgate Street address, formed the patrimony. In general, then, the

¹Ibid., p. 9 (quoted in Borchard, p. 205, n. 32).

²According to W. H. Bishop (p. 16), one third of the subscribers withdrew on the rumor of a negative decision on the promised Royal Charter.
Corporation was the old Council writ large. The differences which appeared lay in organizational form, the expansion of personnel, and the acquisition of the fund composed of the £100 subscriptions; each of these will be dealt with in turn.

The documents which defined the objectives and organizational structure of the Corporation were the "Memorandum and Articles of Association," and the "Rules and Regulations" for 1873. The Memorandum enumerated the objects for which the society had been formed and included a restatement of the posture of 1868. The first priority was still watching over and protecting the rights of the holders of Bonds, Obligations, Debentures, and other Securities of a similar character issued by Foreign Colonial Governments, Municipalities, Public Companies, and especially of Foreign Bonds negotiated and issued in London.

Since adequate information was crucial to wise investment, a second object was "collecting and preserving full information with reference to such securities, in the form best calculated to be clear and accessible to the public." The

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1 Corporation of Foreign Bondholders, "Memorandum and Articles of Association," Great Britain, Public Record Office (hereafter PRO), Board of Trade (hereafter BT) 31/1884/7528. All references to the Memorandum or Articles are found in the source above. The "Rules and Regulations" of the Corporation for 1873 are to be found in the British Museum, and, of course, references to Rules are found in this document (Corporation of Foreign Bondholders, "Rules and Regulations," [London, 1873]).
Corporation undertook to collect money for the creditors and to obtain settlements with the help of the press and the Stock Exchange, and also intended to map out principles for future loans and for conversion of issues in default.¹

At the heart of the Corporation was the governing 'Council,' which was expanded from a dozen or so under the old system to a maximum of thirty members (Article 32). The Articles and Rules of the organization spelled out and fortified its dominant position: the 'Council' was to be directed by a chairman and two deputy chairmen (Article 32) and was to remain in office for five years (Article 34), after which time half of its number were to retire, although all might be re-elected (Article 35), and thenceforth four of them must be reaffirmed each year. The 'Council' possessed the authority to fill its own vacancies, as long as thirty days' notice was allowed for the presentation of objections (Article 38). Aside from the General Court held annually, the 'Council' met quarterly for transacting ordinary business. Absenteeism was such that a quorum of seven was sufficient to carry on

the business of the 'Council' (Article 40). Under these circumstances the Executive Committee, consisting of no more than fifteen, with a quorum of five (Rule 10), had a virtual stranglehold on all aspects of the Corporation's activities.

The 'Council' decided when a meeting of bondholders should be summoned (Rule 32), and possessed a preponderant influence upon the committee which was selected at such a gathering. Control over the committees was complete, and no independence of action was permitted. Men who wished to sit upon these bondholder committees had to submit their names in advance (Rule 39), so that the Corporation fathers could make their selection (Rule 40). To promote unity of purpose, the chairman of the organization was ex officio chairman over all committees (Rule 41); if this prerogative was not exercised, the chair was occupied by a gentleman appointed to that duty by the 'Council' (Rule 43). Tranquillity was further insured by the placing of 'Council' members on all committees under its jurisdiction, usually matching the financial interests of the man with the particular loan in default. Table 1 illustrates this system in practice. The average committee size was eighteen members--twenty or more if the group had

1 All tables appear in the Appendix.
been constituted outside the organization, closer to
twelve when established by the Council, and with the
chairmanship preordained and the ubiquitous Hyde Clarke
as secretary, and the fact that all assemblages were
held, when possible, at the Councilhouse, a fairly firm
control over affairs could be maintained. In these
isolated instances where committee opinion appeared
mutinous, formal appeals could be made to the 'Council,'
to a meeting of the holders involved, and if necessary,
to a General Court of the Corporation (Rule 50).¹

By maintaining an appearance of unity and by
quieting their own carping committees, the Council hoped
to entice the remaining independent bondholders' groups
under the roof of Moorgate Street.² Some of the independ­
ent committees did prefer to remain aloof, but by 1872
the Council had made common cause with nine committees,
and this figure grew as the number of defaults

¹A rare example of the defeat of the wishes of
the 'Council' occurred at a meeting of the Spanish bond­
holders. Mr. Gerstenberg and the committee were overruled
by a vote of 700 to 9 on the issue of accepting half pay­
ment on three coupons in arrears (The Times, Jan. 2,
1875, p. 7).

did not openly attack the independent committees, but did
warn the public of their drawbacks (as described above,
p. 23).
multiplied.¹

The addition of personnel, as the second important modification of the Foreign Bondholders Association, was accomplished by creating several posts which, albeit not demanding in their labors, could be useful to the membership. Of these the most important were the Advising Engineer, the Standing Law Advisor and Draftsman, the Notary, and some staff for the Secretary.² In the latter instance, by adding to the secretariat a greatly prized objective could be attained, namely the establishment of a Reading Room which would contain information, valuable to the members, on all descriptions of loans. Countries were asked to donate any books, pamphlets, or other materials of interest to investors, to the Council's library, which in time received quite

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1. Money Market Review, XXIV (Jan. 20, 1872), 90. Among those which remained apart were the Erie Shareholders' Protection Committee, the Peruvian Bondholders' Committee (chaired by Sir Charles Russell, staunch friend of the English holders), and the Mexican Bondholders' Committee which had withdrawn from the bosom of the Corporation for a time.

2. Thomas Rumball initially held the position of Advising Engineer, but in 1874 he was also given the appellation of Legal Advisor. As a member of the staff he worked closely with the 'Council' and sat on bondholder committees.

The first Standing Law Advisor and Draftsman was Thomas W. Snagge (see above, p. 43, n. 2).

S. H. Schergis was made Translator and Superintendent of Records, while two amanuenses were provided for Mr. Clarke.
an extensive collection. This facility alone should have been sufficient to win the good will of the investing public, who were generally welcome.

Abroad, too, the Corporation set about to extend its network of paid agents so that information could be made available to the membership as quickly as possible. With the aid of such gentlemen, letters of introduction might be obtained for those having business overseas, and if necessary, the agents might also serve as sentinels over the creditors' interests. In several instances, as in those of Colombia, Costa Rica, and Spain, agents of the British Government also assisted the bondholders by giving advice, transmitting communications, and even collecting money due on coupons. Votes of thanks to various Government officials were a regular occurrence, though only a few in the diplomatic service were conversant with or greatly interested in financial affairs.\(^1\)

The agent for the Levant, including Egypt, was a private person, Captain Stab. A former English officer in the Crimean War who had become a land owner in Smyrna, he

\(^1\)One of the exceptions was A. H. Layard, the Ambassador for England to Spain during the early years of the Corporation. He helped found the Imperial Ottoman Bank, then served as its first chairman, and while in Madrid he gave his fellow nationals helpful support in financial matters.
already had assisted the Council for some years. A later Chairman of the Corporation, Mr. Bouverie, described Stab as one who was "familiar with all the inner life and machinery of the Porte." ¹ It was from this source that the 'Council' gained local news of the Ottoman Empire.

The greatest change in the Council's prospects lay in the financial condition of the institution. The Corporation came into existence with a fund of £60,280 and every intention of husbanding their resources for the future.² As with all else in the Corporation, the 'Council' had a tight grip on the common assets which were obtained from the sale of the £100 permanent memberships in the organization, which would be redeemed at 5 per cent per annum when surplus allowed. As indicated in Rules 8 and 23 through 25, the Finance Committee of the Corporation would be chosen from the 'Council,' would include the chairman of the organization, who had an extra vote in case of ties, and would meet monthly to administer the balance sheet. In addition (Rule 51), no debt could be contracted by a committee without the permission of the 'Council.'

¹Bouverie to Granville, May 18, 1880, Great Britain, Granville Papers PRO FO 30/29/148.
It was hoped that ordinary expenses might be met, and a profit might also accrue to the Corporation, from various means. One idea was to offer lifetime and annual memberships at £120 and £10 respectively, although these would be in all ways inferior to the original permanent certificates.\footnote{Money Market Review, XXXVI (May 4, 1878), 435. At the General Court of May 2, 1878, Bouvier said that only £266 had been realized through lifetime and annual subscriptions up to that date.} A good return was also looked for by investing the fund in what Mr. Gerstenberg called "high class securities."\footnote{Ibid., XXVIII (Feb. 28, 1874), 275.} These investments were never itemized on the skimpy balance sheets laid annually before the General Court, and only after intensive questioning were facts pried from the tight-lipped executives. The 'Council' based its silence upon an unwillingness to be questioned on the merits of one security over another, as well as the potential repercussions in the investing community at large should it be known what lay in the Corporation's portfolio. What emerged in time was that part of the stock held by the Council was obtained as payment from defaulters for the settlement of bondholder grievances,\footnote{Among those securities held by the Council were Spanish 4 per cent, Colombian, and Venezuelan stocks.} as will be noted elsewhere. Although the investments
seemed to produce a favorable remuneration, still the institution did possess its share of poor stock.\footnote{Money Market Review, XXXVI (May 4, 1878), 435. It was disclosed at the meeting of May 2, 1878, that the Corporation had suffered a loss of £4,966 on its Peruvian holdings. Five years later at the March 1 General Court of 1883 the Chairman stated that three of seven securities they held were below par—Hungarian Bonds, Metropolitan 3 Per Cent Stock, and Spanish 4 Per Cent.}

Other services which were also to produce revenue were the hiring out of meeting rooms and staff, and agency work for loans done on commission. Most important, of course, were the rewards to be reaped for the settlement of bondholder claims. The question of payment was set forth in Rule 64:

The expenses incurred by the Corporation in the arrangement of a foreign loan under default, and a fair and moderate commission (applicable towards the public objects of the Corporation, and the gradual re-payment of the funds advanced by the permanent members of the Corporation), shall be paid by the Government with which the arrangement has been effected. In cases where that condition cannot be fully obtained from such Government, the Council will urge its partial compliance, failing therein, the expenses and commission shall be paid by the bondholders, by \textit{pro rata} contributions.\footnote{Corporation of Foreign Bondholders, "Rules and Regulations," p. 10.}

This was the seed of eventual weakness. How were the holders to be prevailed upon to be eleemosynary when the defaulting government could not pay; what was to be done with those bondholders who would not cooperate with
the Corporation but would share in victory; and, should there be a profit, what was to become of it? But in 1873 these problems were still at a distance, and the membership were willing to wait and to read what they liked into the language of their leadership.

Despite the legal obstacles to any division of profits under the arrangement of incorporation, some members still believed that eventually a regular dividend would be forthcoming. This misunderstanding had stemmed, no doubt, from the Council's prospectus of 1872 which had proclaimed that the organization would be "not only self-supporting, but [would] amply repay the members."¹ Although fully aware of the situation, Gerstenberg and others were not always clear upon the future of the organization's capital.²

Thus far we have interested ourselves with the early history of the Council before 1868, the powers

¹Circular issued by the Foreign Bondholders Association, London, 1872, quoted in Borchard, p. 204.

²Money Market Review, XXVI (Nov. 29, 1873), 615. The chairman at the meeting on November 27, 1873, said:

"The question had been asked, 'Suppose a large amount should flow into the hands of the association, after having paid off the original subscriptions with interest, what would you do with the money?' Well, the Council acted generally on this principle—'First catch your hare, and then eat it.'"
available to it for defending the English investments in foreign countries, its successes in the first four years of operation, and finally, the move to incorporate with its concomitant financial and structural effects. From time to time it has been necessary to introduce certain members of the 'Council' of the Corporation, but a closer inspection of its membership would now be useful.

When the Corporation came into being in August of 1873, there were 667 members\(^1\) with a single share per person, the stipulated maximum allotment, but, given the option, 119 had withdrawn by November.\(^2\) With bonds of £100 each, the appeals of the association were not directed toward the general public or the small investor but toward an influential minority who would compose the cadres of leaders behind whom the ranks of the bondholders could form in case of default. To be a permanent member was now characterized as an honor,\(^3\) with the tender question of

\(^1\)Money Market Review, XLVI (March 3, 1883), 357. The chairman at the 1881 General Court said there were 658 permanent certificate holders (ibid., XLII [March 5, 1881], 316).

\(^2\)Corp. For. Bondh. Rep., 1873, p. 7. All those who had purchased more than one share or certificate of permanent membership were given the choice of electing another individual for each additional share, or returning the surplus shares to the Council for refund. Upon incorporation, 119 certificates were returned for refund.

\(^3\)Ibid.
undivided profits put well into the background; membership was perpetual, transferable, and remained even after the bond had been drawn and the principal and 5 per cent interest had been paid. Mr. Gerstenberg was optimistic in his goal of 5,000 additional annual and lifetime subscribers for the near future.¹ No doubt this would have demonstrated real grassroots support within the investing community. The decline of the securities market which had already begun, the inquiries into the Exchange, and uncomplimentary publicity all were to dash such hopes. No attempt at an analysis of the entire membership of the Corporation will be undertaken at this time. In the main, this body was comprised of brokers and private gentlemen, with clerics, doctors and retired military men being well in evidence. Real power did not reside in the general body, but in the 'Council,' and hence a discussion of its make-up would be more to the point.

From 1869 to 1882, a total of forty-seven men sat on the governing body of the bondholders' organization. Before incorporation the leadership was maintained at about a dozen men, while the 1873 by-laws permitted an expansion to thirty. As the 1870's progressed, the 'Council' was

¹The Times, Nov. 28, 1873, p. 6.
slowly reduced again in size to about twenty, which seemed, by common agreement, to be a comfortable number with which to work. The average length of service was slightly over six years for the thirteen-year period, while the average age of a new member was fifty-four years, a time of life which could offer physical vigor with an admixture of experience. In selecting men for the 'Council,' the organization sought out those persons who would be most helpful in the accomplishment of the goals of the society. Influence, a knowledge of the City, good character; these were the qualities which were most highly prized. In addition, a sympathy with the 'Council's' policy was also desirable so that internal friction could be kept at a minimum. Table 2 indicates various careers to which 'Council' members had devoted their lives—where no occupation could be discovered, or where long retirement existed, the term "gentleman" has been used. Private investment bankers were the most numerous, with a total of seventeen, equalling the sum of the next two professions, gentlemen (nine) and stock brokers (eight). Rounding out the list were five military men, three each in law and commerce, two government officials, and a railway contractor. The table further suggests

1Table 2 in the Appendix lists the 'Council' members and their terms of service in this period. Mr. Clarke is also included, for after the chairmanship, his position was next in importance.
the level of influence and responsibility which was attained by many on the 'Council' in finance, as reflected by the number of posts which were delegated to their authority; the table also encompasses their membership in related non-profit organizations. Such connections with other societies demonstrated a diversity of interest and a potential for extension of influence and group cooperation.1

Another aspect of the 'Council' in these years that illustrated its potential weight was the high percentage of M.P.'s present at its board. As Table 2 shows, fourteen of the 'Council' sat in Parliament between 1869 and 1882. Determining the political complexion of the Corporation fathers is difficult, but of those who can be identified, the Conservatives held an eleven to seven edge over the Liberals, with one Whig and one Unionist-to-be, and two apoliticals from Canada and the United States.

Interest groups then, even more than today, appreciated men with governmental experience who could provide most valuable service to a society if for no other reason than by the prestige which redounded to the group. Unfortunately, the parliamentary oratory of these M.P.'s was rather spare and was rarely addressed to issues which interested the Corporation.

1Such cooperation was evidenced at the end of the century when the Corporation was reorganized; the London Chamber of Commerce as well as the London Bankers' Association elected representatives to the 'Council.'
From the discussion of the development of the Corporation of Foreign Bondholders thus far, it is clear that both in inception and in organization the group was instigated and maintained by a few individuals of energy who believed in the utility of what they did. Bearing in mind the anti-group feeling in the nineteenth century, and particularly the antipathy shown towards bondholders, it is not strange that a few members should hold a paramount position in an age when solidarity hinged upon the presence of strong personalities. Every association has its dominant spirits, a minority who contribute the driving force and who usually possess the intensive perspectives of their group, whereas the rank and file usually have significantly varied and split involvements in their groups.

Albeit equality existed as far as the number of shares went, the concept of *primo inter pares* was at work. At the General Court of 1876, Mr. Dickson, a permanent certificate holder, took umbrage at the Chairman's assertion that some in the society had more influence than others.

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2 Ibid., 113.
whereupon a deputy chairman, Sir John Lubbock, replied that those who labored most unceasingly for the organization, and who consequently knew the most about international loans, did possess greater weight.¹ For no other person than their Secretary was this a more fitting description.

Hyde Clarke (1815-95) was born in London, and was employed at an early age in diplomatic missions to Spain and Portugal. In 1836 he turned his considerable talents to the planning, surveying, and engineering of the Glasgow and Southwestern Railway, and in the same year founded the London and County Bank. His interest in telegraphy led him in 1849 to accept a mission, from the East India Company, to India to report upon the subcontinent's communications network, where he not only became a supporter of Anglo-Indian solidarity but also advanced his studies in languages. His travels, which were extensive, led him many times through the Middle East, an area to which he devoted much attention in his writings (which included works on languages, political economy, statistics, railways, finance, and international law) and in his linguistic studies.²

¹Money Market Review, XXXII (Feb. 24, 1876), 283.
²The Times, March 7, 1895, p. 10. It was said that Mr. Clarke was familiar with approximately 100 languages, and that those of the American Indians and the "Orient" were his specialties.
Fully a decade before the Council was to become a reality, Mr. Gerstenberg had confided in Mr. Clarke his plans for a bondholders' association and had stated his conviction that the assistance of the latter in that event would be essential. Clarke's interest in the protection of investors was not exclusively linked to the purchases of bonds, for in 1868 he joined the short-lived Shareholders' Protective Association, designed to safeguard the rights of owners of joint stock company shares. In early 1869, Clarke assumed his post as Secretary of the Council of Foreign Bondholders--replacing the temporary office-holder, S. H. Schergis--and held it for over fifteen years. His labors on behalf of the bondholders were extensive and his letters were frequently seen in the financial columns of the press. With advancing years Clarke became less vocal, though he still strove for the protection of the English creditors, and on his leaving the office of Secretary in 1884, he still felt strongly about the organization's aims: "An institution of this kind could not depend on any individual, but on the ap-

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1 Money Market Review, XLVIII (Feb. 23, 1884), 290.

2 For example, at the General Court of 1875 Mr. Gerstenberg remarked that their secretary had not had a holiday in the last year.
plication and observance of great principles."\(^1\)

Another member who played a large part in formulating the decisions of the Corporation was Francis Bennoch. He joined the 'Council' in 1873, and was immediately admitted to the Executive Committee. This gentleman had pursued a literary career, having been on close terms with several of the famous poets of the previous generation,\(^2\) and had successfully combined finance with belles lettres, as the catalog of his directorships bears witness. By 1874, it was apparent that Mr. Gerstenberg's health was fast giving way, and at the General Court of 1875 the Chairman announced his retirement. The burden, although shared by the Executive Committee, was in the main assumed by Mr. Bennoch, who was appointed Acting Chairman. This situation was not altered until 1876 when a new chairman was selected. Unhappily for the Council, it was during these years (1875-76) that a solid, dynamic, and unified hegemony was most needed.

From 1873 to 1882, the two positions of Deputy Chairman were held by three individuals, all of whom sat in the House of Commons. Thomas M. Weguelin (1809-85) had

\(^1\)Money Market Review, XLVIII (Feb. 23, 1884), 290.
\(^2\)The Times, July 2, 1889, p. 5.
allied himself with Mr. Gerstenberg's group in its infancy, taking a place on the Executive Committee; upon incorporation, he was made an officer of the new organization. For years Mr. Weguelin had been a merchant in the Russian trade, and had served as director of the Bank of England as well as Governor of that institution from 1855 to 1856. On retiring from Threadneedle Street in 1866, he took a position in the bank of Robarts and Lubbock, where his generosity to the clerks was long remembered.\(^1\) From 1861 to 1880, he represented Wolverhampton in Commons for the Liberal interest and was magistrate in Surrey.\(^2\) When the 'Council's' motives were attacked from within by dissident members, or when castigated from without by the journals, Weguelin was ever vehement in the defense of the organization and its aims.

By 1876 Weguelin's prolonged periods of illness made it necessary to select a replacement, which was done with the appointment of Richard Biddulph Martin (1838-1916) of the bank of Messrs. Martin and Company. He joined in 1875, replacing his father Robert who retired from the

\(^1\text{Ibid.},\ April 9, 1885, \text{p. 11.}\)

\(^2\text{Ibid.},\ April 8, 1885, \text{p. 10.}\)
Council,' bringing to the society wide business experience, a diversity of interest and civic and social connections.¹ In 1880 Mr. Martin was elected M.P. for Tewkesbury² and where possible used his influence, especially after the occupation, to assist Egyptian holders.

The last of this group to be mentioned is the second Deputy Chairman, Sir John Lubbock (1834-1913). Here, too, one finds a multi-talented individual whose interests ranged from finance to science. As a boy, he came into continual contact with Darwin, a friend of his father, and was employed at the age of fifteen in the family firm, Robarts and Lubbock. Lubbock's experience in the introduction of foreign loans via the family firm, combined with the difficulties encountered in his several capacities as representative of English capitalists abroad, led him, after long consultation with Mr. Gerstenberg, to utilize his influence for the formation of the Council of Foreign Bondholders. Robarts and Lubbock became the Corporation's bankers, and even tided the society over the

¹Richard Biddulph Martin was a member of the Anthropological Institute (as was Hyde Clarke), was involved in the city administration in London, and was a member of the Executive Committee of the City and Guilds of London Institute.

hardships of 1872. Upon incorporation, Lubbock assumed his office, and hence forward was to "exercise a preponderant influence in ... large and important operations ... undertaken by the Council of Foreign Bondholders."¹ He devoted much of his attention to the creditors' welfare and was angry when the disgruntled membership made sallies upon his reputation. He would not have joined the Council, said the Deputy Chairman at the 1876 General Court, if it was a profit making group.² Lubbock maintained this opposition to a division of the profits despite the fact that he and his relatives would benefit directly since they held between one-fifth and one-sixth of the original shares.³ But personal attacks upon Lubbock were rare, for he was well-liked and, as an opposition M.P. affirmed, "the honourable baronet was one of the most popular members of the House of Commons,"⁴ where he sat for Maidstone from 1870 to 1874, and then for the

¹Sir John Lubbock, later the first baron Avebury, became famous for his articles and books dealing with insects and plants. His correspondence throughout life was often with the most eminent men of science (Horatio Gordon Hutchinson, Life of Sir John Lubbock, Lord Avebury [London: Macmillan and Co., 1914], I, 112.

²Money Market Review, XXXII (March 4, 1876), 282.

³Ibid., LII (March 6, 1886), 401.

⁴Spectator, XLVIII (May 9, 1875), 587.
University of London, where he was also Chancellor. Politically he has been described as a "right-wing Liberal intellectual,"¹ while Lord Acton gave the following impression:

He has astonishing attainments and a power of various work that I always envy. And he is gentle to the verge of weakness.²

Such, then, were the men who, along with the Chairman and the others on the Executive Committee, made the major decisions for the Corporation.

A faction of the membership which almost always was in unison with the 'Council's' policy was the philanthropists. Such individuals were often accused, in this period, of deriving their greatest satisfaction from seeing their names on lists of numerous worthy associations, rather than from actual participation.³ But there is no need to impugn their motives, for indeed charitable activities were pursued by most of the Executive Committee members. Mr. Clarke, for example, was the treasurer of a fund for needy journalists; John Lubbock was famous for his efforts to


³Jerrold, p. 1086.
improve the lot of the clerks and, by securing a Bank Holidays Act (providing one holiday per quarter), heard the resultant days proclaimed St. Lubbock's Day in the City for many years. Any testimonials of cash value which Lubbock received he donated to educational institutions. E. Philip Cazenove (1799-1880), who founded his own brokerage firm and was a friend of the Rothschilds, was another 'Council' member who devoted his later life to philanthropy.\(^1\) Sir Samuel Montagu's labors were global in dimension.\(^2\) To round out the list was Arthur Kinnaird, tenth baron Kinnaird (1814-87), who was described by the Corporation as "one of the oldest and most valued members of the Council."\(^3\) He sat in Parliament until 1878, on the Liberal benches for Perth, and then entered the Lords where in philanthropy he was considered by many to be the successor to Lord Shaftesbury.\(^4\)

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\(^1\) *The Times*, Jan. 22, 1880, p. 8.


\(^3\) *Corp. For. Bondh. Rep.*, 1887, p. 12.

\(^4\) *The Times*, April 27, 1887, p. 9.
Many of the Corporation members also viewed this organization as a non-profit institution for the public good. A resolution was approved at the 1880 General Court allowing those who wished to forego their accumulated interest to come forward and receive their original £100; twenty-nine chose this course.¹

At the first Corporation meeting on November 27, 1873, Mr. Gerstenberg complimented the society upon its leadership and said that "if they searched through the whole City of London they could not easily find men of greater weight and influence."² It is impossible to gauge the social influence a particular group commands, but if titular distinctions were meaningful, then certainly the 'Council' was well endowed. Political influence can be almost as ethereal as social connection, and the two are often intertwined. Setting aside their importance as capitalists in the City, one might assert that whatever political influence the 'Council' possessed, and it never appeared to be considerable, was likely to be felt more by the Conservatives than by the Liberals; this, even assuming that Gladstone had no antipathy toward

¹Money Market Review, XLII (March 5, 1881), 316. Sixteen others only took 5 per cent of their interest, while eleven were satisfied with 10 per cent.

²Ibid., XXVII (Nov. 29, 1873), 616.
Lombard Street. Mr. Bouverie, a future chairman of the Corporation, though a Whig, was closer to the Conservatives in sentiment, as the summer of 1882 was to prove, while Sir John Lubbock, another who might be counted a Liberal, was to become a Unionist in 1886.

Turning from the converts, one can draw from the ranks of the "legitimate" Conservatives such men as Sir Robert N. Fowler (1828-91), who not only served as Alderman and Lord Mayor of London, and sat in Commons, but also reorganized the Conservative Party in the Metropolis.¹ Joining the Corporation in 1880 was another important Conservative, Robert Bourke, who had served as Under Secretary of Foreign Affairs for Derby and Salisbury.² His talents were used by the Council in 1881 when he was sent to Constantinople for the Turkish holders in the belief that a success akin to that which had occurred in Egypt might be the result. A more direct connection with Government was exhibited by the M.P. for Whitehaven,

²Ibid., Supp. 1, Vol.XXII, 199. Robert Bourke (1827-1902) was born in Ireland and held his peerage in that country. He occupied a seat in Commons for Kingslynn, which he represented for eighteen years. Bourke was a staunch opponent of Gladstone's policy from 1880 to 1885, and on the victory of the Conservatives in 1886 he was made Governor of Madras.
George Cavendish Bentinck. In 1874 he became Parliamentary Secretary for the Board of Trade, and in the following year was made Judge Advocate; he was one of those under the protective wing of the Prime Minister and could count on preferment.

Two other men very close to Lord Beaconsfield also had contact with the Council, one indirectly through financial dealings, the second more obviously. The former was Montagu Corry, private secretary to Benjamin Disraeli, who, because of the great man's distaste for detail, had very great power indeed. Mr. Corry, the main "social link" connecting the Prime Minister with the world, brought

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1 George A. F. C. Bentinck (1821-91) was a lawyer and art buff, and held a seat in the House for the Conservative interest from 1865 to 1891. He rarely spoke in Parliament, and ought not be confused with George "Big Ben" Bentinck, a colorful personage of the period (*The Times*, April 10, 1891, p. 7).


3 Montagu William Corry (1838-1903) was called to the bar in 1863, but was spared the usual fate by catching the notice of Mr. Disraeli (*DNB*, Supp. 2, Vol. I, 422).

him "all the gossip from the clubs and all the chatter from the drawing-rooms." In 1874 Mr. Corry became a trustee of the Foreign and Colonial Government Trust and joined a number of Corporation members in their task of safeguarding several million pounds of investments. At the least, the head of state from 1874 to 1880 could have heard first-hand of the impact of political decisions upon the investor, as well as the views of a society which claimed to represent him.

The second individual was Sir Philip Rose (1816-83), a neighbor of the Disraeli family in early days, and a personal friend, solicitor and executor to the British Prime Minister. Beginning in 1852, he became an electoral agent for the Conservatives, organizing support outside Parliament. He retired from this activity in 1859, under a cloud of scandal centering on corruption of election petitions. Generally a prudent and good advisor, Mr. Rose was rewarded in 1874 with a baronetcy as part of the spoils of victory. In recommending this distinction to the Queen, the Prime Minister said:


2 The Times, April 18, 1883, p. 12.

Mr. Philip Rose is the son of a burgher family of Bucks, which has existed in repute for more than two centuries. Mr. Rose is now the possessor of a fine estate in that county, of which he is a magistrate. He is a man of education, but entirely the creator of his own fortune. His life has been of singular prosperity; mainly owing to his combined energy and integrity, and to a brilliant quickness of perception.

Mr. Rose was an early supporter of Mr. Gerstenberg; in 1873 he was one of the three men who set their hands to the Board of Trade document which brought the Corporation into being. He was a director of the Foreign and Colonial Government Trust, and took an active part in bondholder affairs. When it was necessary, his influence and talents were available.

Taking all into account, however, the sum of the combined influence of all the individuals mentioned, were they to act in unison, would have dwarfed the power which the Council itself could exert for any cause. Influence in the nineteenth century was most often a matter

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1 Disraeli to Queen Victoria, April 17, 1874. Buckle and Monypenny, V, 297.

2 Money Market Review, XXX (Dec. 11, 1875), 639. At the meeting of the Turkish creditors on December 6, 1875, the chairman remarked that "Sir Philip Rose was instructed to prepare a draft letter to Lord Derby . . . and the consequence was that instructions were sent by Lord Derby to Constantinople to give every co-operation."
between individuals, too valuable and sensitive a link to abuse by constant stress, resort to it was reserved for cases of default in which there were either overriding personal or public ends to be served. Aside from this, even if the Corporation had represented a unanimity of purpose, which they did not, other factors such as public attitudes, national and international politics, and the like, would have given members pause before using private connections to gain Government support. In its first report, the Corporation stated that:

The Council have continued to receive from the Foreign Office favourable attention on the few occasions when they have requested assistance or information. These applications are made as seldom as circumstances compel, because it is not desirable to either cause trouble for Her Majesty's Government, or to seek its intervention for trivial purposes.¹

These guidelines were adhered to, and whatever benefits the Council gained from Government were sought via the front door.

This then was the 'Council' in broad relief: its organization, officers, and membership. To them were entrusted the cudgels for defense of the English creditors.

The reports for the first three years after incorporation indicated that there was much to occupy the

new organization, since defaults rose from thirty-four in 1873 to thirty-eight in 1875.\(^1\) The first year boded especially well for the Council. There were promising signs that a sister organization might be erected in New York,\(^2\) while on the Continent close cooperation with Belgian and Dutch holders had barred Greek loans, both public and private, from being raised. Successes were also won in America: an Arkansas railway loan was blocked when the Council showed there were no provisions for repayment; Minnesota was sued in the U.S. Supreme Court and the English creditors were victorious; and ardor for investment in the Mississippi Valley states was cooled by a letter from Clarke to the Manchester Chamber of Commerce, in 1874, describing the credit posture of this area. The Council was requested by a large number of banks, including the Bank of England and Rothschilds,\(^3\) to aid in pressuring Italy to live up to her

\(^1\)Powell, p. 501. In 1873 Professor Leon Levy estimated that £332,399,800 worth of loans were in full or partial default.

\(^2\)Money Market Review, XXVIII (Feb. 26, 1874), 273. At the General Court on February 25, 1874, the chairman announced that progress in this direction was being made and that Duncan, Sherman and Company was taking the lead.

\(^3\)The London Rothschilds had remained sympathetic to the objectives of the Corporation of Foreign Bondholders. Their decision not to join the Council in 1868 (suggests Jenks, p. 289) was due to the firm's deep involvement in both the Austrian and Italian defaults.
engagements. The Corporation library also fared very well, with its complete listing of drawn bonds proving most beneficial.

But the same period saw a rising wave of public hostility toward foreign government loans, the Stock Exchange, and loan contractors. At bottom this disenchantment was due to the promoters, with their bulging sack of tricks, who played hob with the gullible English speculators. Since there was a financial advantage in having a loan brought out in London,¹ large sums were expended to have the name of some important British house as agent on the prospectus, a practice which in fact victimized the investor. The bondholders quickly learned that in case of trouble, the agent was only the middleman and knew nothing of the country involved nor anything else about the loan. In this way, promoters (quite often syndicates) brought forth loans, à la Augustus Melmotte,² which they knew were worthless. City editors might be won

¹Clarke, p. 7. The author cites a German syndicate which profited by releasing its Hungarian loan at an issuing price 2 per cent higher on the prestigious London market than it would have fetched on the Continent.

²This character was created by Anthony Trollope in his novel *The Way We Live Now*, of 1875. Melmotte is a caricature of the Continental promoter who rose from obscurity to wealth and social standing by defrauding the public.
to the cause,\(^1\) banking friends and associates might buy and sell some of the old securities of the nation in question to create the impression of vitality, forged telegrams might even be posted at the Exchange to encourage sales,\(^2\) and most importantly, as much of the stock as possible had to be placed, both to avoid future lawsuits and to obtain a quotation on the official list. If needed, brokerage houses could be found, at a handsome price, to suggest the stock to their clients, or to hold the securities for a specific term in order to demonstrate to the Exchange that a market for the security existed. It was usually expedient to pay one or two coupons to the holders while the stock was being unloaded, but this was like feeding a famished dog a joint of its own tail. In this fashion £9.2 million (face value) of South American stock was lost to Englishmen by 1875\(^3\) after the panic of the first quarter of the previous year.\(^4\)

\(^1\)Westminster Review, XLIX (Jan. 1876), 8. Occasionally editors lost their jobs for "puffing" certain stocks too vigorously. An instance of this was alleged to have forced the resignation of a City editor of The Times. Jenks (p. 399) points out that in the 1870's The Times was often called the "Jew's harp" because of its favoritism toward Rothschild stocks.

\(^2\)Money Market Review, XXVIII (Jan. 3, 1874), 4. By 1874 the number of these fraudulent messages was increasing as the foreign securities market drifted lower.

\(^3\)Cairncross, Home and Foreign Investment, p. 228.

\(^4\)"A Sketch of the History of Foreign Loans," Bankers Magazine, XXXVI (July, 1876), 521.
The Times observed that the promoters had, in the English investor, an Aladdin's lamp, while the Economist blamed the public:

This set of peculiarly crafty sellers finds ready to its hand a race of peculiarly foolish buyers such as is not to be found in other markets.

Punch, in a cartoon entitled "Pickpocketing in the 'City,'" depicts the business of Foreign Loans and Accommodation Paper as they rob Mr. Englishman. There was even a sinister tone from Macmillan's Magazine:

You may abuse Her Majesty's Government, but the "City" is sacred; the "City" can pay for silence, if need be, as well as coerce refractory critics by methods of its own, and by legal terrors that are all the greater for being undefined.

To some the Council might have seemed part of a conspiracy; to others the Corporation seemed useless since it had neither stopped nor immediately retrieved the situation. People were calling for an investigation; with the number of brokers as members, the Corporation's position was a delicate one.

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2 Economist. XXXIII (March 27, 1875), 362.
3 Punch. LXIX (July, 1875), 60.
4 "Foreign Loans Committee," Macmillan's Magazine, XXXII (May, 1875), 94.
Less than a week after incorporation in 1873, Mr. Sheridan told a meeting of bondholders that there was not sufficient protection for the English investors in foreign securities, and that he proposed to bring the matter up in Parliament next session. Such a proposal raised many eyebrows, for it meant a possible interposition by Government in the sacrosanct precincts of free trade. But even the Economist, the old crusader for liberal economics, believed that where deliberate fraud was being used to mulct the public of their money, Government was obliged to act. The long-awaited investigation finally came in early 1875, when on February 23 Mr. Henry James moved

to enquire into the circumstances attending the making of Contracts for Loans with certain Foreign States and also the causes which have led to the non-payment of these Loans.

The resultant Parliamentary Committee, chaired by Robert Lowe, generally muddied the waters by summoning witnesses to public hearings which led to dirty linen becoming more

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1 Money Market Review, XXVII (Aug. 9, 1873), 193.

2 Economist, XXXIII (Feb. 27, 1875), 237.

soiled. The death knell for the loan mania was sounded. Brokerage firms, notably those of Mullins and Marshall, and of E. Cazenove, who had connections with the Corporation, were involved in the questioning. Mr. Clarke was also called to give testimony; with a sheaf of prospectuses, he illustrated the mischief that could be done by false advertising. Regarding the Committee of the Stock Exchange, he was of two minds, for as he later wrote:

While the Stock Exchange has justly earned the confidence of Continental investors by its severity on foreign governments guilty of breach of engagements, it has afforded facility and even countenance to the operations of adventurers.\(^1\)

Such opinions were not taken kindly by the denizens of Capel Court who found their livelihood the center of so much unwanted attention. On stepping down as Secretary in 1884, Mr. Clarke spoke of the great unpopularity which was his over the years as a result of his defense of the bondholders. He also strongly denied that he or any 'Council' member had ever speculated upon the knowledge they had gained from their positions of trust.\(^2\)

In the end, the investigation accomplished little and, as a magazine of the day observed, "throughout the report there runs, like a thread, the feeling that the

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\(^1\)Quoted in Clarke, p. 8.

\(^2\)Money Market Review, XLVIII (Feb. 23, 1884), 290.
powers of Parliament are unable to grapple with these protean forms of fraud."¹

Thus by the autumn of 1875, the Council, though well established, was undergoing both internal and external stresses, moving toward a period which would tax its resources. For the next half-dozen years or more, no area was to provide more fuel for discussion or printed matter than that encompassed by the Ottoman Empire. A part of this supposedly moribund state, Egypt, was a frequent borrower on the London money market, and a land whose fiscal irresponsibility was to bring it very shortly into contact with the Corporation of Foreign Bondholders.

¹Westminster Review, XLIX (Jan., 1876), 9.
CHAPTER II

EGYPT, 1863 TO 1876: BACKGROUND TO BANKRUPTCY

Between Golden Hook and Golden Horn

To epitomize the problems of the Egyptian Viceroy, Ismail Pasha, only two phrases are necessary: the "golden hook" of foreign finance with its attractive bait of ready money, and the "Golden Horn," a synonym for Constantinople, the seat of his suzerain. The former was an allurement which led to a series of ruinous loans, while the political grip of the latter led to a desire for independence, which could most easily be attained through baksheesh (gratuity). Thus, with two such lesions on the economic body of the state, little wonder that bankruptcy was the result. Before embarking upon this topic, it would be well to note the condition of Egypt, and the extent of English involvement there, at the time of the accession of its prodigal prince in 1863.

As the tide of battle slowly ebbed from the shores of Egypt at the opening of the nineteenth century, a new figure appeared, Mehemet Ali, who ruled from 1807 to 1849. He strove to bring prosperity to his land and set the Pashalik on an independent course. Although failure at-
tended his attempt to raise Egypt directly from a subsistence to a complex economy, nevertheless through the introduction of agricultural improvements, the intermediary export-oriented stage of development was reached.\footnote{Charles Issawi, "Egypt Since 1800: A Study in Lop-sided Developments," \textit{Journal of Economic History}, XXI (March, 1961), 4. The drain of capital abroad as well as the rising population meant that Egypt did not attain a "complex" economy until the 1930's.} In Egypt's case the exported commodity was cotton.

Diplomatically, Mehemet Ali was supported by France, who viewed Egypt as an area for her penetration. Since the Napoleonic Wars French had replaced Italian as the language of the educated and the foreigner; it was to Paris that the Egyptian ruler looked in 1840 when Europe stripped him of Syria, his prize of battle.\footnote{For further reading on the period, consult Charles W. Hallberg, \textit{The Suez Canal, Its Historic and Diplomatic Importance} (New York: Columbia University Press, 1931), Chapter 5.} Following her traditional policy, England supported Turkey, leaving France isolated. The resulting arrangement of 1841 left Egypt to the dynasty of Mehemet Ali in exchange for a yearly tribute of £400,000.

Egypt was important to England as a place to get around and through rather than as an area for future expansion. It has been observed that India was the barracks
for the Empire, in addition it was a dependency into which much English capital had been poured by 1880—£270 million.¹ At an early date, Englishmen in the subcontinent urged upon the Home Government the expediency of occupying Egypt, since it lay athwart the lifeline of the Empire.² Such suggestions were dismissed, as the Sultan was an old ally.

It was in the late 1830's, with the advent of a regular mail service to India, that the small English colony in Egypt made its appearance. In the following decade the British Government began pushing for the construction of a railway to connect the Mediterranean with the Red Sea, which met with solid French opposition.³ British influence reached its apogee in 1851, despite French objections, Robert Stephenson and Abbas, grandson of Mehemet Ali, signed the contract for the line which was to extend from Alexandria to Suez via Cairo. By 1863, Egypt possessed 376 miles of track. Following this victory, the English obtained the concession for a telegraph

²Hallberg, p. 75.
³Ibid., pp. 103-104.
network in 1856, and in six years the Nile Valley was linked to Europe.¹ Britain took a deep interest in telegraphy, and in 1859 invested directly in a Red Sea cable and another from Alexandria to Malta, and in 1863-64, in a line in the Persian Gulf.² But another project which envisioned rapid trans-isthmian communication was to cause a setback in English preponderance, and a sharpening of rivalry between the two Western Powers.

Tradition had it that on a still night in a certain part of the desert, one could hear the lapping of both the Mediterranean and the Red Sea. The mingling of these waters was the dream of a young French engineer, Ferdinand de Lesseps, and his success in the teeth of John Bull's opposition has been story enough for many books. The scheme was set afoot in 1854, but the bulk of the bills and the glory were left as a legacy for Said's heir.

On January 18, 1863, Ismail Pasha became Viceroy of Egypt at the age of thirty-three. He had been educated in Paris and spoke French fluently. Cunning, intelligence,


²"Imperial Telegraphs," Quarterly Review, CXCVII (April, 1903), 378.
and an ability to master detail were his, especially where personal gain was involved. He also possessed congeniality, a high level of personal courage, and a hospitable nature. Before his assumption to power, which was made possible by a series of unexpected deaths, he had lived as a wealthy landowner engaged in bringing new machinery and methods to his estates. Such activities were to give Ismail the reputation of being a progressive man. Outwardly he appeared successful, for he was counted as one of the world's richest inhabitants, which was useful when public trust was needed in raising loans.

The Province of Egypt was passed down according to Muslim law—to the eldest of the family—but by the time of the reign of Ismail this provision had been waived. The Viceroy was little better than a wali (governor), for Egypt was solidly implanted in the Ottoman Empire. The Firman of 1841 stated that the taxes were to be collected in the name of the Sultan, that the Egyptian navy was to

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fly the Turkish colors, that treaties and laws of the Porte were binding, and that the Divan acted as diplomatic representative for all political subdivisions. All major decisions were liable to veto and the annual tribute was requisite. If Egyptian independence could be achieved by bribery, diplomatic pressure from friendly European states, or even warfare, Ismail was not the sort to draw back. It was to France that the Viceroy turned, and with gold won the adherence of Morny and others in the entourage of Napoleon III. The Fourth Estate was not ignored, and one Parisian journal was paid £6,000 a year for favorable treatment. From Russia, too, help was expected; in fact, a draft treaty of alliance was initialed by the Viceroy and Count Paul Ignatiev, the Panslav Russian Ambassador to Constantinople (1864-76), in 1869, though time proved the effort abortive. Yet if one commanded wealth, all else was unnecessary, for baksheesh could oil the hinges of any door, even the Porte.

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1 Sir Henry G. Elliot, Some Revolutions and Other Diplomatic Experiences (London: John Murray, 1922), p. 189. For a further opinion on this matter, see Landes, Bankers and Pashas, pp. 196-97.

2 Hamza, p. 106.

3 Frederick J. Cox, "Khedive Ismail and Panslavism," Slavonic and East European Review, XXXII (1953-54), 156. The full details of these interesting negotiations are related in this article.
The first alteration in the Viceroy's position came in 1866, when a Firman granted that the eldest son of Ismail might succeed to his father's dignity; this event was celebrated by a rise to £681,818 in Egypt's tribute. In the following year the Viceroy received the title of Khedive\(^1\) for himself and his successors, an honor whose cost may never be known. Wider administrative powers were likewise granted commensurate with the new rank. Nevertheless, as the decade closed, it became evident that there was friction between Constantinople and Cairo due to Ismail's military and naval build-up, planned legal reforms, the adoption of monarchic pretensions, and financial dealings. In September of 1869, the Sultan advised the Khedive to reverse these policies at once; tensions rose, and the Powers, particularly Britain, stepped in to smooth matters over. The Firmans of November 1872 and June 1873 restored those powers to Ismail Pasha which had been suspended since 1869, and he was given even broader control over law, the army, and the right to negotiate trade agreements with any nation.\(^2\)

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\(^1\)The word "Khedive" comes from the Persian "Khidiv" or sovereign.

of Ismail's desires were satisfied. However, diplomatic representation was still vested in the Sultan; in addition, the tribute was still collected in his name and forwarded to Constantinople, and the Turkish flag remained the Egyptian naval ensign.

These political triumphs, unfortunately, were adumbrated by the financial course the Khedive pursued. The causes of Egypt's economic collapse were not far to seek, and they form an instructive backdrop for the activities of a later date.

The annual tribute to the Porte, as well as the baksheesh expended for political gain and for the maintenance of a coterie of friends and spies at Constantinople, were heavy drains on the Egyptian Malieh (Treasury). The Sultan also set a very poor example financially, for he had discovered the next best thing to the Midas Touch—the eager Europeans who offered gold now for payment in the future. What was worse for Egypt, the Porte had secured debts upon the Egyptian tribute which drew the Nile Valley into the sphere of international finance. In all, three loans were pledged to the Egyptian tribute; the first, in 1854, utilized £282,000, while in the following year France and England guaranteed a loan to Turkey which consumed the remainder of the tribute as pledge for
repayment. The guarantee, an unusual step for the British Government, only passed Parliament by 135 to 132, with both Gladstone and Disraeli dissenting. One other loan, that of 1871, was also secured by the Tribute, which had since been increased. When Egypt began to stagger under her debt, these bondholders were as anxious as any of the Khedive's other creditors that default might not occur, and were quick to take protective steps.

A more crippling blow to Egyptian finance was dealt by the influx of Europeans which attended the opening up of the country in the 1850's. The population of Egypt stood at approximately 4.5 million in 1846, and rose to 5.2 million in 1873, and to 6.8 million in 1882. The small

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3Egyptian Tribute Bondholders' League, pp. 11-12. The 1871 loan was for £5.7 million and was to pay 6 per cent interest.

European colony in 1845 was estimated at 6,000, but this figure increased to 79,696 in 1871, and to 90,886 by the time of the British occupation. Since the natives looked to the civil service for advancement, and only occasionally invested in business, the foreigners had a monopoly in trade and finance. Consequently, Europeans were concentrated in the large towns, the great majority of them in Alexandria (through which 94 per cent of the area's exports passed by 1874), and here, as in Cairo, they formed a vocal and substantial minority which could make its wishes known to the local government. The largest single group were the Greeks, with the Italians as a distant second. The French bloc was considerable and their chief rival, the English, though economically strong, were numerically weak. The picture is confused, since both the

1 The Hour, Nov. 9, 1873, Archives of the Corporation of Foreign Bondholders (hereafter ACFB), Egypt, I, 322.

2 Crouchley, p. 125. Most other estimates of the European population range somewhat higher.

3 James C. McCoan, Egypt as It Is (New York: Henry Holt and Co., 1877), p. 35. His estimates give Alexandria a foreign population of 50,000; Cairo, 25,000; and the rest of the country, 15,000.

4 Bankers Magazine, XXXIV (July, 1874), 550.

5 The Times, Feb. 10, 1876, p. 7. Their Alexandria correspondent estimated that, of the 47,000 Europeans in the city, 4,500 were British subjects. McCoan (pp. 35-36) gives the following estimates for 1877: 40,000 Greeks; 16,000 Italians; 15,000 French; 7,000 British; 7,000 Austro-Hungarians; 1,500 Germans; and 4,000 others.
Greeks and Maltese placed themselves under British protection. To the Englishmen who felt that influence in Egypt was to be fostered, it appeared by 1870 that the foreign community of Alexandria was being Gallicized and that all eyes were caught by the dynamic, turbulent policy of the Quai d'Orsay.  

On both Ismail Pasha and his land the foreigners were to leave an imprint impossible to efface. Those who swarmed to Egypt were often loafers and riff-raff, hoping to make their fortunes from the Canal, the Khedive's Government, or anything else. Moneylenders, second-rate financial men, and swindlers vied for what was available. James C. McCoan, who for years was the editor of the Levant Herald, and lived in the Middle East, said it was "no libel to say that a minority [of the foreigners] at least are the very dregs of the Levant." From this social strata came many of those who would conduct the Viceroy into impecuniosity and monopolize the gains despite the outcries of the smaller entrepreneurs.  

Of immediate consequence was the extra-

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1Ibid., Jan. 17, 1870, p. 6.


3McCoan, p. 35.

4An excellent treatment of the financial types that poured into Egypt in the 1860's is to be found in Landes, Bankers and Pashas, Chapter 3, "Klondike on the Nile."
territoriality which Europeans enjoyed. The Government lost much revenue through smuggling, for as soon as contraband reached premises owned by a European, the authorities were powerless. This illicit traffic was the most profitable trade in the land.¹ The Western community was even free from taxation upon legitimate trade. Finally, the use of fraud by the foreigners was estimated to have cost Ismail Pasha £1.4 million through suits in the consular courts.² On one occasion the Viceroy was reported to have told a servant, "Please shut that window, for if this gentleman catches cold it will cost me £10,000."³

But most of the debt of Egypt was acquired with the participation of the Khedive. Vast sums were expended for public works, and improvements were considerable; 112 new canals were dug, 430 bridges were built, 150 lighthouses were erected, and 5,200 miles of telegraph lines were strung. Also, £13,361,000 was expended on 910 miles

²Hamza, p. 104.
of railway. The cost for these projects probably exceeded £E51 million, though somewhat lower figures can be cited. In spite of having his own engineer and the use of corvée labor, the Khedive still found himself overcharged by the European contractors. The greatest public work of all was the Suez Canal; here, also, exact figures on cost have been debated, and have varied from £6.7 million to over £16 million. The cost to Ismail


2Crouchley, p. 117. A writer of the time stated that the public works cost £46,264,000 (M. G. Mulhall, "Egyptian Finance," Contemporary Review, XLII [Oct., 1882], 532). This opinion is also backed up by William L. Langer (European Alliances and Alignments, 1871-1890 [2d ed.; New York: Alfred A. Knopf, 1950], p. 253). The Egyptian pound (£E) was equal to £1 0s. 6d. sterling during this period.

3Sir John Fowler (1817-98) was Ismail's resident engineer from 1871 to 1879. In 1873 he began the construction of the Sudan railway, which was halted three years later due to a lack of funds (Richard Hill, A Biographical Dictionary of the Anglo-Egyptian Sudan [Oxford: At the Clarendon Press, 1951], p. 128). He arranged purchases of equipment in the United Kingdom, and when necessary wrote letters to the press emphasizing his employer's sagacity and good faith as a borrower.

An example of the padding of contracts can be seen in the agreement with Greenfield and Company. On March 13, 1870, the Viceroy ordered the commencement of construction on the harbor of Alexandria. The firm, represented by Sir George Elliot, M.P., estimated the job at £2,540,000, or, as has been suggested, at a sum which was excessive by eighty per cent (Mulhall, p. 530).

Pasha and his state was considerable, £6,770,000, in lost revenue from the land left idle through corvée,\(^1\) as well as the diversion of most of the carrying trade, which now passed through Egypt without pause. Although admirable in themselves, the public works of the Khedive were, in execution, less of an advantage to the fellah than to the foreigner.

Another area of expense which can never be calculated was the debt incurred in the military arena. As a vassal the Viceroy was obliged at his own expense to answer the Sultan's call to combat. For a time the Khedive contemplated a violent rupture with Turkey, and consequently lavished much upon his navy and army. He hired four Confederate generals for his army, and in February of 1874 purchased a consignment of 500 Krupp guns.\(^2\) Since the cost of keeping a standing army of 30,000 was heavy, and since the Khedive had visions of a greatly enlarged realm, expansion into the Sudan began, and by 1873 a secret war with Abyssinia had erupted which was to culminate in three disastrous defeats for Egypt between 1875 and 1876.

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\(^1\)Mulhall, p. 528.

\(^2\)The Times, June 16, 1874, p. 14. Manchester (p. 95) points out that Abbas was the first purchaser of the new Krupp cannons, buying twenty-six at the Exposition of 1855.
Wasteful, inefficient, and corrupt were the proverbial adjectives describing the Egyptian Government, with peculation and self-aggrandizement at every level. In all of this the Khedive set the tempo. When Ismail came to the headship of Egypt he owned a few thousand acres of land—by 1878 this sum had swollen to 916,000 acres.\(^1\) Some of this was reclaimed desert land or purchased real estate, but a portion had been obtained from fellaheen who had had the misfortune of falling into debt. It was the Viceroy’s Daira (literally, administration) or personal estate towards which the railways ran, and which were most plentifully irrigated. In addition, many millions were unsuccessfully expended in the construction of sixty-four sugar mills on the Khedive’s property.\(^2\)

Here is a man whose extravagance was legendary in his own time. Cairo was to be a Paris on the Nile, and if it could not be built in a day, the next fastest time would do. Elegant palaces, public edifices, and


\(^2\)Crouchley, p. 117.
thoroughfares which even Haussmann would envy were to be constructed. Jewels, carriages, horses, and opéra bouffe there were in abundance, and on his stage was held the world première of "Aida" which the Khedive had commissioned.¹ Visitors to the country, even those of minor importance, were graciously welcomed, housed in palaces, banqueted and given private rail and steamship accommodations.² Of all his fetes, however, the one remembered most vividly was that celebrating the opening of the Suez Canal in 1869, when crowned heads and world dignitaries met, with the Viceroy as host. To place a price tag on all these luxuries and fillips of fancy is impossible, but Mr. Dicey, not an admirer of the Khedive, estimated that £100 million were unaccounted for by 1879.³

The introduction of European financial techniques and especially the use of treasury bills was most pernicious to the economic well-being of Egypt. The 1850's

¹The Opera House at Cairo was one of the great works of Ismail's reign; unhappily, it was destroyed by fire in 1971. However, the national anthem which Verdi wrote for Egypt is still in use (Landes, Bankers and Pashas, pp. 154 and 209).

²The Times, Aug. 19, 1874, p. 6. Letters describing Ismail's open-handedness made frequent reading in the journals of the day, and brought rage from the unpaid creditors at a later date.

³Dicey, The Story of the Khedivate, p. 107.
witnessed almost a speculative boom in Anglo-Egyptian ventures, which was fed by a legal rate of interest of 6 per cent per month which remained as law throughout our period. Under Ismail, "banking" Egyptian-style flourished so that most European houses in Egypt were connected in some way with khedivial finance, and by 1877 eight banks in the Nilotic had direct telegraphic communication with London and Paris. Banking in these years in Egypt had nothing to do with investments in industry, for there was virtually none; what it did mean was the business of serving as a middleman by acquiring funds for the Khedive in exchange for treasury bills bearing high interest. Until about 1870, this lucrative trade was in the hands of the haute banque of Europe, at which time the commercial and deposite banks entered the lists in numbers. Such a system could only be short-lived, and by 1874 speculation had slowed to a point where large reservoirs of capital were idle.

The Viceroy found that by means of treasury bills he could have ready money for establishing enterprises, purchasing land and administering government. Having the

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2 The Times, Jan. 19, 1876, p. 7.

3 Hershlag, p. 99.

4 Issawi, p. 9.
Khedive as a partner in a venture (which was often the case) usually spelled doom for the project. The Société Général d'Égypte of Alexandria floundered in 1871; the Société Financière d'Égypte strove until 1877 to obtain a judgment against the Cairo Government and failed;¹ the Egyptian Commercial and Trading Company (which had promised 10 per cent interest) was in liquidation by the end of the decade;² the Société Agricole et Industrielle d'Égypte was bankrupt after two years of operation³--these were but a few of the institutions which enjoyed khedivial connections. Where possible, Ismail used his investment to bleed the firm white and always

¹ Morning Post, Oct. 24, 1877, ACFB, Egypt, VIII, 128. Seventy-five per cent of this company's capital was in English hands; the Tribunal refused to uphold their claims.

² Landes, Bankers and Pashas, pp. 151-54. This firm, with £2 million capital, 25 per cent of it from public subscription, was to lend money to the cultivators and had as its directors Henry Oppenheim, John Cater of the Bank of Egypt, and John Wingfield Larking, the special representative of the Khedive. The London agents were Frühling and Goschen.

³ Ibid., p. 261. This was a joint stock enterprise which attracted little interest in England. The Viceroy owed the company five million francs, which he finally paid after the Western Powers were forced to apply pressure.
tried to have agents on hand to protect his interest, while at the same time the organization attempted to prosper from its Viceregal affiliation.

Casualties such as these did not deter the zeal of those desiring to profit by the Khedive's unwise fiscal measures. In 1869 the Franco-Austrian Bank and a branch of the Anglo-Austrian Bank, each with £1 million nominal capital, opened their doors in Alexandria, followed the next year by the Franco-Egyptian Bank with Charles Ferry, the brother of the statesman, as Director, and in 1873 came the Bank of Constantinople which paid 24-1/3 per cent interest per annum. The Austrian Consul General reported (1875) that in the period from June, 1874, to June, 1875, thirteen new banks with a combined paid-up capital of £5,870,000 and a reserve of £1.2 million had been opened in Egypt, paying from 10 per cent to 59 per cent interest. Table 3 lists the most important financial institutions in Egypt on the eve of default; numerous

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1 *The Times*, June 22, 1869, p. 6.

2 *Bankers Magazine*, XXXIII (May, 1873), 429. This organization, like the Franco-Egyptian, was established by Bischoffsheim, and was merged with the reorganized Imperial Ottoman Bank in 1874.

3 *ACFB, Egypt*, I, 344. The Austrian Brown Book added that many private banks were also set up, upon which no statistics were available.
private banks also existed, such as Oppenheim and Nephew, Dervieu et Compagnie, and Bravay. A dearth of capital was obviously not one of the problems of the moment.

Since English concerns helped stimulate the unhealthy banking practices of Egypt, were involved in the flurry of negotiations in 1876, and were also represented by Goschen, their activities are of interest.

Of those members of la haute finance most concerned with the reign of Ismail, none were more involved than the Oppenheims. The family was English by adoption; having left Windecken and Oberhessen where they had been moneylenders, the brothers Hermann and Simon, with the latter's son Henry, were forced to keep up their peregrinations until 1850, when they opened a bank in London. At this point their history becomes hazy, for in the next vignette Henry was reportedly seen in the Levant, watching over the paternal ships as they brought stores for the British troops in the Crimea.\(^1\) However, according to the Archives of the Corporation of Foreign Bondholders, the German family arrived in London somewhat earlier than generally thought, met the same problems as elsewhere, and

\(^1\)Landes, Bankers and Pashas, p. 111.
left very suddenly in 1849 with a compatriot, when some dispute over banking and bill operations occurred. After a South African business of theirs went to bankruptcy court, their next port of call was the Levant, where as street money-changers and watch repairmen their situation remained static until the Crimean war gave them the opportunity for profits from usuriously changing currency for the British troops at Balaklava and elsewhere.¹

The Oppenheims' first try in opening a firm in Alexandria failed, but, persevering, Oppenheim and Nephew, with Henry in charge, hung out its sign in 1862. This bank, in association with Hermann's other new enterprises (Alberti, Pinto, Oppenheim et Compagnie of Paris, and Oppenheim-Alberti of Constantinople) gave the new business broad ties with Europe. Henry set about making his house useful to the Viceroy's, and particularly Ismail. Their success began with the negotiation of a public loan in 1862,² but they also accrued great profits on

¹"Loans to Foreign States," 1875, ACFB, Egypt, I, 207 (insert).

²In 1862 they arranged a £2.4 million loan for thirty years, of which Egypt got 65 per cent; the contract price was 62.5 and the issue price was twenty points higher. Frühling and Goschen were the London agents, and the loan reportedly was over-subscribed (Landes, Bankers and Pashas, p. 117).
private arrangements, especially under Ismail Pasha. After once dealing with the Oppenheims, the Khedive found that it was financially imprudent, and often impossible, to change contractors, so that this combination of ruler and banker remained even though "the breath of scandal was to stick to the Oppenheims throughout their career in Egypt."1 Henry took up residence in London in 1868, and before his death in 1912 had been accepted into the highest circles. Hermann died on July 14, 1876, and his house went into liquidation.

Of the joint stock banks which gained from dealings with the Khedivial Administration, three were English institutions. Through these banks the small investor could share in the yield of high interest which liquid capital commanded in the area. Table 4 indicates the amount of interest which these English banks paid their shareholders from 1869 to 1876.

The Anglo-Egyptian Bank was formed in 1864, and was reorganized, in 1867, as the Anglo-Egyptian Banking Company. Despite the name, the direction of the firm was in French hands, but included an Alexandrian banker and representatives from the Agra and Masterman's Bank.2

1 Ibid., p. 116.
driving forces among the directors\textsuperscript{1} and staff were: Octave Foå, the Secretary; Jean Baptiste Pastré, founder of the Credit Society of Marseilles, and resident and merchant in Egypt since the 1820's; and his brother Jules, a member of the Conseil Superieur du Commerce of France, and the President of the Marseilles Chamber of Commerce. This French grip on the institution, albeit

\textsuperscript{1}The directors of the Anglo-Egyptian Banking Company were as follows, according to the Share List for 1869 (BT 31/1334/469):

<table>
<thead>
<tr>
<th>Directors</th>
<th>Shares Held (1869)</th>
</tr>
</thead>
<tbody>
<tr>
<td>George G. McPherson (Chairman, Agra and Masterman's Bank; Director, Mercantile Credit Association)</td>
<td>100</td>
</tr>
<tr>
<td>Edward Masterman (Director, Agra and Masterman's Bank)</td>
<td>250</td>
</tr>
<tr>
<td>Robert E. Morrice</td>
<td>475</td>
</tr>
<tr>
<td>Charles L. Devaux (Director, General Credit and Discount Company)</td>
<td>1,063</td>
</tr>
<tr>
<td>Jean Baptiste Pastré</td>
<td>2,272</td>
</tr>
<tr>
<td>Jules Pastré (of Messrs. Pastré Frères, of Alexandria)</td>
<td>2,171</td>
</tr>
<tr>
<td>G. Sinadino (of the banking firm, G. Sinadino of Alexandria)</td>
<td>1,300</td>
</tr>
<tr>
<td>Octave Foå</td>
<td>38</td>
</tr>
</tbody>
</table>
weakened in time,\(^1\) was not appreciated by the English holders, and by 1871 there were calls to add more Britishers to the directorship.\(^2\) The number of stockholders steadily grew, reaching 1,038 in 1872, and 2,128 by 1875,\(^3\) and this and the high rate of interest were reflected in the price of shares, which rose from 22-7/8 in March of 1871, to 38-1/4 in August of 1872. Both 1873 and 1874 saw the shares depressed, but by the summer of 1875 they had reached £39 per share.\(^4\) By 1874 the Anglo-Egyptian was the major supplier of the Khedive's liquid capital and held £1,337,446 in Egyptian securities in August of that year, and £1,590,271 a year later.\(^5\)

One firm backed by English capital was the Bank of Egypt, established in 1855. The Board was solid and conservative, with such men as Mr. W. Tite, M.P., John

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\(^1\) Anglo-Egyptian Banking Company, Share Lists (BT 31/1334/3496) showed that by 1877 Jean Baptiste Pastré held only 300 shares, while his brother Jules had but 200.

\(^2\) Bankers Magazine, XXXI (June, 1871), 544.

\(^3\) The Times, Nov. 23, 1875, p. 6.

\(^4\) Monthly price lists in the Bankers Magazine have been consulted for the quotation of bank shares.

\(^5\) Bankers Magazine, XXXV (Jan., 1875), 46, and XXXVI (Jan., 1876), 37.
Cater, and John Bramley-Moore in control,¹ but has been described as

small in vision and scope. Its British directors were not cut out for royal finance. They were sober, conservative men who liked regularity in their dividends and orthodoxy in their transactions.²

Nonetheless, from 1866 to 1871, the five years following the panic, the bank earned profits totaling 90 per cent of its capital,³ and its stock was consequently sought. With par at £25, the shares were quoted at £45 in October of 1871, reached £52 a year later, and were over £53 in January, 1873, before a decline ensued. Though weak in the early 1860's, the bank managed to keep afloat⁴ and seemed to have had a substantial amount of Egyptian treasury bills in its keeping.⁵ The total number of

¹The Chairman of the bank, John Bramley-Moore, was also the director of the Rio de Janeiro Improvements Company, deputy chairman of the East Argentine Railroad Company, and chairman of the General Credit and Discount Company.

²Landes, Bankers and Pashas, p. 138.

³Bankers Magazine, XXXI (March, 1871), 234.

⁴Gordon Waterfield, Layard of Nineveh (London: John Murray, 1963), p. 297. In the early 1860's, A. H. Layard, as Under Secretary at the Foreign Office, was charged with using his position to assist the Bank of Egypt.

⁵The balance sheets for the Bank of Egypt listed its holdings of Egyptian securities as: £356,584 in 1870; £357,216 in 1871; £371,691 in 1872; £483,625 in 1873; and £297,347 in 1874.
holders was small, 415 in 1871 and only 433 the following year when the price of the stock demonstrated some of its greatest gains.¹

The last of these English organizations to be created was the Bank of Alexandria, in 1872. As Table 4 indicates, its shares were within the reach of the small investor, though not receiving a great deal of publicity. Since over fifty per cent of Egyptian cotton was delivered to Manchester,² many Lancashire operatives who had an interest were drawn into investing in Egypt and especially in a firm which would promote the business they knew best. The reorganized Board of Directors in 1876 showed this predominance, as it included, among other manufacturers of importance, Jacob Bright, M.R, brother of the statesman, who joined the business in 1875 with 700 shares.³ Hermann

¹Bankers Magazine, XXXII (Aug., 1872), 694.
²Arthur Redford, Manchester Merchants and Foreign Trade (Manchester: Manchester University Press, 1934-56), II, 183-84.
³Commercial Bank of Alexandria, List of Directors (BT 31/2257/10783). The directors of the Commercial Bank of Alexandria, as of 1876, were:

<table>
<thead>
<tr>
<th>Name</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jacob Bright</td>
<td>Manufacturer</td>
</tr>
<tr>
<td>Joseph Mellor</td>
<td>Bolton Cotton Spinner</td>
</tr>
<tr>
<td>John Agelasto</td>
<td>Merchant</td>
</tr>
<tr>
<td>Constantine Sinadino</td>
<td>Gentleman</td>
</tr>
<tr>
<td>Thomas Richardson</td>
<td>Bill Broker</td>
</tr>
<tr>
<td>John Cow</td>
<td>Manager of the Bank of Alexandria</td>
</tr>
<tr>
<td>John Record</td>
<td>Secretary of the Bank of Alexandria</td>
</tr>
</tbody>
</table>
Oppenheim and the Bank of Constantinople were among the largest shareholders, with 2,000 shares each, and it was also well-subscribed in Cairo. But, as will be noted, the bank could not resist the high interest on Government bills which, like a Siren's call, led the organization to join the Anglo-Egyptian in 1874 to lend Ismail a reported £4 million.

Banking, then, had a direct bearing on the accumulation of Egypt's floating debt. Other contributors to the elephantine debt of 1876 have been touched upon, but one further culprit remains, the series of public loans which were raised by Ismail Pasha.

The Viceroy, had he ever opened Thackeray's Vanity Fair, would have appreciated Chapter 36, "How to Live Well on Nothing a Year," for although his income was

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1 Bank of Alexandria, Share List for 1872, BT 31/1735/6398. Some subscribers came from the Khedive's entourage:

<table>
<thead>
<tr>
<th>Name</th>
<th>Post</th>
<th>Shares Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrot Bey</td>
<td>Secretary to Khedive</td>
<td>200</td>
</tr>
<tr>
<td>Burgieres Bey</td>
<td>Physician to Khedive</td>
<td>200</td>
</tr>
<tr>
<td>Julius Blum</td>
<td>Financial Secretary to Khedive</td>
<td>100</td>
</tr>
<tr>
<td>John Finni Bey</td>
<td>Dentist to Khedive</td>
<td>200</td>
</tr>
<tr>
<td>Ignace Ismalun</td>
<td>&quot;Commissionaire&quot; and confidant of Khedive</td>
<td>500</td>
</tr>
</tbody>
</table>

2 The Times, June 24, 1874, p. 14.
shrinking, he was usually able to obtain credit at some price, and as he borrowed more, the number of those pressing money upon him increased. On assuming the Governorship of Egypt, Ismail found a debt which by most authorities stood at £3.3 million.¹ In the previous year, 1862, Egypt had floated its first public loan, with Oppenheim as contractor and Frühling and Goschen as London agents; this expediency for acquiring funds was shortly to be repeated.

In 1861 the revenue of Egypt was approximately £E2,154,000, but by 1864 this had climbed to £E6,972,000.² The source of this prosperity was the cotton boom brought about by the American Civil War, which drove British manufacturers to search elsewhere for their raw material. These palmy days stimulated the Viceroy's appetites. Exports soared from £4,454,425 in 1861-62 to £14,416,661 in 1863-64.³

¹Landes, Bankers and Pashas, p. 128., n. 1. Blunt (Secret History, p. 12) agrees with Landes. Hamza (pp. 61-64) giving £E6.5 million; Crabitès (Ismail the Maligned Khedive, pp. 20-25), £15 million; and Baer (p. 34), £E15 million, are some exceptions. Hershlag (p. 96, n. 2) states that "the differences in estimates as to the size of the debt stem mainly from the non-inclusion of the current debt in the lower estimates."

²Landes, Bankers and Pashas, p. 337, Appendix D, Table 1.

³Ibid., p. 329, Appendix A.
so that the new prince felt most expansive and ready to undertake a host of schemes. To obtain the amounts of liquid capital necessary for implementation, Ismail emulated his sovereign and was drawn into a dreary round of larger loans to pay the mounting interest on previous borrowings. Table 5 indicates the essential features of the various loans. These figures are approximations, but they represent the most accurate estimates available.

From 1866 on, the pressures of finance began to mount upon the Cairo Government. While England was subjected to the effects of a European war, panic, and high bank rates, the Viceroy had two loans on the exchanges, both of which were in difficulty. Frühling himself came to Egypt to advise the removal of securities from the market—but refused the request for a personal loan.1 Prospects grew even darker in 1867, as cotton prices hit bottom,2 and a new loan bearing 9 per cent interest was floated. Ismail was to find that there were gradations of bleakness. Despite the soothing rhetoric of his London agent, J. W. Larking, 1868 for the Khedive was a most lugubrious year. Revenues equalled £E5,011,000 while

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1 Hamza, pp. 98-99.
2 Hershlag, p. 100.
expenditures reached £16,637,000,\(^1\) and again there was a wild casting about for capital. Internal taxes were increased, and the Chamber was told by Ismail Sadyk, the Khedive's Minister, that income vastly exceeded outgo.\(^2\) While indulging in this charade, the Viceroy signed another contract with the Oppenheims for a new offering. This issue for £12 million was probably the first syndicated loan of any kind.\(^3\) In this way, £953,328 was added yearly to Egypt's debt, but a clause in the document stipulated that the Viceroy was not to resort to another public loan for five years. The clause was inserted on the behest of Great Britain, who pressured the Divan to intervene,\(^4\) which indicated the concern Downing Street entertained for her investors. To the outsider it appeared that the Egyptian situation had stabilized.

\(^{1}\)Landes, Bankers and Pashas, p. 337, Appendix D, Table 1.


\(^{3}\)Cairncross, Home and Foreign Investment, p. 93.

\(^{4}\)Jenks, p. 316. The Porte did not need much coaxing, for the Khedive's borrowing was helping to dry up London capital. He formalized his prohibition on loans in a firman of November 29, 1869.
The Egyptian Government was already living from hand to mouth on foreign capital, so that although baksheesh could eventually eradicate the Sultan's edict, evasions had to be contrived for the moment.

When the Chamber was assembled for their annual rubber-stamping session, the Khedive congratulated them upon the prosperity of the country and announced that the debt was now lower than when his predecessor had reigned. Meanwhile, Ismail had arranged for a second Daira loan, supposedly a private affair which would not violate the contract of 1868—so argued the Viceroy. But ill fortune was again in evidence, for the panic generated by the Franco-Prussian War led to only 70 per cent of the stock being taken up. The London journals were likewise unhappy; the Economist remarked that the Khedive was using a ploy in claiming the Daira a non-government loan and warned that "a half civilised Government once finding its hand, to use a vulgar saying, 'in the pocket of Lombard Street,' would keep it there."  

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1. The Times, Jan. 28, 1870, p. 10.
Also roused to action in this affair was the Council of Foreign Bondholders. No sooner had the terms been announced than the Council took up the case of the 1868 holders. Since the bond had stated explicitly that no loans could be raised for five years, as they would undoubtedly depress existing securities, the organization called for either a halt to the proceedings, or compensation. In the latter case, the 1868 bondholders might accept either a greater sinking fund, or Cairo could repurchase a portion of that stock. In April, 1870, Hyde Clarke took the matter up with the agents of the 1868 loan (the Franco-Egyptian Bank, which was controlled by Bischoffsheim and Goldschmidt, who were also the new loan contractors), in a letter which read in part:

It would be of interest to the bondholders to learn the amount of the loan, and some further particulars as regards the application of the proceeds, showing that they are intended solely for private purposes. Leaving aside for the present the question whether, according to the letter of the bond of 1868, his Highness is in equity enabled to issue a private loan, there can be no doubt that such an issue would be felt as a grievance by the subscribers to the loan of 1868.\footnote{The Times, April 28, 1870, p. 6. The correspondence by Secretary Clarke on the issue of the Daira loan of 1870 appeared here.}
The Franco-Egyptian Bank insisted in its correspondence with the Council that this was a private matter and they ought to take it up with the Oppenheims and other contractors of the 1868 issue. The final response of April 23, 1870, suggested that correspondence cease:

We doubt not that in due season, and upon every fitting occasion, his Highness the Khedive of Egypt will, as hitherto, prove to the bondholders of the existing loans, both for his Government and his private service, that neither his dignity nor his reputation for good faith requires any protection or preservation other than his own and that every guarantee accepted by his Highness or his Government will be duly and faithfully performed.\(^1\)

At this juncture it became known that the Porte had protested the Daira loan.\(^2\) These months saw the peak of Turko-Egyptian ill will, but Bischoffsheim remained undaunted, and on May 5 announced that the firm had transferred the Sultan's protest to the Khedive. The sales went forward. By September, however, the Sultan had reversed himself, bribery having been utilized,\(^3\) and the Council's ally fell away. In surveying the year in November, the Secretary of the Council warned that

\(^1\)Ibid. \(^2\)Wynne, p. 581, n. 11. 

\(^3\)Great Britain, Parliament, Parliamentary Papers (House of Commons and Command) (hereafter Parliamentary Papers), LXXVIII, Egypt No. 4 (1879), C. 2395, Appendices 6 and 8.
under all circumstances it will become necessary to exact more forms from all borrowing states, even if we cannot obtain more securities.¹

The use of treasury bills continued, swelling the Egyptian unsecured debt, for although the loan of 1868 was to consolidate finances, it was soon obvious that the floating debt was as inextinguishable as the burning bush of Moses. As Khedivial credit slipped, renewal rates and interest on further advances rose sharply, but all were aware that in 1873 another public loan would be required which would be profitable for everyone. It was estimated that from 1868 to 1873 the floating debt rose £4 million a year, and had reached £30 million by the latter date.²

Internal taxes continued to mount, so that in 1876 the fellah paid 35s. to his government, while the citizen of France and England paid 18s. and 8s. 6d., respectively.³ Such being the case, Ismail offered a new inducement in order to draw gold from the natives, especially from the wealthy landowners: on August 3, 1871,

¹The Times, Jan. 26, 1870, p. 6.

²Economist, XXXI (Nov. 8, 1873), 1354. In 1873 the Khedive's personal floating debt was placed at £6 million while that of the nation was estimated at £24 million.

³Hamza, p. 276. By 1878, the tax load on the fellaheen had risen to £2 per head (Spectator, LII [March 29, 1879], 394-95).
the Law of Moukabala (compensation) came into existence. Though ruinous in the long run, it was designed to provide £28 million in but a few years. In exchange for an additional six years' taxation, which could be paid either in one payment or spread over twelve years, the landowner was to gain a fifty per cent reduction in land taxes in perpetuity, and an indefeasible title to the property. The law remained in effect until January 6, 1880, after Ismail's deposition, but it is doubtful whether the Vice-roy would have permitted the benefits of the law to be enacted. The Moukabala was a success in its first three years.¹

Of all the public loans of Ismail's reign, the floatation of 1873 was the largest, £32 million, and the most damaging, as the Khedive was "unmercifully fleeced by the loan-contractors."² Already by 1872 Egyptian currency had been weakening,³ and in early October a

¹Hamza, pp. 208 and 212. The income for these years was £5.1 million, £3.2 million, and £1.6 million. By 1880 the tax had yielded £39.5 million, according to Crouchley (p. 121), and between £12 and £15 million, according to Hershlag (p. 100).

²The Times, April 4, 1876, p. 5.

³Bankers Magazine, XXXIII (July, 1873), 588. The official rate of exchange of 97.5 piastres to the pound sterling had risen to 195 among tradesmen, and to 410 copper piastres per pound sterling in the market places.
major crisis had occurred on the Alexandria bourse, with ensuing failures. The Viceroy pinned his hopes upon the new loan to reduce the mountain of unsecured debt, while those in the syndicate, nominally led by Bischoffsheim, one of the "less reputable firms," were also eager. The attitude of the financiers could be summed up by these words of a shareholder of the Anglo-Egyptian Bank, inquiring of his chairman at a meeting, "I believe there is a new Egyptian Loan in contemplation, are we likely to have any good pickings out of that? (A laugh [from the audience])." But before the harvest there was labor to be done. The prospectus was released in London in July and was greeted coolly by the financial press. Since another £1,282,835 was to be added to the annual charge on the Egyptian revenue (not including the sinking fund), Ismail made the offering more attractive by inserting a clause in the bond which prohibited the raising of another loan by Egypt until 1878. Sir John Fowler, the engineer, was sent to England where he bustled about, negotiating contracts for railway and telegraph equipment and generally trying to show how wisely the Khedive spent his money. 

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1 Cairncross, Home and Foreign Investment, p. 20.
2 Bankers Magazine, XXXIII (June, 1873), 558.
3 The Times, Sept. 16, 1873, p. 5. One of the contracts which Fowler negotiated was with Shaw and Thomson for fifty miles of railway.
The Levant Herald, along with other journals, published complimentary articles on progress in Egypt, but in England, at least, it was an uphill struggle. In May the Economist carried an article by Edward Mirzan, a man conversant with Egyptian finance, who set her debt at that point at £63,102,400.¹ The faux pas of the Khedivial campaign was made by the usually astute Henry Oppenheim, who had given up Egypt's climate for that of London in 1868. In September of 1873, he released a budget for the upcoming year in Egypt which showed a surplus of £1.2 million. The British press was not the Cairo Chamber, and this document was quickly withdrawn in lieu of another, which was also in error as to fact, and which in turn was superseded by a third estimate. Such activities only worsened matters.²

An attempt to retrieve the situation with a pamphlet defending the budget was undertaken, but half of the loan had already been placed and the remuneration was so gratifying that there was no doubt that the remainder of the loan

¹Edward Mirzan, "The Egyptian Debt," Economist, XXXI (July 5, 1873), 809.
²Articles on the budgets appear in The Times (Oct. 17, 1873, p. 6), and the Economist (XXXI [Sept. 20, 1873], 1144; "Egyptian Budgets," XXXI [Oct. 18, 1873], 1259-61; and "The Turkish Financial Reforms," XXXI [Oct. 25, 1873], 1294-95).
would be subscribed. When the syndicate for this loan parted company in early 1874, it had a reported £1.6 million to divide, but upon its retirement the stocks began to tumble. In May of 1874 a new syndicate was formed (including the Oppenheims) to dispose of the second moiety of the loan, which stimulated a rally in Egyptian securities. Nonetheless, by this time only £932,000, or less than 1/32 of the stock, had been purchased by Englishmen.

Oppenheim had divided the loan into two blocks of £16 million each, with the option to take up the second lot if all went well. Much of the syndicate's profits came from remitting the Khedive's share to him in his own treasury bills at inflated prices. In all, the Khedive received less than £20 million of the £32 million issue (Jenks, pp. 318-19).

The decline in prices is illustrated below:

<table>
<thead>
<tr>
<th>Loan</th>
<th>Price in January 1873</th>
<th>Percentage of Decline</th>
<th>Total Depreciation (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1862</td>
<td>96</td>
<td>12.5</td>
<td>274,400</td>
</tr>
<tr>
<td>1864</td>
<td>100</td>
<td>6.5</td>
<td>370,800</td>
</tr>
<tr>
<td>1867</td>
<td>105.5</td>
<td>6.6</td>
<td>137,300</td>
</tr>
<tr>
<td>1868</td>
<td>95</td>
<td>19.0</td>
<td>2,259,100</td>
</tr>
<tr>
<td>1870</td>
<td>86</td>
<td>18.6</td>
<td>1,338,500</td>
</tr>
<tr>
<td>1873</td>
<td>84</td>
<td>23.8</td>
<td>3,708,000</td>
</tr>
</tbody>
</table>

Financier, May 25, 1874, ACFB, Egypt, I, 126.
As the quicksand of insolvency closed over the struggling Viceroy, one further internal loan, the Rouznameh, for £5 million at 9 per cent, was attempted in 1874, but even the Mufettish (Chief Steward), Sadyk Pasha, with all his Eastern ingenuity, could only squeeze £El.8 million out of the inhabitants. Thus Ismail found himself on the verge of bankruptcy, driven thence by political and military ambition, the desire for luxurious environs, an array of public works, and entanglements with Europeans and international finance.

No Solution for the Egyptian Riddle

October 1875 to May 1876

The Creditors of Egypt

Before resuming the wayward path of Egyptian finance, it might be well to point out some of the general impressions made by Egypt upon the British public. Certainly by the early 1870's the proliferation of books and articles on Egypt was evident. The Suez Canal had contributed to this, as had generally improved communications; letters from London to Cairo were 10d. each by 1871, and shipping lines of several nations served Egyptian ports.

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1Cromer, the Earl of [Evelyn Baring, First Earl of Cromer], Modern Egypt (New York: Macmillan Co., 1908), I, 53.
regularly.\textsuperscript{1} For all that, and despite the fact that the area of the country in 1876 was 659,081 square miles,\textsuperscript{2} its cultivable size was but slightly larger than Wales, a rather small parcel of real estate to generate so great an interest on the part of investors, especially when agriculture was the only industry.

An anecdote, related by Lord Granville in the Upper House, told of a Frenchman who declared that he would invest in Suez shares because he felt that a railway on the Island of Sweden would be a good thing. It is doubtful that the English investor was quite so unenlightened, but his knowledge of things Egyptian was shallow. It was thought that ninety per cent of the bondholders were ignorant in Egyptian matters,\textsuperscript{3} and even in the City there were many hazy ideas afloat.\textsuperscript{4} This did not mean that certain basic conceptions, easy to grasp and vague in dimension, were not present. One such axiom was that Egypt was rich, very rich, and could pay the interest on her debts. Such a belief rested not only upon the knowledge that the land was some of the most fertile

\footnotesize{\textsuperscript{1}Crouchley, p. 142.}\textsuperscript{1}
\footnotesize{\textsuperscript{2}Journal of the Royal Society of Arts, XXII (Feb. 20, 1874), 263.}\textsuperscript{2}
\footnotesize{\textsuperscript{3}The Times, Oct. 27, 1875, p. 6.}\textsuperscript{3}
\footnotesize{\textsuperscript{4}A. J. Wilson, "Financial Position of Egypt," Fraser's Magazine, XCII (June, 1876), 786.}\textsuperscript{4}
of the Earth—that, as the saying went, "one need only tickle the soil with a hoe to obtain fine harvests"—but also upon a belief in her store of precious metals. Upon this head also there was a maxim: "Australian gold was buried in Egyptian sand."\(^1\) It was generally known that Egypt supplied cotton for English mills, purchased much of her industrial goods from the United Kingdom, and possessed a favorable balance of trade.\(^2\) Finally, there was a general opinion that the East did not know how to govern itself.\(^3\) Englishmen were assured that the progress they had achieved was induced by their superior constitution and methods of approaching things. They were willing to invest time and money in backward areas and to provide the lead for advancement, but had little sympathy with the morality, religion, or culture of the natives. Nothing good could be said of Middle Eastern officialdom, and as

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\(^1\)Hamza, p. 242. The flow of gold bullion gave credence to this point of view. For example, in 1875 bullion import into Egypt was £5,868,403, outflow was £2,014,049.

\(^2\)Landes, Bankers and Pashas, pp. 329-38. Landes' Appendices A and B give cotton prices as well as a general import/export table. Appendix A, "Egyptian Exports and Imports," indicates a surplus ranging from £7,035,375 to £9,478,748 in the years 1871-72 and 1874-75.

\(^3\)Richard Faber, The Vision and the Need: Late Victorian Imperialist Aims (London: Faber and Faber, 1966), p. 60.
long as the interest was paid, the myopic investor was content. All positive factors were belabored by those whose job it was to "puff" Egyptian securities, and in-sofar as the administration was corrupt, this was combatted by representing the Khedive as the exception, not the norm—a man of progress and modernity. Thus the investor found it difficult to obtain an unbiased opinion of Egypt or its stock. Most journals were complimentary to the Viceroy, often because of misinformation, and their advice certainly stimulated the sale of securities.

As the Council struggled against the Daira loan of 1870, Bankers Magazine wrote:

English and French capitalists see distinctly that the proceeds of former loans have been honestly applied to the development of the great national wealth of the country, and they justly conclude that his highness will continue in the same course of strict observance of his engagements.

... What, then, is the real state of Egyptian finance? We answer that it would be well if many of the older powers of Europe could show as good a balance-sheet.1

Their enthusiasm did not wane, for in 1873 they informed their readers, "Egypt may be regarded as one of the most progressive countries in the world."2 Encomiums to Ismail

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1 "Progress of Egypt," Bankers Magazine, XXX (June, 1870), 504 and 506.
and advice to purchase "Egyptians" were not confined to a single journal, but could be found in the Money Market Review, the Levant Herald,\(^1\) and Herapath's Railway Journal, to name a few. As 1875 drew to a close, the campaign to masquerade Khedivial finance became frantic, with critics calling for the publication of an authentic budget.

Those journals which had resisted being mesmerized by the Egyptian financiers, most notably the Economist and The Times, were attacked as bears looking for the fall; and Ismail's defenders insisted that Egypt and Turkey should not be coupled in the investor's mind.\(^2\)

Egyptian securities were also purchased because the buyer felt he knew something about them, had lived in Egypt or knew a relative who had, or perhaps had heard of those whose bonds had been drawn quickly and hence had done well. There was also the belief that England would support him in a crisis, for there was the precedent of the Société Agricole d'Égypte.\(^3\)

\(^{1}\)Levant Herald, reprinted in The Times, Jan. 1, 1875, p. 7. The long-time editor of the Levant Herald and contributor to the press on Middle Eastern affairs, Mr. J. C. McCoan, was himself a holder of Egyptian securities.

\(^{2}\)See the letter of Sir Samuel Baker to The Times, Oct. 27, 1875, p. 6.

As will be recalled, one of the objectives of the Corporation of Foreign Bondholders was to supply the investor with information on loans which were floated on the London Exchange, and generally speaking, the Executive Committee of the 'Council' did evince an interest in this province of the Ottoman Empire. E. P. Cazenove and Sons, in 1867, and I. Thomson and N. Bonar, in 1868, acted as agents for Egyptian loans and were connected with the Council, while Sir John Lubbock was acquainted with Egyptian finance through his son Neville. The younger Lubbock was a partner in Cavan, Lubbock and Company of Alexandria, which had supported the ill-fated Agricole to the extent of some 3000 shares.¹

It cannot easily be determined whether any of the 'Council' members chose to purchase Egyptian bonds; however, it is certain that a few at least bought shares in banks doing business in the Nile Valley. Among the shareholders of the Anglo-Egyptian Bank, for example, one finds the names of I. J. Gerstenberg (fifteen shares), General Sir George Balfour (twenty-five shares), and Sir Francis

¹The firm played a role in its own defense, for in 1866 Neville Lubbock arrived in Cairo with a note from Lord Clarendon to the British Consul General, urging the maintenance of pressure upon Ismail for a settlement (Landes, Bankers and Pashas, p. 294).
Lycett (300 shares).\textsuperscript{1}

The Corporation of Foreign Bondholders contributed to the new attention being paid by Englishmen to this area of the globe. Many of those at the Councilhouse were enrolled in the Royal Society of Arts, which by 1874 had over 4,000 members. The organization was subdivided into a number of sections devoted to various aspects of trade and industry. The Indian Section of the Society included Balfour, Clarke, and others from Moorgate Street; this interest in the subcontinent gave an imperial hue to their views as to the importance of the Levant. But they also appreciated the significance of the Nilotic and Africa in general. In 1873 Hyde Clarke, in conjunction with a number of important merchants from the Royal Geographical Society, proposed and was given authorization to establish an African Section within the Royal Society of Arts.\textsuperscript{2} Its first meeting was held February 6, 1874, at which time the objectives of the Society's African and Indian Sections and their committees were stated:

[To serve] as centres for taking action, and as a rallying point for merchants, traders, and others,

\textsuperscript{1}Anglo-Egyptian Bank, Share List for 1872, BT 31/1334/3496.

\textsuperscript{2}Journal of the Royal Society of Arts, XXII (Feb. 6, 1874), 201.
where they might concert measures for the benefit of trade, and bring their views before the Government when imperial action appeared necessary.¹

Egypt was periodically the subject of papers and discussions, and from these the sentiments of Corporation members could be gauged. Mr. Clarke also lobbied for an Oriental Institute to meet annually,² but here he met with some difficulties.

At the time of the formation of the Council in 1868, the indebtedness of Egypt had reached £26,714,000, with an additional floating liability of £10,080,000,³ but aside from the unsuccessful attempt to block the 1870 Daira loan, the Council took no other action, for its general tenet was not to interfere unless a default had occurred and the bondholders had summoned their aid. Secretary Clarke, however, did look with disfavor upon the activities of the nouveaux riches financiers who penetrated areas such as Egypt under false pretenses, for, as he wrote:

The new competitors for this business also assumed an English garb; abroad they passed as English bankers and merchants; in reckless scheming, they were abetted by unprincipled adventurers.⁴

¹Ibid.
²Clarke to the Council of the Royal Society of Arts, ibid. (Sept. 18, 1874), 902.
³Hamza, p. 127.
⁴Clarke, p. 9.
Investors who cared to peruse the Council's materials might have profited therefrom. A memorandum of early 1875, marked "private and confidential," dealing with Egyptian finance, observed:

Those states which manage, by hook or by crook . . . to remit the sufficient amount, in ample time, to meet their approaching coupons, are not considered as "defaulting States," but may not they, perhaps, soon be included in that category? . . . So long as the Khedive and his worthy advisors and agents feel sure of encountering the credulity of the British public, and they continue to evince their readiness to give up their gold against his representations and elaborately engraved scrip, so long will the Khedive doubtless, graciously favor them by accepting their all, or any voluntary contributions: 1

The Council Under Pressure

Wednesdays in the Levant were considered unlucky, and the news which was flashed from Constantinople on October 6, 1875, seemed to bear this out. Turkey, which had accumulated a bonded debt of over £200 million, a moiety of it in the previous four years, had abruptly defaulted by announcing a 50 per cent reduction of interest (the balance repayable in 5 per cent scrip) on all loans except the Guaranteed Loan of 1855. 2 For Englishmen this


2 The Turkish debt stood at £217 million, out of which the Sultan had received £107 million (Wynne, p. 415).
meant that some £85 million of investments were in jeopardy. Unwise financial procedures, floods, famine, and internal uprisings and revolutions had driven the "Sick Man" to the wall, and default was urged by Ignatiev. But the British investors did not much care about the reasons for bankruptcy. They had the best securities of any of the Turkish creditors, and they meant to see them honored. But, by assuming an adamant posture, they were forced to wait six years for a settlement, while the Egyptian bondholders received attention. The success of the latter was

1 Financier (Feb. 18, 1876, p. 4) estimated the disbursement of Turkish securities as follows: England, £85 million; France, £50 million; Italy, £20 to £25 million; Turkey, £25 million; Dual Monarchy and Germany, £20 million; Belgium, £7 million. The Times (Dec. 14, 1875, p. 6) believed that £60 million was owned by Englishmen and that Franco-Italian holdings were £130 million. Figures on English holdings at the settlement of the debt are available in the Corporation of Foreign Bondholders Report for 1883 (p. 94).

2 Donald C. Blaisdell, European Financial Control in the Ottoman Empire: a Study of the Establishment, Activities, and Significance of the Administration of the Ottoman Public Debt (New York: Columbia University Press, 1929), p. 6. Turkish loans were raised at 5 or 6 per cent interest and issued at an average of 50 or 60.

3 Ibid., pp. 78-79.

4 Little evidence of the "philosophical attitude towards the Turkish repudiation," suggested by Dwight E. Lee (Great Britain and the Cyprus Convention Policy of 1878 (Cambridge, Mass.: Harvard University Press, 1934), p. 10), presents itself in the financial press of the day.
partially due to the activities of the Corporation of Foreign Bondholders, which eventually was able, despite the heavy pressure, to assist in a solution after London had washed its hands of the Egyptian affair.

The Turkish collapse came at an inopportune moment for the Council, with its leadership in disarray because of the illness of the chairman, Mr. Gerstenberg, the decline of the foreign government securities market, and internal division. The organization had heretofore enjoyed favorable publicity, with support from the Bankers Magazine and Money Market Review. The sour notes which were to presage the full onslaught against the Corporation were first sounded in the "Thunderer"¹ in early 1875, when it leveled a broadside at the Council's annual statement:

"We confess, however, that we hardly think that this report justifies the existence of the Corporation." The eruption continued:

Little is done by it [the Council], and not much good has come of that little for the creditors of the States and communities which have fallen into bankruptcy or who defy their creditors. . . . and in nearly all other instances, what the Council has done has been to carry on voluminous correspondence, enter into relations with diplomatic agents of its own abroad and generally to make a good deal of fuss with very little solid results. . . . It does not appear to us, therefore, that this body has as yet justified its existence in any instance, and it

¹Reginald Daliol Brett, Second Viscount Esher (Cloud-capp'd Towers [London: John Murray, 1927], p. 61) affixed this name to The Times.
cannot but entail considerable expense to those bondholders who give it their support.¹

The Money Market Review rejoined in short order:

We consider such remarks, to say the least, frivolous. . . . As for twitting the Corporation with not being more successful in at once dragging money out of the empty coffers of the bankrupt States, or suddenly instilling financial probity into the minds of disreputable Governments, it is to be regretted that The Times, with all its powers of advocacy has not been able to do better itself; and we should say that this alone should "justify the existence" of such a body as the Corporation, who at any rate have accomplished something.²

This same journal published Mr. Weguelin's remarks when he addressed the General Court of the Corporation in February of 1875 on the suddenly altered affections of the press. However, the Economist likewise pronounced the society a failure:

We fear it can hardly be said that this body has achieved the position, as an agency for protecting the holders of foreign bonds, which it was hoped it would achieve.

The reasoning of the journal went as follows:

It was originally, and is nothing if it does not remain, an association of capitalists largely interested in loans to foreign states; but we doubt if the best capitalist class in the City has not long ago ceased to be very much interested in the kind of loans where the bondholders most need protection. Hence the association is apt to become unreal, many who may be largely interested not

¹ The Times, Feb. 16, 1875, p. 10.
being influential in the City . . ., while other gentlemen who have the City influence and possession may have no sufficient interest to induce them to take an active part in the proceedings.¹

It was therefore incumbent upon the Council to demonstrate graphically its vitality in meeting the challenge of the moment.

A wave of anger swept the City on news of the Sultan's decree, with opprobrium being heaped on Turkey, the contractors, and any others who could be implicated, while rumors filled the air, obscuring a proper view of the situation.² For some time the Council had publicly aired its misgivings on Turkish finances,³ this despite Gerstenberg's position as a shareholder of the Imperial Ottoman Bank.⁴ The Corporation's efforts began with a meeting chaired by John Lubbock, where it was decided to call a general assemblage of Turkish holders for October 19, 1875, at the City Terminus Hotel, to formulate a policy. The

¹Economist, XXXIV (Feb. 26, 1876), 245.
²One such story reported that Mr. Gladstone had accepted an invitation from the Sultan to go to Turkey where he would be given a free hand to untangle that country's finances (Money Market Review, XXX [Oct. 16, 1875], 421).
³Ibid., XXVIII (Feb. 28, 1874), 273.
⁴Bankers Magazine, XXXII (July, 1872), 593.
attendance was excellent; the chair was occupied by Hugh Childers, M.P., who urged both unity and moderation toward an ancient ally. Tempers were high, so that after Mr. Galloway (a holder of £450,000 in "Turks") had resolved that the Council should handle matters, the volley of verbiage began in earnest. A 'Council' member, Mr. Cornelius Surgey, drew cheers from the throng when he said:

He thought they should take this opportunity of calling on the Great Powers of Europe to do what he considered it was their duty to do, and that was merely to support the bondholders to the utmost with the Turkish Government, and as old allies offer her wise advice.¹

Mr. F. C. Hamond summoned the Government to stand up for the bondholders and made dark threats against the Porte should it misappropriate the Egyptian tribute:

Woe be to his suzerain if he tried to stop the Khedive from performing an honourable duty, for the first thing he would do would be to declare his independence of the Porte.²

It was decided that each loan should keep its individual securities and that a protest would be lodged with the Foreign Office, which was delivered in person by a committee on November 5.³ Protests were also sent to the

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¹ Money Market Review, XXXI (Oct. 23, 1875), 438. A full account of the meeting of October 19 may be found here.
² Ibid., 439.
³ Wynne, p. 420.
Grand Vizier and to the contractors of the 1858 and 1862 loans which the Council represented. From October 26 to November 1 the Councilhouse hummed with activity as holders of the several Turkish issues met to select, under the 'Council's' aegis, committees which would then send representatives to a general body which would act for all.¹

Four loans were not included: the 1855 Guaranteed, which had not been disturbed by the Sultan; the 1858; and two others, the 1854 and 1871, both of which were pledged to the Egyptian tribute. The contractors for the latter three issues, Dent, Palmer and Company, had already entered the lists on behalf of these creditors and soon wished to assume a wider role. On October 21 that house held a meeting at which a committee was set up, including Philip Rose from the Corporation, and a mission was directed to Constantinople to appraise the situation.² In the meantime the Palmer group invited Messrs. Bennoch and Eykyn³ to join their committee in its planned protests. The adhesion of these two men was accomplished but was short-

¹For reports of these meetings, consult the City pages of The Times for October 27 through November 2, 1875.

²Wynne, p. 421, n. 6.

³Roger Eykyn (1828-96) had married the daughter of another 'Council' member, George Schlotel. Eykyn was a Justice of the Peace for Berkshire and from 1866 to 1874 was Liberal M.P. for Windsor. (The Times, Nov. 16, 1896, p. 6.)
lived, as they wished to keep their freedom of action. The fragile arrangement flew apart at the December 6 meeting of the contractor's group, where E. H. Palmer advised giving up individual securities and asserted that his committee now spoke for all of the holders. He also proposed a contribution of 2s. 6d. per hundred pounds' worth of stock, and when Mr. Bennoch rose to respond, the chairman (Mr. Palmer) declared his own motion affirmed and fled, leaving all in confusion.\(^1\)

Of the sixteen plans being circulated, the 'Council' decided to back Mr. Hamond's, even to the exclusion of those propounded by Philip Rose and Cornelius Surgey, and this course was adopted by a gathering of holders on December 10.\(^2\)

The organization's initial efforts in October had been appreciated by many, and the *Spectator*, for example, urged:

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\(^1\) *Money Market Review*, XXXI (Dec. 11, 1875), 638-40.

\(^2\) In accordance with the wishes of this meeting, another deputation was sent to Downing Street on December 13, led by F. C. Hamond and including representatives from Moorgate Street. The Foreign Secretary, decidedly piqued that the bondholders now supported another plan, said he would read their suggestions (*ibid.*, [Dec. 18, 1875], 670).
The best course for the Turkish bondholders is to empower the Council of Foreign Bondholders, which is composed of men of experience, to make the best bargain they can at Constantinople, by persuasion, or menace, or offer of some acceptable plan.\(^1\)

The Times did not share this opinion:

Without in any way questioning the good intentions of the Council of Foreign Bondholders, we must still point out that its position towards Turkey is that of an entire outsider. It is little likely, therefore, to obtain any consideration from the Turkish Government, which will inevitably look upon its protests and representations as the acts of a troublesome and insignificant intermeddler.\(^2\)

By December the Corporation was being treated as a villain; The Times refused to publish the particulars of the Council's plan and warned that if no settlement were reached it would be the fault of Moorgate Street. Further, this journal endorsed the Palmer Committee, judging that representation by them would be superior to that of "the chairmen of the various noisy and separatist committees got together by the Council of Foreign Bondholders."\(^3\) Mr. Hamond left for the East but the press attacks continued, so that a meeting of the Turkish holders was convened on December 30 merely to pass a resolution reaffirming faith in the Corporation

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\(^1\) Spectator, XLVIII (Oct. 23, 1875), 1319.
\(^2\) The Times, Oct. 18, 1875, p. 7.
\(^3\) Ibid., Dec. 8, 1875, p. 7.
and registering surprise at the animadversions cast upon their group.¹

At a meeting on January 10, 1876, convoked by E. H. Palmer, it was announced that his efforts had been paralyzed and that the Council was to blame. Still, the fragmentation of the bondholders had not run its course, for although Palmer boasted that the combination represented between £600,000 and £700,000 of tribute loan securities, a new group had sprung up which would eventually join ranks with the Council—the Egyptian Tribute Bondholders League. The new committee felt, as did the Corporation, that each loan should keep its individual security, and well might they argue this, for the Khedive had lived up to the letter of the bond by forwarding the tribute to the Bank of England, where it lay awaiting the signature of the Turkish ambassador for its release. But the ambassador approved the remittance of only half of the funds, in accordance with the Sultan's decree of October, 1875.²

Members of the Tribute League were present at the Palmer conclave of January 10 only to distribute copies of

¹ Money Market Review, XXXII (Jan. 8, 1876), 31.
² Wynne, p. 419.
their protest and of a statement of their raison d'etre.\textsuperscript{1} They claimed to have the backing of £682,000 worth of tribute stock holdings and felt confident that British interest in the Levant was rising. On January 16 the League put forth a pamphlet designed to garner adherents, and on March 6 they held a private meeting. Their objective was to obtain the release of the funds via the courts, and if necessary, to call upon the Western Powers should the Sultan attempt to appropriate the Khedive's payments. Throughout the first half of 1876 the Tribute League ran an independent course from the Corporation, but on its governing committee sat Mr. George Taylor, a 'Council' member; thus a channel of communication existed between the two bodies. Reference will be made again to the League and to the tribute loans since they are related to both the debt of Egypt and to the development of the Council.

Abusive exchanges with Dent, Palmer and Company persisted but the Council met with as little result as the contractor. In late February Mr. Hamond reported on

\textsuperscript{1}Standard, Jan. 11, 1876, ACFB, Turkey, VIII, 26. The points of the Tribute League's objections may be found here. An account of the meeting is given in the Money Market Review (XXXII [Jan. 15, 1876], 65).
the negative outcome of his journey to the Golden Horn. The Council decided that efforts toward a settlement should be continued, but for those securities not having the Egyptian tribute as hypothecated revenue, effective action had ground to a halt. With the revocation of the decree of October, 1875, although no agreement was reached it appeared to the Corporation that its own usefulness had ended. Turkey's desperate position and intransigence militated against a settlement, but bondholder disunity was just as damaging. Notables, philanthropists, and financial practitioners, representing various groups or no one in particular, populated Constantinople and badgered the local English officials and buttonholed members of the Sultan's entourage for support.

The Corporation, as well as the English holders in general, soon realized that their French compatriots, possessing poorer security for their money, were in no mood to cooperate in maintaining the old arrangements. Mr. Hamond remarked with heat that M. Bourée, leader of the French bondholders, had telegraphed ahead to the Porte announcing that they did not support his mission, while Palmer wrote:

1 For an account of the meeting, see the Money Market Review (XXXII [Feb. 26, 1876], 248-50).
2 Ibid., XXXIV (April 14, 1877), 383.
3 Financier, Feb. 25, 1876, p. 5.
The Minister most opposed to any exceptional consideration for the Tribute loan was Youssouf Pasha, the then Minister of Finance, possibly at the instigation of the French section of the General Bondholders.¹

This lack of unity, and a stricture from the press, placed the Corporation of Foreign Bondholders on the defensive and colored its approach to the Egyptian problem which was unraveling itself at the same time.

The Council's report for 1873 had stated:

It is now sufficiently recognisable that defaulting states so far co-operate together that they take example from each other's misdeeds, and it needs a thorough union of Bondholders to resist their aggressions, and to bring to their minds the conviction that neglect of obligation to any one class of holders will be met by certain exclusion from the united markets.²

The hope for unity was to fade, but there seemed to be substance in the idea that nations would emulate the mal-practices of the defaulter, and this possibility, fearful as it was, rose before the eyes of many, in respect to Egypt, upon the news of the October decree of the Sultan. Egyptian securities began to decline rapidly, as did the price of bank shares.

¹ Pamphlet enclosed in ACFB, Turkey, X.
By late October, 1876, the *Globe* reported that railway construction in the Sudan had been curtailed to save money, and telegrams became more gloomy by the day. The Alexandria correspondent for *The Times* bore witness to the economic decline:

Certain, however, it is that heaps of people will be cleaned out! The losses are enormous, and the place has been in a state of the most complete panic all the week.

The floating debt was snowballing, and was estimated by the French agent to be between four and six hundred million francs by December. With the situation decaying rapidly, Ismail decided to take his plight to the Western Powers, and by carefully treading the line dividing France and England, and the secured and unsecured creditors, this Oriental funambulist aspired to emerge financially rejuvenated, with his power intact.

The Egyptian Policy of the British Government: November 1875 to May 1876

The English Prime Minister of the day, Benjamin Disraeli, had taken office in February of 1874 with a

2 *The Times*, Nov. 4, 1875, p. 6. 3 Bouvier, p. 75.
majority of 368 to 250 over the Liberals, excluding the fifty-four Irish members. The anti-colonial feeling of an earlier day had peaked by the mid-1860's, and Disraeli's victory was due, in great measure, to his emphasis on Empire and security. His appeal found a response which had been prepared by a decline in British prestige on the Continent and a vague pessimism caused by economic depression.

For some time the more influential journals, the *Money Market Review*, for example, had called for Government assistance on behalf of the English bondholders:

> It need scarcely be said that the attitude of our Foreign Office has been weak, and that the principle of non-intervention, used up in Europe, and worn out to a rag, has been a means of weakening English diplomacy, by an avowal of incompetency and of an indisposition to resist fraud and oppression. This has to be stayed, and the steady action of the Council of Foreign Bondholders, and of the Committees in cooperation with it, will be well directed in helping to restore the functions of the Foreign Office to a healthful exercise.¹

Many members of the 'Council' looked with satisfaction upon the Conservative triumph, and at the General Court of 1874, General Sir George Balfour, M.P. for Kincardineshire, opined that "the new Government would give greater attention to foreign matters," which, translated into the needs of the bondholders, meant "influence which might be exercised by the British Ministers in various ways."²

¹ *Money Market Review*, XXI (Sept. 10, 1870), 251.
² Ibid., XXVIII (Feb. 28, 1874), 273-74.
Disraeli's imperial policy has been characterized as the product of an "impossible romancer . . . an irresponsible novelist," with policy in the East held up as an example. Egypt, which had hitherto occupied but a modest corner of the world's stage, had been slowly edging into the spotlight. Nowhere more keenly than in London was this alteration felt. Although the amount of trade between the United Kingdom and Africa was not significant in these years, that with Egypt was not to be despised; seventy-five per cent of the Nile Valley's imports came from the United Kingdom, a level which remained fairly stable for the entire decade. Cotton was the

1John Lyle Morison, "The Imperial Ideas of Benjamin Disraeli," Canadian Historical Review, I n.s. (Sept., 1920), 278.

2Ashworth, pp. 143 and 146. The trade of the United Kingdom with Africa is cited in the above work as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Percentage of Exports to Africa</th>
<th>Percentage of Imports from Africa</th>
</tr>
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<tbody>
<tr>
<td>1860-69</td>
<td>5.9</td>
<td>8.4</td>
</tr>
<tr>
<td>1870-79</td>
<td>5.5</td>
<td>6.0</td>
</tr>
<tr>
<td>1880-89</td>
<td>5.5</td>
<td>4.8</td>
</tr>
</tbody>
</table>

A table of British trade with Egypt (1860-74) may be found in an article, entitled "Recent Foreign Loans, Their Influence on Trade and the Rate of Discount," in Bankers Magazine (XXXVI [June, 1876], 403). Another source, the Statist (I [March 23, 1878], 6) discussed the difficulties and cited statistics on trade with Egypt. There was much faith in the yearly statistical summary of Egyptian commerce released by R. J. Mosse of Alexandria.
Nilotic region's chief export and with the end of the boom in 1865, the country sank back to the position of a third-rate contributor to the English looms.\(^1\) Furthermore, Egyptian cotton became so notorious for its poor quality that in 1874 a deputation of M.P.'s from the textile towns presented the Foreign Secretary a memorial on the subject.\(^2\) Such publicity, coupled with the slug-gish British economy, helped to pull down Egyptian cotton prices 19 per cent from March 1875 to the spring of 1879.\(^3\) In addition, in 1873 there was a collapse of the market for English plain and printed goods.\(^4\)

It was not her commerce, nor yet the rising level of English capital being drawn into Egypt, but rather the Suez Canal which most interested London. While the empire of Louis Napoleon toyed with the idea of creating de Lesseps the Duke of Suez, a team of British naval officers from the India Office were inspecting the new waterway with

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\(^1\) "The Distress of the Cotton Trade and the Future Cotton Supply," *Economist*, XXVII (Nov. 6, 1869), 1308. By this date Egypt, Brazil and others together supplied one-sixth of British cotton needs.

\(^2\) *The Times*, June 12, 1874, p. 5.

\(^3\) *Statist*, III (April 5, 1879), 111.

regard for its military usefulness. The importance of the "Great Ditch" to the trade of the United Kingdom was soon evident. In 1875, 1,494 vessels passed through the Canal, paying £1,151,000; of these, 1,061 ships were British and supplied £844,680 in tolls.\(^1\) The trans-isthmian route also reduced the journey from London to Calcutta by 3,200 miles—thirteen days by steamer—which affected a savings to the shippers as well.\(^2\) The completion of the Canal and the linking of London with Bombay by cable in 1870 drew the Empire that much closer together. But Egypt was a part of the Ottoman Empire despite its quasi-independent status, and the Compagnie Universelle du Canal Maritime de Suez was a French operation headed by a man with a score to even:

The Canal had been attacked so bitterly and so constantly by English interests that de Lesseps took an almost fiendish delight in putting the thumb-screws on British shipowners.\(^3\)

Both Liberal and Conservative Ministries had staunchly championed the cause of the shippers,\(^4\) and several abortive schemes to buy the waterway or even to dig another

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\(^1\)"The Suez Canal an International Highway," Quarterly Review, CXLII (Oct., 1876), 454.

\(^2\)Journal of the Royal Society of Arts, XXIV (March 3, 1876), 279-80.

\(^3\)Crabittès, The Spoliation of Suez, p. 141.

came to nothing, including the negotiations carried on in 1874-75 by Disraeli in Paris through his friends the Rothschilds.¹

Important as Egypt was to Great Britain, she contented herself with relying upon influence in Cairo to achieve her wishes, and, when necessary, applying to the Sultan for his added authority. France believed that England was following a policy which would bind the Nile Valley closely to England,² yet at Downing Street, Egyptian dispatches were still subsumed with the Turkish documents, and the antediluvian consular machinery for the Levant was to creak on until 1877, when it was reformed. The English press was also quiescent on the topic of a British penetration of Egypt, although there was the occasional article which speculated on the division of the "Sick Man's" effects once he should succumb.³ The

¹Hallberg, p. 222. Offers were extended from several quarters, including one from a private group led by Sir John Pender and the Duke of Sutherland, two individuals much involved in Egyptian enterprise.

²Duc Decazes to Pellissier, Dec. 3, 1875, quoted in Bouvier, p. 83. The French Foreign Minister gave as an example England's monopolizing the key positions in agriculture, commerce, and public works.

³For example, see Lepel Griffin, "The Present State of the Eastern Question," Fortnightly Review, XV n.s. (Jan., 1874), 21-42.
situation was drastically altered between October, 1875, and late spring, 1876, when it seemed an "Egyptian policy" was unfolding. Anti-Turk sentiment, exacerbated by the recent default, merged with anti-Russian feeling which counseled laying claim to Egypt before it was permanently lost. Even the Conservative papers began to think that the dismemberment of Turkey might be advisable.\(^1\) Significance was seen in the Khedive's son receiving the Star of India; at the same time, in early November a rash of articles appeared, such as the *Pall Mall Gazette's* "Egypt for the English," which heightened expectations.\(^2\)

We have already alluded to the unsuccessful struggle of the Corporation on behalf of the Turkish bondholders, and to the adverse publicity which damaged its reputation in certain circles. The Council, like the Egyptian bondholders in general, watched the bewildering turbulence of Egyptian affairs, unable to penetrate the froth and foam of the surface to determine the direction of the current of events. As long as Ismail paid his coupons, nothing could be done. Thus the holders remained apart, relying on the letter of their bonds, each searching for signs,

\(^1\)Lee, p. 9.

\(^2\)George C. Thompson, *Public Opinion and Lord Beaconsfield, 1875-80* (London: Macmillan Co., 1886), I, 238. Many other articles are cited in this work to show the lively interest generated by Egypt in the period.
while behind closed doors the Khedive strained to fend off bankruptcy, and foreign capitalists and their governments were to concoct scheme after scheme to solve the problem and bring Ismail under control. Therefore, the actions of the Government were eagerly monitored by the English creditors, for it was axiomatic that the more deeply Britain became embroiled in Egyptian finance, the better it was for the holders. As long as it appeared that the Government was interested in staving off Khedivial bankruptcy, which they were, there was no need for bondholder activity.

Cabinet solidarity upon the Egyptian question unfortunately did not exist, or as Punch interpreted it, "the Cabinet coach had the Derby drag on, and showy driving from Ben on the box."¹ Foreign Secretary Derby, who was assessed by a journalist of the day as thoughtful, cautious, lacking in oratorical skill but possessing a wide aptitude for business,² held the least popular view that

¹Punch, LXXI (Aug. 12, 1876), 70. By early March, 1876, both Carnarvon and Northcote had become concerned over the effects upon France of divergent telegrams being sent by Derby and Disraeli (Hardinge, II, 93).

there was no interest which would force England into Egypt, while the Prime Minister's "imagination cannot have been so limited," although "he used none but vague phrases" on the subject. At the Lord Mayor's banquet on November 10, 1875, Disraeli spoke of England's stake in the Middle East, and even the Khedive and his court began purchasing stock for the rise, through Parisian houses. Disraeli's *coup de théâtre* which would widen the dichotomy of views within the Government was indeed close at hand.

One of the last salable assets possessed by Ismail Pasha was the block of 176,602 shares of the Suez Canal Company. Upon learning of their availability for purchase, Disraeli obtained the Cabinet's reluctant approval on November 17 to tender an offer, despite Lord Derby's opinion that such an action would lead to "disagreeable correspondence both with France and the Porte." On November 12 the Khedive had signed a contract with a French banker in which a one-week option was given to arrange a loan with the Suez shares as collateral. While

1Buckle and Monypenny, V, 453.

2*Hour*, Nov. 19, 1875, *ACFB, Egypt*, I, 224.

these sub rosa negotiations were being carried on between several French houses, the news was leaked to the British Government, and Derby inquired of his agent in Paris, Lord Lyons, if he had heard such rumors, since England viewed them as serious and would herself be prepared to make the purchase. 1 Although the correspondence between the houses of Rothschilds was generally "extraordinarily uninteresting," 2 it may be that one of that family's agents did catch wind of the negotiations in Paris or Cairo. Perhaps more plausible was the suggestion that it was Henry Oppenheim, acting on his own or on the Viceroy's authority, who wished London involved in the salvaging of Egyptian fortunes. If so, his choice of Frederick Greenwood, the editor of the solidly conservative Pall Mall Gazette, was the right one, for on being told of the contemplated sale on the evening of November 14, he went directly to Downing Street. 3 Disraeli enthusiastically wrote his Sovereign, "Tis an affair of millions, about four at least; but would give the possessor an immense, not to say preponderating, influence in the

1 Derby to Lyons, Nov. 17, 1875, ibid., p. 86.


3 Buckle and Monypenny, V, 439-40.
management of the Canal, "but the Chancellor of the Exchequer, Sir Stafford Northcote, never a convert to bold action in Egypt, feared that "suspicion will be excited that we mean quietly to buy ourselves a preponderating position, then turn the whole thing into an English property." Decisiveness seemed imperative, for Sir John Rose, a member of the 'Council, had informed the Government that there were now several French parties bidding for the shares. Under these circumstances the attitude of the Quai d'Orsay had to be determined.

London had made it clear to the French charge that Britain could not allow the Khedive's shares to fall

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1 Disraeli to Queen Victoria, Nov. 18, 1875, ibid., p. 443.

2 Northcote to Disraeli, Nov. 26, 1875, Great Britain, Iddesleigh Papers, British Museum Additional Manuscripts (hereafter BM Add MSS) 50017, p. 129 (copy).

3 Sir John Rose (1820-88) was born in Scotland but emigrated to Canada, where he engaged successfully in commerce and entered government in 1857. He held several posts and proved useful to Downing Street. In 1868 he came to London to float a railway loan; there, in 1870, he joined an investment bank and, shortly thereafter, the Corporation of Foreign Bondholders, where he could look after Canadian interests (DNB, XVII, 242).

4 W. H. Smith to Northcote, Nov. 23, 1875, Iddesleigh Papers BM Add MSS 50017, p. 118.
into French hands,¹ and notified General Stanton, the English agent in Cairo, to advise the Viceroy not to finalize an arrangement without listening to London first. Confronted in this manner, the French Foreign Minister, the Duc Decazes, presented no serious objections to the purchase² despite his angry histrionics before The Times correspondent Blowitz.³ There was no doubt that the Third Republic placed great value upon the friendship of Great Britain, which would explain their policy, but in addition there were personal motives. The Crédit Foncier of Paris, which formed the focal point of all combinations willing to purchase the shares, suddenly opposed the entire scheme and in doing so, left the United Kingdom alone in the field.⁴ The French houses

¹Hallberg, p. 238.


hoped to unburden themselves of Khedivial paper by utilizing the prestige which would accrue from the involvement of the British Government. The Duc Decazes, a man knowledgeable in Middle Eastern affairs through his membership in the Imperial Ottoman Bank,¹ and greatly immersed in the activities of the Credit Foncier,² also had a stake in these negotiations.

The transaction was closed on November 23, and in three days the stock was delivered; the Rothschilds advanced the almost £4 million purchase price (at 2.5 per cent commission), until Parliament could approve the proceedings, which it did on February 20, 1876. In the long run this speculation with public money in a private venture was most profitable,³ but it made England also another creditor of the Khedive, for he and his minister Nubar Pasha had carefully hidden the fact that the stock was not free from encumbrance. The Viceroy had lost the revenue upon his shares until 1895, and at a meeting on

1 Bouvier, p. 101.
3 Hallberg, p. 238. The shares were purchased at £23 each, slightly above prevailing market prices, but by 1881 they were quoted at £78, and by 1905 the English block was worth £33 million.
August 24, 1871, the Canal Company had also stripped the shares of all voting power for the same period; thus the Khedive was liable to England for an annual payment of £200,000, and any role in Canal management which Britain might play had to be negotiated with de Lesseps.¹

Great was the surprise and general approval of the populace on learning of their Prime Minister's tour de force, led by The Times (which usually opposed Disraeli, though perhaps less so on imperial policy)² England's journals paid their court. Mr. Gladstone, who assumed a negative stance,³ admitted that "a storm of approbation seems to swell, almost to rage, on every side."⁴

¹In an arrangement signed on February 3, 1876, between Stokes, representing England, and the Canal Company, the United Kingdom received three of the twenty-four seats on the Board of Directors, along with a promised increase in their representation in 1895. Charles Rivers Wilson was one of the men deputed by the Government to represent London (Hallberg, pp. 247-49). See Crabitès (The Spoliation of Suez, p. 184) for the text of the agreement.

²Lord Esher (p. 61) viewed The Times as usually hostile to Disraeli, while Paul Knaplund (Gladstone's Foreign Policy [New York: Harper and Bros., 1935], p. 66) noted this sympathy toward the Prime Minister on imperial matters.

³This opposition was forgotten, for on September 27, 1882, Mr. Gladstone suggested to Lord Granville that the Government make an additional purchase (Knaplund, p. 165).

No evidence exists that Disraeli actually designed to throw over Turkey for a new Egyptian policy,¹ but he certainly realized the importance of this route to India and defended his actions in Commons as follows:

I have never recommended this purchase as a financial investment. . . . I do not recommend it either as a commercial speculation. . . . I have always and do now recommend it to the country as a political transaction.²

The Prime Minister had obtained a counter in the diplomatic game, while the press had labeled Egypt terra Britannica, should Turkey collapse. To investors in Egyptian securities such prospects were most welcome. Sir George Elliot, M.P. for North Durham (and deeply involved in Egypt) voiced his support of the purchase;³ Goschen took the same view—considering it a wise political stratagem⁴—while the Chairman of the Bank of Egypt remarked:

It [the step taken by England] appears to have commanded the general approbation of the country, and I have no doubt whatever that our Government

¹Blake, p. 561.
²Quoted in Roberts, "Egypt as a Factor," p. 55.
has been well informed of what they are about, and that they have taken a cautious and prudent step, and one that hereafter we shall find of great benefit to us.¹

The Corporation also looked with favor on the Government's policy and saw in it a potential advantage to the bondholders:

The recent policy of the British Government in acquiring the Viceroy's interest in the shares of the Suez Canal may be made, it is to be hoped, the basis for founding a system of administration better adapted to the real development of the resources of the country, and the establishment of its credit.²

Some 'Council' members, the Deputy Chairman John Lubbock among them, favored the purchase but disliked the arcane way in which it had been brought about, since it had caused much speculation on the Exchange.³ But another member, Mr. Philip Rose, was pleased that negotiations had succeeded at all, for as he reminded Corry:

Is it not curious that the arrangement which I was urging upon Mr. D. 18 months ago, to secure the Suez Canal for the English Govt., should have been brought about, tho' in a much better way, as my plan contemplated an arrangement with Lesseps and his Company, whereas they have now got a title from the Sovereign, and have helped that Sovereign at the same time?⁴

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¹ Bankers Magazine, XXXVI (March, 1876), 219.
³ Hansard, 3d ser., Vol. 231 (Aug. 8, 1876), col. 855.
⁴ Philip Rose to Corry, Dec. 1, 1875, Buckle and Monypenny, V, 451.
If the shares purchase was to be a signal for British expansion, there were certainly many on the 'Council' who could look with approbation upon the fact.¹

As encomiums poured in from all sides, the Conservative Government contemplated its next move. Bismarck was quick to congratulate Britain warmly on its demarch, and on November 29, 1875, broached the subject of an eventual division of the Ottoman Empire.² To mollify France, however, on November 27 the British Foreign Secretary informed the French Ambassador that England was not averse to the establishment of an International Commission to manage the Canal. This ignited the vigorous opposition of Lord Carnarvon, the Colonial Secretary, the only Minister of Government who actively promoted an aggressive posture in Egypt.³ On November 29, 1875, he

¹ Aside from the societies already mentioned, several 'Council' members were enrolled in the Royal Colonial Institute, established in 1868, and they included two of its trustees, Sir John Rose and Lord Kinnaird, as well as Augustus B. Abraham, Hyde Clarke, and Sir John Lubbock. Other members of the Royal Colonial Institute interested in Egypt included Stephen Cave, George Goschen, Sir Henry Drummond Wolff, and, interestingly, Hermann Oppenheim. The Royal Asiatic Society, a more scholarly group, included among its membership General Sir George Balfour and William Trotter, also from Moorgate Street.

² Lee, p. 20.

³ The Secretary for India also expressed a willingness to see Britain intervene in the Turkish Empire (Salisbury to Malet, Jan. 14, 1876, Lady Gwendolen Cecil, Life of Robert, Marquis of Salisbury [London: Hodder and Stoughton, Ltd., 1922-32], II, 80).
laid his views before the Prime Minister, arguing that they should pause over their success and study the temper of Europe and of the British people, since "the control of the Canal is valuable as a step to the control of Egypt."¹

For the English public, the policy which emerged was a confusing affair: while Lord Derby gave speeches designed to dampen public ardor, a mission was sent forth to Cairo to look into the financial affairs of the Khedive. The gentleman selected to make the inquiry for the Government was Stephen Cave, M.P., a Bristol banker who held the post of Paymaster General.²

On October 30, and again on November 16, 1875, the Viceroy had requested England to send out financial experts to assist in the modernization of the Egyptian administration; but red tape held matters up, for by November 26, the day of the shares purchase, the Treasury reported that not enough information had been given.³

¹Carnarvon to Disraeli, Nov. 29, 1875, Carnarvon Papers PRO FO 30/6/11.
²Sir Stephen Cave (1820-80) passed the bar in 1846, and from 1859 until his death sat for Shoreham in the Conservative interest. He was both a traveler and a linguist, and possessed much financial experience, since he was a member of the Bank of England and was placed on the Parliamentary Committee to investigate foreign loans in 1875 (DNB, III, 1250).
³Parliamentary Papers, LXXXII, Egypt No. 4 (1876), C. 1396, Nos. 1-5.
the same day Mr. Stephen Cave was selected, and three days later General Stanton was apprised of the mission's early departure for Egypt. Although no written instructions to Cave survive, the objective of the journey was to determine if Egypt could continue to meet her obligations, if necessary with the aid of a financial advisor, and, if the Khedive could be convinced that such a need existed, to arrange for the arrival of a second emissary. The wishes of France were not consulted, for it was feared that Paris would use the Viceroy's pecuniary embarrassments to obtain control over the Cairo Government. The public looked on with interest as a high officer of the Crown prepared to vacate his duties for several months, and, accompanied by a staff drawn from the Foreign Office and War Department, departed for Egypt, all in response to Ismail's desire for two clerks.

1 On November 26 the Prime Minister suggested Cave for the Egyptian mission (Buckle and Monypenny, V, 454).

2 Derby to Stanton, Nov. 29, 1875, Parliamentary Papers, LXXXII, Egypt No. 4 (1876), C. 1395, No. 8, p. 5.

On arriving in Egypt on December 16, Cave found himself surrounded by intrigants, mountebanks, money-lenders, and groups of major capitalists, and in the midst of it all, an agitated prince who disliked the precedent for foreign interference which was being set. De Lesseps soon appeared on the scene and busily engaged in persuading the Khedive to part with his founder's rights to 15 per cent of the profits of the Canal Company (which was now beginning to produce revenue) for a loan of £2 million at 9 per cent. Henry Oppenheim informed the British Foreign Office that de Lesseps had come to Cairo with a plan to form a company "to lease the Egyptian railways, the harbour of Alexandria and tobacco dues and thus to furnish the money for paying off the floating debt." 

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1 One of the arch-intrigants in a land of artifice was Nubar Pasha, who fancied himself the Bismarck of Egypt. He worked against Mr. Cave's investigation, but when Ismail discovered he was leaking information to the Greek Consul General, and was in touch with the Russian agent as well, Nubar was exiled (Stanton to Derby, Dec. 23, 1875, Great Britain, PRO Foreign Office Confidential Prints [hereafter PRO FOCP] 407/7, No. 30, p. 11; Atkins, p. 116). For a sketch of Nubar, see Cromer, II, 335-40.

2 Cave to Derby, Dec. 23, 1875, PRO FOCP 407/7, No. 18, p. 8.

3 Cave to Derby, Dec. 20, 1875, ibid., No. 17, p. 8.

4 Oppenheim to Corry, Dec. 31, 1875, quoted in Atkins, p. 65.
If such were the case, English capitalists (principally those connected with Sir George Elliot who, as contractor for the new dock facilities, was still owed £1.4 million,¹ and many bondholders, especially those of 1873) would have much to complain of, since these securities had already been hypothecated.

Oppenheim was not a neutral observer, for he himself was trying to gain support for a project of his own contrivance to prop up Egyptian finance.² The Duke of Sutherland, another personage with economic ties in Egypt, also had a solution to the Viceregal embarrassments, but he contented himself with personally carrying his cause to the Prime Minister.³ Such was not the case with the combination represented by Sir George Elliot. As the director of the Telegraph Construction and Maintenance

¹Edward Malet to Salisbury, Feb. 18, 1880, ibid., p. 66.

²Northcote to Cave, Jan. 3, 1876, Iddesleigh Papers BM Add MSS 50063/185 (copy).

³George Granville William Sutherland Leveson-Gower, Third Duke of Sutherland (1828-92), represented Sutherlandshire in Parliament from 1851 to 1861. He was not politically minded, and preferred travel, railway building, land reclamation, and the development of his urban holdings, such as those in Cairo (DNB, II, 1026-27; Atkins, p. 66; Baron Samuel Selig de Kusel, An Englishman's Recollections of Egypt, 1863 to 1887 [London: John Lane, 1951], p. 94).
Company, this gentleman had for years been deeply interested in Egypt's communication system, and appreciated its importance to Britain. While Elliot betook himself to the Levant to promote his scheme and to obtain the adherence of Mr. Cave, J. C. Parkinson, his son-in-law, remained in London to cultivate Government support. Backing Elliot was the Imperial Ottoman Bank, Glyn Mills, and most likely Frühling and Goschen. The Government gave no official cognizance to any of these would-be nostrums.

For the M.P. for Shoreham far from home and under great pressure, matters became less clear, and he was soon admitting to the Foreign Office that he liked the Elliot proposals, and reported on January 22 that Ismail preferred them too. More disquieting to Downing Street was the news that Cave had used his influence with Stanton to gain additional time for the British capitalists, whereupon Derby demanded an immediate denial; a few days later the Elliot plan collapsed. The plan was actually doomed when the Rothschilds chose to remain aloof, a fact which,

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1 Bouvier, p. 85.
2 Cave to Derby, Jan. 22, 1876, PRO FOCP 407/7, No. 77, p. 38.
3 Elliot to Parkinson, Feb. 1, 1876, ibid., No. 81, p. 44.
4 Northcote to Disraeli, Feb. 2, 1876, Iddesleigh Papers BM Add MSS 50017, p. 158 (copy).
when communicated to the Chancellor of the Exchequer, did not surprise him since he had felt for weeks that Egyptian bankruptcy was a foregone matter.¹

More anxious for a settlement than the English groups and more heedless, too, of the rights of the bondholders, were the French bankers who banded together in early 1876 as the Grand Syndicate,² which included Oppenheim-Alberti, the Anglo-Egyptian Bank, and the bulwark of the combination, the Crédit Foncier, under the nominal leadership of Edouard Hentsch of the Comptoir d'Escompte. The immediate objectives of the Syndicate were to maintain market prices of Egyptian securities by purchase on the open market, and to grant extensions on Khedivial paper so that they would have time to devise a project to allow them to transfer their share of the debt to the public. They anticipated imposing their will upon the Viceroy in order to obtain solid hypothecations, and placing the necessary loan for the debt consolidation in a preferential position. In short, the bonds of all other issues were to be abridged insofar as they impinged upon the new arrangement. Such an attitude

¹Hardinge, II, 93.

²Eighteen banks constituting the Grand Syndicate are listed in the Bouvier article (p. 94).
seemed to them justified by the situation. By February the Anglo-Egyptian had lost £444,000 on its holdings, but in Paris, where holdings of Egyptian paper were conservatively estimated at £7.6 million (and which probably well exceeded £20 million), nerves were frayed. The Crédit Foncier, whose bylaws forbade investment in such securities, and whose billcase could be examined only by its Governor and Deputy Governor—both of whom were chosen by the French Government—and the Finance Minister, had acquired £5.75 million (141 million francs) in Egyptian paper.

Since it appeared that Cave was in Cairo to support English capitalists, the ex-Finance Minister of Italy, S. Scialoja, was also dispatched, while the Duc Decazes sent the tactless and abrasive Maxim Outrey, who had been removed as agent in Egypt in 1867 at the behest of the Viceroy. Outrey's sojourn probably did more harm than good; one of his favorite themes was that "England was trying to obtain possession of Egypt." Jules Pastré, the Syndicate's man on the scene, pressed vigorously for the creation of a National Bank of Egypt, with his institution as its nucleus, which could consolidate the debt into

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1 Barclays Bank, p. 80.
2 The Times, April 12, 1876, p. 8.
3 Ibid., May 8, 1876, p. 8.
4 Stanton to Derby, Jan. 15, 1876, PRO FOCP 407/7, No. 47, p. 20.
salable obligations. By the time of Cave's departure, a contract had been signed, but the British Foreign Office refused to be a party to it or to send a commissioner to participate, thereby ruining its chances for success.

While plans to send Wilson went ahead, Derby rejected France's suggestion of restricting Viceregal responsibility by arguing that Her Majesty's Government "have no reason to suppose that the Khedive desires the establishment of any system of control over his finances by foreign governments." Cave was alive to the power which an English financial adviser might wield in Cairo. His report, released in April, 1876, emphasized England's desire to use financial influence to guide Egypt, for it advised that the Khedive "should place a person who would command general confidence, such, for instance, as the financial agent sent out by Her Majesty's Government to take employment under his Highness." Again there was

1 Derby to Stanton, March 6, 1876, ibid., No. 141, p. 77. The Foreign Secretary stated that if the bank commissioners had the power to control revenue, England might reconsider its decision. This was reiterated in Parliament by the Prime Minister as well.

2 Derby to Lyons, Feb. 19, 1876, Parliamentary Papers, LXXXIII, Egypt No. 8 (1876), C. 1484, No. 2, p. 1.

3 Cave to Derby, Jan. 5, 1876, PRO FOCP 407/7, No. 49, p. 21.

4 Parliamentary Papers, LXXXIII, Egypt No. 7 (1876), No. 7, C. 1425, p. 9.
no allusion to Paris. When the document was eventually published, a periodical of the day remarked:

His whole Report is framed on the supposition that Egypt would somehow be treated for the future like a native Indian State. He does not say this in so many words, but he continually points out that what is really wanted in Egypt is the presence of a body of officials like those who administer in India.¹

Ismail's strategy was still to play the foreigners off against one another and to rest in the belief that his collapse would not be permitted. The French people, stirred by chauvinism engendered by the shares purchase, supported a strong stance in Egypt.² In turn, their government worked closely with the Parisian bankers to present a solid front to the Viceroy.³ Ismail had been forced to mortgage his founder's rights in the Suez Canal in early February for a £3 million loan, which was absorbed in Paris to meet interest due.

English public opinion towards Egypt had begun to cool by early spring, with fewer journals speaking out as Government's policy became more ambiguous. But the Cabinet had not lost sight of Egypt's importance.

¹Saturday Review, XLI (April 8, 1876), 446.
²Lyons to Derby, March 21, 1876, PRO FOCP 407/9, No. 1, p. 1.
³Bouvier, pp. 89-90.
and as Cave busied himself in completing his report, Downing Street prepared to carry into effect the second phase of its program. The Observer, edited by Edward Dicey, announced on February 12, 1876, that Charles Rivers Wilson, Comptroller General of the National Debt Office, had been selected as the financial expert to travel to Cairo.\(^1\) Two days before, Northcote had laid the offer before Wilson, promising him a six-month leave of absence, which the latter accepted.\(^2\) Wilson's personal secretary on this mission described his chief as intelligent and able to extricate himself from a tight corner, but "in all circumstances, his first consideration was for himself."\(^3\)

Wilson arrived in the Egyptian capital late in February after pausing en route to discuss matters with

\(^1\)Charles Rivers Wilson (1831-1916) came of a financial background and in 1856 entered the Treasury as private secretary to the Financial Secretary. In 1874 he took up the duties of the National Debt Office, and in early February of 1876 was chosen to represent England at the Canal Board, which he did until 1896, when he retired from Government. He maintained his connection with private enterprise and directed the Alliance Assurance Company (DNB, 1912-21, p. 581-82).

\(^2\)Northcote to Wilson, Feb. 10, 1876, Charles Rivers Wilson, Chapters from My Official Life (London: Edward Arnold, 1916), p. 84.

Cave in Paris. His task was to secure a settlement of the Egyptian floating debt which would be just both to the creditors and to the Viceroy,¹ while at the same time representing English capitalists. Among the latter were Baring Brothers, and his friends, the Rothschilds, with whom he communicated by cyphered messages. The arrival of Wilson elicited the same response from Italy and France as had the Cave Mission; from the former came S. Baravelli to render the Khedive wiser with his sage counsel, and from Paris came M. Villet.² Again the Frenchman had the Quai d'Orsay behind him while, as Wilson complained, the Chancellor of the Exchequer gave him only "platonic" support.³ The Viceroy persisted in requesting Britain to approve the national bank scheme, while opening conversations with the London Rothschilds through Wilson.⁴

The interest of the "great house" merely redoubled French

¹Derby to Lyons, March 25, 1876, Parliamentary Papers, LXXXIII, Egypt No. 8 (1876), C. 1484, No. 31, p. 23.


³C. R. Wilson, p. 86.

⁴Stanton to Derby, March 18, 1876, PRO FOCP 407/7, No. 168, p. 86.
determination to impose a settlement on Ismail with its concomitant restraints on spending, even without British adhesion. Ismail found himself in a most uncomfortable position: the European community in Egypt favored the French project; Pastre threatened a cessation of funds; the Cave Report, though not yet published, hung like an albatross about his neck, prohibiting freedom of action; and Treasury bills which could not be met were again rapidly falling due. But temporary relief was at hand. A meeting of members of the major French houses was convoked, at which the necessary funds to meet the Khedive's Treasury bills were promised, after which Decazes personally thanked those on hand for their patriotic action that day. But the Viceroy was not out of the woods by any means, for on April 3 the Cave Report was released.

As soon as Cave touched English soil, the financial press began to call for publication of his figures, and in

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1Such threats to act without England were voiced in a letter by Decazes to Outrey on March 31, 1876 (Bouvier, p. 90), and were passed along to Derby by Lyons on March 21 (PRO FOCP 407/9, No. 1, p. 1).

2The Times, March 20, 1876, p. 8.

3Stanton to Derby, March 21, 1876, PRO FOCP 407/7, No. 189, p. 90.

4Lyons to Derby, April 1, 1876, ibid. 407/9, No. 28, p. 17.
Parliament, City men were continually asking questions of the Government. The investigation had cost the people of England £22,200,1 and there had been much speculation in Egyptian bonds. On March 23 the Report was submitted to the Government but was withheld from publication, Disraeli explained, because such was the Khedive's desire; 2 therefore the feeling arose that something was being concealed, and stocks plunged. The Viceroy complained bitterly about the handling of the affair, and some have argued (unlikely as it seems) that Derby had used the threat of publication of the Report as blackmail to offset mounting French pressure. 3 Ismail could not resist for long, and in ten days' time he asked that the document be released.

The Cave Report gave the revenue of Egypt, with the Moukabala, at £10.7 million, from which £7 million was needed for interest on the total debt which was estimated at £75 million (the floating obligation being placed at £24 million, including the Daira bills). This situation could not continue, even though the author waxed confident that with adjustments the creditors might be repaid. The solution advocated was: (1) to combine the Daira and national debts since the latter could not pay its way; (2) to consolidate

1 The Times. April 1, 1876, p. 7.
3 Rothstein, p. 21.
all into a seven per cent debt to be paid in fifty years; (3) to raise a loan on favorable terms; (4) to reduce corruption and waste by employing European officials. All of these conclusions had been arrived at after careful inspection of the chaotic accounts of the Malieh. The Report served as yet another depressant on the slumping Egyptian market. On April 6 Ismail promulgated a decree suspending all payments on Treasury bills for three months, effectively admitting bankruptcy.

The Viceroy still hoped to use the Rothschilds, who had decided to pursue the problem of Egyptian finance. At the same time, although it had abandoned the bank scheme the Syndicate had another settlement to propose. Decazes remained solidly behind the French capitalists and by the end of March had persuaded the Parisian branch of Rothschilds not to support the London house. This being the case, the British concern decided not to move except with Government support. Wilson was sanguine about what might be accomplished.

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1Parliamentary Papers, LXXXIII, Egypt No. 7 (1876), C. 1425.

2J. Pauncefote to Tenterden, March 13, 1876, quoted in Atkins, p. 72.

3Wilson to Disraeli, April 1, 1876, ibid., p. 75.
even after the Khedive's decree:

It certainly does strike me, as it struck very forcibly Lord Lytton and Lord B. Frere when they were here, that a very remarkable opportunity has been afforded and is I think still available for England, if it is her interest to do so, to acquire by honourable means a preponderating influence in Egypt.¹

The Government still opposed a total default by Egypt,² but they could not give the Rothschilds the sort of backing which they requested. The "opinion out of doors" that there was no consistent foreign policy being followed³ seemed to be borne out as the Cabinet looked on while French bankers won the field and dictated terms. The Syndicate and the French Government wished for English participation, and Alfred Rothschild informed Northcote at the eleventh hour that France was willing to listen to any arrangement London might propose.⁴ With the atmosphere becoming more threatening in the Middle East, Downing Street wished to keep its freedom of action and refused to interfere in the internal affairs of Egypt.

¹C. R. Wilson to W. H. Smith, April 9, 1876, Iddesleigh Papers BM Add MSS 50017, p. 196.
²Northcote to Tenterden, April 18, 1876, Tenterden Papers PRO FO 363/2.
³W. H. Smith to Northcote, April 17, 1876, Iddesleigh Papers BM Add MSS 50017, p. 194.
⁴Northcote to Disraeli, May 1, 1876, ibid., p. 204.
The arrangement between Ismail and his floating debt creditors (the unsecured debt having reached £27 million) was concluded in a series of three decrees.¹ On May 2 the Viceroy proclaimed the creation of a Commission of the Public Debt (Caisse de la Dette Publique) which would have representatives from France, Italy, and England (should she choose to participate), and which would control the collection and disbursement of public money. The second decree, issued on May 7, dealt with the conversion of the debt. Under its provisions the debt was set at £91 million, inclusive of the glut of paper in French portfolios which was to be paid off in sixty-five years at 7 per cent. All old bonds were to be turned in for the new Unifieds, with the 1862, 1868, 1870, and 1873 holders exchanging at par, while the so-called short loans of 1864, 1866, and 1867 (whose maturity dates were relatively near) received a bonus.² But the largest bonus was reserved for the Syndicate, and was equivalent to 25 per cent, that is, £80 of the Khedive's Treasury bills would entitle the holder to £100 of the new scrip. Ismail was granted a £5 million

¹Wynne, pp. 588-91.

²The loans of 1864 and 1866 received a 5.25 per cent bonus, while the 9 per cent issue of 1867 was granted an 11.75 per cent advantage.
loan,\(^1\) and altogether approximately £6.5 million would be necessary to service the consolidated debt. On May 11 a third decree was promulgated establishing a Supreme Council of the Treasury to oversee all state revenue collection and expenditure.\(^2\)

Wilson strongly protested these proceedings, and on May 8 asked London's permission to return home, which was granted.\(^3\) The Foreign Office informed the Khedive in clear terms that the new settlement was unsatisfactory and that they would not participate in it;\(^4\) the astounding rise in the floating debt (£6.5 million per month), the terms of the conversion, and a desire to avoid responsibilities of every sort were all reasons for this course.

So the English exodus began. General Stanton, who had acted as agent since 1865, was removed to Munich.

\(^1\)The loan was issued at 72, which added £6,670,000 to the debt and cost the nation £950,000 a year, a rate of 19 per cent for the entire transaction.

\(^2\)This body—unlike the Caisse which handled only funds springing from sources guaranteed to the creditors and used to pay coupons—was to have power encompassing all state finances. It was replaced later in the year by the controllers under the Goschen scheme.

\(^3\)Derby to Stanton, May 18, 1876, PRO FOCP 407/9, No. 109, p. 70.

\(^4\)Derby to Stanton, May 23, 1876, ibid., No. 115, p. 75.
and Wilson departed after creating antipathy in the European community.¹ The French bankers had won, but it was a Pyrrhic triumph, for pressure was still severe since the bondholder, like the quadruped in the saying, had been brought to the water but could not be made to drink. The investors, confronted by the new arrangements, refused to purchase or exchange their old scrip for the new, a situation which had not been fully considered. Thus by the end of May the bondholders were in an uproar, the English Government was disengaged, and a new initiative by the Corporation of Foreign Bondholders was about to begin.

¹ Baring wrote that Wilson, during his stay, had run up petty debts, which the Viceroy was later forced to pay, and had thought only of his own position (Baring to Goschen, March 22, 1878, Cromer Papers PRO FO 633/2).
CHAPTER III
THE COUNCIL ACTS IN EGYPT
MAY 1876 TO MAY 1877

Egyptian securities began to slump in July, 1875, depreciating 15 per cent in value in four months, prompting The Times to begin its policy of steering investors away from Khedivial bonds. This dolorous view of the situation proved correct, for Egyptian securities suffered heavily throughout the period of the negotiations in Cairo. The Economist presented the facts arrayed in Table 7. The general decline was punctuated by occasional rallies, as when Britain made the shares purchase, which caused the 1873 issue to jump from 52 to 69 in but a few days. The Suez stock rose in Paris from 690f to 706f, as people placed their money in securities which were felt now to be more reliable. Optimism was sustained by

1 The Times, Oct. 27, 1875, p. 6.
2 Ibid., Dec. 6, 1875, p. 6.
3 Standard, Nov. 27, 1875, ACFE, Egypt, II, 30. A letter, signed "W.H.P.", stated that the writer had bought "Egyptians" at the time of the Canal shares purchase in the belief that England would soon occupy that area (Statist, I [April 13, 1878], 129).
the departure of Mr. Cave for the East; to many, Ismail was beginning to resemble an English client. Bondholders--including those possessing the tribute loans--expected that British financiers in Cairo would improve matters. Throughout the winter sundry rumors and imprudent utterances by those in the Government sent the market leaping and plunging.\(^1\) The most chronic Egyptophiles were finding their mettle being tested, and even the great coup of November was suspect:

"What are we to do with these four boxes of scrip brought home from Egypt in the Malabar?" an eminent civil servant asked an eminent City man. "Do with them?" answered the cynical banker, "Paper one of your offices--say, by preference, the Bankruptcy Court."\(^2\)

By mid-March, 1876, twenty-one brokers had failed at Capel Court, and it was openly surmised that without the continual French purchases, Khedivial bonds would probably drop 20 per cent in value.\(^3\) With the release of the Cave Report, there were wild fluctuations on the Paris Bourse, and the ill effects in England were such

\(^1\) The Economist chided the Chancellor of the Exchequer for saying that Ismail could pay his debts without producing a shred of evidence to substantiate this claim ("New Information on Mr. Cave's Mission," Economist, XXXIV [Feb. 19, 1876], 214).


\(^3\) The Times, March 25, 1876, p. 7.
that those speculators who profited from the decline were called "Cave Bears" by Punch.¹ The Bullionist placed the blame for this state of affairs on the Government's shoulders:

The enormous fluctuations that have gone on from day to day in Egyptian bonds are largely due to the bungling action of the Government, who by the course they have taken in the whole matter have inflicted a maximum of injury upon the holders of Egyptian bonds, without benefitting in any degree the ruler of Egypt.²

The Corporation's quiescence on Egyptian affairs has been partially explained by the loss of its chairman, the dearth of success in defending the Turkish bondholders, the attacks by the press, and the form of its bylaws which prevented its taking action before a de facto default. In addition, the initiatives of the Government forestalled the Council's action, since the latter assumed that Downing Street was working if not for its own nationals, then at least not against them. However, by March the Corporation (now faced with the defaults of Peru and Mexico), as well as the investing community in general, was becoming exasperated with the Foreign Secretary. The Economist remarked:

It is fairness, moderation, and above all, steadiness, which impress these hand-to-mouth Governments. Lord Derby is always fair, always moderate, but he is not always firm.³

¹Punch, LXX (April 22, 1876), 161.
²Bullionist, April 8, 1876, ACFB, Egypt, III, 292.
³"The Difficulty of Dealing with Bad Governments," Economist, XXXIV (March 25, 1876), 366.
But hampering the Corporation's actions was the lingering question of the finances of the organization.

According to W. H. Bishop, a leader of the dissidents within the Corporation after 1880, and himself elected to the 'Council' in 1889, the conflict arose when those original subscribers were not consulted as to the change effected, but were, in 1873, informed that the 'Corporation' had been registered under the Limited Liability Acts, without the addition of the word 'Limited.'

Mr. Gerstenberg was of another opinion, and argued that subscriptions... by persons who had joined the association for objects other than the protection of the interests of foreign bondholders had... been returned.

As long as there was nothing to divide, the question was moot. In 1874 the Corporation generated enough revenue to meet expenses, but in the following year experienced a loss exceeding £6,000; this, after the Council reported that a circular would be sent to all bankers with an eye

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1Bishop, p. 1.
2The Times, Feb. 26, 1874, p. 7.
4Money Market Review, XXXII (March 4, 1876), 282.
to increasing life memberships. The repayment of the certificates was a burden on the Chairman, and in fact the circumstances that the Council were too desirous, at the present time, to repay the advances as quickly as possible, rather hampered their action occasionally. At the General Court of 1876 it was disclosed that £18,726 had been earned in commissions by the society for the settlement of Colombian and Spanish defaults. Again the cry for dividing profits arose, and one member, Mr. Dickson, opined that the institution had accomplished nothing that would not have occurred anyway, and that the group should liquidate. It was even necessary for Lubbock to assure his listeners that no 'Council' member was in receipt of any remuneration and that the mission of Roger Eykyn to Spain upon their behalf was not primarily a business trip for his own benefit at their expense. Such being the atmosphere at Councilhouse, concerted action was difficult. Nevertheless, the 'Council' was rebuked by an irate member on just those grounds:

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2 Ibid., 1885, p. 5. By this date the entire amount of the original permanent certificates was repaid.
3 Money Market Review, XXX (Feb. 20, 1875), 220.
4 Ibid., XXXII (March 4, 1876), 282.
5 Ibid., 283.
The Council might have long ago intervened with the Egyptian Government, initiated some plan in connexion with the Egyptian debt, and seen whether something could not be done to prevent the catastrophe which had occurred.1

The Corporation was sensitive to the plight of the Egyptian bondholders and undervalued neither their importance nor that of the Nile Valley. As will be remembered, several who sat upon the 'Council' also participated in the investment trust movement. Acting Chairman Francis Bennoch, General Vaughan, and Albert W. Ray, a Corporation member, were all involved in the direction of the Omnium Stock Trust, which possessed blocks of Egyptian 1873, Daira 1866, Egyptian Tribute of 1871, and other investments in the Nilotic.2 Bennoch was also the chairman, and Mr. Ray the manager, of the Government Stock Investment Company; this organization possessed a large number of shares of the 1871 tribute loan among its "ragged lot of wretches."3 Finally, the Foreign and Colonial Government Trust was well represented at Moorgate Street, and among its extremely large holdings were most descriptions of Egyptian bonds.

The interest of the 'Council' members in imperial matters was also great, as attested by their activities in

1Ibid., 282. 2Ibid., XXVIII (June 27, 1874), 840.

3In 1876, £137,000 out of the £150,000 of this trust's securities were in default (ibid., XXXIV [Feb. 17, 1877], 174).
the Royal Colonial Institute, the Royal Geographical Society, and related organizations. Sir John Rose, for example, believed in maintaining the ties between England and Canada. Lubbock bolted the Liberal Party over home rule for Ireland, and was a dominant figure in the reorganization of the Royal Colonial Institute; he felt that the imperial relationship with India was ideal. Upon the 'Council' there were many others who were interested in, or who had spent a portion of their lives in the subcontinent—Clarke, Wythes, Vaughan, Balfour, Kinnaird, and Tyler, to mention the most important. Egypt, the

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1 Refer to Table 2 in the Appendix.


4 George A. Wythes (1811-83) was a railroad contractor who aided in the construction of the Indian and Peninsular Railway. He joined the Council in 1873 and served on the Spanish Bondholders' Committee (The Times, March 7, 1883, p. 7).

5 Major General John Luther Vaughan (1820-1911) served in India with great distinction. Upon retirement, he entered the world of investment, joined the men of Moorgate Street, and participated on various committees (ibid., May 4, 1911, p. 11).

6 Captain Henry W. Tyler (1827-1908) was Government Inspector of Railways in 1853, climbing to Chief Inspector in 1867, which post he held for ten years. He was involved in Indian railways, and brought much experience in this form of transportation to the 'Council' when he joined in 1875 (ibid., Jan. 31, 1908, p. 14).
portal to the East, and the Suez Canal, its key, were to remain of significance to the Corporation, but the protection of the investments of English bondholders there was a primary concern. In the long haul, it would be easier to arouse public support on these imperial considerations rather than on behalf of the bondholders.

On February 25, and also on March 3, 1876, the Royal Society of Arts (Indian Section) heard and discussed a paper on "The Suez Canal and English Trade," presented by Charles Magniac. The proceedings received wide publicity, and some of those present complained that too much consideration for British interests was evinced by the author. Hyde Clarke, in supporting Mr. Magniac, remarked on the history of the Canal, that the "design of M. de Lesseps was distinctly of a political character, and it was Lord Palmerston's duty to oppose it in the manner he did." In the ensuing discussion, the Secretary of the Corporation of Foreign Bondholders expressed a hope that Mr. Cave's

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1. *Journal of the Royal Society of Arts, XXIV* (Feb. 25, 1876), paper presented (253-61); (March 3, 1876), discussion of the paper (277-84).

Charles Magniac was a partner in Matheson and Company, and was elected to Parliament for St. Ives from 1868 to 1874. In 1883, after leaving the Corporation, he was elected to the presidency of the London Chamber of Commerce (*The Times*, Nov. 24, 1891, p. 6).

mission would be successful, although he would rather have seen an Indian civil servant sent out to deal with the Khedive. 1 Aside from these observations, the 'Council' remained silent on Egypt's debt until May, when it appeared that the Cabinet had become disinterested. 2

Opposition to the Viceroy's May 7 decree was generated in Paris. M. Naquet, 3 a radical firebrand in the Chamber, called for a general investigation of the Foncier. The English journals were also perturbed, complaining that the Cave Report had not really been incorporated in the new arrangements, 4 that the safeguards provided by the Caisse were illusory, 5 and that Ismail still would not honor his engagements, or, as the Hour put it, the best friends and greatest admirers of the Khedive do not venture to express any confidence that Egypt will be able to pay 7 per cent. 6

But most nettling of all was the favored treatment given holders of the unfunded debt. The Times declared that if

1 Ibid., 281. 2Bouvier, p. 96.
4 "The First Composition of Egypt with Her Creditors," ibid., (May 13, 1876), 561.
5 Standard, May 18, 1876, ACFB, Egypt, IV, 106.
6 Hour, May 9, 1876, ibid., 6.
those holding Treasury bills were to lose 60 per cent of their face value, they would still turn a profit, 1 while the
_The Times_ warned:

_Egypt is insolvent, and the circumstances under which she makes her first offer of a composition, and the terms by which she gives advantages to her unsecured over her secured creditors, preclude the hope of anything like a real improvement in the Khedive's financial administration._2

The sharp rise in the floating debt from a reported £12 million in September, 1875, to the £28 million of May, 1876, lent weight to the words of the _Economist:_

_The Khedive has never yet paid any material annual sum out of his revenue towards the interest of his debt; he has always been able to borrow, and has borrowed about the whole amount of that interest._3

Although it was true for the moment, as _Punch_ quipped, "Paynim pay nix," many British journals counseled action; again it was _The Times_ which advised the holders not to exchange their old bonds for new, and the _Monetary Gazette_ concurred: "If our readers have any confidence in our advice, they will leave these ingenious gentlemen to their own devices._4

For some investors there was

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1 _The Times_, April 28, 1876, p. 7.
2 _Hour_, May 16, 1876, ACFB, _Egypt_, IV, 78.
3 _Economist_, XXXIV (May 13, 1876), 561.
4 _The Times_, June 21, 1876, p. 9; _Monetary Gazette_, June 21, 1876, ACFB, _Egypt_, IV, 250.
comfort in knowing that those responsible for their plight were also suffering:

The only matter for satisfaction is that the holders of the Treasury bills who did the bad finance, and who trusted to an endless series of loans to relieve them, have been many of them 'caught' in the end and cannot dispose of their rubbish.1

As might be expected, the first steps taken on behalf of the British creditors were formal protests to Downing Street. On the morning of May 11, Goschen paid a visit to the Foreign Secretary, and on the following day a memorial on behalf of the holders of the 1862 and 1864 loans was presented by the contractors Frühling and Goschen to be transmitted to Egypt. In part, the document read:

We shall be greatly obliged to your Lordship if you will urge on General Stanton, to support our protest, and to point out to the Government of the Khedive how unfairly the holders of the bonds of these loans have been dealt with.2

Lord Tenterden,3 responding to these requests for support, replied:


2 Frühling and Goschen to Lord Derby, May 12, 1876, Parliamentary Papers, LXXXIII, Egypt No. 8 (1876), C. 1484, No. 72, p. 57.

3 Charles Stuart Aubrey Abbott, Third Lord Tenterden, (1834-82) entered the Foreign Office as a precis writer for Lord Stanley, and from 1871 to 1873 was Assistant Under Secretary and then Permanent Under Secretary at Downing Street (DNB, I, 30).
I am to inform you that copies of your letter with its inclosures will be sent to H.M.G.'s agent and Consul General in Egypt, but his Lordship fears he cannot do more than instruct him to give unofficial assistance to the agents of the persons interested in bringing their representations to the knowledge of the Khedive for his Highness' consideration.\(^1\)

A few days later, the Imperial Ottoman also lodged a protest against Egypt with the Foreign Office, for its loan of 1867, and argued the priority of their claims and the special nature of the Khedive's obligations to the creditors.\(^2\)

The Corporation of Foreign Bondholders was still the soi-disant champion of the British investors and it was to this organization that many bondholders immediately applied for aid. Therefore, on May 22, Hyde Clarke also submitted a protest to Lord Derby which pointed out:

One circumstance which is regarded as very serious, is that a government like that of Egypt, which is of ambiguous constitution and only quasi sovereign, the claims of which sovereignty are not recognized by our legal Tribunals, should attempt by arbitrary decrees to alter and cancel contracts, and to divert securities, without reference to the wishes, interests, and feelings of the other contracting parties. An example like this cannot fail to exercise a very prejudicial influence in many cases.\(^3\)

\(^1\)Lord Tenterden to Fruhling and Goschen, May 19, 1876, Parliamentary Papers, LXXXIII, Egypt No. 8 (1876), C. 1484, No. 77, p. 68.

\(^2\)William Lander (Secretary, London Office for the Imperial Ottoman Bank) to Derby, May 18, 1876, ibid., No. 75, p. 72.

\(^3\)Hyde Clarke to Derby, May 22, 1876, ibid., No. 82, p. 76.
Lord Derby found the language of this missive too strong, and refused to send it on to General Stanton. Nevertheless, the Foreign Secretary indicated that "he would be willing to instruct General Stanton to give such unofficial assistance as he properly can to any representative of the bondholders in bringing their views before the Khedive."  

It must be admitted that this action by the Council was made with some reluctance. There seemed to reign among many holders a feeling of apathy, and at Councilhouse there was less than eagerness to enter the Egyptian fray. But a vocal minority of investors who were alive to the dangers of the present situation, and who saw their plans for a steady income jeopardized, were in a bellicose frame of mind. Of course, in the last analysis the individual holder was the master of his own fate; he might send his bonds in for conversion and receive the interest due him, or stand out and hope that most others did the same. Time, therefore, was important, for although the press might advise a firm stand, there had to be a palpable movement under way for their defense. The Corporation certainly believed in the just cause of the Egyptian holders, for as it observed, "interests, at variance with those claims [of the bondholders], were assuming undue prominence, and

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1 Tenterden to Clarke, May 29, 1876, *ibid.*, No. 88, p. 85.
were likely to obtain undue preference.¹ For some time Egypt had been in the thoughts of the 'Council,' since, as Lubbock later recalled, "we were pressed by many holders to do something, but there was no consensus of opinion what steps should be taken."²

Pressure mounted on the institution as letters began to appear in the press, questioning the Council's inactivity.³ Perhaps even more disquieting was the possibility that the holders would act independently and, per-chance, successfully, which would be a blow to the organization. In Alexandria a committee of bondholders had been formed,⁴ and Daira creditors from Egypt and England, buoyed up by persistent rumors of a British occupation,⁵ suggested the confiscation and sale of Ismail's property, as would

²Money Market Review, LX (March 1, 1890), 509.
³For example, in a letter to The Times (May 17, 1876, p. 12) a holder said that the Egyptian situation was even more pressing than the Turkish and called for the Council's good offices.
⁴Hour, May 5, 1876, ACFB, Egypt, III, 408.
⁵Lee, p. 23. Rumors had persisted throughout April that the Sultan had given Britain a free hand in the Nile Valley; this topic continued to appear in print, as in the News of the World of June 4, 1876 (ACFB, Egypt, IV, 216).
be done with any other debtor. More disturbing still was the effort of two stock and share dealers, Williams and Jones, to organize an Egyptian Bondholders’ Committee.1

With so much afoot, Clarke registered his protest and the Council announced that a meeting of Egyptian secured creditors would be called in the near future.2

At the last moment, however, there came a postponement which in some quarters was greeted with satisfaction. The Daily Telegraph, a supporter of the Khedive and a foe of the speculators, wrote:

As we opposed the design of this meeting from the first we quite approve of the postponement, and only hope that it will be for an indefinite period. This unquestionably will be the view of the immense majority of bona-fide bondholders.3

The Monetary Gazette was less strident:

The interests of bondholders are not best promoted in noisy meetings where discussion is apt to run into partisanship, but by prudent and concerted action. . . . the creditors of a defaulting State when soured by disappointment are not in the fittest mood for debate on the methods of action which are most advisable under the circumstances.4

This obvious reference to the handling of the Turkish default perhaps coincided with views held by the ‘Council’ itself, as they began casting about for a solution which

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1 The Times, May 22, 1876, p. 5.
2 Ibid., May 24, 1876, p. 8.
3 Daily Telegraph, May 31, 1876, ACFB, Egypt, IV, 202.
4 Monetary Gazette, June 7, 1876, ibid., 226.
would be popular, prudent, and efficacious. A month
passed, however, before the Council took action at a
time calculated for its salutary effect upon the enter-
prise.¹ In the meantime, excuses had to be made, such
as that in Cornelius Surgy’s open letter in the Money
Market Review. Surgy argued that the Corporation,
faced with default, could do little without some assis-
tance from the Government. "Why," he asked, "should she
[England] not address a mild remonstrance to a defaulting
State and suggest a just and honourable arrangement with
its creditors?"² Egypt was, as Lubbock said, a cause of
much anxiety to the Council, but decisive action by the
Corporation would be facilitated by the appointment of a
permanent chairman.

Since 1874 a great share of Council business had
devolved onto the shoulders of Francis Bennoch who, as
Acting Chairman, had tried to bring the organization
through the turmoil of 1875-76. He had served well as
a stop-gap; he was a self-made man, an example for the age

felt that the favorable moment had arrived at the expira-
tion of the Khedive’s decree of April 6 (the decree sus-
pending Treasury bill payments for three months), which
placed pressure on the Cairo Government to come to terms
with her creditors.

²Money Market Review, XXXII (June 17, 1876), 682.
who had entered a mercantile establishment at sixteen and was a partner in his own firm by twenty-five. This concern, Bennoch, Twentymen and Rigg—wholesalers and manufacturers—maintained a good reputation in London, and Bennoch personally played an important role on the Common Council and in City developments generally. As temporary chairman he had provided the Corporation a broad knowledge of United States and European affairs and a zeal for the defense of principle, the latter quality bringing him into sharp verbal and epistolary combat with those who wished to bar the Corporation from the Turkish debt settlement. But his enthusiasm had won him enemies both among the bondholders and on the Stock Exchange.

A change was therefore thought necessary, so that at the General Court of 1876 the 'Council' announced its determination to seek outside the society for a salaried chairman. Such a step was deemed correct because of the power of the office. As Lubbock later said, although the 'Council' was there to help, "the threads of all negotiations pass through the chairman's hands." The post

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2*Money Market Review*, LX (March 1, 1890), 510.
required full-time attention (a vice chairman was appointed only in 1896 to ease the burden); the stipend to be paid was £1200 a year.\textsuperscript{1} The authority for this decision to pay the chairman lay in Rule 20, which permitted the disbursement of funds to individuals engaged in Council work; nonetheless, the move was attacked by the dissidents as illegal.\textsuperscript{2} The decision had its drawbacks, which were illuminated by the press. Besides weakening the esprit of the 'Council' and introducing a monetary nexus, the proposal would cause the philanthropic aspects of the association to suffer, and as the \textit{Economist} observed,

\begin{quote}
the appointment of a paid Chairman will be no remedy. 
\ldots\ We should certainly like to see a different constitution from what is proposed for the Council of Foreign Bondholders, though we are quite aware how difficult a proper organisation will be.\textsuperscript{3}
\end{quote}

Nevertheless, the man selected, Edward Pleydell Bouverie (1818-89), was well known to the members of the 'Council' through his City connections and his lifelong friendship with George Bentinck. The new chairman was

\textsuperscript{1}\textit{Bishop}, p. 12

\textsuperscript{2}Rule 20 was also applied in the presentation of a £500 testimonial, in November of 1876, to Francis Bennoch for his service to the institution as temporary chairman (\textit{Bishop}, p. 12).

\textsuperscript{3}\textit{Economist}, XXXIV (Feb. 26, 1876), 245.
the second son of the third Earl of Radnor, and was a Whig in his politics, having entered Parliament in 1844 for Kilmarnock, which seat he held for thirty years.\(^1\) In that period Bouverie occupied several posts\(^2\) but high office was never his, for he was "prone to independence ascribed to thwarted ambition,"\(^3\) which led him afoul of the Party leadership, as on the Irish Education Bill of 1873, when he broke with the Liberals. While in Parliament, Bouverie had irritated Lord Granville, among others, with his personal attacks on Gladstone,\(^4\) which Disraeli used to disport the House.\(^5\) Although other appointments and honors would follow, Bouverie was never again to sit in Commons after his departure in 1874.

Perhaps the new chairman's independence struck a

\(^1\) *DNB*, XV, 1309.

\(^2\) *Bankers Magazine*, I (Jan., 1890), 75. Bouverie held the following posts: Under Secretary of State for the Home Department, Chairman of Committees, Vice-President of the Board of Trade, President of the Poor Law Board, Member of the Committee of Council on Education, Second Church Estates Commissioner, and Ecclesiastical Commissioner.

\(^3\) *Southgate*, p. 311, n. 1.

\(^4\) *Fitzmaurice*, I, 500; Bright to Granville, Jan. 15, 1875, *ibid.* II, 143.

\(^5\) *Buckle and Monypenny*, IV, 12.
responsive chord among the 'Council,' or his City influence or government experience might have been the deciding factors; at any event, in July of 1876 the selection was made,\(^1\) and the formal announcement came in early August. Bouverie, who was to be the "life and soul to this institution"\(^2\) for the succeeding thirteen years, stated his views at the General Court of 1877, including a strong posture against defaulters, a disposition toward expansion of Corporation activities, and the conviction that the institution was no philanthropic body and needed funds to exist. In addition, Mr. Bouverie believed in the weight of moral pressure and did not desire the Government to look after the bondholders' interest when there were alternatives, such as those present in the case of Egypt.\(^3\)

Although the Council was still very sensitive over the Turkish debacle (which J. B. Martin mentioned in a letter to The Times on June 21), still the "Thunderer" was for the moment less antagonistic towards Councilhouse than heretofore. Two sources of aid for

\(^1\)Corp. For. Bondh. Rep., 1876, p. 9.
\(^2\)The Times, Dec. 17, 1889, p. 11.
\(^3\)Money Market Review, XXXIV (March 3, 1877), 227.
the bondholders the paper immediately eliminated:

It is quite useless to look for help to loan agents, they are too deeply involved for the most part in the treasury bill deadlock. Neither ought an outcry to be raised for Government help which cannot be given.¹

Martin exhibited surprise at the holders' passivity:

The bondholders, as might be expected, were at first staggered by the preposterous nature of the terms offered to them; but it might reasonably have been presumed that they would not be long content to stand quietly by and allow the proposed measures to be carried through without a protest.²

On the following day a holder of the 1868 loan reported that he had received a letter from Hyde Clarke in which the Secretary said the Council was at present canvassing the views of English investors,³ and on the twenty-seventh a small number of bondholders met at Councilhouse and decided to apply to Mr. Goschen to represent them.⁴

The idea of securing the services of Goschen had first been rumored in the previous year and had met with general satisfaction.⁵ The credit for winning over the new emissary (for whom the project might result in unpleasant political overtones), and for preparing the way

¹The Times, June 21, 1876, p. 9. ²Ibid.
³Ibid., June 22, 1876, p. 7.
⁵Money Market Review, XXXI (Nov. 13, 1875), 527.
with both the Khedive and the French capitalists, belonged to two men, Hyde Clarke and Henry Oppenheim.¹

The Norns had been good to Mr. Goschen in the intervening years since he chaired the first meeting of the Council in 1868. With the Liberal victory, he had entered Government as President of the Poor Law Board and in 1871 was named First Lord of the Admiralty. Although the Conservatives carried the day in 1874, Goschen retained his London seat, riding a wave of hero worship in the City, which for a time perhaps overrated him. Disenchantment would set in, but he was "nonetheless among the greatest financiers of the time and one of the ablest men of the age."² In 1866 the M.P. for London had been viewed as a radical by the Conservatives,³ and was soon an intimate friend of Gladstone.⁴ But a strain developed between Goschen and his chief, for the former was strong-principled, and in 1874 had opposed Gladstone

¹Hour, July 13, 1876, ACFB, Egypt, IV, 362; The Times, July 8, 1876, p. 9.
³Buckle and Monypenny, IV, 427.
⁴Gwynn and Tuckwell, I, 179.
on the naval estimates.\(^1\) The appraisal of Mr. Goschen by Lord Acton is interesting:

Goschen is above sordid motives. He dreads the radicals, . . . and, if left to himself and the nearest influences, he will drift away. His lips have never been touched with the sacred fire of Liberty. His international soul has never glowed with the zeal of the good old cause. He is moved by the fears to which city men are prone, and there are people more calculating than he is, who work those fears.\(^2\)

In fact, Goschen refused office in the Gladstone Government of 1880 and eventually joined the Conservatives.

Mr. Goschen had also kept up his City connections\(^3\) and had watched Egyptian developments as well, joining with Hardington to support the shares purchase. The Egyptian loans which the family concern had sold in England were those enjoying some of the best security, and had also been those least onerous to the Viceroy;\(^4\) perhaps it was as much an antipathy to Ismail’s dealings of late as a desire to protect his reputation that moved


\(^{2}\)Lord Acton to Mary Gladstone, Feb. 2, 1881, Paul, p. 165.

\(^{3}\)Goschen was a director of the Alliance Insurance Company (sharing the board with Rothschild), a Governor of the Hudson’s Bay Company, and a member of the directorate of the Marine Assurance Company.

\(^{4}\)Mulhall, p. 526.
Goschen to assume the cause of the bondholders. Henry Drummond Wolff, who accompanied Goschen, "the parent of Egyptian loans," thought that it was a question of conscience and that the M.P. probably felt a moral responsibility to those who had placed their trust in stocks which he had helped introduce to the market.¹

On the morning of July 3, a deputation of bankers, holders, and 'Council' members met with Mr. Goschen and obtained his assent, in general terms, to the group's request for his assistance in the present Egyptian difficulties. This solicitation was formalized immediately by a letter from Councilhouse:

The variety and complications of the different Egyptian Loans, render it absolutely necessary that English interests should be represented by some man of sufficient influence and known name to secure attention, and to protest those interests during this crisis in Egyptian finance.

The object of this letter is to obtain your formal assent and to enable you to make such stipulations as, under the circumstances, you may think desirable, which will, in due course, be submitted to the Bondholders.²


Goschen's reply on the following day reaffirmed the agreement but set conditions, beginning with a vote of confidence from the English investors:

The responsibility of giving any advice, or taking any steps in the present crisis of Egyptian finance is so great, that nothing could induce me to incur it except an almost unanimous wish on the part of those interested, so far as their views can be made known.\(^1\)

He also desired the cordial backing of the contractors so that he might truly speak for all parties. There were other preconditions: he would have full control over negotiations; he would in no way be involved in any financial transactions or combinations; his position would be honorary; a trip to Egypt under any circumstances would be out of the question; and no policy would be pressed on Government if politically inexpedient. Upon this final point alone Goschen felt the bondholders had enough ground to refuse his services. The financier-turned-politician foresaw no easy solution to the Egyptian dilemma:

It would be a great satisfaction to me if I could succeed in any degree in mitigating the sacrifices which are asked of the English Creditors of Egypt, and of removing in part the injustice to which they have been exposed, but the difficulties appear to me extreme.\(^2\)

To implement Goschen's wishes it was decided that holders of Egyptian securities might register their views on the subject either at Councilhouse or at their banks; although the process would be slow, it would avoid the

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\(^1\) Goschen to Clarke, July 4, 1876, *ibid.*, p. ii.
possible embarrassments of a general meeting. With the appearance of a champion for the English creditors, the Stock Exchange Committee also took action, and after a discussion with the Comptoir, exercised its Rule 59. Therefore, on July 7 it was announced that quotations on the new Egyptian stock would be denied until the bondholders had given their assent to a settlement and had turned in their old scrip for new, which few had done to that date. As expected, this action had an immediate impact, closing the London market to the Syndicate.¹

But even at this point affairs might have gone awry, for suddenly there was an announcement that a meeting of Egyptian bondholders would be convened on July 14. Both the sponsors of the assemblage and its objectives were obscure, but the Corporation's antagonists in the journalistic world proclaimed it a probable inspiration of Moorgate Street² in an attempt to establish some control over Goschen. A highly pejorative tone was struck by J. C. McCoan, who staunchly supported Ismail and harbored an abiding dislike for the Council,

whose unsolicited intervention in our affairs we utterly deprecate. . . . we desire that this commission [Goschen's] should be of the most authoritative kind, emanating directly from the bondholders them-

¹ The Times, July 8, 1876, p. 9.
² Ibid., July 13, 1876, p. 7.
selves in meeting assembled, without the endorsement or counter-signature of Mr. Hyde Clarke and his colleagues in any way.¹

Such a meeting was also frowned upon by those numbered among the bondholders' friends, such as the Financier, which assumed a somewhat pedagogic air:

We would suggest the advisability of a large and influential attendance at Friday's meeting combined with due circumspection and a business-like moderation of tone on the part of those who propose to take part in the proceedings.²

Two hundred holders appeared at the Westminster Palace Hotel on the appointed date, and, there being no one who would commence the proceedings, Sir John Lubbock was prevailed upon to take the chair.³ The Deputy Chairman of the 'Council' expressed his ignorance of the cause of the meeting, which the Corporation had publicly disavowed, but he supposed it was meant to strengthen Mr. Goschen's hand. As the meeting progressed, however, it became clear that the holders had been summoned not simply to affirm freedom of action for Goschen, but to circumvallate his effort with a higher authority, a committee of creditors which would advise him. Mr. John Horatio Lloyd,

¹Ibid.
²Financier, July 11, 1876, ACFB, Egypt, IV, 356.
³Money Market Review, XXXIII (July 15, 1876), 59.
chairman of the Government and Guaranteed Securities Permanent Trust, and the admitted sponsor of this meeting, moved that such a committee be established, but it was rejected amidst a great outburst of indignation. With this danger averted, it was but a matter of days before Clarke reported to the M.P. for London that,

as to the number of Holders in Egyptian Securities who had signed the documents placed in your hands by the Deputation which waited on you this morning, I am directed to inform you that nearly three thousand Holders of Stock in the various Egyptian Loans have requested you to represent their interests, in the manner and under the stipulations of your letter of the 4th instant.

Goschen was satisfied, and on July 20 he formally undertook the project which was to link him to the cause of the English creditors for many years.

No word of approbation came from Gladstone at this time, but later he wrote:

I did not, for reasons which I will explain to you [Goschen], send my good wishes on your assumption of your heavy task in connection with Egyptian finance, but I admired your courage and public spirit.

Of more importance was the attitude of the Government.

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1 Ibid.
2 Clarke to Goschen, July 19, 1876, Council, Egyptian Debt, Mission, Appendix, p. iv.
Disraeli had a benevolent view of Goschen's position, but to the Foreign Secretary an Egyptian default appeared on the cards, although there was some satisfaction that Englishmen would not suffer alone:

Neither Mr. Cookson's [consul at Alexandria] suggestions nor any others will prevent a hopeless smash; and as the loss will fall chiefly on French creditors, who have been trying to swindle us throughout, we can bear it with resignation.

For the Corporation of Foreign Bondholders, at least, it had been a successful maneuver and had certainly created an auspicious atmosphere for the debut of their new chairman. For good or ill, the bondholders had taken their affairs in hand, and the Council had assisted in launching a mission which would have far-reaching impact on relations vis-à-vis Egypt, the Powers, and her creditors.

Throughout the spring Egypt had been a beehive of activity, for the European creditors on the scene were vocal in the protestation of their rights. No thought of kismet impeded their efforts, for as soon as the Khedive's decree of April 6 was promulgated, the European community blazed up in anger. The holders of Treasury bills naturally were in the vanguard of the protesters, although the value of secured stock was also eroded with celerity. On April 11,

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1Buckle and Monypenny, VI, 58.

2Northcote to Tenterden, July 15, 1876, Tenterden Papers PRO FO 363/2 (enclosure).
a meeting of creditors was convened in Alexandria at the Imperial Ottoman Bank, at which time a committee was named to meet with the Viceroy. The following day the influential French colony met, and on April 13 an international conclave was held to ask the Powers for assistance.\textsuperscript{1} Thirty-two of the most important English citizens, headed by Barker and Company, submitted a petition to General Stanton for British support, in keeping with the demands of the committee of creditors,\textsuperscript{2} but the Foreign Office replied that it could not interfere in the matter.\textsuperscript{3}

Cairo's censorship of the press was severe,\textsuperscript{4} yet attacks on the Khedive were made frequently and placards appeared on April 13 calling for the abdication of Ismail and the accession of Halim.\textsuperscript{5} Amidst this clamor, the

\textsuperscript{1}The Times, April 13, 1876, p. 5.

\textsuperscript{2}General Stanton to Derby, April 18, 1876, Parliamentary Papers, LXXXIII, Egypt No. 8 (1876), C. 1484, No. 59, p. 44 (enclosure).

\textsuperscript{3}Derby to Stanton, May 12, 1876, ibid., No. 69, p. 59.

\textsuperscript{4}It was not until 1880 that an English daily paper, the Egyptian Gazette, appeared in Alexandria, run in part by Charles Bell, an occasional correspondent for The Times of London (Enid H. C. M. Bell, The Life and Letters of C. F. Moberly Bell [London: The Richards Press, 1927], p. 46).

\textsuperscript{5}The Times, April 25, 1876, p. 8. Ismail Pasha's uncle, Halim, had been forced to leave Egypt in 1868, with a pension of £60,000 a year, when he was implicated in an assassination attempt upon the life of his nephew.
holders met with Egypt's Finance Minister, Sadyk Pasha; as often happens, the two sides came away with differing impressions of what had been said, so that the committee of creditors was further embittered when a letter from Sadyk was read before a second meeting, on April 20, "denying that at Saturday's interview he promised the admission of the bondholders' delegates to discuss the financial measures to be adopted."¹ A second foray on Cairo was launched with the object of obtaining the Khedive's written assurance that no arrangement would be made without first soliciting their views; the rejection of this proposition by the Finance Minister was complete:

As to your request to be called in to join in the discussions of measures concerning bondholders . . . allow me to tell you that the promise you put in my mouth can only be a misunderstanding on your part, for, pardon me, gentlemen, the request is at present inopportune in every way. Your persistence could only have been justified if we were treating a financial operation with you.²

One avenue that still remained open to the creditors was an appeal to the newly-constituted Mixed Tribunals, and through this Khedivial Achille's heel, Europe could be drawn into the imbroglio.

¹Ibid., April 21, 1876, p. 5.
²Ibid., May 8, 1876, p. 10.
Since Egypt was a province of the Ottoman dominion, foreigners enjoyed the privileges of extraterritoriality. The Consular Courts had bent the law to favor fellow nationals, and Justice, with her blindfold a bit askew, could see her way well enough to find for Europeans in cases involving natives. An alteration in this situation was one of Ismail's fondest desires; beginning in the mid-1860's, Nubar Pasha,\(^1\) charged by the Khedive with the reformation of the judiciary, commenced a campaign which was crowned with success a decade later. The European colony of Alexandria was almost unanimously opposed to the creation of new courts, arguing that justice was already being meted out,\(^2\) and this attitude remained unchanged among the English residents through 1869,\(^3\) when the impact of the Canal was first felt. It could be argued that the Europeans, and especially the Powers, had nothing to fear, for they would dominate the institution, that the local colonies would be involved,

\(^1\)Nubar Pasha was an Armenian Christian (two reasons why native Egyptians would dislike him) who had arrived in Cairo in 1840 at the age of eighteen. From a position of secretary and translator in the ruling household he rose in importance, obtaining ministerial rank under Ismail.

\(^2\)The Times, Oct. 21, 1868, p. 4.

that the system would be given a five-year trial and could be ended at any time if a signatory so desired,¹ and that the Consular Courts would remain to deal with violent crimes involving foreigners.² England gave her consent, perhaps believing it was an enlightened thing to do, but also in order to trim French influence which had flourished shamelessly under the old capitulations. Other continental capitals eventually followed suit, including Paris, which by holding aloof had delayed the inauguration of the Mixed Courts for several years. Nubar did not rely solely upon forensic eloquence, or upon the merits of the project to win the adhesion of the Powers, but on the time-honored bribe as well. It has been suggested that the "judicial reform and autonomy" from Turkey cost Ismail at least £289,421,³ a sum suspicious because of its exactitude. In 1873 Ignatiev did receive £100,000

¹The first term of the Tribunals ran from 1876 to 1881, after which three consecutive annual extensions were granted within our period.

²Egypt, by these arrangements, would be administered by four types of courts: 1) consular, for criminal cases involving Europeans or protégés of a government; 2) religious courts handling wills, marriages, etc.; 3) native courts, dispensing law for the fellaheen; and 4) the new European Tribunals, having jurisdiction over civil claims involving foreigners. (Tignor, Modernization, pp. 123-24)

³Crabitès, Ismail the Maligned Khedive, p. 215.
for his support of the courts,¹ and Tissot, when he was Political Director at the Ministry of Foreign Affairs, obtained £50,000, while other Frenchmen also had their names inscribed on the Viceregal dole for the same purpose.²

The Tribunals, though opened in 1875, did not commence work until February of the following year. The new institution was divided into Courts of First Instance and of Appeals, with two-thirds of the judges European and the remainder native; the Powers were in control of the Court of Appeals, while each of the participating nations held a place upon the lower court.³ Each of the Courts selected a president from among its jurists,⁴ and all judges held their posts from the Khedive and were paid out of court fees supplemented by the Malieh. In addition to these thirty-one judges, there were twenty-four assessors, elected from the cream of the mercantile society, who joined the jurists on cases of a commercial

¹Cox, p. 160.
²Malet to Granville, June 6, 1882, Granville Papers PRO FO 30/29/160.
⁴Janson, a Belgian, was the first president of the Court of First Instance, and Lapenna, of Austria-Hungary, held the same honor for the Court of Appeals.
nature in the ratio of three judges to two assessors.\(^1\) Instead of curbing French influence, these Mixed Courts provided another outlet for her expansion, for they introduced the Code Napoleon to the country and conducted most of their proceedings in French. The court was not only a gallicizer but also a Westernizer, for one of its functions was to register property owned by foreigners within the state, and as will be seen later, this procedure altered property relations for the fellaheen which stimulated the economic up-turn in the early 1880's.

For Ismail, his highly-prized Tribunals were to be the bane of his tranquillity, for he discovered that both his personal property and the finances of the state were under the aegis of the International Courts. Article 11 of the new arrangement stated:

The Courts may not give decisions affecting the ownership of the public domains. They may not entertain jurisdiction over acts of Sovereignty nor over measures taken by the Government in the execution of and in conformity with the laws and regulations of the public administration. However, without being permitted to interpret an act of administration or to interfere with its execution, they shall have jurisdiction over all cases involving an infringement arising from such act of the vested rights of any foreigner, as recognized either by treaties, by law or by contract.\(^2\)

\(^1\)Brinton, p. 25.

\(^2\)Wynne, p. 600, n. 89.
It is probable that Nubar did not fully inform his master on these points, for Ismail seemed genuinely surprised when informed of the fact by Mr. J. H. Lloyd when he visited Cairo.\(^1\) The quality of the jurists, it seems, was not of the highest, for European governments viewed these positions as sinecures, a sort of "happy hunting grounds," to which superannuated judges might be sent.\(^2\)

No sooner had the Khedive decreed a three-month moratorium on payment of Treasury bills than shoals of creditors besieged the Tribunals for full and immediate payment. The Viceroy argued that his decrees possessed the weight of law, and therefore could not be restricted in any way, since that would impair his sovereignty. The first of these cases to emerge was that of Cesare Carpi, who received a favorable decision on Wednesday, May 3, 1876.\(^3\) In so doing, the Court of First Instance ruled that the Viceroy's decrees were acts of administration rather than laws because the Powers were not party to them. The state refused to grant execution, and the

\(^{1}\)Dicey, *The Story of the Khedivate*, p. 129. This John Horatio Lloyd, a high legal authority, of Lloyd's Bonds, was the same gentleman who called the meeting of Egyptian holders on July 14.


\(^{3}\)The *Times*, May 6, 1876, p. 5.
matter was referred to the Court of Appeals in Alexandria. By June, one hundred cases had been won by the creditors and were awaiting the outcome of the Carpi case. On July 22, two days after Mr. Goschen's formal agreement to represent the holders, the Court of Appeals upheld the lower court, placing the Viceroy in a most difficult position. As a last resort, he applied to the Powers who had been signatories to the judicial arrangements, and declared that he would let them decide if the ruling was correct. To one jurist on the Mixed Courts this evasive tactic was reprehensible. A Dutch member of the Alexandria Court of First Instance, Herr Haakan, remanded all government cases and closed his court, arguing that, since the Cairo government refused to execute legal decisions, there was no point in continuing to sit. His compeers, however, felt this was too rash an act, and he was suspended from the bench until October 28 and eventually removed.

Overnight Haakan became a local hero, and inspired much parading and anti-government propaganda. The remainder of the hot months in Egypt saw no slackening in the running squabbles between creditors and the Khedive. A number of Italians were driven from the palace at Ramleh

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1Ibid., June 21, 1876, p. 12.

2Ibid., July 24, 1876, p. 4. For the Carpi case, see Wynne (p. 600, n. 90).
by guards when they attempted to remove furniture in lieu of the sums due them; fifty-three Europeans owing rent to Ismail refused to pay and had their cases postponed by Haakan to October 20; but worst of all for the Viceroy, in late September the English Government joined with the rest of Europe in upholding the decision of the Mixed Courts, so that the Khedive was faced with a desperate situation when the International Tribunals reopened their doors on October 10. The summer did not bring a volt-face in Ismail's imprudence, for taxes were collected in advance,¹ waste and extravagance continued, and the war with Abyssinia was prosecuted although an unmitigated disaster. By August the Khedive had resorted to what has been called the "Ismalun" loan, a scheme whereby old bonds were ante-dated and mortgaged for what they would bring.²

The Syndicate and the French Government tried throughout to put the best countenance they could on Egyptian affairs. On June 10 the Caisse began functioning

¹The year 1876 witnessed a good Nile, hence an abundant harvest in Egyptian staples--cotton, sugar, wheat, and beans. Figures for these quantities are given in the Journal of the Royal Society of Arts (XXVI [March 22, 1876], 357). In this situation, the ruinous system of advanced tax collection was carried out with less hardship than in a lean year.

²Bouvier, p. 97.
without the British member, but with M. de Blignières (a former prefect and at one time the Inspector of Finance) representing France, Herr von Kremer (a counselor of the Ministry of Foreign Affairs) from Austria-Hungary, and S. Baravelli (Inspector General of Finance) as the Italian member. In practice they had no access to funds and at this point exercised little power. Since Egyptian stocks continued to slip in June, Parisian houses once more had to resort to large-scale purchasing on the open market, but this trend was somewhat slowed with the appearance of Mr. Goschen. The Quai d'Orsay, in its attempts to help the Syndicate, requested M. Villet to remain in Cairo to make a financial report. In so doing, he described the railways as flourishing (while, in fact, they were near total collapse) and the newly-published budget as producing a surplus. It is doubtful that anyone, least of all the bourses of Europe, were convinced by these ebullient observations, it being as likely that Ismail had a surplus of revenue as that he had stumbled upon the Philosopher's Stone. On September 19 Villet was recalled. But these

1. The Times, June 20, 1876, p. 10.
2. Cromer, II, 312.
3. The Times, Aug. 9, 1876, pp. 5 and 9.
were mere shadows, for the events of substance were being enacted in Paris and London by the representatives of the Khedive's creditors.

Ismail had never thrown down the gauntlet to the bondholders by stating that upon a certain date all old stock must be turned in for new on pain of forfeiture of the investment, but until things were settled, all payments to the secured holders ceased. The Council reported that by year's end, £998,280 of Egyptian securities were in default.¹

Upon the selection of Mr. Goschen, the French Syndicate also chose a representative, Edmond Joubert, director of the Banque de Paris et des Pays-Bas. Little is known of the exchanges between these two, which got underway promptly after Goschen arrived in the French capital on July 22 amidst the tidings of the Carpi decision. Joubert visited London for the next meeting, and these trans-channel negotiations continued for two months.

¹ Corp. For. Bondh. Rep., 1876, pp. 58 and 63. The situation of the Egyptian securities was summed up by the Council as follows:

<table>
<thead>
<tr>
<th>Loan</th>
<th>Drawing</th>
<th>To Be Held</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1862</td>
<td>29th</td>
<td>July 24</td>
<td>unpaid</td>
</tr>
<tr>
<td>1867</td>
<td>10th</td>
<td>November 22</td>
<td>outstanding</td>
</tr>
<tr>
<td>1870</td>
<td>13th</td>
<td>September</td>
<td>nothing</td>
</tr>
<tr>
<td>1864</td>
<td>24th</td>
<td>August</td>
<td>nothing done</td>
</tr>
<tr>
<td>1866</td>
<td>22nd</td>
<td>November</td>
<td>also suspended</td>
</tr>
<tr>
<td>1868</td>
<td>17th</td>
<td>October</td>
<td>not held</td>
</tr>
<tr>
<td>1873</td>
<td>6th</td>
<td>July</td>
<td>not held</td>
</tr>
</tbody>
</table>
The Khedive was also involved in these discussions, and notes to him were entrusted to England's Consul in Alexandria, Mr. Cookson.\(^1\) The slow pace of these proceedings resulted in irritation in certain quarters, as with Mr. Legge, the editor of the *Whitehall Review*, "a violently Conservative journal,"\(^2\) who said aloud what others murmured *sotto voce*, that Prince Halim had a good right to the throne and ought to press his claims in the International Tribunals.\(^3\) Perhaps *The Times* was correct when it observed that the English public was not very interested in Egypt,\(^4\) but Mr. Goschen remarked, at the completion of his mission, that "the strength of public opinion on the subject of Egyptian finance, was of incalculable use to us in our negotiations."\(^5\) Not all the organs reflecting and molding general sentiment sounded the same key, which must have given some little difficulty to Goschen. *Heronpath's Railway Journal*, for example, took the Viceroy's word as truth and was "quite at a loss to perceive any

\(^1\)Cookson to Derby, Aug. 18, 1876, PRO FOCP 407/9, No. 148, p. 91.


\(^4\)*The Times*, Aug. 4, 1876, p. 10.

substantial grievance in the new terms for Egyptian bondholders.\textsuperscript{1} The \textit{Daily News}, a third of which was owned by Henry Oppenheim, declared, with doubtful validity, that the exchange of bonds had picked up and that "the unification must now be accepted as an accomplished fact, subject to such modifications . . . as can be obtained."\textsuperscript{2} The \textit{Daily Telegraph} also urged holders to acquiesce and said that it was untrue that the new stocks would be unsalable.\textsuperscript{3} The vast majority of investors did not heed these counsels and chose to wait.

The English banks which had dealt so long and so profitably in Viceregal paper had also reached a crisis by the summer, and no doubt made their views known to Goschen. Of these institutions, the Bank of Egypt was most fortunate, holding £153,963 of its total capital of £250,000 in Treasury bills and Daira bonds which, valued at their market price plus the 25 per cent bonus, still represented a loss of £77,000 on the balance sheet at mid-year.\textsuperscript{4} Regarding the pending discussions, their chairman Mr. Bramley-Moor assured the holders that their

\begin{footnotesize}
\begin{itemize}
\item[1] Herapath's Railway Journal, July 8, 1876, ACFB, Egypt, IV, 350.
\item[3] Daily Telegraph, Aug. 10, 1876, \textit{ibid.}, 80.
\end{itemize}
\end{footnotesize}
bank had not joined the French conversion plan.\textsuperscript{1} For the Bank of Alexandria the crash of Egyptian paper meant a reorganization into the Commercial Bank of Alexandria with £3 of liability per share. Their August meeting grew quite stormy when a number of holders registered their indignation upon learning that the bank had involved itself in the Egyptian floating debt. The chairmen, T. S. Richardson, told the assembly that the market value of their securities was £512,000 out of a total capital of £800,000, and that if the Khedive's plan were implemented, it would raise the former sum to £640,000.\textsuperscript{2} Mr. Fergusson, a holder of 300 shares, who had invested in the institution because he had thought it was a purely mercantile venture, was outraged to think he had been led astray:

Lancashire men were induced to invest in the bank. He [Fergusson] had come to London, and had been told that the business was based entirely on cotton, . . . . Instead of carrying on the business of the bank, they [the directors] had invested the money of the bank in Treasury bills to the amount of £512,000, which were worth nothing, and were the same as dishonoured bills, in this country.\textsuperscript{3}

His call for liquidation was overwhelmingly defeated, leaving the bank extant but dependent upon the Syndicate

\textsuperscript{1}Ibid., July 27, 1876, p. 6.
\textsuperscript{2}Money Market Review, XXXIII (Sept. 2, 1876), 236.
\textsuperscript{3}The Times, Sept. 1, 1876, p. 4.
to obtain a favorable settlement.

The largest of the banks was the Anglo-Egyptian, which held £1.2 million in Treasury bills though its total capital was only £1.6 million. As individuals, some directors had suffered considerable financial loss, and as of August 31, 1876, the market value of its "securities" including the bonus was only £44 in the hundred. As a member of the Syndicate, the Anglo-Egyptian had contributed £500,000 in the spring towards the maintenance of the stock prices by purchase; the November balance sheet showed the holders that depreciation had cost them, in all, £620,000 upon their investments. With so much at stake, it was necessary that Goschen be apprised of the bank's views, and, in fact, on his mission he was accompanied by a director of this institution.

September came and still the plenipotentiaries of the creditors seemed no closer together. On September 8, M. Mazerat, agent for the Crédit Lyonnais, stated that

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1Ibid., June 1, 1877, p. 6.

2An instance of this is the case of P. Lutcher, a director and Egyptian merchant who was forced to liquidate his business in early March, 1876, with a debt of half a million pounds.

3The Times, Nov. 22, 1876, p. 7.

4Ibid., Dec. 1, 1876, p. 7.
"the combinations of the groups are coming up against inextricable difficulties."¹ In three weeks' time the situation had altered. On receiving the views of the Powers upon the question of the Mixed Courts, the Viceroy found that a settlement with his creditors was imperative.

Ismail telegraphed invitations to the emissaries of the creditors to come to Egypt and, after a first-hand investigation, to join with him in reaching a settlement.² The Council quickly summoned the bondholders to a meeting at the Cannonstreet Hotel on October 3, and in an opening statement, Mr. Bouverie referred to the Cave Report and how it demonstrated that prudent administration of Egypt would enable that country to meet its engagements. This belief was basic to the Council's position and was also a dominant theme in Mr. Goschen's thinking. In his presentation, which was punctuated by voluble signs of support, Mr. Goschen announced his intention to go to Egypt if the bondholders desired it. The enormous interests involved, the suffering of English families, the present critical stage of Egyptian finances, and his desire to complete the task were cited as reasons for his decision. Although

¹Bouvier, p. 96.
the modis operandi for an arrangement could not be divulged, it being open to modification, still Goschen insisted that the Caisse with the authority of the Mixed Courts behind it would be an ingredient, and since Downing Street had not appointed a commissioner, the bondholders could do so and would have the cordial backing of the French Government. After an admonition not to believe rumors, the speaker received a unanimous vote of confidence and the meeting closed.¹

The attitude of the British Government toward the ensuing mission was naturally of prime significance. Events in the Balkan Peninsula in the previous months had riveted the eyes of Europe upon this portion of the Ottoman Empire and had thrust Egypt into the background. Disraeli had been but a lukewarm Turkophile and had once told Derby, "All the Turks may be in the Propontis, so far as I am concerned,"² but as tempers sharpened, honed razor-thin by Gladstone's pamphletry, mass meetings, and the division of society into "Russians" and "Turks," the Prime Minister was forced to assume an ever more pro-Turkish position. Between May 30 and June 14 a revolution boiled up in

¹The information on this meeting is drawn from Council, The Egyptian Debt. Mission (Appendix, pp. vi-vixix).

²Buckle and Monypenny, VI, 53.
Constantinople, and by July Serbia was at war with the new Sultan. In England the anti-Turk furor broke in the press on August 26, fanned by accounts of the Bulgarian horrors. Since the integrity of the Ottoman Empire was a sensitive issue, the Beaconsfield Government did not want to make any provocative moves upon Egypt for fear of initiating a general division of the Turkish possessions. On June 24, the Cabinet had assured St. Petersburg that Great Britain did not wish to occupy Egypt, but Bismarck, who still sought to separate London and Paris and in the bargain further alienate the former from Russia, continued to press England to accept real estate which was not his to render. The German Chancellor, while assuring England on October 23, 1876, that Turkey was not worth a European war, again urged Britain to take Egypt. Disraeli was piqued at these continuous references and thought he knew where British interests lay, should Russia attempt to take Constantinople:

Not even the command of the sea could help us under such circumstances. People who talk in this manner must be utterly ignorant of geography. Our strength

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2 Ibid., p. 98.
is on the sea. Constantinople is the key to India, and not Egypt and the Suez Canal.¹

But Bismarck, who was persistent, presented the topic once more before year's end, this time to Salisbury when he visited Berlin on his tour of Continental capitals preceding the conference in Constantinople. The Prime Minister had not altered his opinions:

I am surprised that Bismarck should go on harping about Egypt. Its occupation by us would embitter France, and I don't see it would at all benefit us, if Russia possessed Constantinople. I would sooner we had Asia Minor than Egypt.²

Since the abandonment in May, 1876, of the "Egyptian policy," or an economic protectorate of the Nilotic, England had become circumspect in her relations with Egypt. Yet the Goschen mission manifested British interest in Egyptian affairs. The prime movers of this phenomenon were two, the French Government, and the English bondholders. From Decazes came the diplomatic pressure, while Goschen and Joubert were the architects.

Shortly after accepting his new duties, Goschen paid a visit to the Chancellor of the Exchequer to discuss the matter and received encouragement when he inquired into the possibility of some support from the Government.

¹Disraeli to Barrington, Oct. 23, 1876, Buckle and Monypenny, VI, 84.
²Disraeli to Salisbury, Nov. 29, 1876, Seton-Watson, p. 109.
Northcote wrote to Salisbury:

They [Goschen's proposals] may succeed or fail, but at worst they can do no harm. I shall be ready to certify through our Consul-General, if desired, that Mr. G. is a man who can be trusted, and who commands general respect in England.1

Goschen next addressed himself to the Foreign Office:

I shall be greatly indebted to your Lordship if, in the interests of the English bondholders, I may receive such moral support as your Lordship may feel yourself at liberty to afford, in my endeavor to obtain a more equitable settlement.2

In only a few days an affirmative reply for unofficial support was received.3 Derby's willingness has been attributed to pressure applied by Decazes who, still desirous of an arrangement, had persuaded the timid Foreign Secretary to take this step.4 Both Western Powers took the opportunity to send out new Consul-General, Hussey Vivian for England and Baron des Michels for France. These selections proved salutary for the mission, since, as Mr. Goschen told the creditors, "the English Consul-General and the French Consul-General

1 Northcote to Salisbury, July 25, 1876, quoted in A. R. D. Elliot, p. 173.
2 Goschen to Derby, July 26, 1876, PRO FOCP 407/9, No. 141, p. 89.
3 Tenterden to Goschen, Aug. 3, 1876, ibid., No. 144, p. 90.
4 Atkins, pp. 92-93. This appraisal of the situation is drawn from the memoirs of des Michels.
worked together harmoniously." At bottom much of this amity was based on familiarity. The two agents had labored successfully in Bucharest before their present assignment, and the strong personality of the Frenchmen somewhat drew his English counterpart in its wake.

Goschen had informed those present at the meeting of October 3 that if they wished him to represent them, he could leave England in forty-eight hours and be in Egypt in ten days; his offer was enthusiastically accepted. Cairenes had become accustomed to European dignitaries in their city, but the inundation of financial medicinemen in the autumn of 1876 would have made one wonder who was Europe's "Sick Man." The Englishmen who appeared in Cairo included Sir George Elliot and the Deputy Chairman of the Bank of Egypt, Mr. Cater. Accompanying the M.P. for London was Mr. Romaine as well as Henry Drummond Wolff, who, having told the holders that "we must give Mr. Goschen our blind confidence," chose to make the journey with him. Mr. Wolff, a Conservative M.P. who

2 The Times, Oct. 10, 1876, p. 7. It was announced that Mr. Romaine was en route to Egypt to take his place as President of the Superior Council of the Treasury.
3 Ibid., Oct. 4, 1876, p. 7.
had supported the shares purchase and the Cave Mission,\(^1\)
in late September, 1876, became a stockholder\(^2\) and direc-
tor of the Anglo-Egyptian Bank. He had obtained the un-
official support of the Government and loyally seconded
Mr. Goschen in the negotiations.\(^3\)

It has been suggested that Goschen actively worked
for British political gain through the plan he negotiated,
and his visit with Salisbury and Northcote preceding his
departure\(^4\) can be explained in these terms. Certainly
the so-called "Goschen Decree" appeared to have this
result, but it is clear enough that the Foreign Office
entertained no such thoughts. Goschen's efforts at all
times were to arrange the best terms possible for the

\(^1\)Hansard, 3d ser. Vol. 231 (Aug. 5, 1876), col. 650.

\(^2\)Henry Drummond Wolff (1830-1908) entered the
Foreign Office in 1849 and held a number of minor diplo-
matic posts. In 1864 he resigned and became a traveler
and financier by assisting in the floatation of various
companies. In 1876 he was a director in the General Credit
and Discount Company, and also in the British and Foreign
Exchange Investment Bank. He returned to the Foreign Of-
face in 1878 for two years, during which he sat upon a
commission which involved itself in the Balkan boundary
disputes (DNB, Supp. 2, III, 699-702; see also Wolff's
Rambling Recollections).
The share list of the Anglo-Egyptian Banking
Company for June 14, 1877, shows Wolff holding 100 shares
in that bank.

\(^3\)Tenterden to Masterman, Oct. 14, 1876, PRO FOCP
407/9, No. 158, p. 97; Vivian to Derby, Oct. 27, 1876,
ibid., No. 164, p. 100.

\(^4\)A. R. D. Elliot, I, 173.
bondholders, obtaining as much Government support as was needed to see the discussions to a successful completion, and to avoid the embarrassment that would attend him should he author a scheme which would be rejected by Downing Street.

The atmosphere of the negotiations was highly charged from the outset. Goschen and Joubert arrived near the end of Ramadan, generally a dangerous time of year for Christians in Egypt, and despite articles in the London journals depicting the Egyptians viewing Goschen almost as some sort of epiphany, it appears that both he and Joubert were kept under heavy guard by the Consuls-General and were seldom seen in public. Ismail, too, found things unpleasant. Des Michels with his bullying bluster, as well as Mr. Vivian, provided backing for their countrymen, while from the Prince of Wales and the King of the Belgians came letters to the Viceroy expressing the hope that Goschen would meet with success.

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1. Ramadan lasted from September 19 to October 17 in 1876.
2. Bouvier, p. 97.
A sense of urgency was communicated to the Cairo Government through the decision of the Powers regarding the Courts, for if the negotiations were to break down, the Mixed Courts would be forced to arrange a settlement. The Caisse, which had been quiescent until the authority of the Tribunals had been clarified, now brought the Cairo Government to court since it was obvious to everyone, including Goschen, that "the Viceroy is wilfully keeping back revenues pledged to creditors by the late decrees, to an extent indeed so gross, that he defeats his object."\(^1\) Therefore, it was no surprise that the Tribunals ruled in favor of the Caisse,\(^2\) whereupon, as if by a given sign, their coffers began to fill. But the stresses upon Ismail were even more severe than this. The Viceroy knew that the new Sultant disliked him, and would probably remove him as Khedive if at all possible;\(^3\) once again the avuncular shadow of Halim was cast across his path and the negotiators

\(^1\) Goschen to Northcote, Oct. 21, 1876, Iddesleigh Papers BM Add MSS 50021, p. 245.

\(^2\) The Times, Nov. 11, 1876, p. 6.

\(^3\) Jacob M. Landau, "Prolegomena to a Study of Secret Societies in Modern Egypt," (hereafter "Secret Societies") Middle Eastern Studies, I (Jan., 1965), 149.
even began to speak of Tewfik, Ismail's eldest son, as a man with whom it might be easier to deal.  

Upon the commencement of their conversations, Goschen found the Viceroy evincing "cynical indifference to paying his creditors in full." The Englishman's initial proposals were quite favorable to the British holders, but in the negotiations that followed, both France and Egypt were to obtain concessions. Ismail exaggerated his liabilities, attempted to disown the statistics given to Cave, and fought hard to reduce the interest rate, all of which Goschen condemned:

For my own part, I think it would be very dangerous except in the case of extremity to consent to a simple reduction of interest as a reward for extravagance and lying.

Yet both sides realized that a compromise was necessary, and slowly one was hammered out. But before such an arrangement could be promulgated, confidence in the Khedive—which had sunk markedly and which was vital for

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1Bouvier, p. 100.

2Goschen to Northcote, Oct. 21, 1876, Iddesleigh Papers BM Add MSS 50021, p. 245.


4Goschen to Northcote, Oct. 21, 1876, Iddesleigh Papers BM Add MSS 50021, p. 245.
the success of the plan--had to be elevated. A scapegoat was selected, upon whom all blame for Viceregal impecuniosity could be placed, and this unlucky person was Ismail's own half-brother, the Minister of Finance for the preceding three years, Sadyk Pasha. He was certainly culpable, for Goschen had discovered that earlier in the year he had used Parisian houses to manipulate the price of securities and had earned over £800,000 for his master, 1 who had ordered these transactions. Sadyk was removed from his office, spirited away at Ismail's command, and was said to have committed suicide. This gambit by the Khedive was efficacious: within ninety minutes of the announcement of Sadyk's dismissal on November 8, Egyptian stocks experienced a three point rise on the Alexandria bourse. 2

Goschen had been correct when he thought that stories would be rife at home during his absence. The rumor of Britain's occupation of Egypt was resurrected and even began to worry Mr. Gladstone. 3 The bondholders

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1 Council, The Egyptian Debt Mission, pp. 45-47.
2 The Times, Nov. 27, 1876, p. 7.
3 Gladstone to Granville, Nov. 8, 1876, Agatha Ramm, ed., The Political Correspondence of Mr. Gladstone and Lord Granville: 1876-86 (hereafter 1876-86) (Oxford: At the Clarendon Press, 1962), I, 18.
received palpable signs that all was not well during the early stages of the negotiations. Before leaving England, Goschen stated that, although he had previously urged holders not to send their bonds in for conversion, he now thought they might do so since negotiations had reached a point where that action would not be prejudicial to their interests.1 No sooner had Goschen arrived in Cairo than the Paris bourse, reacting to Syndicate urgings, commenced the quotation of the new Egyptian scrip, and to the public it appeared that the French capitalists had renounced Goschen and Joubert and had decided to force the implementation of their original scheme. Perhaps the Syndicate had gotten wind of Goschen's initial proposals, or felt that the Khedive would not yield or that Joubert would be too malleable. In any case, the move startled everyone, including the Council. Secretary Clarke pursued, with E. C. Hardcastle, the London Manager of the Comptoir d'Escompte, the question of the position of those investors who had sent in their bonds for conversion. Receiving an evasive answer,2 the Secretary of the Corporation of Foreign Bondholders published his correspondence with the

1Council, The Egyptian Debt, Mission, p. xviii.
2The correspondence between Clarke and Hardcastle is reprinted in The Times (Oct. 14, 1876, p. 7).
Comptoir, which did nothing to improve the image of the Syndicate. Fortunately for all concerned, the question became moot upon the issuance of the "Goschen Decree" of November 18, 1876.

Under this arrangement the Daira debts were totally separated from the burden of the state and, since time was short, only broad desiderata were agreed upon. The Khedive was willing to discuss a suitable interest rate and sinking fund, and to cede to the holders of the 1870 loan and floating debt his personal estates to be controlled by three trustees, two of whom would be Europeans. The short loans (1864, 1866, and 1867) whose combined value was roughly £4,250,000, would be repaid at 80 instead of 100, would maintain their former interest, and would have the Moukabala, which was again restored, as their security.

The rest of the debt was composed of the 1862, 1868, and 1873 loans and the Government Treasury bills, all of which were combined and divided into two types of securities: the Preference Bonds, equalling £17 million and paying 5 per cent interest; and the Unified Stock, totalling £59 million, giving 7 per cent. Through this arrangement, holders of the secured loans received 38.4 per cent of the privileged debt and the remainder in "Unifieds"; therefore, the Preference debt holders tended to be English, while
the 7 per cent stock was widely held in France. What made the privileged stock special was its new position as the first charge upon the revenue of the state, some £850,000 the first year; should its particular hypothecated income (including the railway receipts and a part of the harbor dues of Alexandria) fall short, funds would be taken from the money set aside for the Unified debt to make up the difference. The Unified debt, with a greater interest to maintain, was secured on the general revenue and possessed a sinking fund which would eliminate the encumbrance in sixty-five years. For the next nine years large drawings were to be held in an attempt to decrease the pecuniary millstone so that, when the effects of the Moukabala were felt by 1886, there would be sufficient revenue to maintain the debt.¹ For both the Preference and Unified stocks drawings would be made at par.²

The holders of the floating debt, mainly the syndicate of French bankers, were given a bonus of 10 per cent on the market price of their securities, and, as stated above, were allowed to exchange them for Unified stock. Thus, the new funded indebtedness of Egypt was placed at

¹For an explanation of the provisions of the Moukabala, see above, Chapter 2, p. 131.
²An English translation of the decree of November 18, 1876, is available in Council, The Egyptian Debt. Mission (pp. 1-19).
£91,276,444, of which £2,068,397 was the French bonus.¹ Neither the French capitalists nor Mr. Wolff and his Anglo-Egyptian Bank had much to complain of since, although the public was unaware of it, a segment of the floating debt was left outside the plan. The amount withheld has been estimated at anywhere from four to eight million pounds, which directly benefited the Crédit Foncier, Comptoir d'Escompte, and Anglo-Egyptian Bank.² In addition, the 15 per cent founder's shares in the Canal which the Viceroy had mortgaged remained in French hands. It should not be supposed, however, that English interests were slighted. Greenfield and Company, the contractors for the Alexandria harbor, were ably represented by George Elliot. This firm was owed £700,000, all of it profit, for which they were granted the right to collect the bulk of the Alexandria harbor dues. Further, they were given £2 million in Preference stock on which they could collect dividends until the Khedive had repaid his debt to them.

¹Hamza, p. 240.
²Bouvier, in his article (p. 99), states that 100 million francs of the unsecured debt held by the Crédit Foncier was not included in the November plan, nor was 32.5 million francs of the Comptoir d'Escompte or 25.5 million francs of the Anglo-Egyptian Bank.
Goschen and Joubert set Egypt's normal revenue at more than £7 million, but when the Moukabala, railway income, etc., were added, this figure swelled to more than £10.5 million. The Egyptian Government would be given £4.5 million yearly with which to operate, and the annual interest payment was put at £6,180,000. To have this scheme succeed, maladministration had to be eradicated, and, as Goschen wrote, "the increased introduction of the European element is all important."¹ The October promise to retain the Caisse was honored, and the place for an English member was eventually filled.² A board was also created to administer the railroads and the port of Alexandria; here, too, British interests dominated, with two Englishmen (one of whom was always to be president), one Frenchman, and one native comprising the commission. Finally, a pair of "watchdogs" were placed over Khedivial finance—two controllers-general, one for receipts and the other for expenditure, each to be selected by a Western Power.

A general outline of the plan had found its way into print as early as a week before the publication of

¹Goschen to Gladstone, Dec. 7, 1876, Gladstone Papers BM Add MSS 44161, LXXVI, 267.
²The Caisse de la Dette Publique remained in existence until 1940.
the Goschen Decree and had a favorable effect upon Egypt's stocks. In fact, since the London financier had taken affairs in hand, these securities had risen steadily, leveling off on November 28, the day he formally presented his project to a meeting of the bondholders summoned by the Corporation. On this occasion Mr. Goschen's speech lasted almost two hours and was apologetic in tone. It failed to leave a positive impression, and Egyptian bonds began to slip. Obviously there were serious doubts in the minds of many as to whether the Goschen Decree was workable.

The attitude of the Government toward this plan was most painful to Mr. Goschen. He had always warned the Council that the bondholders ought not to expect the Foreign Office to come to their aid. Yet, while the negotiations

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1The Times (Nov. 30, 1876, p. 7) gives the following figures:

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<th>Loan</th>
<th>Value Outstanding (£)</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Price</td>
<td>Value (£)</td>
</tr>
<tr>
<td>1862</td>
<td>2,559,000</td>
<td>37</td>
<td>946,830</td>
</tr>
<tr>
<td>1864</td>
<td>2,132,000</td>
<td>30</td>
<td>831,480</td>
</tr>
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<td>1866</td>
<td>1,531,620</td>
<td>40</td>
<td>612,648</td>
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<td>1867</td>
<td>1,157,600</td>
<td>46</td>
<td>532,496</td>
</tr>
<tr>
<td>1868</td>
<td>10,722,500</td>
<td>39</td>
<td>4,181,775</td>
</tr>
<tr>
<td>1870</td>
<td>6,932,380</td>
<td>37</td>
<td>2,231,980</td>
</tr>
<tr>
<td>1873</td>
<td>31,313,660</td>
<td>38.25</td>
<td>11,977,475</td>
</tr>
<tr>
<td>Total</td>
<td>55,448,760</td>
<td>38.25</td>
<td>21,314,689</td>
</tr>
</tbody>
</table>
were in progress, he had written Northcote:

I am the last man to ask the Government for more countenance than they think they can prudently give, but pray go as far as you can.¹

The Chancellor of the Exchequer had been sympathetic and said, "I am sending your letter to Derby, and will urge him to go as far as he can in giving support,"² but in the end the Foreign Office decided to withhold its recognition of the plan by not appointing the necessary Englishmen to the various posts created for them.³ Although both Northcote⁴ and Vivian⁵ advocated British participation, Goschen was forced to appear before the investors with a plan that Her Majesty's Government seemed to deprecate and which did not have its cooperation. Lord Derby himself was not optimistic that the Viceroy would keep his bargain, and told Vivian that, if circumstances permitted, Ismail would default at once.⁶

¹Goschen to Northcote, Oct. 21, 1876, Iddesleigh Papers BM Add MSS 50021, p. 246.
²Northcote to Goschen, Nov. 1, 1876, ibid. 50053, p. 70 (copy).
³Derby to Vivian, Nov. 22, 1876, PRO FOCP 407/9, No. 179, p. 115.
⁴Northcote to Tenterden, Nov. 16, 1876, Tenterden Papers PRO FO 363/2.
⁵Vivian to Derby, Nov. 25, 1876, PRO FOCP 407/9, No. 184, p. 128.
⁶Derby to Vivian, Dec. 13, 1876, ibid., No. 190, p. 134.
Even more fundamental than these disturbing thoughts was the opinion expressed by many that the scheme was impracticable. In this respect the attitude of The Times was crucial, for not only was its financial staff sound and highly respected,¹ but its views were assumed to have a semi-official character.

After an analysis of the Decree, the verdict came:

All that we contend is that the scheme here set forth does not provide Egypt with the immediate relief which is so obviously needful that it renders at the very start borrowing indispensable, and is therefore like a pyramid placed apex downward—it cannot stand.²

The Morning Post remarked upon the change in attitude toward the arrangements made in Cairo as soon as they were fully explained.³ The Bullionist of November 18 argued that Egypt could not pay the burdensome interest now placed upon her,⁴ and even the Money Market Review

¹ The City editor of The Times for almost two decades after 1874 was Arthur Crump. He was ably assisted by Alexander J. Wilson, who had worked with him on the Economist and who went to the Pall Mall Gazette as financial editor in 1879.

² The Times, Nov. 29, 1876, p. 7.

³ Morning Post, Nov. 30, 1876, ACFB, Egypt, VI, 114.

⁴ Bullionist, Nov. 18, 1876, ibid., 14. Also sharing this view were the Monetary Gazette (Dec. 20, 1876, ibid., 80) and the Spectator (XLIX [Dec. 2, 1876], 1505).
thought that the plan was unfeasible and that the English financier had played into the hands of the French.¹

Mr. Goschen was rather upset over the attacks from the press, especially when they were aimed at the credibility of the Viceroy, for in his view the opposite tactic should be employed and the Khedive made to feel that his violation of the agreement would be a gross breach of public trust.²

A division of opinion existed among those individuals familiar with Egyptian finance. Edwin de Leon, a former agent in Cairo, made Sadyk Pasha the evil genius of the Egyptian debacle, although warning that the Viceroy would do whatever he pleased in the future;³ Sir Charles Rivers Wilson felt the Goschen plan had a good chance of succeeding;⁴ and J. C. McCoan wrote:

>The best-informed opinion, both in London and Cairo, ... doubted the ability of the Egyptian exchequer to pay 7 per cent. on £59,000,000 out of a reduced revenue of about £7,750,000 ... and was, therefore, in favor of a reduction of interest to a unified 5 per cent. on all but the short loans.⁵

¹Money Market Review, XXXIII (Nov. 18, 1876), 496.
²Goschen to Northcote, Dec. 3, 1876, Iddesleigh Papers BM Add MSS 50021, p. 249.
³"The Khedive's Egypt, and Our Route to India," Blackwood's Magazine, CXXII (Oct., 1877), 486.
⁵McCoan, p. 138.
Naturally, the Council stood behind its representative, as did the great majority of bondholders and banks involved. Backing by the press was often tepid, as in the case of the Economist which saluted Goschen's intentions and granted him some achievements, or that of London which felt the plan to be a successful compromise of claims. In general, those periodicals which had most strongly urged holders to send in their scrip for conversion, for instance the Daily Telegraph and the Daily News, were now Goschen's firmest supporters. Many of the inhabitants of Alexandria also desired to give the plan a chance, and the correspondent for The Times of London, the most widely-read paper in Alexandria, gave his employers at home a mild reprimand for their negative utterances.

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1 T. C. Bruce, of the Imperial Ottoman Bank, praised the settlement at that institution's meeting of June 27, 1877 (Money Market Review, XXXIV [June 30, 1877], 646). Bramley-Moor of the Bank of Egypt also added his tribute (The Times, Feb. 8, 1877, p. 7), while the chairman of the Anglo-Egyptian, though pleased with the settlement, remarked that "he did not think this scheme was the one which he should have adopted" (The Times, Dec. 1, 1876, p. 7).

2 Economist, XXXIV (Nov. 18, 1876), 1341; London, Feb. 1, 1877, ACFB, Egypt, VI, 402.

3 The Times, Dec. 19, 1876, p. 8.
Undeterred, however, Mr. Goschen began to implement the terms of the Decree. He wrote Sir Stafford Northcote and informed him that if the Government would not appoint the needed officials, the Viceroy had empowered him to select them.¹ With this as the topic for discussion, an interview was secured.² As will be noted later, Downing Street did not actively make selections for these posts but allowed Goschen to cull through the list of available men. Yet, the London M.P. felt constrained to defend his project to Mr. Gladstone:

There is certainly a revenue leaving a large margin for the creditors. The country is not ruined, and there is no reason why the engagements should not be kept.³

On December 13, after gentle proddings from the Chancellor of the Exchequer, the Foreign Office finally instructed their agent in Cairo to express their pleasure on the arrangements which had closed the breach between the Egyptian ruler and his creditors.⁴ Still Goschen

¹Ismail to Goschen, Dec. 4, 1876, A. R. D. Elliot, I, p. 170.
²Goschen to Northcote, Dec. 3, 1876, Iddesleigh Papers BM Add MSS 50021, p. 250.
³Goschen to Gladstone, Dec. 7, 1876, Gladstone Papers BM Add MSS 44161, p. 266.
⁴Derby to Vivian, Dec. 13, 1876, PRO FOCP 407/9, No. 190, p. 134.
was under intense pressure and was forced to defend
his plan in the press,\(^1\) since by this point Govern-
ment silence was being interpreted as disapproval.\(^2\)
The best Goschen could obtain was a general statement
from the Chancellor that his plan embodied the most
advantageous terms that could be procured under the
circumstances and that Government opposition to filling
the vacancies in Egypt was on general principle. Al-
though the Cabinet would not participate, France and
England were closer together with respect to Egypt
than ever before, and, as Freycinet wrote, from Novem-
ber 18, 1876, Anglo-French co-operation was assured.\(^3\)

There still remained the settlement of the
Khedive's private debt, the Daira, which had fallen
beyond the scope of the November Decree. On December 12
a meeting of the Daira creditors was held, chaired by
R. B. Martin and addressed by Goschen. The latter ad-
vised rapid action and recapitulated the general terms
which he and Joubert had obtained from the Viceroy. On
this occasion Goschen's words were followed closely in
Alexandria by telegraph, and as he spoke, the Egyptian

\(^1\)The Times, Dec. 18, 1876, p. 7.

\(^2\)Goschen to Northcote, Dec. 19, 1876, Iddesleigh
Papers BM Add MSS 50021, p. 251.

\(^3\)Roberts, "Egypt," p. 62.
funds danced until his conclusion, when they dropped.\(^1\)

Most of the floating debt of the **Daira** was held in Paris and Alexandria;\(^2\) Goschen thought that committees should be formed of holders of the 1870 loan and the **Daira** floating debt, and that representatives from Paris and London should go to Egypt to examine their property and treat with the Viceroy. The consensus of the assembly was that they would request the M.P. for London to continue in his present capacity as their plenipotentiary. Goschen requested time for reflection, and on December 16 he refused, stating that parliamentary labors would not permit it but that he was still interested in the matter and would help in the selection of a man to act in his stead.\(^3\)

Hampering the solution of the **Daira** debt was a legal imbroglio which had begun in April of 1876. By ruling that the Khedive’s decrees were administrative instruments, the courts had done much to drive the Viceroy

\[1\] The Times, Dec. 13, 1876, p. 7. See above, Chapter 3, p. 246, for the **Daira** terms.

\[2\] Over half, or £1,580,000, of the floating debt of the **Daira** was held by the Crédit Foncier. A large portion was also in the portfolio of the Anglo-Egyptian.

into insolvency.\(^1\) Holders had the right to sue for full payment, and some 1200 cases were on the Tribunals' dockets by November, enough work to keep them busy for the next five years.\(^2\) Under these circumstances, it was necessary to act quickly in the courts to stop the dissolution of the Viceroy's estates and, although none of the suing creditors were obliged to accept an arrangement, at least to acquire a solution in which all would receive something.

By early February, two gentlemen had been selected to represent the creditors; from England came Thomas C. Sandars, a barrister, and from France, M. Joson, also a lawyer. After a personal inspection of the Daira by Messrs. Joson and Sandars, parleys were held in Paris, including those two representatives of the bondholders, emissaries from Alexandria, and M. Suarez for the Viceroy. Out of these discussions emerged the final Daira settlement. The Corporation's role in these negotiations was central, for, whereas Goschen had borne all the expense of his mission, the 'Council' paid the bills for the settlement of the Daira debt.\(^3\)

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\(^1\)Colvin believed that the courts were the precipitant of the Viceroy's financial collapse (Sir Auckland Colvin, *The Making of Modern Egypt* [2d ed.; New York: E. P. Dutton and Co., 1906], p. 53).

\(^2\)The *Times*, Nov. 28, 1876, p. 7.

On May 3, 1877, the Council summoned the last meeting of Daira bondholders, at which they were addressed first by Goschen and then by Sandars. The former advised the holders that the agreement which Mr. Sandars would elucidate would be all the more binding if a proper mortgage on the Khedive's estates were obtained by them in the Mixed Tribunals. This suggestion was a sound one, and was clearly the best course of action, although the process proved long and expensive. Sandars presented the arrangement to the assembled bondholders, and it was readily approved.

The contract which was signed on July 12, 1877, between the creditors and the Khedive's delegates, possessed many of the same concepts which were basic to the Decree of November 18. The total debt, £8,815,430, of which £2,906,150 was unsecured, was consolidated into a stock paying 5 per cent per annum with a 1 per cent sinking fund. Back interest would be paid at the rate of 5 per

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1 The Times, May 4, 1877, p. 6. This journal carried a summary of the meeting of Daira holders.

2 Wynne, p. 601, n. 92.

3 Since fees were an important part of the Tribunals' income, they were utilized to the utmost to produce revenue. The Standard of February 27, 1877 (ACFB, Egypt, VII, 8-10) pointed to the case of an individual who was charged £14 for a copy of a judgment.

4 The interest would rise to 7 per cent when the debt had been reduced to £5 million.
cent and would be ready for the creditors by the end of August. European administrators were introduced to dominate the board, audit the finances, and publish periodic reports. The bondholders' mortgage lay upon the 435,000 acres of the Daira Sanieh and the 50,000 acres of the Daira Khassa estates, from which it was estimated that, after all expenditures, a revenue of £450,000 might be expected. Less land was held by Ismail than had been expected, for as early as 1875 he had begun giving it away to his family to avoid just such a loss. Nonetheless, the Egyptian Government guaranteed the 5 per cent interest. As with the November conversion, the floating debt creditors also obtained a 10 per cent bonus which was financed by an issuance of bonds worth £700,000, known as "Civil List" or "Khassa" bonds. The Khedive pledged a portion of his own income to help in

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1 The full text of the agreement may be found in Council of Foreign Bondholders, Egypt, Daira Debt, Contract Between the Right Hon. G. Goschen and Edmond Joubert and H. G. Hassan Rassem Pasha, 12th July, 1877 (hereafter Council, Egypt, Daira Debt) (London, 1877), pp. 4-18.

2 A copy of the full report of the mortgaged lands submitted by Mr. Sandars to the bondholders in March, 1877, is presented in Council of Foreign Bondholders, Egyptian Debt, Daira Creditors, Reports on the Estates of the Daira Sanieh and Daira Khassa (hereafter Council, Egyptian Debt, Daira) (London, May, 1877), pp. 4-15.

3 To the Anglo-Egyptian Banking Company this 10 per cent bonus meant an additional £343,000 (The Times, June 1, 1877, p. 6).
the repayment of these new obligations which also bore a 5 per cent rate of interest.

The Council considered the settlement of the Daira difficulties a clearcut victory for the Corporation of Foreign Bondholders. It had even taken upon itself the cost of having the reports and contract translated, printed, and distributed, a praiseworthy service indeed, for as the eminent financier Henry Drummond Wolff observed, "it is astonishing to find how few Englishmen—even those dealing with foreign countries—know anything of modern languages." With respect to Egypt, the Council had done as much as possible to defend the English investors, and by selecting and backing a strong protagonist had given the bondholders a foothold in that country. Henceforth, the Corporation would play a supportive role to the newly-appointed officials and to Mr. Goschen for as long as he involved himself in Egyptian affairs. The Goschen scheme was condemned by many as impractical, but for the present the English creditors could thank the Council and the M.P. for London for placing them in a position of strength.

1Money Market Review, XXXVI (May 4, 1878), 435.
2Wolff, II, 59.
CHAPTER IV

THE ERA OF THE BONDHOLDERS

MAY 1877 TO JUNE 1879

The Success of the Goschen Decree

During the two years which followed the settlement of the Daira debt, the foreign creditors of Egypt sought to keep their position in the Nilotic and to maintain the annual payment of interest. Another adjustment of Egypt's finances was needed, which in turn brought about a European ministry headed by Charles Wilson and Nubar Pasha. A dominant theme of this period was the ever-increasing interposition of Europe, and especially of the Western Powers, in the internal affairs of Egypt, which eventually not only increased pressure upon the Cairo Government, but also eliminated the private character of the officers appointed by Mr. Goschen. Thus, the English creditors almost from the start found their cause being subverted by the men whom Goschen had chosen to fill the vacancies.

Under Mehemet Ali, Europeans had entered the service of the Egyptian ruler as experts occupying
technical posts but exerting no influence whatsoever upon the Government. With Said (1854-63) the number of foreigners rose significantly as Egypt was thrown open to traders and financiers of every kind, and their employment in the ruler's service became less unusual.\textsuperscript{1} Ismail Pasha, as already indicated, utilized the talents of Westerners to a great degree; one source estimated the number of Europeans added to the Egyptian Government service at 160 in 1864-70, 201 in 1871-75, 119 in 1876, 76 in 1877, and 131 in 1878.\textsuperscript{2} Naturally there was nationalist competition for these posts, for they were a barometer which measured the political influence of the various European countries within Egypt. From the outset French aggressiveness carried the day, reaching its apogee in 1869 on the opening of the Canal, when visitors to Egypt could readily observe which nation was in the ascendancy.\textsuperscript{3} Although comparatively small, the British community in Egypt was commercially important, and from the early 1870's the

\textsuperscript{1}John Ninet, "Origin of the National Party in Egypt," \textit{Nineteenth Century}, XIII (Jan., 1883), 117 and 120.  
\textsuperscript{2}Rothstein, p. 64.  
Khedive began to enlist Englishmen in various capacities. The first to attain high office was Sir Samuel Baker, who from 1869 to 1873 fought the slave trade in the Sudan. ¹ George Gordon next took up the task and was joined by others such as Malcolm Mackillop. By 1876 the number of Englishmen in Khedivial pay had risen noticeably, especially in those departments involved with communications; lighthouses, telegraphs, marine, post office, and the viceregal packets were all dominated by British personnel.² Such over-representation often created hard feelings in the European colony.³ In many cases these appointments were filled by individuals selected by the English Government itself or at least with its tacit approval, as the Cave Mission illustrated.


² Malet to Derby, May 18, 1882, Parliamentary Papers, LXXXII, Egypt No. 4 (1882), C. 1484, pp. 190-213. Enclosed in that document is a list of all Europeans in the pay of the Viceroy, with their dates of entry, nationality, departments, and salaries.

³ An instance of this can be cited in the elections for the assessors for the year 1877. These persons participated in the deliberations of the Mixed Courts when commercial matters were involved. On this occasion only two English merchants were returned, the same as for the Dual Monarchy, Germany, and Russia, while the Greek, French, and Italian representatives numbered seven, six, and four, respectively (The Times, Feb. 28, 1877, p. 7).
By complying with Ismail's request, England not only underpinned her own influence, but, as she argued, contributed to the general progress of Egypt since, as a writer of the day observed, Egyptian officialdom possessed most of the usual Eastern defects--of apathy, dishonesty, disregard of truth, and general disposition to do as little work as possible for the largest possible sum of peculative gain.¹

Central to Mr. Goschen's thinking was the idea that European administrators must be introduced, and it was natural that he should take up the matter with his Government. Those who have studied the Egyptian administration after 1882 have shown how important the role of the Anglo-Indian official was in the operation of the Cairo government.² It has also been suggested, and quite rightly, that this "Indianization" had begun prior to the British occupation. In a letter to Northcote on December 19, 1876, Goschen asked for Government help in finding a man for the controllership, the most sensitive of the available posts, and specifically re-

¹McCooan, p. 115.

²Robert Tignor, "The 'Indianization' of the Egyptian Administration under British Rule," (hereafter "Indianization") American Historical Review, LXVIII (April, 1963), 637.
quested an ex-Indian or ex-colonial official.¹ Although the Cabinet was not to be enticed into making selections, the Chancellor did allow Goschen to confer with one of the under secretaries, who assisted him in finding the right man.² The upper echelon of the Indian civil service was highly paid, but as the Khedive was to remit the salaries, this was not a hindrance to Goschen. A few of the new Egyptian officials received stipends equalling that of the president of the United States, and, in all, the new employees cost the Viceroy £33,500 per year.³ The English Cabinet’s position on these appointments was ambivalent, for while not responsible for placing such individuals as William Romaine or General Marriott,⁴ they still allowed these men, as well as others, to take extended leaves of absence from their duties in

¹Goschen to Northcote, Dec. 19, 1876, Iddesleigh Papers BM Add MSS 50021, p. 251.
²Northcote to Goschen, Dec. 5, 1876, ibid. 50053, p. 87 (copy).
³Vivian to Derby, Feb. 2, 1877, PRO FOCP 407/9, No. 207, p. 149. Of the above sum, £15,000 would go to Englishmen.
⁴Derby to Vivian, Dec. 21, 1876, ibid., No. 195, p. 139.
India.\(^1\) Considering the sentiments of Secretary Clarke and other members of the 'Council,' the selection of Anglo-Indian officials to represent the bondholders seems to have been most congenially accepted.

The most important of the posts to be filled was that of Controller-General of Receipts; by early December Goschen had a potential candidate, William Romaine. Goschen informed Northcote of this gentleman's desire to secure the appointment and the Chancellor replied at once that Mr. Romaine was a person of strong character who deserved the opportunity.\(^2\)

Before the year 1876 was out, the names of Romaine and Baron de Malaret (representative of the Syndicate) had been sent to Ismail as the bondholders' nominees for the posts overseeing the Khedive's expenditures and revenues. Time did not permit a careful culling

\(^1\) *Hansard, 3d ser.*, Vol. 232, March 1, 1877, cols. 1210-11. In reply to a question about Mr. Gerald Fitzgerald being named Deputy Controller-General of Receipts in Egypt, Lord Hamilton said that the Indian civil servant was on medical leave and had chosen to spend it in Cairo.

\(^2\) Goschen to Northcote, Dec. 3, 1876, Iddesleigh Papers BM Add MSS 50021, p. 249; Northcote to Goschen, Dec. 5, 1876, ibid. 50053, p. 87 (copy).

William G. Romaine (1815-93) became a lawyer in 1839 and entered Government service, becoming Second Secretary of the Admiralty in 1859, and Judge Advocate in India later (1869-73) ([DNB], XVII, 177).
of the available individuals, for if it had, Romaine might not have been selected. He was not a young man, nor easy to work with, and "was lacking in the critical faculty," but worst of all from the creditors' point of view, he was unsympathetic to the bondholders; Sir C. Rivers Wilson described him as "a good, well-mannered man and a most honourable gentleman, but he has not grit enough for his place." As Goschen later recalled, Romaine went to Egypt as a humanitarian, a champion of the fellaheen, and "avowedly looked to reform in Egypt more than to the interests of the bondholders." Although well-intentioned, Romaine's gullibility made him plastic in the hands of his Gallic counterpart and of the Viceroy. Vivian lamented this fact to the Foreign Office:

It cannot be denied, I fear, that almost all the influence which Mr. Goschen undoubtedly intended to give to the English Controller-General has fallen away from him into the hands of his French colleague.

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2 Wilson to his wife, April 29, 1878, Wilson, p. 121.

3 Goschen to Granville, Sept. 19, 1882, Granville Papers PRO FO 30/29/150 (copy).

4 Vivian to Derby, Aug. 10, 1877, PRO FOCP 407/9, No. 256, p. 191.
Appeals were made to Goschen from many quarters for Romaine's removal; Cherif Pasha, a high-ranking Egyptian functionary, personally wrote to Goschen that it would be advantageous both to Egypt and her creditors if a younger and more energetic man than Mr. Romaine, professing a better knowledge of the French language, were nominated to the post of Controller-General of Receipts.\footnote{1}

This missive was inspired by Ismail, who felt both embarrassed and annoyed by the British Controller, and who no doubt disliked having the balance of power tipped too far to the advantage of Paris. Complaints were lodged with Goschen by Major Evelyn Baring (later Lord Cromer) who also advised Romaine's withdrawal, writing that that gentleman and Mr. Gerald Fitzgerald had learned "next door to nothing of any use."\footnote{2} But these remonstrances were in vain, and for the next two years Romaine was a factor in Egyptian administrative life.

Of more immediacy to the English creditors was the man who would represent them on the Caisse. The Times of January 15, 1877, announced the appointment to that

\footnote{1}{Vivian to Derby, Oct. 2, 1877, \textit{ibid.}, No. 278, p. 214.}

\footnote{2}{Baring to Goschen, Dec. 24, 1877, Cromer Papers PRO FO 633/2.}
position of Major Baring, whose family was in the forefront of London finance. Baring was a man of energy, quick mind and strong principle, who in Egypt earned for himself the sobriquet "Overbearing." His politics were Whiggish in tone, and he harbored an antipathy toward Lord Beaconsfield. From 1872 to 1876 Baring had served in India as secretary to his cousin, Lord Northbrook, and it was upon his return to England that he was taken in hand by Sir Louis Mallet of the India Office, who brought him into contact with Mr. Goschen.

When he assumed his duties on March 2, 1877, as a private delegate of the British bondholders, Baring was sympathetic to their interests. However, as time passed his opinions modified so that by the time of his elevation to the Controller's post, his attitudes had become similar to those of Mr. Romaine, which damaged his popularity among the bondholders.

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2. Sir Louis Mallet (1823-90) was a free trader and believed that the services, especially the Indian, needed to be more responsive to the political and economic needs of Great Britain. He was made Permanent Under Secretary of State at the India Office in 1874, and sat on the India Council for the next ten years (Sir Algernon West, Contemporary Portraits, Men of My Day in Public Life [New York: E. P. Dutton, n.d.], pp. 82-83).

Selected as president of the board to administer the railways and the harbor of Alexandria was General Marriott, and, as his deputy, Henry le Mesurier, both Anglo-Indian recruits. This board, which was responsible for the securing of proscribed revenue for the Preference stock, found its task all but impossible with the railway on the verge of collapse.¹ The Cave Report had only hinted at this decrepitude,² for it was inexact on several accounts. The board was forced to reduce freight rates by twenty per cent to compete with barge traffic; a doubling of the harbor dues was also proposed.³ It had been supposed by everyone that ipso facto the placing of European administrators over various departments would miraculously bring reform as well as funds to pay the debts. The dismay was great when both the customs and the railways, which had been placed in British hands, fell far short of anticipated revenues for 1877; the deficit of the latter increased thirteen per cent (£190,000) in

¹Cromer, II, 312. The author wrote that "few, save those behind the scenes, have probably recognised fully that the Anglo-French Agreement was only signed just in time to prevent a complete breakdown of the Railway Administrations."

²Parliamentary Papers, LXXXII, Egypt No. 7 (1876), C. 1425, p. 5.

³The Times, March 26, 1877, p. 4.
1877 as compared to that of 1876.¹ Mr. George H. Scrivnor's difficulties as Director of Customs were in part caused by smuggling, which the English commander of the coastguard could not eradicate,² but also by the quality of the personnel. Vivian reported home that the number of youthful neophytes at the customs sheds was high, and they were of little promise, although their salaries were "out of all proportion to what they would have earned in England and . . . to the value of their services."³

The last of the appointments were made in early November when Alonso Money, former president of the Bank of Bengal, and Count de Louvencourt, from the Bank of Constantinople, were named commissioners of the Daira. The Bullionist commented upon the British candidates:

The appointment of Anglo-Indian officials to responsible posts in Egypt must be regarded with favor and cannot but tend to an improvement in the management of the various departments of the State.⁴

¹Statist, I (June 29, 1878), 346. The revenue for 1877 for the railway amounted to £671,000, not the estimated £1 million.

²De Kusel, p. 107. The bulk of the illicit traffic was carried on by the Greeks, according to de Kusel.

³Vivian to Derby, Sept. 28, 1877, PRO FOCP 407/9, No. 275, p. 213.

⁴Bullionist, Nov. 17, 1877, ACFB, Egypt, VIII, 188.
Despite these two European advisors in key positions, as well as Mr. Anderson who directed the sugar mills, the Daira estates were to operate in the red for the next twenty years. Here, even more than in other departments, the provision of an Egyptian Director General allowed the native officials to remain in full control, and orders from the European hierarchy were usually ignored.\(^1\)

Such were the European administrators who were to execute the Goschen Plan. Before pursuing the results of the Decree of November 18, 1876, it would be well to return to the Corporation of Foreign Bondholders and the settlement of the Egyptian tribute loan difficulties.

Throughout 1876 the Council was engaged in solving all aspects of Egypt’s indebtedness, including the so-called tribute loans, those offerings by Turkey which had as their security the annual payments of the Khedive to the Sultan. After its bout with the press and the Palmer Committee, the Council remained on the sidelines, except for the comfort which it extended to the Egyptian Tribute Bondholders' League.\(^2\) The Corporation's involvement in the debt difficulties of

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\(^2\)See above, Chapter 2, pp. 153-54 *et passim*. 
Egypt in May of 1876 included an interest in settling the tribute loan situation. On May 26, 1876, a meeting of the 1854 loan holders was held by the League, chaired by George Taylor of the 'Council,' it was also attended by several men from Moorgate Street, among them Cornelius Surgey and Hyde Clarke. The steps already taken were enumerated: legal action to obtain the release of funds, the dispatch of a man to gain assurance of the Viceroy's continued cooperation, and the visits with Lord Derby which had availed little. But the determination to take their case to Parliament was the most adventurous step reported.

Indeed, the cause was not hopeless, for the aid of Gladstone had been enlisted. The Liberal statesman replied to a letter from a holder in these most positive terms:

When the appeal is made to Parliament, I shall think it my duty—unless circumstances come to my knowledge in the interval of a nature to alter my view of the case—strongly to support the claim of the bondholders of 1854 to the support of the British Government in the matter of their claims by every means short of force. I say short of force, because I think it for the Government alone to decide whether they shall or shall not make use of force, which I consider to be entirely within their right.2

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1 For accounts of the meeting, see ACFB, Turkey, IX, articles from May, 1876.

2 The Times, May 27, 1876, p. 12.
With such encouragement, a campaign to win adherents in the House was mounted in which the Corporation of Foreign Bondholders played a substantial role. Still opposing the creditors were the contractors and the "Thunderer," an alliance which annoyed the founder of the Egyptian Tribute Bondholders' League, Captain Stewart, who complained that his organization "had met with every opposition from Messrs. Dent and Palmer, backed up as they had been in the most scandalous manner by The Times newspaper." ¹ Three hundred letters were sent to M.P.'s to garner support. The 'Council' threw its considerable influence into the balance by participating in a committee which persuaded the Recorder for London to assent to introduce their motion to Commons.²

On July 21, 1876, the question was broached whether France was going to live up to her moral responsibility to the 1854 holders. The moral support of the Government was also requested. In the debate which followed, Gladstone warmly defended the bondholders, and only after Northcote had stated that the Government would pursue the subject with Paris was the motion (calling for French action)

¹Hour, June 17, 1876, ACGB, Turkey, IX, 294.
²Money Market Review, XXXIV (April 14, 1877), 382.
withdrawn. 1

Things had not improved by autumn; in fact, as the press reported, some Turkish holders, blithely ignoring the hypothecations of fellow Englishmen, had sent a memorandum to the Grand Vizier advocating a seizure of Egyptian customs, or, if necessary, the occupation of the entire province, in order that they might be paid. 2 A mission to Constantinople was undertaken in October by representatives of the Egyptian Tribute Bondholders' League, but this effort ended in discomfiture and frustration. So the matter stood until the new year.

With the return of Parliament in January, 1877, new appeals to that body were made and a bill was prepared which would have established a committee for the tribute loans with the power to distribute the interest which had been accumulating in the Bank of England since October, 1875. The plan was not greeted with enthusiasm by the journals, for Government interference in contracts, and in the money market generally, was unpopular. 3 The

1 Hansard, 3d ser., Vol. 230, July 21, 1876, cols. 1728-61.
2 Whitehall Review, Sept. 9, 1876, ACFB, Egypt, V, 200.
3 Negative articles on the subject appeared in the Economist (XXXV, [Jan. 13, 1877], 32) and Money Market Review (XXXIV, [Jan. 13, 1877], 32).
project was never presented, for many of the holders as well as the Corporation were opposed, and besides, a joint representation to the Sultan, by England and France, was finally presented on February 17, 1877. ¹
Throughout the spring M.P.'s friendly to the creditors periodically inquired in the House as to the progress of affairs. ²

While the Corporation continued to work with a Parliamentary group to reintroduce the motion of July, 1876, Bouverie had begun a fence-mending operation with the Palmer Committee. In April of 1877 the Tribute League placed itself under the aegis of Moorgate Street, and an agreement was arrived at between Bouverie and Dent, Palmer and Company to work for a common solution. The chairman of the 'Council' saw quite clearly that bondholder unity was the key to success. ³ Such indeed was the case, for Turkey, battered by war and economically exhausted, especially wished to settle with her tribute holders, since not only did the Sultan wish to raise

¹Most of this note is reproduced in Wynne (pp. 421-22).
²Among those who kept the issue before Parliament was Goschen (Hansard, 3d ser., Vol. 233, March 23, 1877, col. 378).
³Money Market Review, XXXVI (May 4, 1878), 434.
another loan using the unmortgaged portion of the Egyptian tribute as collateral, but he also desired a portion of the hard cash which was inaccessible to both parties. Hence, an agent was ordered to London with whom Palmer and Bouverie were able to negotiate a settlement. ¹

On July 24, 1877, the holders assembled to discuss the proposals offered by the Sultan, which, after vituperative debate, were approved. To the chairman of the Corporation such proceedings were unpleasant, for they illustrated the lack of harmony within the 'Council.' Both Surgey and Taylor opposed Bouverie and urged the holders to obtain better terms.² Despite this internecine jealousy (for such it appeared to be), the composition was ratified and the necessary instruments were signed on September 17.³ Nonetheless, these occasional outbursts of resentment of 'Council' members against the dominance of Bouverie were to recur.

¹Ibid., XXXIV (May 26, 1877), 528.
²Ibid., XXXV (July 28, 1877), 80.
³For a discussion of the final arrangements, consult Wynne (p. 423).
One difficulty yet remained—the one shilling per pound which had been voted by the Turkish holders in the previous year, as the Corporation stated, "to defray the expenses of, and the remuneration due to, the different persons who have given their time and services to the bondholders in the negotiations which are now concluded."¹ To this request the Council's nemesis, Mr. J. C. McCoan, took issue, arguing that the money was to go into the coffers of the Corporation.²

The Turkish ambassador issued a public statement on November 24, 1877, in which he declared that Turkey had not authorized the contractors to withhold any funds from the shareholders; this paved the way for legal action by a handful of holders captained by Mr. McCoan.³

While the litigation proceeded, the 'Council' was silent, and when the subject arose at the General Court of 1878 it was ruled out of order by the Chairman. In May, however, the Court of Common Pleas ruled in favor of McCoan, which so annoyed the Council that it considered a resolution to insert into all future conventions to be negotiated by the organization a clause

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¹The Times, Oct. 12, 1877, p. 7. ²Ibid. ³Money Market Review, XXXV (Nov. 24, 1877), 493.
assuring that those who did not palpably assist the association should not reap the benefits. The idea was discarded; nonetheless, it bespoke the Corporation's awkward position, harried by disunity and financial problems both in defeat and in success. But even as this arrangement was finalized, the Goschen Decree, from which much had been expected, was proving unworkable, and Egyptian bankruptcy again loomed on the horizon.

The year 1877 was not as the framers of the November Decree had anticipated—the first stage on the journey to solvency. The Viceroy had but £1.4 million with which to run his government and also had a rigorous schedule of interest payments to meet. Unpleasant stories of a floating debt not included in the Goschen arrangements were circulated, some placing it as high as £15 million, while much criticism was heaped upon the Bank of Egypt for covertly, and in violation of the Goschen Decree, advancing Ismail £160,000 in early

2 Vivian to Derby, Jan. 17, 1878, PRO FOCP 407/10, No. 10, pp. 7-8.
3 A table of payment dates and amounts due may be found in the Economist (XXXV, [July 21, 1877], 848).
4 Ibid., (Nov. 10, 1877), 1335. The Economist Francaise reported this story in early November, but the English journal gave it no credence.
January of 1877.¹ The necessity of such a transaction so soon after the new composition gave pause to the most sanguine.

By 1877 the flotsam and jetsam of the Porte's domains in the Balkan Peninsula were ablaze with war, and the Khedive as a loyal subject was called upon to assist the Sultan. Surprisingly, Ismail complied, although it placed enormous strain upon his country. The creditors of the Viceroy generally opposed Egypt's participation in the conflict since funds needed for the coupons were endangered.² A special war tax was imposed in May as the Egyptian Government made herculean efforts to dispatch 11,000 troops to the front. Even Ismail was constrained to make many personal sacrifices in his mode of living, although not all the splendor had gone out of his life.³ Government officials found

¹ Economist. XXXV (Aug. 11, 1877), 950.
² The English colony in Alexandria was generally sympathetic to the Turkish cause, which added to their popularity and influence (The Times, Nov. 17, 1877, p. 4).
³ The necessities of state went begging while Ismail Pasha hosted his lavish entertainments, according to a story in the Echo d'Orient quoted in The Times (Feb. 27, 1877, p. 4).
their pay falling in arrears, a situation not as serious for the Europeans as for the natives, who began to borrow at high rates just to survive. The decline in Egyptian public health services, education, hospital services and similar functions can also be traced from 1877. 1 Extraordinary means of raising revenue were employed, such as selling crops while still in the ground. 2 By June Alexandria afforded a gloomy spectacle with its numerous liquidation notices evident on shop doors. 3 But worse was on the way; it was soon obvious to all that the Nile would not be a good one and consequently the outlook for the coming year was dark.

Since Goschen and Joubert had refused a new loan to the Viceroy, his credit standing slipped. The haute banque had been fooled, for they had imagined that it would be relatively simple to sell to the general public their glut of £9,424,600 of Unified stock. 4 But

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1 Tignor, "Indianization," p. 636.

2 By the summer of 1877 Ismail had relapsed into his old ways of collecting the land tax nine months in advance (Mulhall, p. 528).

3 Morning Advertiser, June 12, 1877, ACFB, Egypt, VII, 254.

4 Economist, XXXVI (Nov. 16, 1878), 1347.
investors were not eager to take up the Syndicate's burden, and "unifieds" fell to 30.¹ The heaviest loss was incurred by the Crédit Foncier which held a reported 106 million francs in unsecured paper² as well as a large block of Unified stock.

The remainder of the Egyptian stock was likewise under pressure, although investors in some issues refused to be frightened and hence staved off decline.³ The English investor was also cautious due to the state of the home economy, the depressed condition of most securities, and a new Parliamentary investigation of the Stock Exchange which was launched in March, 1877. As usual, the journals disagreed as to the advice to be given holders. London gaily chirped that "our financial guides . . . have turned around, and most of them now take quite a rosy view of the future of Egyptian finance."⁴


² Economist, XXXV (Nov. 10, 1877), 1338.

³ Ibid., 1368. For example, one year after the Goschen Plan, the Daira loan of 1866 had risen from 52 to 68, and the Daira offering of 1870 had lost a point.

⁴ London, April 14, 1877, ACFB, Egypt, VII, 84.
whereas the *Public Leader* soberly warned:

Let no bondholders build upon any of the brilliant prospects held out with regard to future payment of Egyptian coupons, and exercise caution in reference to the counsel offered them by certain City editors. It is not the business of these gentlemen to advise the public where to invest.¹

The most convincing proof of economic soundness would have been the prompt and complete payment of Egypt's interest and the successful operation of the *Caisse* and the control.

Reflecting upon the utility of the *Caisse* long after his service upon it had ended, Lord Cromer wrote that this body had been an obstacle to progress, had often promoted anti-British hostilities, and whatever reforms have been accomplished with the co-operation of the *Caisse* could have been equally well and probably better accomplished had the *Caisse* not existed.²

This body, which had first been established by the Decree of May 2, 1876, and which was included in the Goschen settlement, had been very popular among all classes of bondholders. All payments for the servicing of the debts—taxes, customs, tolls, and dues—which were to be turned over for distribution to the creditors would be encashed with the *Caisse*, and no change in the

²Cromer, II, 309.
amount of revenue nor any loan by the Government could be executed without approval from this commission.

Major Baring joined his colleagues in the Caisse on March 2, 1877, considering himself a private individual whose function was to represent the interests of English investors.¹ In time the holders began to prize this institution more as it became clear that the controllers were of dubious utility. As Mr. Goschen remarked,

"It is a fundamental mistake to consider the Controllers as Bondholders' men, so far as the English are concerned, and this is almost equally true of [the French].²"

The triad which was created for bondholder representation included Baring in Egypt, and Goschen and the Corporation of Foreign Bondholders at home. As long as this trio remained in tandem, the Council found it most desirable to leave well enough alone. So long, too, as Baring viewed Goschen as his mentor and cultivated his influence, there was harmony of purpose, but slowly the younger man altered his principles, coming to oppose the November Decree, and in so doing estranging

¹Ibid., I, 14-15, 24-25.
²Goschen to Granville, Sept. 19, 1882, Granville Papers PRO FO 30/29/150.
himself from both Goschen and Moorgate Street.\(^1\) Despite his private capacity, Major Baring kept the English agent fully apprised and profited from the intimacy:

I always kept Vivian and Malet fully informed of everything that went on, but I acted independently of them. No doubt my position was strengthened by the impression which existed that in an extreme case, the English Government would lend me a helping hand, but I never used to employ language which would encourage this impression.\(^2\)

On the other hand, Baring was willing, if the Government desired it, to take any steps which they deemed necessary, but until then he would work closely with the Caisse.\(^3\) The polestar of Baring's policy was the commonality of goals between the holders and the Cairo Government:

I used constantly to point out that the interests of the bondholders were really identical with Egyptian interests; that what both wanted was good government—and, in fact, whatever influence I gained in Egypt was due to the fact—at least I think so—that gradually the Ministers and others really believed that I had the interests of the country at heart.\(^4\)

\(^1\)Cromer, I, 35.

\(^2\)Baring quoted in Northbrook to Granville, March 14, 1882, Granville Papers PRO FO 30/29/138.

\(^3\)Baring to Goschen, Feb. 25, 1878, Cromer Papers PRO FO 633/2.

\(^4\)Baring quoted in Northbrook to Granville, March 14, 1882, Granville Papers PRO FO 30/29/138.
From the beginning the Caisse was in an unenviable position, with pressure from several directions focused upon it. M. Joubert, at the outset, urged the commissioners to ignore the limitations of the November Decree and to use all funds at hand to meet the January 15 payment date for the Unified stock. But M. de Blignières, who was more honest and was a cosmopolite in outlook, balked at this suggestion. Observing these activities, Mr. Vivian confidentially wrote home:

I should regret if the principle object of the Egyptian Government and of the group of French bankers represented by M. Joubert, was simply to raise the value of Egyptian stock by providing for the interest due on the next coupon without regard to the exact execution of the Decree, or to what may happen hereafter, when they may have realized the stock that they held.¹

Baron de Malaret, the French Controller-General, also busied himself to assure the adequate funds and attempted to have the interest due on England's Canal shares postponed, but was met with British resistance. Paris firmly backed her nationals and Vivian was disturbed over the future:

Whether any failure of Egypt to fulfill her financial engagements would provoke the French Government to push this support so far as to

¹Vivian to Derby, Dec. 23, 1876, PRO FOCP 407/9, No. 199, p. 142.
interfere politically for the protection of the French bondholders is another question, but the language of the French here would almost warrant the suspicion; and the Viceroy certainly apprehends the danger.¹

To Ismail the Caisse was an unpleasant reality which it was his duty to combat, so that payments made by the commissioners were a product of their own tenacity and not of the Viceroy's good will.²

From England, also, criticism was leveled at the Commission of the Public Debt. One of the duties of this body was the compilation of periodic statements which were to be forwarded to Councilhouse. These seem to have been issued monthly in Alexandria, and before the year was out they were being published regularly in England. The reports were in turn distributed by the Corporation to interested bondholders and to the press. The Times led the assault on the statements, remonstrating that the Caisse had not explained how the July coupon of the Unified stock was met:

Nothing could well be more unsatisfactory . . . than the way in which these statements are put out now and again, we learn not one iota regarding the outgoings on account of ordinary expenses, or

¹Vivian to Derby, May 26, 1877, ibid., No. 230, p. 174.
²Vivian to Derby, Feb. 2, 1877, ibid., No. 207, p. 149.
indeed regarding anything but the amounts "encashed" on behalf of this or that loan.¹

The Daily News in its support of the commissioners quite properly retorted:

The Debt Commissioners were never provided with powers to audit the whole revenues of Egypt; they simply have to deal with the amounts pledged to the bondholders which are paid in to them.²

There is no doubt that The Times' questions helped drive stocks down, but when the disclosure was made of the highly irregular loan by the Bank of Egypt, the "Thunderer" had real ammunition:

The Commissioners sent out to control the finances of Egypt are either powerless to protect the interests of bondholders or they are not doing their duty, for they have not helped the bondholders to a single useful piece of information about the revenues of Egypt since they took office.³

All the English personnel were placed in a bad light, and the Khedive, as if to even scores with the Bank of Egypt for past policies, refused to honor the obligation.

The tide of confidence in the Goschen Plan (if it had ever been such) had reached its low point by late summer. The author of the November Decree had to go before the public to defend his handiwork. The

¹The Times, July 29, 1877, p. 10.
³The Times, Aug. 8, 1877, p. 7.
members of the Caisse, said Mr. Goschen were "inexorably firm" and of "undeviating honesty," and the loan in question had been transacted before the formal installation of the Commission. ¹ Availing himself of the opportunity of his open letter, the M.P. for London sought to begin the process of disassociation of his name from Egyptian finances in the eyes of the public. Yet no matter how one saw Goschen's personal involvement, it was clear that the Khedive's creditability was low. The hardships of the year made another examination a necessity, despite Goschen's conviction that undoubtedly "it would be a disaster for Egypt as well as for the bondholders, if the new organization should be allowed to break down."² Some newspapers tried to argue that there was no floating debt at all,³ but the fact could no longer be concealed. Local tradesmen and government officials called for payment, and the claimants who had won their cases in the Mixed Courts also demanded compensation. So confronted, the commissioners of the debt decided to visit Europe personally to see what could be done to

¹Economist, XXXV (Aug. 17, 1877), 977.
²Monetary Gazette, Aug. 25, 1877, ACFB, Egypt, VII, 390.
³For example, Daily News, Sept. 20, 1877, ibid., VIII, 14.
salvage the situation.

European creditors were most dissatisfied to find an undisclosed floating debt of £4.5 million, and dismayed by the rumors of reduced interest and/or the creation of more Unified stock to eliminate the encumbrance. Many were angry at this new development; Truth, an outspoken organ, wrote:

Speaking generally, there is not, probably, one single banker in Alexandria, who does not deserve hanging.1

Goschen advised the Caisse not to give way before Ismail and to press for a complete inquiry of the new debt; on no account was the Egyptian ruler to be allowed to disown the figures given to him and Joubert. It was decided that the settlement of the small individual claims should be postponed until after an inquiry and that the payment date for the Unified stock should be altered to conform with the harvest seasons.2 Downing Street was acquainted with all of these decisions.3

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1Truth, Oct. 24, 1877, ibid., 128.

2On December 15, 1877, a Khedivial decree altered the payment dates of the Unified stock to the first days of May and November. As with other matters of interest to the bondholders, this decree was sent to Bouverie for translation and dissemination.

M. de Malaret, the French Controller-General, had also departed Cairo to negotiate with the Parisian Syndicate, and upon his own authority returned in December with a plan to give the Viceroy some relief. He proposed to do this by permanently removing the 15 per cent founder's shares in the Canal from Ismail's possession, a plan which Vivian thought generally unwise. 1 Mr. Gerald Fitzgerald refused to consider the scheme, and Baring, who had not seen the project, remained aloof although agreeing that the Frenchman had gone too far. 2 The result was de Malaret's temporary loss of influence and attempted resignation.

Ismail continued to speak of personal sacrifices, but he remained adamant on the point that any new inquiry into his affairs should be made on his terms. By year's end the economic picture was depressed. The Commission of the Debt successfully turned back the suggestion of Egypt's Finance Minister to collect taxes officially in advance, 3 which made Baring's position difficult:

1 Vivian to Derby, Dec. 7, 1877, PRO FOCP 407/9, No. 324, p. 245.
2 Baring to Goschen, Dec. 31, 1877, Cromer Papers PRO FO 633/2.
I wish to qualify in the Khedive's mind the supposed hostility of the Caisse; at the same time it is all-important that I should keep well with my colleagues—de Blignières especially.¹

One way out of the Khedive's predicament, as Baring saw it, would be a loan guaranteed by France and Britain. Accordingly, he sent both Goschen and the Foreign Office a memorandum in which his plan was elaborated, but received cool responses from both.²

As if Egyptian bondholders had not enough to cast them into a lugubrious mood, the Mixed Courts of Egypt were also threatening the Caisse. Using the Twycross vs. Dreyfuss case as a precedent, the Cairo Court of Appeals ruled on December 10 that an employee of the Egyptian Government, Mr. Keller,³ should be paid back salary and damages. The Government argued that its public creditors had first claims on the Treasury, but the principle upheld was that the first duty of a state is self-preservation, and that hence

¹Baring to Goschen, Dec. 19, 1877, Cromer Papers PRO FO 633/2.

²Vivian to Derby, Dec. 22, 1877, PRO FOCP 407/9, No. 344, p. 266 (enclosure); Baring to Goschen, Jan. 11, 1878, Cromer Papers PRO FO 633/2.

³Keller was an Austrian lawyer who served as a legal advisor to the Egyptian Government. He sued his employer for five months back pay, a termination of his five-year contract, and damages.
payment of its own officials was paramount. After such a ruling, it was felt by many that the funds in the Caisse might be sequestered to meet administrative expenses. It was suggested that Keller had been inspired by the Khedive to bring the matter forward, and subsequent events lend credence to this opinion.\(^1\)

Using this ruling as his justification, the Viceroy stanched the flow of receipts into the Caisse, immediately forcing that body into court. Baring was correct in assuming, however, that the Keller decision would not impinge upon the activities of the commissioners, they being part of the financial make-up of the Government. As events unfolded, the Tribunals upheld the position of the Caisse in a decision of March 2, 1878, and as expected, when the Egyptian Finance Minister and his records were summoned to appear, money again began to fill the empty Treasury. The ruling was one of the elements which forced the Viceroy to accept a commission of inquiry with broad powers.

Despite the dearth of good financial news from Egypt in 1877, the year was marked by a second wave of

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\(^1\) The British agent later reported that Keller was reinstated in Khedivial service (Vivian to Salisbury, July 13, 1878, PRO FOCP 407/10, NO. 199, p. 190).
English interest in the future of the Nile Valley. During April the Russian army finally lumbered into action against Turkey, and by late July had been halted before Plevna, where it was to remain until early December when the fortress capitulated; with this obstacle removed, it was only a few weeks until the Sultan sued for terms. The first concern of Downing Street was the Canal, although Count Peter Shuvalov, Russian Ambassador to Britain, told Derby that a Russian blockade of the waterway was "pure phantasy." On May 6, the Foreign Secretary again told St. Petersburg that the Suez Canal must remain open, and at a meeting of the Compagnie Universelle in early June, a letter was read to the holders assuring English action should their property be endangered. Prince Alexander Gorchakov, Russian Foreign Minister, immediately replied that Russia neither possessed the force nor the inclination to implement such designs. Many members of the Government, by the spring of 1877, were quite concerned over Egypt, but only Lord

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1 Seton-Watson, p. 172. The remainder of this paragraph is drawn from this work also (pp. 173 and 193).

2 Ibid., p. 193.
Derby was unalterably opposed to an occupation. The Secretary of State for India, Lord Salisbury, who was to take the reins of the Foreign Office in April, 1878, harbored a dislike for Turkey and wrote in March that a division of the Ottoman Empire was now possible.¹ In appraising British policy in the Levant over the previous two years, Salisbury wrote:

I would have devoted my whole efforts to securing the waterway to India—by the acquisition of Egypt or of Crete, and would in no way have discouraged the obliteration of Turkey.²

Lord Beaconsfield's actions in Egypt were defensive in character and contingent upon French maneuvering.³ Lord Carnarvon, the Colonial Secretary, who was to resign his office in January, 1878, was still in favor of occupying Egypt:

I desire that we should consider the occupation of Egypt, and should have been perfectly ready to incur considerable risks in such a case; but any such suggestion, whether proceeding from me or others, has . . . been always put aside.⁴

¹ Salisbury to Lytton, March 9, 1877, Cecil, II, 130.
² Salisbury to Lytton, June 15, 1877, ibid., 145-46.
³ Disraeli to Queen Victoria, Oct. 18, 1877, Buckle and Monypenny, VI, 188. The Prime Minister wrote that should Bismarck encourage France to look toward the Nilotic for compensation for 1870, England would have to occupy Egypt.
⁴ Carnarvon to Northcote, Dec. 15, 1877, Harding, II, 365.
Northcote was also nervous and feared that a combination of the Northern Powers might divide the Ottoman dominions and gain France's adherence with the promise of Egypt. Aware of England's uneasiness, Bismarck again introduced the theme of English hegemony over the Nile Valley.

After the Goschen-Joubert arrangements, the political influence of the Western Powers within Egypt could be exercised by means of the recently-established bondholder machinery. Such an outcome was inevitable, since these newly appointed officials, especially the British, felt little allegiance to the wishes of the investors, and looked to Downing Street (in the case of the English) as the source of their power. Salisbury, as Foreign Secretary, later explained that in backward regions such as the Middle East, having Englishmen in the highest posts was a sine qua non for success.

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1 Northcote to Disraeli, April 21, 1877, Iddesleigh Papers BM Add MSS 50018, p. 22 (copy).

2 The German Princess to Queen Victoria, July 11, 1877, George E. Buckle, ed., The Letters of Queen Victoria: Second Series, A Selection from Her Majesty's Correspondence and Journal Between the Years 1862 and 1878 (New York: Longmans Co., 1926-28), II, 546. The hand of Bismarck is visible in this missive, urging British occupation of Egypt. For a discussion of Bismarck's motives in Egypt, consult Langer (p. 260 ff.).

3 Salisbury to Layard, June 25, 1878, Cecil, II, 304.
The bondholders might have obtained some comfort from the wave of sentiment favoring the occupation of Egypt which again rose in Britain in 1877. The primary cause of this phenomenon was the visit of Nubar Pasha to Britain in April when he proposed English domination over his country in exchange for her assumption of the Turkish tribute. The Foreign Secretary's answer was negative, for as Nubar later said:

Although he had been well received in the City, at the India Office and the Treasury, Lord Derby was impervious to his advances, arguing that if England added to her possessions, she could not blame Russia for doing the same.1

Yet his journey was not a total failure, for while in the English capital he made the acquaintance of the editor of the Observer, Mr. Edward Dicey.2 Nubar's object was to launch a press campaign in England to win public opinion for the idea of annexing Egypt to the Empire. The spearhead of the drive was a series of articles by Dicey in the Nineteenth Century, extending into 1878, which was well constructed and widely

1Seton-Watson, p. 309.

2Edward Dicey (1832-1911) entered business but soon turned his talents to journalism, becoming a permanent member of the staff of the Daily Telegraph in 1862. From 1870 to 1889 he was the editor of the Observer, a weekly publication (DNB, Supp. 1901-1911, I, 497).
read. 1 The themes of the articles were England's maritime link with India, the Russian threat, and the desire of the bondholders to receive fair treatment. *The Times* made a sound observation, and one which was to be equally true in 1882:

Appeals are made to the patriotism of Englishmen in words which would have more weight if they could be disconnected from the interests of the Egyptian bondholders. 2 

National interest is but a composite of many group interests; bondholder concerns were at least as important as imperial and mercantile considerations.

Gladstone, the defender of a "little England" policy, added fuel to the fire of controversy with his own pieces in the *Nineteenth Century*, but his efforts were directed toward illustrating the hazards of an Egyptian seizure, which he envisioned, quite correctly, as the nucleus of an African Empire. Other writers joined Dicey's cause; Grant E. Duff, M.P. (former Under Secretary for India) was one who urged the acquisition of some real estate in the Eastern Mediter-

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1 *Baring to Goschen, Dec. 19, 1877, Cromer Papers PRO FO 633/2.* Even in Egypt these articles were perused and discussed.

2 *The Times, Jan. 8, 1878, p. 9.*
ranean should Russia annex Turkish territory.\(^1\) Conservative papers joined the campaign, as did such popular sheets as *Truth*, edited by the financier and Egyptian bondholder Labouchere.\(^2\) Even at a meeting of the African Section of the Royal Society of Arts, a political discussion arose when a paper on Egyptian commerce was read. It was agreed that the Canal should be well-guarded, and the chairman, Sir George Elliot, remarked that should Britain "stretch out her arms to embrace Egypt, he believed the people would not be unwilling to be under English care."\(^3\)

This movement was quite successful for a time, gaining wide endorsement for Egyptian annexation.\(^4\)

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\(^1\) Thompson, I, 180. Grant Duff was an M.P. who joined the Corporation of Foreign Bondholders in the 1880's. His interest in Egypt was not only political, but economic as well, since he was a shareholder in the Commercial Bank of Alexandria (Share List of the Bank of Alexandria for 1877, BT 31/2257/10783).


\(^3\) *Journal of the Royal Society of Arts*, XXVI, (March 22, 1878), 361.

England’s agent in Cairo was so concerned that he inquired whether there was substance to the rumor.¹
But this public support was mercurial, and as the heroism of the Turks at Plevna became manifest, admiration for the underdog supplanted other feelings. Still, Dicey’s aid was appreciated. Wilson and Nubar first considered appointing their journalistic friend to an Egyptian sinecure, but instead granted to him and to the Imperial Ottoman Bank a concession for a crédit foncier which was eventually established.²

The Commission of Inquiry

"I would put it thus— that economy on his [the Khedive’s] part should precede sacrifices on the part of the creditors"— such was the opinion of Major Baring on his return to Cairo from his trip to Europe.³ Conversations with holders, as well as the discussions at Goschen’s home at Seacox, had formalized the view that

¹Vivian to Tenterden, July 1, 1877, Tenterden Papers PRO FO 363/2.
²Dicey, Egypt of the Future, p. 16.
³Baring to Goschen, Dec. 19, 1877, Cromer Papers PRO FO 633/2.
no relief should be extended to Ismail until there was a full inquiry into his affairs. Many pressures were exerted upon the reluctant Khedive to comply with such investigations, and among the most forceful was that of the combination of Caisse, Corporation, and Goschen.

Ismail proved willing to permit a partial inquiry,¹ but adamantly fought to keep his expenditures beyond the pale of the examination. Although German and Austrian bondholders complained about the favoritism shown the secured creditors,² their governments, as well as those of England and France, supported the demand of the Caisse, on January 9, 1878, for a complete inquiry.³ For the English commissioner, the survival of the Caisse was at stake.

Unity of the various European administrators would have aided the cause of the full inquiry, but squabbles and personal antagonisms seemed to have marred the entire period. Although Mr. Money was content to see a reduction of the taxes without an investigation,

¹Baring informed Vivian that Ismail's plans for an inquiry were unsatisfactory (Baring to Vivian, Dec. 23, 1877, Cromer Papers PRO FO 633/2).
²Baring to Goschen, Dec. 19, 1877, ibid.
³Cromer, I, 44. As this author indicated, French support became lukewarm as it became clear that a cut in interest to the bondholders would have to be made.
the most persistent advocate of the unilateral violation of the bondholder agreement was Mr. Romaine. This gentleman encouraged the Khedive to resist any inquiry and proposed that Ismail declare bankruptcy. ¹ To support his contention of Egyptian insolvency, Romaine compiled a report, monopolizing materials which Baring needed for his own Compte Rendu for 1877, and had it published in the Egyptian Journal Officiel on February 7. ² For the British bondholders this report from Romaine acted as a depressant, as the Bondholders Register said, "there is no room, therefore, for clinging to the hope that the views expressed by him [Romaine] have been overcoloured."³ Baring, however, went to the press to defend the proposition of a complete inquiry:

The experience of the last two years has abundantly proved how utterly unreliable are the estimates of native Egyptian officials; and I venture to think that it is wholly out of the power of a single

¹ Baring to Goschen, Dec. 21, 1877, Cromer Papers PRO FO 633/2.

² Ismail was greatly amused by this report (L. J. L. D. Zetland, p. 64), and only permitted its insertion in the Journal Officiel to depress the creditors so that his own plans for a commission of inquiry could be facilitated; this at least was the opinion of the Money Market Review (XXXVI [March 2, 1878], 212). It was quickly announced that the inclusion of the document had been an error (ibid. [Feb. 9, 1878], 130).

³ Bondholders Register, Feb. 12, 1878, ACFB, Egypt, IX, 10.
European official, however able or zealous, sitting in an office in Cairo, to form a trustworthy opinion as to their reliability.\footnote{1}

Thus, friction in the Egyptian capital, including de Blignières' abhorrence of de Malaret, did not further the goals of the Commission of the Public Debt.

Although Baring won the journalistic joust with Romaine, the \textit{Compte Rendu} of 1877 was hardly a success. Telling against the report was its length (sixty-eight pages), its incompleteness, and its composition in the French format and language. The report showed that in 1877, after both the Preference and short loans were paid, there was but £2.5 million for the Unified stock; hence, £1.7 million had been obtained from the Government by means which were unknown to the Caisse.\footnote{2}

Baring told Goschen:

\begin{quote}
I am rather inclined to think that a moment may arrive—even if there is but little chance of doing good—it would be desirable for you to speak out in order that we may all of us afterwards think that no stone was left unturned to bring the Khedive to reason.\footnote{3}
\end{quote}

\begin{footnotes}
\item[1] \textit{Economist}, XXXVI (Feb. 23, 1878), 213.
\item[2] \textit{Ibid.}, (March 9, 1878), 267.
\end{footnotes}
The moment arrived on January 27, 1878, when Ismail elected to establish a commission, according to his lights, and to beard the wrath of the bondholders. Goschen could not stand idly by and thus entered the fray as the champion of the investors:

It will thus be seen that the decree has been issued in the teeth of the strongest remonstrances, and after a declaration of the Commissioners of the Public Debt that they could not in any way be parties to it.\(^1\)

To the English financier the decree was a *causus belli*:

I shall certainly not shrink from making every effort and using all the influence I can command to defeat the apparent attempt of the Egyptian Government to institute an incomplete inquiry . . . provided always I can feel that I am backed up by public opinion in this course.\(^2\)

In the ensuing struggle, *The Times* and other papers closed ranks to oppose the Khedive. Goschen's diary for February 20, 1878, gives further testimony of his endeavors for the bondholders:

Am now working to get the Khedive deposed if he won't give way. Final telegram. Prepared letter for the bondholders. All day Egypt. . . . Unsatisfactory interview with Tenterden. Everything appeared impossible to him.\(^3\)

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\(^1\) *The Times*, Jan. 31, 1878, p. 6.  
\(^2\) Ibid.  
If their efforts led to Ismail's downfall, Baring thought "it would be a monstrous good thing for everyone concerned."\(^1\) Goschen carried his cause not only to Downing Street, but threatened on February 25 to bring the matter before the upcoming Berlin Congress.\(^2\) Certainly other factors aided the British financier's crusade, but it was with great satisfaction that Baring informed Goschen of Ismail's capitulation in mid-March of 1878.\(^3\)

It was during this two-month period that Baring decided that he had responsibilities which superseded his allegiance to the bondholders, thus weakening the influence of the English creditors. In early February the British commissioner wrote:

> My duty is to do those things which the Decree says I ought to do. Nevertheless I consider the fellah quite as interesting, to use the French phrase, as the creditors—perhaps more so.\(^4\)

This alteration of views might have been partially inspired by pique over the journalistic attacks and

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\(^1\) Baring to Goschen, Feb. 15, 1878, Cromer Papers PRO FO 633/2.

\(^2\) Rothstein, p. 53.

\(^3\) Cromer, I, 44.

\(^4\) Baring to Goschen, Feb. 8, 1878, L. J. L. D. Zetland, pp. 70-71.
by his belief that not all the bondholders stood at his back:

So long, however, as my conduct has the approval of the intelligent and well informed minority, I shall bear the newspaper attacks with equanimity, and shall certainly not attempt to answer them.¹

Exercising complete candor, Baring spelled out his views to the British shareholders:

For my own part, I wish most distinctly to say that, whatever might be the views of the bondholders—and I believe that as a body they're perfectly reasonable on the subject—I should decline to make myself the instrument of urging any claims on the Egyptian Government which could fairly be characterised as over-exacting, or as necessarily involving the oppression of the people.²

On March 8, 1878, he informed Vivian that upon joining any investigative body, he would, of course, be representing the interests of the bondholders.³ However, a fortnight later he wrote:

Remember that the moment I become a member of the Commission I shall consider that I have wider interests to think of than those of the bondholders, and shall act accordingly.⁴

¹ Baring to Goschen, Feb. 8, 1878, Cromer Papers PRO FO 633/2.

² The Times, Feb. 21, 1878, p. 10.

³ Baring to Goschen, March 8, 1878, Cromer Papers PRO FO 633/2.

⁴ Baring to Goschen, March 22, 1878, ibid.
In addition to that of the Caisse, there were other opinions proffered as to the necessity of an inquiry which hardly escaped the ear of the Khedive. The holders were seriously divided upon the question of an investigation; some foresaw a reduction of interest, while others considered a steady albeit smaller income a more desirable goal. Pro-Khedivial literature was available, yet most of the discourse in England was uncompromising to Ismail.¹ Those in Egypt who wished the inquiry to proceed categorically insisted that the Caisse participate;² on the other hand, a committee opposed to an inquiry was established in Alexandria in early February, 1878, and delegates were dispatched to Paris and London to gather support. The French creditors responded warmly to their Levantine confreres with a counter-contingent to Egypt; in Britain, the committee

¹An example of pro-Khedivial literature was a pamphlet by W. Raston, "The Khedive and His Calumniators" (ACFB, Egypt, IX, insert). On the other hand, in a speech at Kensington in early 1878, Dilke told his listeners that the Viceroy was "the greatest robber that ever sat upon a throne" (Seton-Watson, p. 277).

²Vivian to Derby, Sept. 27, 1877, PRO FOCP 407/9, No. 274, p. 213.
had to be satisfied with bombarding Goschen with a series of notes. Petitions and reports were likewise composed and forwarded to any and all interested parties.\(^1\) A bondholders' weekly bulletin was even published to keep investors on the qui vive. Baring did not like to keep in contact with this ad hoc group, and justified his polite inaccessibility by the fact that no Englishmen were counted among them.\(^2\)

The British banks also meant to see an inquiry carried through, and as Masterman of the Anglo-Egyptian said:

> The directors were assured of this one thing—that their good friends across the Channel did not mean to lose a farthing of their money, and this bank was in the same boat with them. Frenchmen had a great dislike to losing money—and they did not mean to lose it.\(^3\)

Both Mr. Dicey and Nubar Pasha, as well as the exiled Prince Halim, encouraged the creditors.\(^4\) Halim, a paragon of duplicity whose machinations knew little bound, had revived his intrigues in Constantinople and had made

\(^1\)The protest which this committee forwarded to Mr. Vivian to transmit to the Egyptian Government was so insulting that Vivian refused to notice it (Cromer, I, 43).

\(^2\)Baring to Goschen, March 1, 1878, Cromer Papers PRO FO 633/2.

\(^3\)Money Market Review, XXXV (Dec. 1, 1877), 511.

\(^4\)Edward Dicey, "The Egyptian Crisis," Nineteenth Century, V (April, 1879), 671.
a bid for his nephew to cease his objections to the financial probe. The implication was obvious: if Ismail could not be depended upon, another could.

The Khedive had yet refrained from actually commencing the investigation he had decided upon, as a new convolution in his already complex affairs had revealed itself. If his floating debt, which had risen to an estimated £11 million by early 1878, could be converted by some financial combination into a salable security, no investigation would be necessary. Rumors reached Major Baring in early January that an English group would attempt such a maneuver. The plan succeeded insofar as a shady stockbroker, Montgomery Walker, did appear in Cairo with a letter of introduction from Lord Derby. His reception by the official English community was frigid. Vivian informed him pointedly that no bonanza was to be found in Egypt, and, in any case, the creditors would have to approve

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1 The missive first appeared on March 29, 1878, in Le Temps (Landau, "Secret Societies," p. 184, n. 198). It was also reprinted in the Weekly Bulletin of the Committee of Egyptian Creditors in Alexandria in early April (Statist, I [April 21, 1878], 143).

2 Vivian to Derby, Feb. 16, 1878, PRO FOCP 407/10, No. 36, p. 52.
all new projects. After tarrying a few weeks, the unwelcome visitor departed.

Diplomatic pressure was also exercised upon the Viceroy to make him keep faith with his creditors and allow a full examination of his finances. Britain had advised this course, while also assuring the new French Government, with Waddington as Foreign Minister, that England had no designs on Egypt. Baring warned Goschen that the longer Britain postponed acting decisively in Egyptian internal affairs, the worse matters would be for the financial situation and for the inhabitants. One such appeal came as late as March 8:

My own opinion is that by the display of a little energy, English influence might be much strengthened and the whole thing put straight without any serious disturbance.

The French Government was not idle. Her citizens still held a considerable portion of Egypt's indebtedness.

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1 Vivian to Tenterden, March 23, 1878, Tenterden Papers PRO FO 363/4.

2 Derby to Lyons, Dec. 21, 1877, Newton, II, 122.

The new French Government had only taken office the week before.

3 Baring to Goschen, March 8, 1878, L. J. L. D. Zetland, p. 62.

4 Mulhall, p. 529. As of April, 1878, the debt of Egypt was held chiefly in England (£42.2 million), France (£30.1 million), and Egypt (£6.9 million).
especially of the Unified stock. In spite of Vivian's assessment of Egyptian finance—as impossible of becoming worse\(^1\)—the cause of the Syndicate was still warmly espoused by the Quai d'Orsay.\(^2\) To London the upcoming Congress of Berlin was the prime consideration, for as Salisbury wrote:

I am afraid that if we declined to assist the French to any extent in pressing the claims of the bondholders, we should alienate France, cause her to work against us prematurely, and injure our future position seriously without much helping either the Canal Shares or the Tribute.\(^3\)

As for the method to be employed to encourage the Viceroy to pay the May coupon, the new Foreign Secretary felt that

the Khedive . . . can only be influenced by sheer terror or necessity. The immediate prospect of bankruptcy and of the political danger to himself that will follow it is the only motive strong enough to induce him to submit.\(^4\)

By the end of March, the Caisse had but a quarter of the necessary £2 million for the May coupon.\(^5\) The

\(^1\)Vivian to Derby, Jan. 11, 1878, PRO FOCP 407/10, No. 7, p. 3.
\(^2\)Cromer, I, 37.
\(^3\)Salisbury to Northcote, April 19, 1878, Iddesleigh Papers BM Add MSS 50C19, p. 66.
\(^4\)Ibid.
\(^5\)Cromer, I, 35-38.
entire country was wrung out like a sponge to obtain the last piastre for the payment. The Caisse, disapproving of these tactics, on April 19 lodged protests with the governments it represented, but accepted the money when it was delivered. But even the scourge had its limits. C. R. Wilson, who had been recently sent to Egypt, pressured everyone he could to raise the payment, including viceregal confidants. He assessed the situation in mid-April as follows:

My object was to put this indirect pressure on the Khedive to induce him to pay the important coupon due to the creditors on the 1st of May, which is the great question of the moment. If he does not pay, it is bankruptcy, but the money is not yet in the hands of the Commissioners of the Debt, and no one believes that it will come in.

The sum was amassed, however, after a number of wealthy Egyptian families underwrote a loan at 10 per cent from some French bankers, to make up for the deficiency.

The Commission of Inquiry, which sat from April 3 to August 19, 1878, was composed of the members of the Caisse, as well as the President, M. de Lesseps,

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1Baring to Goschen, April 19, 1878, Cromer Papers PRO FO 633/2.

2Wilson to his wife, April 15, 1878, C. R. Wilson, p. 115.

3The Times, May 15, 1878, p. 5.
who soon left the country, and Charles Rivers Wilson and Riaz Pasha, both Vice-Presidents, the latter also holding the office of Minister of Justice. Downing Street had insisted that Wilson take pre-eminence after de Lesseps,¹ which made him acting president for most of the Commission's life. The adopted plan called first for collecting evidence and submitting a preliminary report to the Viceroy. Those claiming repayment from the Government in excess of 100,000 piastres were asked to come forward and document their demands; government officials at all levels were interrogated and records examined. After great difficulty the deeds to Ismail's land were procured, and the program of the bondholders was considered.² One creditor was secure. Others might have to make sacrifices, but England would not:

The payment of the tribute and of the English shares in the Suez Canal are obligations of a more binding character than any others, and . . .

¹Derby to Vivian, March 23, 1878, PRO FOCP 407/10, No. 79, p. 82.

²The main points of the bondholders' program were the reduction of governmental revenue, the acceleration of the Europeanization of the Egyptian administration, and the rejection of any cut in the interest (Echo, June 14, 1878, ACFB, Egypt, X, 32).
H.M.G. have a special interest in their punctual fulfillment.¹

Not all the Commission's work went smoothly, for Mr. Wilson had difficulty working with both Baring and Vivian, which led to much acrimony. Still, they made headway and inspired a good deal of confidence:

We are wonderfully supported so far by public opinion, which attributes to the Commission the great rise in stocks which have rejoiced the hearts of the speculating and investing public of Alexandria.²

Even Goschen—-one of the severist critics of the investigation—wrote approvingly of Wilson's efforts.³ When the Khedive relented and offered his 917,000 acres of land to the holders as a means of salvaging his finances, the country's stocks soared.⁴ Since much of this land was not mortgaged, a new loan was contemplated using this acreage as security.

The Commission's preliminary findings, which were presented to Ismail just as the members were pre-

¹Salisbury to Vivian, April 16, 1878, PRO FOCP 407/10, No. 127, p. 118.
²Wilson to his wife, June 12, 1878, C. R. Wilson, p. 123.
³Ibid., p. 146.
⁴The Unified stock hit its low of 28 on March 29, 1878, but by late June it had climbed twenty-seven points.
paring for their vacations, was hardly a document to cheer the bondholders.¹ As Wilson wrote:

I think it may at first produce a certain disappointment among the common speculators, and the unreasonable creditors, who build their hopes on the Commission and who expect us to discover a mine of gold.²

Nor was the impression given that Ismail was deserving of any kudos:

Had his subjects been his worst enemies, and their prosperity his perpetual eyesore, he could not have been more ingenious at devising combinations for their sure and not very slow reduction to insolvency and beggary.³

In the report, the blame for the failure of the Goschen plan was placed on the Control, although no names were mentioned. It was disclosed that there was a floating debt of £6.25 million (after all deductions), and that the present year would show a deficit of £2.6 million. After establishing a budget for 1879, the Commission found a total imbalance equalling £9,243,928.⁴ The investigators did not view Egypt's revenue as optimis-

¹The discussion of the preliminary report of the Commission of Inquiry is drawn from Wynne (pp. 594-96).
²Wilson to his wife, Aug. 18, 1878, C. R. Wilson, p. 152.
³The Times, Sept. 30, 1878, p. 7.
⁴Economist, XXXVI (Sept. 21, 1878), 1121.
tically as had Goschen and Joubert, although expenditures remained about as high. In addition, many suggestions for internal reform were introduced. The most important of these were the circumscription of the Khedive’s power, the appointment of responsible ministers, and the allotment to Ismail of a fixed civil list. Outwardly the Viceroy seemed willing to make even these supreme sacrifices in his power, and on August 28, 1878, he wrote to Nubar Pasha, a favorite among the Europeans, urging him to hasten home to become the President of the Council of Ministers.

For much of 1878 Ismail had been ill-disposed toward France, and consequently English influence had prospered. This had not occurred with the total indifference of London. In December of 1877 the Cairo Government and Britain had discussed the possible appointment of an Inspector-General who would enjoy power over the collection of taxes and over the inferior courts, but these conversations were suspended until the question of

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1 These included the elimination of the petty taxes, the abolition of tax collection in advance and in arbitrary amounts, proper government budgeting, and a fair distribution of the water supply, as well as court and military reforms.

2 Ismail Pasha to Nubar Pasha, Aug. 28, 1878, C. R. Wilson, pp. 167-69.
a Commission of Inquiry could be settled.¹ The topic was presented afresh by Mr. Wilson in early May, for it had been determined to use the debt issue to force upon the Khedive stricter supervision of his affairs. But Salisbury saw that both Cairo and Paris would be discontented with such an official, and eventually the idea was abandoned.² Instead, the Viceroy offered the post of Minister of Finance to Wilson on May 7, which, when announced, sent stocks up on the bourses. The Cabinet's response to this offer was affirmative and was made without French parity in mind: "We agree with you in thinking that you would be better without a French 'double.'"³ The Khedive was honest insofar as he desired to place Englishmen in posts of influence, and the French creditors were not averse to seeing Egyptian finance run properly, especially when the man had French propensities. Wilson saw Ismail's actions in another light:

¹Vivian to Derby, Dec. 22, 1877, PRO FOCP 407/9, No. 344, p. 266.

²Salisbury to Vivian, May 3, 1878, Cecil, II, 330.

³Northcote quoted in Wilson to his wife, May 31, 1878, C. R. Wilson, p. 129.
I suspect that the sudden goodwill of the Khedive to the English is owing to two circumstances: the alliance between Nubar and myself, and the occupation of the Island of Cyprus, which proves to him that we are going to be the big people of the future in these parts, and not the French.¹

Although England was not prepared to play a lone hand in Egypt, she was ready to assert her prerogatives over those of France. The English Foreign Secretary wished to maintain his freedom of action, as the very least, and "if the screw is to be turned piteously upon the Khedive we must take care that the French have their full share in turning it."² Nevertheless, he saw the inevitable growth of British power in the Nilotic:

I told Goschen that we were very anxious to work with the French, and that we intend to take no violent means of placing ourselves in a position which would make them subordinate. But I told him I nevertheless had faith in the English influence in Egypt drawing ahead, a result which in my belief depended, not on any formal acts, but on the natural superiority which a good Englishman in such a position was pretty sure to show.³

Hence, by the early autumn of 1878 a new stage in Egypt's development had been reached. The intimacy between Goschen and Baring evaporated when the

¹Wilson to his wife, July 20, 1878, ibid., p. 147.
²Salisbury to Northcote, July 3, 1878, Iddesleigh Papers BM Add MSS 50019, p. 87.
³Salisbury to Lyons, Aug. 10, 1878, Cecil, II, 335.
former joined the Commission of Inquiry, leaving the latter as the chief spokesman of the English creditors. The Council, it is true, was still available to the holders, but it had been content to give Goschen full rein and took his services for granted. Baring had kept the 'Council' supplied with all needed reports and had afforded them cursory descriptions of affairs.¹ Yet the Corporation was clear enough on its role in Egyptian finance:

Although it was by the action of the Council that negotiations for a settlement were initiated, they had no part in the final arrangement, which was accepted by the Bondholders as satisfactory.²

Thus, Moorgate Street could lay to its credit positive action in Egypt, but was not liable to be castigated should the arrangements be unsatisfactory. Nevertheless, the Council did defend the Goschen Decree and did what it could to promote the work of Major Baring.³

But the Council was plagued with many difficulties by 1878, including a still declining stock

¹Baring to Bouverie, March 2, 1878, Cromer Papers PRO FO 633/2.
³Many influential journals called for meetings of the holders in February and March of 1878, to support the cause of a commission of inquiry. The Corporation made no move in this direction, perhaps fearing the image which a divided and caviling assemblage would project.
market which kept the society busy on many fronts. The perennial question raised at the General Courts, that of the financial soundness of the institution, was answered fairly directly by the chairman at the 1878 meeting. Table 8 indicates the rough figures presented.

Complaints were voiced that the certificates were not being paid off rapidly enough, that almost £2,000 went for testimonials, and that a great deal of money was going to help holders where there was little chance for its repayment. But greater outbursts than these were in the offing. The Corporation also underwent some changes within the 'Council.' There was a question of whether or not the bylaws of the organization prescribed that all 'Council' members were to

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1 From 1875 to 1878 the Corporation spent £22,838 in "advances made in prosecuting claims on foreign loans" (Money Market Review, XL [March 6, 1880], 280). Special missions on behalf of the bondholders by 'Council' members consumed some of this revenue. The most important of these journeys were undertaken by Robert Bourke (to Constantinople, 1881), Roger Eykyn (to Madrid, 1874-75), Isadore Gerstenberg (to Vienna, 1871, and to Geneva Congress on International Law, 1874), Hugh McCulloch (to Virginia, 1874), and Sir Thomas W. Snagge (to Frankfort and to the United States for the Alabama Committee, 1874-75).
retire after five years. The apparent disagreement seems to have led to an acceleration of retirements from the society's executive commencing in 1878, with the result that many new faces were seen at Council-house.

After a decade of existence, the Council could gaze back ruefully to its inception and to those groups which had aided in midwifing the institution in 1868. The press had soured since then, and, led by The Times, found little flattery for the Corporation. For example, the "Thunderer" summed up the Council's labors thus: "Beyond the organization of meetings and fathering of schemes, the Council has, in fact, done little or nothing calling for notice."¹ The contractors, too, who had been helpful albeit suspicious, saw their worst chimeras realized, for a resolution which Mr. Bishop, a dissident within the Corporation, wished passed in 1878 read:

In the opinion of this Corporation of Foreign Bondholders, it would be of great use to the public if the proposals for the issue of foreign loans were submitted to their Council for examination, and to report thereon prior to the issuing of the prospectus to the public of any foreign loans.²

¹The Times, Feb. 27, 1877, p. 10.
²Money Market Review, XXXVI (May 4, 1878), 436.
The chair was quick to quash this statement, but with such zealots in the organization the Corporation's position among the contractors was undermined. The Stock Exchange had fallen on hard times also, and Bouverie was a member of the Commission of 1878 to investigate its activities. Certainly Capel Court was in need of reform, although without its friendly cooperation the Corporation would have been greatly weakened. Secretary Clarke, writing in 1878, took the position that although the Committee of the Stock Exchange had been helpful, its machinery had quite often fostered fraud. It is interesting that the chairman of the Corporation rarely appeared at the Commission's hearings.

In June of 1878 Hyde Clarke read a paper before the Statistical Society (of which he was the vice-president) on the subject of foreign loans, in which were raised many points of Council thinking. The Berlin Congress had just begun, and among the many rumors then in circulation was one that the Egyptian tribute to Turkey might be given to Russia as a war indemnity. Clarke addressed himself generally to the problem of debt priorities as follows:

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1 Clarke, p. 8.
The bondholders ought to have priority of claim over any fresh debt, be this in the form of a war indemnity or of any other charge posterior to the creation of the original one.\(^1\)

In consequence of this the 'Council' had been concerned about any radical changes in the financial situation in Egypt, for such an alteration would damage Egyptian securities, especially those of the tribute loans.\(^2\) The only defenses the investors had, he argued, were the Council and the Stock Exchange, and, perhaps eyeing the Tribute Courts of Egypt, he observed that "the moral action of these latter bodies would be much strengthened, if the decision of a court of municipal jurisdiction could be obtained."\(^3\)

The Council's Secretary thought that the lack of support from Downing Street encouraged refractory conduct abroad toward English citizens:

> The Foreign Office has had to contend with . . . spasmodic restrictions by the doctrine of non-intervention and by epochs of national cowardice. Thus the Foreign Office was led to abandon its protection of our citizens to a very great degree, and at length to proclaim to every petty State that such was its avowed condition of impotence.

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\(^1\)Ibid., p. 41.

\(^2\)Bouverie to Salisbury, June 4, 1878, cited in Atkins, p. 168.

\(^3\)Clarke, p. 39.
There is consequently no such State, however contemptible, which is not aware of its prerogative of defiance, and that it has only to regulate the exercise of it by its own judgment.  

The answer to such outrages was not far to seek:

The blockade of a port, the occupation of a customhouse until the receipts provided an indemnity, or the arrest of a Government vessel, would, in many cases, put a stop to the proceedings of some of the offenders, and be an example to others.

In the brisk discussion which followed it was clear that most of the members on hand felt that the Government had no place in retrieving debts for the bondholders.

The Wilson-Nubar Ministry

In August of 1878 Ismail Pasha was driven by necessity into the arms of Nubar Pasha, who had been exiled in Paris for some time. Nubar, like Prince Halim, was a consummate intrigant who had been pro-English since 1863, when he had opposed the building of the Suez Canal. France was not happy over Nubar's return to Egypt, and

1 Ibid., pp. 35-36.
2 Ibid., p. 36.  
3 Ibid., pp. 44-49.  
4 Nubar's schemings even led him to offer Colonel Arabi his services as Prime Minister during that officer's brief day of power. Nonetheless, he seems to have prospered financially since his estate was valued at £300,000 at the time of his death (Blunt, Secret History, p. 399).
5 Vivian to Tenterden, July 20, 1878, Tenterden Papers PRO FO 363/4.
even less so over his imperious dictation of terms. On August 30, Nubar officially requested the services of Wilson as Egypt's Finance Minister, and despite French displeasure, London granted their controller of the National Debt Office a two-year leave of absence. The new Egyptian President of the Council of Ministers did not wish the inclusion of a Frenchman in his administration, nor did Downing Street. But, as will be seen, the office of Minister of Public Works was eventually given to Paris as a sop to Gallic pride. Although Waddington was quick to assert France's equality with Britain, matters hung fire for some time.

The post which was finally accepted by de Bliqnieres was given some added luster by England, since Nubar allowed Wilson to delineate the attributes of the position. But the Frenchman had little power, for the English kept their hold on the various branches of communications. The Western Powers trusted that the Viceroy would heed the advice of his new ministers since, as they warned, "H[is] H[ighness] would seriously compromise his own position and that of his dynasty should he act contrary to their demands."  

\[1\] Adams to Salisbury, Aug. 30, 1878, PRO FOCP 407/10, No. 224, p. 277.

\[2\] C. R. Wilson, p. 176.
To some European states it appeared that arrangements would be made in the Nile Valley without their concurrence. Italy was persistent in demanding that she be given the portfolio of the Minister of Justice, and when it was not forthcoming, she attempted to engender hostility toward Ismail.  

Martino, the Italian agent in Cairo, became the focal point of anti-government sentiment. St. Petersburg likewise instigated a press campaign built about the theme of the importance of Egypt to Russia's China trade, while Austria tried to work one of her nationals into the Department of Education. All such efforts met with failure.

A severe and persistent critic of the finances of Egypt, Sir George Campbell, in anathematizing the Wilson-Nubar government called it a "Bondholders' Ministry," and attacked it upon the floor of the House as a stockjobbing venture. It was true that, legally, Wilson

1 Lucien E. Roberts, "Italy and the Egyptian Question, 1878-1882," (hereafter "Italy") *Journal of Modern History*, XVIII (1946), 315.

2 The Italian agent's hostility toward the Egyptian Government was reported in a letter from Lascelles to Salisbury, Oct. 25, 1878 (PRO FOCP 407/10, No. 352, p. 370). For the attitude of the Russian press, see *The Times* (Oct. 23, 1878, p. 5). Austrian interest in Egypt was discussed in a letter from Salisbury to Lyons, Oct. 11, 1878 (PRO FOCP 407/10, No. 302, p. 330).

headed a mixed board under the general supervision of the bondholders, who could be kept happy by prompt payments of interest. With great show, the Viceroy had withdrawn himself from politics, while the British Cabinet could tell Parliament that they had no control over Egypt's Finance Minister. The Prime Minister told the Queen, "We have not only never acknowledged Wilson as an agent of yr. Majesty's Government, but have always studiously and repeatedly disclaimed his being so."¹ In reality, however, Downing Street was Wilson's only sure pillar of strength.

It was confidently rumored, and was possibly true, that Wilson had made an agreement with the French creditors to keep up the coupon payments as long as possible, since the Commission of Inquiry, which was to resume sitting, would eventually advocate a reduction of interest. This view takes on greater plausibility when one considers the negotiations which revolved about the Rothschild loan, to be discussed shortly. Wilson personally was also a factor. He possessed no particular qualifications for his new post and could be enthralled by charismatic individuals such as Nubar, or by sentiments

¹Disraeli to Queen Victoria, April 11, 1879, Buckle and Monypenny, VI, 442.
such as his favorable predisposition to those things Gallic. As one author remarked, "Rivers Wilson was an ardent Francophile and at least as much under the influence of the French as he was under that of the British Government."\(^1\) As long as he could, Wilson attempted to keep the Goschen Plan alive, and if this meant using the kurbash (an Egyptian whip) to obtain needed revenue, the Minister of Finance would not object.\(^2\) Upon this point Paris agreed, and the Viceroy was warned that no arbitrary cut in interest would be permitted.\(^3\) Despite Vivian's opinion that Wilson's policy seemed directed by the bourses of London and Paris,\(^4\) and that the Finance Minister was incurring heavy responsibilities for economic collapse, the investors still insisted upon full support.\(^5\)

The influx of Englishmen into Egypt also continued, with their high salaries being paid by Cairo.

\(^{1}\)Marlowe, p. 98.  
\(^{2}\)C. R. Wilson, p. 182.  
\(^{3}\)Vivian to Salisbury, Feb. 18, 1879, PRO FOCP 407/12, No. 49, p. 35.  
\(^{5}\)Salisbury to Vivian, Jan. 21, 1879, PRO FOCP 407/12, No. 30, p. 24.
Wilson, whose job in England paid £1,500 per annum, now received £8,000 in pay and allowances. Some of those joining the Government were Captain Richard Blomfield as Director of the Port of Alexandria, Arthur Shee (brother-in-law of Julian Pauncefote at the Foreign Office) in the Customs Office, Auckland Colvin from India, and some one hundred men to help in a general cadastral survey. The salaries of the surveyors amounted to another £27,000 a year, considered an unnecessary expense by Lord Dufferin in his famous report of 1882.

The greatest misjudgment of the new administration was the treatment accorded the Khedive. They assumed that overnight Ismail's power could be broken and his wishes ignored. Lord Salisbury told Wilson that he was to win the Viceroy's favor, but the Finance Minister's plan was rather to trim the power of the Egyptian ruler and to put his faith in Tewfik, the heir apparent. Nubar openly

1Atkins, p. 154.

2Auckland Colvin (1838-1908) was born in Calcutta but was educated in England. He returned home in 1858, and by 1877 held the post of Commissioner of Inland Customs. In fact, the Indian Service seems to have been favored by his family, as he had four brothers serving in various capacities in the subcontinent. He arrived in Egypt in January of 1879 and in May took Baring's post on the Caisse (DNB, Supp. II, 395-96).

3Atkins, p. 154.

4For these views, see Wilson to his wife, June 22 and June 29, 1878, C. R. Wilson, pp. 136-37.
made derisive remarks about the Khedive,\textsuperscript{1} which at best was imprudent, and both Baring and the British Consul General warned Wilson of the folly of such a course.\textsuperscript{2} But Ismail remained silent until his ministers should arrange a new loan.

When these negotiations began, the Khedive still possessed an asset—the unmortgaged 426,000 acres of Khedivial property henceforth called the Domains (to distinguish it from \textit{Daira} estates already under European supervision)—which it was hoped Wilson's friends the Rothschilds might be induced to use as collateral for a loan. A temporary loan of £250,000 from the Imperial Ottoman Bank was raised upon the Domains, but with the rising floating debt and with the \textit{Caisse} in need of £1.7 million a fortnight before Unified interest was due,\textsuperscript{3} a larger transaction was imperative. Wilson set out for Paris to take up the discussions but found that political stumbling blocks existed. It had not yet been decided what powers were to be accorded the Egyptian Minister of Public Works.

\textsuperscript{1}Bell, p. 48.

\textsuperscript{2}Vivian to Salisbury, Feb. 21, 1878, PRO FOCP 407/12, No. 108, p. 59.

\textsuperscript{3}The Times, Oct. 15, 1878, p. 5.
(a post to be held by a Frenchman), and until Paris was satisfied, the loan proposition was held in abeyance. This impasse was broken when Salisbury informed Lyons that others besides the Rothschilds were interested in the project, which removed the main French bargaining point. Besides, it was the French bankers who would profit from the payment of the November coupon. The Quai d'Orsay yielded, and the public works post, with its powers nominally extended, was accepted.¹

The Rothschilds, however, were not going to participate in such an arrangement unless certain points were clarified. The firm would have liked to have obtained an Anglo-French guarantee on the loan but, this being out of the question, the Western Powers were nevertheless involved by their agreement to appoint administrators in overseeing the collection of the revenue of the Domains. Disraeli promised the contractors that all money would go directly to them without passing through Egyptian hands.² In the prospectus advertising the loan, the position of the Foreign Office toward their appointment of a Commissioner of the Domains was expressed thus:

¹Atkins, p. 144.
²Ibid., p. 146.
They undertake his nomination in order to provide to the creditors a security that the manager so nominated shall not be divested of his functions without their previous consent.¹

The man chosen by England for Commissioner of the Domains was Francis Rowsell of the Middle Temple, who had been director of naval contracts. Despite the statement by the Foreign Office that Britain had assumed no financial obligations in case of default, such an interposition was a departure from tradition. Rothschilds also wished to have an exact survey done of the land ceded, which resulted in the arrival in Egypt of Auckland Colvin and his team of surveyors.

On October 31, 1878, the contract was signed for the loan of £8.5 million at 5 per cent, of which £5,992,000 went to Ismail.² The loan was issued at 73, being purchased mainly in the United Kingdom. Despite the Daily News remark that the money was "borrowed at a much lower rate of interest than Egypt has been accustomed to pay,"³ the transaction cost the Cairo Government 11 per cent. One further problem had yet to be ironed out. The Syndicate still held a large block of

¹Economist, XXXVI (Nov. 9, 1878), 1339.
securities which, if it chose to sell, could ruin the new offering in a flood of paper. To avoid this, in early November Wilson signed an agreement with these bankers which drew from them a promise not to tap their reservoir of stock for at least a year in exchange for transfer of a large amount of Unified stock on which the French would collect interest.¹

The loan did very well for Rothschild.² Some English journals made sharp attacks upon the Cabinet for intervening in the Egyptian offering, but this participation plus the involvement of the great house was an inducement to swell the lists of subscribers. In addition, Wilson could rely on Mr. Dicey to do his best:

Those who are in the habit of reading the Observer must have been struck with the efforts made to keep up the prices of these particular [Egyptian] stocks by every possible means.³

¹Economist, XXXVI (Nov. 16, 1878), 1349.
²Alphonse de Rothschild to Granville, Sept. 21, 1882, Granville Papers PRO FO 30/29/152.
³Bullionist, Nov. 16, 1878, ACFB, Egypt, XI, 76. According to Edward Ridsdale, in his pamphlet "An Inquiry into the Capacity of Egypt Paying the Interest on Her Debt," 1878, only The Times and the Standard were not puffing Egyptian securities (ACFB, Egypt, XI, insert).
Yet not all contingencies had been considered. The Rothschilds, neglecting to enter immediately upon the long and expensive task of having the new estates registered in the Mixed Courts, found that as soon as Ismail promulgated his decree of October 29, 1878—relinquishing his land to the State preparatory to the loan—a swarm of floating debt holders rushed to the Tribunals, obtained first mortgages, and awaited the Rothschilds' payments which they intended to gobble up. The contractor, therefore, suspended payments and the entire matter was thrashed out in the courts.

The Goschen Plan was modified by a decree of December 12, 1878, by which the controllers were replaced by the regime of Wilson and de Blignières, with the understanding that should Ismail dismiss his European ministers, the old system would automatically be reinstated. The Caisse was also strengthened by the creation of its own auditing procedure which was placed under Baravelli. The Commission of Inquiry resumed its work on December 14, 1878, to prepare a final report for the Viceroy. Egypt's financial future was not promising. Neither Vivian, Baring, nor de Blignières believed that the coupon of May 1879 could be met, and in fact the
sinking fund for November had remained unpaid altogether. Baring, in one of his rare missives to Goschen during this period, thought that the holders had no complaints against them except for the affair of the sinking fund, concerning which an appeal to the courts had been deemed inopportune.\(^1\) The *Compte Rendu* for the year showed that the bondholders certainly had little for which to be happy. The *Moukabala* had not quite covered the payment of the so-called short loans, while the hypothecated revenue for the Preference stock was lacking more than £400,000 to meet the interest. The total deficit for the year stood at £1,392,994, which was some improvement over that of 1877. The secured debt was now placed at £84,732,000, but the floating debt of £9,135,000 indicated that Egypt's indebtedness had been growing steadily since the November Decree of 1876.\(^2\) In closing, the *Caisse* gave the bondholders something to ponder:

The Egyptian bondholders are so numerous that our conduct can hardly meet with the approval of all. We alone are judges of our conduct, which will be dictated by what is beneficial to the bondholders and justifiable from all points of view.\(^3\)

Baring left the *Caisse* on May 24, 1879, and was replaced

\(^1\)Baring to Goschen, Nov. 30, 1878, Cromer Papers PRO F0 633/2.

\(^2\)Economist*, XXXVII (Feb. 22, 1879), 205-206.

\(^3\)The Times*, Feb. 11, 1879, p. 5.
by Auckland Colvin. He was not sad over severing his ties with the investors:

I was interested in the work of Egyptian reform; but I had no wish to remain in Egypt as a mere receiver of money for the bondholders. I was their representative; but my sympathies lay more with the wretched taxpayers of Egypt.¹

By February of 1879 Ismail had had enough of ministerial insolence and reform. The army had been halved to 7,500 men and the officers, already in arrears on salaries, were placed on half pay. The Khedive inspired or at least made use of a military uprising on February 18, which after a brief time he himself put down.² After taking this action, the Viceroy manifested the will of the people, so he said, in dismissing Nubar and replacing him with Tewfik. Wilson was outraged, and complained that the demarche of the eighteenth was due to Vivian's tepid assistance.³ Vivian was replaced in early March by Frank Lascelles (temporary British Consul General in Cairo), for Salisbury believed the former to be excessively pro-Egyptian.⁴

¹ L. J. L. D. Zetland, p. 72.
² Many at the time laid the responsibility for the uprising at Ismail's door (Bell, p. 50; Wallace, pp. 64-65; C. R. Wilson, p. 187).
³ Vivian denied this assertion (Vivian to Salisbury, Feb. 20, 1879, PRO FOCP 407/12, No. 39, p. 59).
⁴ Salisbury to Tenterden, June 23, 1879, Tenterden Papers PRO FO 363/5.
London's first response to the Khedive's coup had been to instruct Wilson not to resign, promising him full support.¹ It was decided to allow the dismissal of Nubar to stand, but to work with France to sustain their nationals. Ismail declared a willingness to allow his European ministers the right of veto over financial affairs as long as Nubar was excluded. Despite this concession, Salisbury indirectly advised Wilson to make greater use of the carrot than of the stick, since "we cannot at present act materially against the Khedive by occupying Egypt, and if we cannot do it ourselves we certainly cannot allow France to do it alone."²

When these proceedings came up in the House, Northcote stated that Wilson was an Egyptian official and hence could be removed at any time by the Viceroy.³ Therefore, on April 7 Ismail summoned the diplomatic community to announce the formation of a native administration and his intention to devise an economic solution to satisfy his creditors. The pretext for this move was Wilson's

¹ Salisbury to Vivian, Feb. 21, PRO FOCP 407/12, No. 68, p. 41.
² Salisbury to Lascelles, March 28, 1879, Cecil, II, 349.
³ Hansard, 3d ser., Vol. 244, March 13, 1879, col. 851.
insistence that the coupon of the 1864 loan for £240,000, due in early April, be put off for a month since the Caisse possessed but £44,000. The Khedive argued that this was bankruptcy. However, the Commission of Inquiry had completed its labors and presented its final report on April 8.¹ Their opinion was that the country had been bankrupt since April, 1876, and that the Powers must form a Commission of Liquidation which would make a final and binding settlement for all parties. The Commission made several other suggestions,² including a reduction of the interest on the Unified debt to 5 per cent, continuance of the Preference stock intact, and the payment of the floating debt at 50 per cent of value in cash out of the available assets. The Commission resigned immediately upon the Khedive’s release of Wilson. In short order the Domains Administration also reported to Rothschilds that they could no longer perform their duties.³

¹Wynne, pp. 602-603.

²The report advised that the Ouchouri land pay greater taxes, that the Khedive be placed on a civil list of £300,000 a year, that the Moukabala be ended, and that the Rouznameh loan of 1874 be converted into an internal tax.

³Vivian to Salisbury, April 10, 1879, PRO FOCP 407/12, No. 273, p. 153.
Wilson was enraged; he wrote Salisbury, suggesting the deposition of the Khedive and the suspension of all funds by the Rothschilds. The firm did, in fact, take this course of action. Ismail had promised frugality for the months ahead, and Punch envisioned the commencement of economy in the "departure of Mr. Rivers Wilson and Mons. de Blignières by deck-passage and third-class night excursion train for Paris and London." But the British Government found Wilson's continued presence in Cairo embarrassing, so that Disraeli observed "the sooner Wilson disappears from the scene the better." Thus, for a second time Wilson retreated from Egypt, to the delight of most of the Europeans, and, significantly, Vivian was returned to his old duties. As for Wilson, his reception at home was cold, and Northcote, who tried to speak well of him, was forced to admit

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1 Atkins, p. 170. Wilson freely expressed his opinion in a letter to Blunt on April 30, 1879 (Blunt, Secret History, p. 37):

"You will I daresay have heard that I have been upset by that little scoundrel the Khedive. Crepy Vivian is the cause and chief abettor of this sudden overthrow of arrangements which he was instructed specially to protect."

2 Punch, LXXVI (April 19, 1879), 179.

3 Disraeli to Salisbury, April 13, 1879, Buckle and Monypenny, VI, 443.
that "one may think that he has spoilt what appeared to be a promising chance by a certain want of tact,"¹ while the Foreign Secretary busied himself trying to mend matters.²

On April 22 the Viceroy decreed into law his new financial project which clearly favored the floating creditors over the bondholders. The interest on the Unified stock was slashed to 5 per cent, as had been proposed by the Commission of Inquiry, but it was recommended to pay the judgment creditors, those who had won in the Mixed Courts, in full, 55 per cent in cash and the remainder in bonds at 5 per cent payable in five years. The Caisse, although forced to pay the 5 per cent for the May coupon, immediately went into court challenging the Khedive's right to upset existing contracts. The Viceroy's plan was to appeal to those creditors who were on the scene, and run the risk of raising the ire of the bondholders. The floating debt was increased at a rate of £80,000 a month³ and required attention, but in osten-

¹Northcote to Tenterden, May 31, 1879, Tenterden Papers PRO FO 363/2.
²Wilson was so loud and persistent in his own defense that the Cabinet decided to reward him with a knighthood for his services in Egypt.
³Vivian to Salisbury, May 24, 1879, PRO FOCP 407/12, No. 513, p. 358.
tatiously ignoring the old investors the Khedive had needlessly stirred up hostile sentiments.

There was a distinction made between speculators and investors; the former were considered to be purchasers for the short term, interested in immediate profits, and often unencumbered by scruples. The investor, on the other hand, was considered respectable, placed his capital with a view to long-term income, and was less mindful of market fluctuations. When the Corporation of Foreign Bondholders took up the dilemma of the Egyptian creditors in 1876, a large number of investors cooperated to defend their property from the caprices of the Cairo Government. The fluctuations in these securities had probably driven many of these men out of the market, and it appears that the preliminary report of the Commission of Inquiry was particularly damaging in this respect. The Financier wrote in September of 1878:

Many holders, disgusted with everything Egyptian, sacrificed their Bonds at half their previous value, and even registered a vow never more to have anything to do with so disappointing an investment.¹

In the opinion of this journal, the previous three weeks had seen a great exodus, or "to put the case broadly, the

¹Financier, Sept. 11, 1878, ACFB, Egypt, X, 308.
whole mass of old Egyptian Bondholders may almost be said to have passed away, and their places to have been taken by a new set of people.\textsuperscript{1} In this way the Egyptian market became less stable, with speculators selling when the stocks rose, admitting continuous waves of new people. Also, since the issuance of the Domains loan, Englishmen were purchasing ever greater amounts of Egyptian stocks,\textsuperscript{2} and this no doubt was accelerated by the activities of England. Besides the involvement in the Rothschild loan, the Cabinet had loudly proclaimed its interest in the Nile Valley which in the opinion of some financial editors had directly stimulated stock purchases.\textsuperscript{3} The volatile Egyptian market quivered with every rumor; it rose in January of 1879 on hearing that Robert Lowe was to accept the post of director of a national bank of Egypt; it dropped on the release of the report of the Caisse; it panicked over the dismissal of the Control by Ismail on April 28; and it became buoyant as Ismail's deposition approached. Canards on the Exchange became so frequent that suspicion was thrown on the Reuter service in Egypt.\textsuperscript{4}

\begin{itemize}
\item \textsuperscript{1} Financier, Sept. 11, 1878, ACFB, Egypt, X, 308.
\item \textsuperscript{2} Economist, XXXVII (April 12, 1879), 421.
\item \textsuperscript{3} Statist, III (May 3, 1879), 201.
\item \textsuperscript{4} Pall Mall Gazette, April 1, 1879, ACFB, Egypt, XII, 54.
\end{itemize}
The spring of 1879 witnessed a press campaign of sympathy for the Egyptian peasantry, sparked by visits to Egypt of M.P.'s and by the Khedive's difficulty in paying his creditors.\(^1\) The holders were portrayed as the villains who were ultimately responsible for grinding down the fellahen. Papers, such as the Spectator, which lamented over the plight of the fellah might also be in favor of the occupation of Egypt, but on humanitarian rather than financial grounds. This situation often arose, illustrating the combinations of motives which could operate simultaneously. The opinions which the bondholders generally endorsed seem to have vacillated between a desire for European intervention for the removal of Ismail and the desire for an accommodation with the Viceroy lest the Sultan's authority be re-established in Egypt. But after the Khedive's decision to ignore the bondholders' rights, they seemed to have opted for his ouster.

Pressure upon the Government was applied through various means by individual bondholders. Letters to House members such as George Campbell, a well-known opponent of the bondholders, became numerous. One such

\(^1\)See ACFB, Egypt, XIII, for the press attitudes on British action in Egypt.
letter writer, a clerk for twenty-five years, had invested £400 in Egyptian stock; he wrote Campbell:

I selected Egyptian bonds under the impression that Egypt was a rich and fertile country, producing in great profusion the essential necessaries of life, and quite capable of paying the interest I was to receive if her affairs were properly managed. . . . Your getting up now and again in the House, and lending your influence to those who are interested in defrauding the bondholders, cannot but have a prejudicial effect on the governing power in Egypt. No one advocates the position of the bondholders in the House, and I am at a loss to see why you should go against them by encouraging Egypt to default.¹

In mid-April Lascelles received a letter from a friend in the Foreign Office saying that the bondholders were putting great pressure upon the Government to act in Egypt.² The press in this campaign was less active than it would be in 1882, and not as homogeneous in opinion. The Times and some other leading journals did not take up the cause of the holders, but this does not mean that other organs were not in favor of Government action, and this number seems to have increased as time passed.

The 'Council' of the Corporation of Foreign Bondholders assumed a low profile as to these events, with its chairman remarking merely that he hoped that

¹Campbell, p. 792. ²Atkins, p. 169.
the problems of the East could soon be settled.¹ As individuals, Corporation members could and did air their views on Egypt and its finances. Mr. W. H. Bishop released a circular in May, at the Stock Exchange, in which he complained that the Foreign Office had done little for the bondholders, and added:

English capital has been freely lent on conditions that have tended to the welfare of Egypt and the Egyptians. It would be a manifest and a fatal neglect of considerations affecting the employment of surplus capital in one country for the benefit of another where capital is needful if that protection which the English Government is able to afford were withheld.²

Also of interest were the observations of Hyde Clarke, made when he chaired a meeting of the African Section of the Royal Society of Arts. He thought Egypt was still able to pay its debt since Wilson would have reduced the interest on the Unified stock if he had had any doubts upon the subject. Considering his position in the Corporation, Clarke was reluctant to speak freely, and therefore he cautioned the public, although personally he was not pessimistic about Egypt's future. Anglo-French cooperation was desirable in Egypt but it appeared less attainable as time passed, for as he observed,

¹Money Market Review, XXXVIII (March 8, 1879), 273.
²Ibid., (May 24, 1879), 580.
even during the last few months there had been evidence that feelings of jealousy might prevail between the two powers, and they must look forward to a time when they must be in antagonism with respect to this very country.¹

Clarke still believed that a substantial part of the Egyptian stock was held by solid middle class investors and that it was a form of savings which deserved protection. To the Secretary of the Corporation, Egypt was not being administered properly for all concerned. He disliked the quality of the Indian officials employed as well as what they had accomplished. Egyptians were a "slavish people," he argued, over whom strong government must be maintained. Such an approach, and not the concoction of financial schemes, would pay the bondholders, for already there were grounds for fearing that the new administration would not do all that was expected of it, and it was a question even whether it had not already slackened the bond of Government.²

In closing, Mr. Clarke considered the position of the holders:

The problem to be solved was, whether it was possible to give the Fellahen a greater proportion of the produce which they raised; but it really might be for their benefit to have a smaller portion.³

¹*Journal of the Royal Society of Arts*, XXVII (Jan. 24, 1879), 133.
²Ibid., 134. ³Ibid.
Although the majority of public opinion was not in the camp of the bondholders, the British Foreign Office could not totally disregard the demands of the creditors, especially after the abrupt dismissal of Wilson. Lord Salisbury felt that it may be quite tolerable and even agreeable to the French Government to go into partnership with the bondholders, or rather, to act as Sheriff's officer for them. But to us it is a new and embarrassing sensation.¹ This companionship with the creditors which the English Foreign Secretary found so distasteful was not so easily shaken off. Despite the Khedive's coup, his new financial decree, and the efforts of the bondholders, the Western Powers had made no move in Egypt to regain their lost position. But a move from an unexpected quarter altered affairs, for on May 18, 1879, Bismarck informed the Viceroy that his decree of April 22 violated the arrangements establishing the Mixed Courts. Ismail had heretofore ignored the Anglo-French sputterings but German demands gave him pause. Salisbury felt that to abstain from joining the protest was impossible, as it would lay Government open to "reproaches from our own

¹ Salisbury to Lyons, April 7, 1879, Cecil, II, 352.
subjects who are creditors."¹

Berlin's motives in this instance were political, and were probably based on a desire to keep the Western Powers acting in harmony, since Bismarck feared a French courtship of isolated Russia.² At the time, it was felt by many that where the bondholders had failed in France and England, they had succeeded in Germany. There were conjectures that perhaps the Rothschilds had utilized their family influence in the German capital to sway Germany's Chancellor, or that the court banker Bleichröder, possessing Egyptian securities, had asked for assistance.³ To Salisbury the Bleichröder story seemed a plausible explanation for Bismarck's action.⁴ The Conservative Kreutz Zeitung contributed to the controversy by observing that Germans possessed £4 million worth of Egyptian stocks and that the

¹Salisbury to Lyons, May 23, 1879, quoted in Atkins, p. 177.


³Little credence is now placed in such motives for Bismarck's actions by historians such as Medlicott (pp. 118-19) and Langer (p. 261).

⁴Salisbury to Odo Russell (British Ambassador to Berlin), June 11, 1879, cited in Atkins, p. 175.
nation was obliged to act in their behalf.¹

Disraeli was prepared to act firmly in Egypt, and was anxious that his policy not be interpreted as merely a bondholders' program. Complications existed in the diplomatic arena as both Italy and Russia took the opportunity to fish in the troubled waters,² while the Sultan saw in the deposition of the Khedive a chance to regain lost power in the Nile Valley. The task of Downing Street was to encounter these problems successfully while keeping in step with France. The Cabinets of Paris and London soon decided that Ismail's departure from Egypt would be best for all concerned, and therefore supported Bismarck's protest, in order "to push the Khedive a little nearer the edge," as the British Foreign Secretary said, "because until we get him thrown over, there will be no decent government in Egypt."³

¹Morning Post, July 1, 1879, ACFB, Egypt, XIII, 22. German holdings of Egyptian securities remained low since the Frankfort bourse did not commence trading in "unifieds" until 1882, nor the Berlin bourse until the following year. German investments rose substantially, however, to an estimated £15 million by the mid-1880's (Charles K. Hobson, The Export of Capital [New York: Macmillan, 1914], p. 146).

²The Khedive's abdication was probably postponed due to the diplomatic support given by Italy and Russia (Roberts, "Italy," p. 316).

³Salisbury to Odo Russell, June 11, 1879, Cecil, II, 353.
Sensing his danger, the Viceroy immediately began using his influence in Constantinople and dispatched an agent with a reported £10,000 to plead his case before the Divan.\(^1\) While applying pressure on the Sultan, Britain attempted to bring about the abdication of the Khedive since the Foreign Office was at a loss as to the results should both Cairo and the Porte hold firm. The Sultan yielded under intense European pressure on June 26, 1879, whereupon the Viceroy received a telegram from his suzeraine who addressed him as "my dear Ex-Khedive." The firman which deposed Ismail placed his son, Prince Tewfik, on the throne, and it was with little outward show of emotion that the old ruler gathered up his seraglio and whatever money there remained in the treasury, and took ship to Brindisi. So it was that "by anticipating Keynesian economic policies in a country wedded to the doctrines of Macawber," Ismail Pasha had in great measure caused the ruin of his land.\(^2\)

\(^1\) Layard to Salisbury, May 13, 1879, PRO FOCP 407/12, No. 472, p. 329.

CHAPTER V

FROM CONDOMINIUM TO BRITISH OCCUPATION
JUNE 1879 TO SEPTEMBER 1882

Commission of Liquidation

The new Khedive, Prince Tewfik, who assumed his father’s dignities in June of 1879, was neither well-educated nor widely-traveled. He was "perhaps not quite so sharp [as his father], but infinitely more honest," and had "plenty of commonsense." ¹ He knew full well that the Western Powers had put him on the throne and that they would protect his interests from encroachments by the Sultan. Tewfik’s loyalty, to London especially, would lead him into considerable danger in 1882.

France and England faced a two-fold problem in Egypt: the arrangement of both a political and a financial settlement. Charles Rivers Wilson, perhaps en-

visioning his own return to Cairo, suggested to Northcote that European economic ministers were essential, and for a time a plan was discussed which would have allowed a division of Egypt into two spheres of influence.¹ Under this scheme England would have administered the litoral of the country, which could easily be protected by sea, while France would look after the interior. Salisbury desired a situation where the strings of power were concealed:

We want to have some hold over the government of Egypt, though we do not want to assume any overt responsibility. The great object seems to me to be to have representatives inside the offices who shall be able to report what the Government are doing to the Agents, and shall be able to give advice to the Government in accordance with the instructions of the Agents.²

"But . . . after having a Khedive deposed," remarked the Foreign Secretary, "the character of non-intervention is not easy to retain; and any further prudery would be out of place.³ Downing Street intended to maintain Englishmen in key posts, and as Salisbury informed Malet, his new agent in Cairo, the Western Powers had decided that

¹Lyons to Salisbury, July 9, 1879, PRO FOCP 407/12, No. 825, p. 499.
²Salisbury to Lyons, July 7, 1879, Newton, p. 187.
³Salisbury to Lyons, July 17, 1879, Cecil, II, 356-57.
no other nation was to be permitted a foothold in Egypt.\footnote{1}{Salisbury to Malet, Sept. 19, 1879, PRO FOCP 407/13, No. 1219, p. 721.} In a further amplification of the Government's Egyptian policy, the Foreign Secretary stated that native authority must be bolstered, but that Britain must stand first in influence. Should a tour de force be necessary, it must be Turkish, for an English occupation was a last resort since the capitalists would be the beneficiaries.\footnote{2}{Salisbury to Malet, Oct. 16, 1879, \textit{ibid.}, No. 1304, pp. 771-73.}

In September of 1879 Waddington and Salisbury met to work out an accommodation by which their interests in Egypt would be safeguarded. The main points of agreement were that a commission of liquidation should be established to deal with all aspects of the Egyptian debt (a point upon which the English Cabinet had been particularly sensitive), that native officialdom should be supported, that the continued life of the Mixed Courts should be carefully considered, and that the system of control be reinstated with the concomitant appointment of Baring and de Blignières. These latter gentlemen drew up a decree which the Viceroy issued on November 15, in which the powers and prerogatives of the new controllers were delineated. The controllers-general were no longer even under the nominal authority of
the bondholders, but were appointed and dismissed by their governments.\textsuperscript{1} They possessed ministerial rank and had the power to inspect every aspect of finance; in the Council of Ministers their opinions were merely advisory, although they could always appeal to their home governments. A staff of the controllers' own choice was provided, and all salaries were paid by Egypt. To avoid friction, it was deemed advisable not to differentiate the duties of the two offices so that on-the-spot accommodations could be made by Baring and de Blignières.\textsuperscript{2}

Almost immediately the Western Powers were confronted by an obstacle. The judgment creditors, who from October 29, 1878, until February 3, 1879, had taken out mortgages on the domains equalling some £1.7 million, had discovered a new champion. The Commission of Inquiry had suggested that these mortgages be nullified, and Britain and France had concurred. Austria, however, now objected, and, seconded

\textsuperscript{1}The decree was based on a plan submitted to England by Waddington, the French Foreign Minister. One of the provisions was what the English Foreign Secretary called a "novelty" which he disliked: "The English Controller . . . is to obey English orders. This is a considerable advance in the direction of 'ingérence' over anything we did either in the case of Rivers Wilson or Romaine" (Salisbury to Lyons, July 17, 1879, Cecil, II, 356).

\textsuperscript{2}The main points of the decree are enumerated in Wynne (p. 607).
by Italy and Germany, took up the matter.¹ The new controllers met in Vienna with Austrian officials who persisted in their demands for a third controller to defend their interests. The impasse concerning the establishment of a European control in Egypt was temporary, and such intermeddling merely solidified Anglo-French cooperation.²

Salisbury wished to have a rapid liquidation "because the creditors form a public opinion of very respectable strength, and they have ready access to the various Foreign Offices."³ As far as Downing Street was concerned:

We desire that the creditors should get all that can fairly be assigned to them; but whether that is much or little is a question which does not immediately concern us.⁴

¹Out of the thirty-four million francs of judgment debt, Austrian nationals owned approximately one million francs, while Germans held somewhat more. One of the larger creditors of this class was the Bank of Egypt, with £190,000. A list of the major holders appears in the letter of Adams to Salisbury, Sept. 27, 1879 (PRO FOCP 407/13, No. 1247, p. 734).

²Roberts, "Italy," p. 316. Anglo-French cooperation was advantageous to Britain since France promised neutrality should war between England and Russia erupt in the East (Lowe, I, 40).

³Salisbury to Baring, Sept. 25, 1879, Cromer Papers PRO FO 633/2.

⁴Salisbury to Baring, Oct. 29, 1879, ibid.
But it was doubtful that the English holders would tolerate an imposed settlement, for such a démarche would, as Lord Salisbury knew, probably lead to a general sell-off of securities and the intervention of the Mixed Courts which would be embarrassing. The International Tribunals were so disliked by the Foreign Secretary because of their nationalistic bias, as well as their involvement in the controversy over the public debt, that he even contemplated the postponement of the Commission of Liquidation until the Courts had expired.

The Egyptian investors soon discovered where the sympathy of the controllers lay. On October 14, 1879, Baring and de Blignières, who were "bone of one bone and flesh of one flesh" in their actions, notified the President of the Council of Ministers that no funds should be borrowed to meet either the Turkish tribute or the Unified debt coupon, due in November. Consequently, the Egyptian tribute bondholders were not paid, and the Caisse had only enough on hand to remit 2 per cent for the half-yearly pay-

1 Salisbury to Malet, Jan. 6, 1880, PRO FOCP 407/17, No. 8, p. 4.
2 Malet to Tenterden, Nov. 28, 1879, Tenterden Papers PRO FO 363/2.
ment on the Unified stock. Faced by this breach of contract, the Corporation of Foreign Bondholders felt it incumbent upon them to act. On October 31 Secretary Clarke "requested Mr. Goschen to inform them of the course he proposed to take on behalf of those Bondholders whose interests were thus detrimentally affected." Mr. Goschen, who since the Commission of Inquiry and the intervention of France and England had disassociated himself from the entire situation, replied two weeks later:

Since it has become apparent how competent the Commission of the Public Debt is to look after the interests of the Bondholders it would have been quite out of place for me to interfere, nor could I have done so with effect if I had wished. . . . But if the Bondholders think that protests, beyond those which, no doubt, will be made by the Commissioners of the Public Debt, as to the coupons not being paid in full, are necessary they have in the Council of Foreign Bondholders a body well qualified to give expression to their wishes and defend their interests and with all the necessary experience.

Hence the Council was forced to stand alone, but Goschen, although removing himself from officially assisting the English investors, remained a friendly observer.

The 'Council' acknowledged Goschen's withdrawal, but promised the bondholders that all steps adjudged necessary would be taken on their behalf. The Corporation was

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2 Standard, Nov. 22, 1879, ACFB, Egypt, XIII, 117.
still regarded as the representative of the English investors, receiving all reports, budgets, and statements, and it was their duty to take up the matter with the Caisse. Clarke wrote the Commission of the Public Debt on November 24, "requesting the favor of their immediate attention to the adjustment of the claims of the Bondholders, on the basis of the agreement of 1876." In response, Colvin informed the holders that the Caisse had lodged a protest with the Egyptian Government, deeming this action sufficient at present. Not completely satisfied with this reply, Councilhouse continued to report the deficits due on the Unified stocks in all its publications, and gave moral support to Sursock, who sued for repayment in the Mixed Courts. This case was lost in the Alexandria Court of Appeals on April 22, but by then a Commission of Liquidation had finally been assembled.

Goschen found it hard to remain altogether aloof, and in January, 1880, he wrote Baring a long letter, urging the maintenance of the Caisse as the "sheetanchor" of the situation and expressing his satisfaction with Colvin as a strong personality, although the two had never corres-

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1 In November of 1879, the members of the Caisse were: W. Mog, P. Baravelli, B. Bughas, and A. Colvin (who was appointed by Britain).

ponded. After raking the mortgage creditors over the cinders, Goschen concluded by chiding Baring over his eagerness to sacrifice the material welfare of the bondholders in pursuit of an evanescent principle. Were he a creditor, wrote the M.P., he would be quite upset over the many reductions made in the name of a final settlement.¹

But just such a settlement was being launched, and in general it met with approval. The Viceroy, the Western Powers, and eventually the states of Europe agreed that a liquidation commission should be established.² Rothschild was likewise in favor of this plan and would not release additional funds until all parties involved had given their assent.³ A just arrangement was also to the advantage of the bondholders, for as Bouverie said, only the stockjobbers and loanmongers now profited. He continued:

¹The remarks from Mr. Goschen are drawn from a letter from Goschen to Baring, Jan. 17, 1880 (Cromer Papers PRO FO 633/2).

²Much to the annoyance of Riaz Pasha, the Egyptian President of the Council, Italy withheld her approval of the Commission of Liquidation the longest, which cost the Malieh £1,300 per day in accumulating interest (Malet to Salisbury, March 15, 1880, PRO FOCP 407/17, No. 255, p. 196).

³Salisbury to Baring, Feb. 6, 1880, Cromer Papers PRO FO 633/2.
I am quite sure that it is of far more importance for all parties concerned—the state, and its creditors—to have a steady, fair equilibrium between the public expenditure of Egypt . . . and the public revenue, than to have fitful gleams of superabundant means—with corresponding extravagance, accompanied by high rates of interest of doubtful stability.1

But on this occasion it appeared that the Chairman of the Corporation ran into difficulties with his confreres. Baring had privately written Bouverie requesting that a letter be forwarded to Egypt in which the Council would officially approve, in the name of the English bondholders, modifications in the existing contracts. Bouverie complied on April 26, but trouble erupted at Moorgate Street:

I had no opportunity of submitting it to the Council, before it [his letter] was despatched, and when I did so afterwards one or two objected that I should not have committed them and the Council to definite views—which might be open to question if the letter were published.2

Whatever course the Council chose, it was clear that by 1880 the bondholders which it represented in England were not one of the parties included in the negotiations, and that no vestige of the authority granted by the Goschen Decree remained, nor had they friends in the Foreign Office. Bouverie summed up the situation of his organization thus:

I do not think my city friends quite understand that the question of the arrangement of the Egyptian debt

1Bouverie to Baring, April 27, 1880, ibid.
2Bouverie to Baring, May 7, 1880, ibid.
is no longer one between debtor and creditors, to be arranged between them alone, but is become one of haute politique which will be finally decided, tant bien que mal, by the representatives of the Great Powers in the Commission—without the assent of the original parties to the debt.1

Delays in the commencement of liquidation proceedings were experienced because of the illness of Lord Salisbury and the insistence of the new Khedive that the French bankers be given special consideration. De Blignières was sent to Paris to complete an agreement with the Syndicate. In excess of £4 million of securities were to be repaid by Cairo, a debt which had blossomed at interest rates ranging from 10 to 28 per cent;2 in addition, the 15 per cent founders shares were sold outright to the Crédit Foncier for twenty-two million francs, a move condemned by Egyptophiles since it appeared that twice this amount could have been obtained by remortgaging this asset. Wilson estimated these shares at over twenty-five million francs, and thought they were likely to double in value before long. The controllers gave Britain an opportunity to purchase this stock at the same price which the Syndicate was to pay later, but the offer was refused.3

1Ibid. 2The Times, Feb. 26, 1880, p. 10. 3Salisbury to Malet, Jan. 22, 1880, PRO FOCP 407/17, No. 73, p. 57.
This decision was probably based less upon concern that difficulties would arise with the English shippers over toll controversies than the placation of French sensibilities for the British acquisition of Cyprus.¹

The circular of March 31, 1880, announcing the Commission of Liquidation, was what the Western Powers had desired, an agreement by the other states involved to abide by whatever document would emerge from the proceedings. The controllers had made preparations to defend stoutly the Egyptian interest and thereby had alienated the bondholding community. The Moukabala was ended by decree, and a financial plan as well as a budget for 1880 was presented to the Commissioners as a basis upon which to negotiate. The Commission of Liquidation was composed of the members of the Caisse, plus M. d'Airoles of France, Herr von Trescow from Germany, and as England's choice for President, Sir Charles Rivers Wilson.²

Some eyebrows must have been raised when the Observer announced Wilson's new post in mid-February. A volte face had occurred in Government thinking: in dis-


cussing the possibility of appointing Wilson, Salisbury had informed Northcote that Baring was now opposed to Wilson:

I have no conception what has produced the change but taking it in connection with Tewfik's reiterated objection, I am inclined to think with you that the appointment is undesirable and should not be made.¹

Baring persisted in his opinion, observing in February that Wilson was unpopular in Egypt, and that neither he nor his associate, Nubar, carried weight with any class in the country.² Nonetheless, after a lecture from Salisbury which stressed the necessity for good relations, Wilson was packed off to the East. Considering his previous performance, it seems hard to imagine this maneuver unless there was intense pressure in his behalf. This, says Mr. Dicey, was the case, for Downing Street submitted in the face of "the strong opinion expressed in favor of Sir Rivers by leading London financiers."³ The arrangement for the Commission of Liquidation was the last important business to be completed in Egypt under the Conservative Government, for the Prime Minister had

¹Salisbury to Northcote, Feb. 17, 1880, Iddesleigh Papers BM Add MSS 50019, p. 179.
²Baring to Salisbury, Feb. 17, 1880, Cromer Papers PRO FO 633/2.
called for new elections, and the result was a changing of the guard.

From the sixteenth to the twenty-fourth of March, 1880, Gladstone carried out his famous Midlothian Campaign, and at the hustings won a surprising triumph, gaining 353 seats, to 258 for the opposition and 61 for the Home Rulers. But the new Government was weak, for it was divided into various groups—the Radicals, the Irish, the Whigs—and its leader Gladstone seemed more interested in popular politics than in party unity or Parliament. ¹ Neither did Gladstone stand well at court, for Victoria considered his assumption to the office of Prime Minister almost an act of treason, and their ensuing relations were marred by her hostility, particularly on imperial matters. Cabinet decisions were no longer reached by compromise among all of the members, but merely by majority vote, which undermined Government solidarity and hindered policy-making. ² Gladstone promised a new direction in foreign policy and spoke warmly of the concert of Europe just at a time when alliances were being formed on the Continent. The Liberal

¹Ramm, 1876-86, II, xvi.
²In 1882 Lord Derby joined the Liberal Government as Colonial Secretary, which added another vacillating member to an already indecisive Cabinet.
leader had often attacked Beaconsfield's diplomacy, but
in imperial policy on the Nile, . . . the Ministry formed to reverse Disraeli's policy became his executors by an irony of contradiction seldom seen.¹

Great Britain kept Cyprus, expanded the Indian frontiers, and occupied Egypt. The differences between Gladstone and Disraeli were not so great despite the bluster of the former.² The Liberal Cabinet of 1880 exhibited continuity with the previous Government in foreign affairs. Seven members of the new Government were Whigs or Moderate Liberals who, like Hardington, had been in general accord with the policies of the Conservatives.

In the flush of victory, Gladstone gave a sobering assessment of Britain's position in the world:

The gradual unravelling of the tangled knots of the foreign and Indian policy will indeed be a task for skilled and strong hands, if they can be found.³

The man upon whom this responsibility devolved was Lord Granville, "the amiable and witty, but not

²Robinson and Gallagher, p. 91.
From 1880 to 1883, the Prime Minister and Lord Granville did not work in tandem, and British diplomacy suffered because of this. Nowhere was this more visible than in the handling of the Egyptian crisis. The English community in Egypt felt uneasy over the change of government, and discussed the impact it would have on the future of the Nile Valley.  

On April 17, 1880, the Commission of Liquidation inaugurated its proceedings, which continued for three months. Because of the acrimony created by these investigative discussions, no day-to-day account of the Commission's activities were published, and its conclusions were simply embodied in a decree. Baring, until his departure for India in May, as well as his replacement, Auckland Colvin, was notable in the defense of Egyptian interests, while the Commission, presided over by Charles Rivers Wilson, was well-disposed toward the creditors. Lacking the power to depose the Khedive should their proposals be rejected, the Commission was obliged to make concessions. The Western Powers placed their diplomatic strength behind the controllers. As Malet said:

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1 Garvin, I, 444.  
2 The Times, April 27, 1880, p. 10.  
3 Cromer, I, 162.
My own instructions are very strong on the point of making the satisfaction of the creditors subsidiary to an ample provision for the administration of the country.¹

In so doing, the English Cabinet opposed the ambitions of some of the creditors, but such a course was inevitable when economic and political affairs were so closely intertwined.

In the course of these thorny negotiations Wilson often sided with the Italian, German, and Austrian delegates to form a majority in defense of the holders. These actions indicated to some that Wilson had perhaps made promises at home which were impossible to fulfill.² Much haggling had occurred over the amount of money to be granted the Egyptian Government for ordinary administrative expenses. The figure which was finally decided upon, £4.9 million, was higher than the Commission had desired. The President of the Commission defended himself to Malet by asserting that he had been afforded complete freedom of discretion by Lord Salisbury. Most of the other commissioners agreed with Wilson that only by keeping revenue high and administrative expenditures low could the bondholders hope

¹Malet to Granville, May 14, 1880, PRO FOCP 407/17, No. 437, p. 370.
²Malet to Tenterden, May 19, 1880, Tenterden Papers PRO FO 363/2.
to receive just compensation. Furthermore, should native creditors be sacrificed, as with the revision of the Moukabala, additional funds would be freed by the bondholders. This was just, Wilson argued, for the country would gain greatly from the English presence.

Wilson's attention was not limited to Commission business, for Nubar had been allowed to return to Egypt, and Wilson hoped for the re-establishment of their old ministry. He broached the subject to Dilke in May, and, ignoring advice to the contrary, remained in constant communication with Nubar, heedless of Britain's policy or of any crisis which might follow. Wilson admitted that Salisbury and Lyons had warned him to avoid Nubar, yet the visitations continued, much to Malet's exasperation. Both indirect and direct appeals were made to Wilson, although it was not until June, when Nubar left Cairo, that tranquility was achieved.

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1Cromer, I, 172.
4Malet to Granville, May 17, 1880, Granville Papers PRO FO 30/29/159.
5Malet to Granville, May 27, 1880, ibid.
6Malet to Granville, June 3, 1880, ibid.; Dilke
The decree of July 17, 1880, implementing the recommendations of the Commission of Liquidation, left both the interest and the sinking fund of the Preference stock undisturbed, while adding to its hypothecated revenues. However, £5.7 million was added to this privileged debt and used in the repayment of floating debt creditors.

As for the Unified scrip, its interest was permanently reduced to 4 per cent, it lost some of its security, and was not redeemable by purchase on the open market. The so-called short loans were converted into "unifieds" at a ratio of £133 of new scrip for £100 of old. Consequently, £2 million was added to this segment of the debt.

The maximum interest to be paid on the Daira Sanieh was 5 per cent, the Government assuring a 4 per cent minimum, and the outstanding debt was increased to £9.5 million with the absorption of the Daira Khassa bonds. Some questions of procedure remained in doubt after the settlement, which necessitated the successful intervention of the Corporation of Foreign Bondholders on behalf of

stated that things had come to such a pass that Tenterden had written personally to Wilson, begging him to cooperate with Malet (Dilke to Lord Ripon, May 21, 1880, Ripon Papers BM Add MSS 43528).

1See above, Chapter 3, pp. 261-63.
The Daira holders. The Commission did not tamper with the Domains loan and it continued to pay 5 per cent interest.

The floating debt was subsumed under three categories: privileged, secured, and ordinary obligations. In the first class were the tribute to the Porte, the interest to Great Britain on the Canal shares, and the claims of the judgment creditors who had obtained their mortgages upon the domain lands before February 3, 1879. These claims were to be paid in cash and in full. The secured creditors were, in the main, contractors of various sorts, and were likewise paid in cash, minus 7 per cent. Excluded from this group was Greenfield and Company, the contractor for the Alexandria harbor. In the summer of 1879 Sir George Elliot had written the Government on behalf of the Greenfield claims, since both Baring and Wilson seemed prone to give the firm short shrift. By 1880, £500,000 was still owed these


2 Also included in the privileged class of creditors were those who had deposits entrusted to the Maliah, and charitable institutions.

3 Appendices 3 and 4 to PRO FOCP 407/13 contain appeals by Elliot to the Prime Minister, Salisbury, and Tenterden.
contractors; the Commission of Liquidation, however, placed them among the ordinary class of creditors, those possessing merely a pledge of good faith from the Egyptian Government. Since the company had already given up the administration of the harbor dues and could show no cause why its case demanded special treatment, the ruling stood. With this settlement a heavy burden was removed from the State.

The ordinary creditors were paid 30 per cent in cash and the remainder in Preference stock at face value, which accounted for the £5.7 million rise in that portion of the debt. In this classification fell such claims as the Rouznameh, which was dismissed, and the Moukabala. Although the Egyptian Government had recently abolished the Moukabala, the Commission desired some recognition for those who had faithfully kept up their provisions of the plan. It was not sympathy for the natives which brought about this compromise, but the threat of numerous suits by Westerners, especially Greeks, who had paid the Moukabala and would be disbarred from the benefits of the law. Dicey reported that Nubar had taken up the cause of these creditors, which might explain Wilson's position. ¹

¹Dicey, "Egyptian Liquidation," p. 468.
One and a half per cent interest was grudgingly extracted from the Malieh as an annual compensation to those who had actually paid the Moukabala. Here, as with the judgment creditors, those who were on the spot and who made the greatest stir received the most favorable attention.

The final article of the decree declared that, after the publication of this law, no one could pursue claims against Egypt on rights acquired before December 31, 1879. The Caisse was to be maintained and recognized as the legal defender of the bondholders, Government loans still needed the approval of the Caisse, and, in the case of breach of contract, appeals could be lodged with the International Tribunals. The Commission of the Public Debt remained the cashier for the creditors, disbursing, in 1880, £2.3 million on the Unified debt of over £58 million at 4 per cent, and £1.2 million on the Preference bonds of £22.7 million at 5 per cent per annum. Most journals and interested institutions were pleased with the Law of Liquidation. The Corporation of Foreign

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1 A copy of the Law of Liquidation appears in the Parliamentary Papers (LIX, Egypt No. 4 (1880), C. 2662).

2 Money Market Review, XLI (Sept. 11, 1880), 297. The figures in the text above have been rounded off to the nearest hundred thousand.

3 Praise for the Law of Liquidation came, for example, from the Board of the Anglo-Egyptian Bank (Bankers Magazine, XLI [Feb., 1881], 98).
Bondholders, which published and circulated the new decree, also lauded the Commission's efforts:

In Egypt, the Law of Liquidation, published on the 19th of July, 1880, has finally adjusted, it is hoped, the various difficult and complicated questions between the creditors of Egypt and the State on the one hand, and between different classes of Bondholders inter se on the other. . . . It is impossible, when regarding the final issue of the long and difficult transactions connected with the arrangement of the Egyptian Finances, not to be convinced of the eminent ability, skill, and integrity which have been brought to bear in effecting this successful result. ¹

Unfortunately for Egypt, the spectre of the floating debt was not laid to rest, for costs incidental to the liquidation, in conjunction with the damage done by revolutionary upheaval in 1882, created an unsecured debt of £16,646,023 by December of 1883. ²

**Improving Prospects in Egypt**

In some ways the Anglo-French condominium in Egypt worked well, for only through cooperative action could the system have endured at all. Nonetheless, below the surface there ran cross-currents of national interest which resulted in a continuous jostling for influence between the Western Powers. About 21,000 functionaries were in the pay of the Egyptian Government, consuming

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² Ibid., 1884, p. 34.
£1,250,000 a year.\(^1\) Some of these received as little as £2 a month while others occupied well-endowed sinecures. The upper-echelon positions were often filled by Englishmen, but at the lower rungs of the service Frenchmen predominated over Britishers in a ratio of seven to two.\(^2\) Englishmen who possessed patronage were told by London to advance fellow nationals,\(^3\) but Gallification continued in many forms. A returning visitor to Cairo in 1881 remarked how spoiled the city was since it had "become a tenth-rate French provincial town."\(^4\) Malet went so far as to woo the American Consul General for the establishment of some sort of English-speaking confraternity.

The condominium spawned ill will in the French camp, particularly between de Blignières and the Consul General, de Ring. The former was disliked by the French

\(^1\)Wallace, pp. 138-39.
\(^2\)Malet to Granville, Jan. 31, 1881, quoted in Atkins, p. 248.
\(^3\)Granville to Malet, Feb. 17, 1881, quoted in Atkins, p. 249.
colony because he wouldn't "do their dirty work for them," reported Malet, who then opined, "For our interests I have no doubt that M. de Blignières is the man to keep." The fears of the Foreign Secretary were not allayed. He had heard that Colvin did not have the strength of character to stand up to his French counterpart, and that positions were still being filled by the Quai d'Orsay. Malet was probably correct when he assured Granville that the French controller was not going out of his way to favor his countrymen, nor was Colvin being manipulated. French opinion seemed to bear Malet out. M. Delafosse, a member of the French Chamber of Deputies, moved that that portion of the budget which contained the salary for their agent in Egypt be eliminated. He argued that

M. de Blignières seemed to consider himself as a cosmopolitan agent, and boasted that he represented France, but he acted as though he considered the absorption of Egypt by England as a matter of course. . . . French influence is being persistently menaced by England, who is making daily progress in Egypt.

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1 Malet to Granville, Jan. 26, 1881, Granville Papers PRO FO 30/29/159.
2 Granville to Malet, March 11, 1881, ibid. 30/29/121 (copy).
3 Malet to Granville, March 18, 1881, ibid. 30/29/159.
4 Standard, July 7, 1881, ACPB, Egypt, XV, 88.
On May 12, 1881, France moved upon Tunis, and on the same day Granville, Dilke, and Hardington met to discuss countersteps, albeit fully aware that Salisbury had approved this action before leaving office. It was natural that Egypt should come up in the conversations. The Foreign Secretary continued to receive disquieting communications. Queen Victoria wrote in late June that she had

heard accidentally from a friend of hers that the French were talking of Egypt as an ultimate object and that Bismarck encouraged it. Lord Granville said the other day to the Queen that this we could not tolerate and she trusts that he will take care that our unfortunate apparent acquiescence in the annexation of Tunis does not lead France and Europe to believe we shall stand that.

Wilson proffered the Government similar appraisals of the expansion of French influence obtained through his liaison with Nubar. Thus Granville’s reply to Victoria

1 Salisbury had indicated Britain's disinterestedness in Tunis at the Berlin Congress in exchange for France's recognition of the Cyprus Convention (Lowe, I, 41).

2 On July 28, 1881, there took place the first meeting of the committee "to consider the affairs of Egypt." Those in attendance included Malet, Judge Scott, Wilson, Dilke, and Tenterden (Gwynn and Tuckwell, I, 450-51).

3 Queen Victoria to Granville, June 22, 1881, Buckle, III, 223.

4 Wilson to Granville, June 22, 1881, Granville Papers PRO FO 30/29/168.
was sober.

The dual arrangement in Egypt has led to great prosperity in Egypt, and ought not to be lightly disturbed, but our proportion of influence has been diminished, and will require great vigilance to maintain it for the future.¹

Measures were taken to seek out British subjects with a knowledge of French,² but the jockeying for influence continued unabated into the period of upheaval.

For the bondholders, the Anglo-French partnership was a bright episode in the turbulent financial history of Egypt. The English investor in Egyptian Government stocks had earned only 3.2 per cent per annum on his money in the decade 1869-79, far less than the average 6.6 per cent per annum yielded by similar securities; another disadvantage of "Egyptians" was the wild fluctuation which they experienced.³ Nevertheless, optimism, engendered by the dethronement of Ismail Pasha and the establishment of the Commission of Liquidation, began to pervade officials⁴ as well as the investing

¹ Granville to Queen Victoria, June 28, 1881, Buckle, III, 224.

² Granville to Malet, March 11, 1881, Granville Papers PRO FO J0/29/121 (copy).

³ Economist, XXXVII (Aug. 9, 1879), 911. The income from Egyptian stock was estimated at £1,747,000 per annum for the decade of the 1870's. The Economist carries a table illustrating the fluctuation mentioned above (XL, [Oct. 7, 1882], 1237).

⁴ Baring to Ponsonby, Dec. 29, 1879, Ponsonby, p. 222.
community. The rise in Egyptian stock prices was
dramatic between May 1879 and May 1881, and in part
reflected improving economic conditions in England.
With the tranquility of the Nile Valley apparently
assured, capitalists no longer hesitated in making con-
siderable investments in this region. The resulting
prosperity benefited the bondholders by assuring the
prompt payment of the interest and by enhancing the value
of their holdings.

Journals that warned against the overpriced con-
tion of Egyptian stocks were ignored, for good tidings
dominated the news from Cairo; in the years 1880 and 1881
the Caisse accumulated a surplus of £1,083,515 with which
it purchased stock worth £1,454,820 from the open market.
The Daira administrators likewise used this method to re-

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1 Economist, XXXIX (May 28, 1881), 660. In this
period the Unified stock rose from 40-3/4 to 77, the
Preference from 61-1/2 to 98-1/4, and the Daira from
45-1/2 to 77.

2 Most loans on the British Exchange prospered
in these years and a large number of new offerings made
their appearance on the market. By 1880, Englishmen held
some £750 million in foreign securities, and earned an
estimated £28 million a year ("An Estimate of British
Investments--Principal and Interest," Bankers Magazine,
XLI [Feb., 1881], 158).

3 For example, Financier, Dec. 21, 1881, p. 5.

duce the outstanding debt, but in their case, land had to be sold to raise the necessary capital, which displeased many holders. Both the telegraphs and the railways began to show profits which were used for much-needed modernization.

The French bankers took advantage of the altered situation and, upon the dissolution of the Grand Syndicate on January 2, 1880, began unloading their store of paper. Consequently, the Crédit Foncier, which held fifty-nine million francs in "unifieds," engaged, among others, Louis Cohen and Sons (a firm long connected with the Corporation of Foreign Bondholders) to sell a portion of its scrip in London. One can date the decline of interest in Egyptian affairs among the French investors from this period. So successful were these operations for the Crédit Foncier that instead of showing a substantial loss, the organization's report for 1880 indicated a slight profit.

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1 Corp. For. Bondh. Rep., 1882, p. 36. In 1880, for example, £241,400 of Daira stock was purchased (ibid., 1881, p. 40).

2 Economist, XXXVIII (Jan. 3, 1880), 10.

3 Ibid., (Feb. 14, 1880), 180. The absorption of these securities by the British market was accomplished with little difficulty (ibid., [March 20, 1880], 333).

For the English banks doing business in Egypt, the golden days had ended with 1876. The Anglo-Egyptian Banking Company had suspended the payment of interest for eighteen months in 1876, and when resumed, its rate never exceeded 7-1/2 per cent per annum. Its competitors fared no better with respect to dividends and the depressed condition of their shares.\(^1\) Despite stockholder urgings, none of these institutions increased their capital or parted with a large percentage of their Egyptian securities when the situation improved. Legitimate banking business had become highly competitive by 1881 despite the prosperity, while transactions with the Cairo Government were on a most modest scale.\(^2\) This did not discourage several new firms--most notably La Banque Général d'Egypte (with a capital of sixty million francs) and a branch of Joubert's Banque de Paris et Pays-bas\(^3\)--from opening their doors and adding to the superfluity of wealth then entering

\(^1\) The bottom was reached in February, 1878, with stock of the Anglo-Egyptian quoted at 9-3/4, the Bank of Egypt at 19-1/2, and the Commercial Bank of Alexandria at 2-3/8 (Bankers Magazine, XXXVIII [March, 1878], 284).

\(^2\) In March, 1880, for example, the Anglo-Egyptian Banking Company lent the Khedive's Government £150,000 at 6.6 per cent (Malet to Salisbury, March 20, 1880, PRO FOCP 407/17, No. 318, p. 243).

\(^3\) Daily News, April 15, 1881, ACF3, Egypt, XV, 59.
Egypt. 1

The revived Egyptian trade helped to stimulate investments by Englishmen, so that Dilke (Under Secretary at the Foreign Office) was constrained to remind the British agent in Cairo to keep a protective eye upon British interests. 2 The infusion of new money was channeled into both commerce and agriculture. It was estimated that by 1882 Frenchmen had invested £57 million in Egypt, 3 while in the six-year period prior to the British occupation, twelve English companies came into existence in Egypt with a combined capital of £8 million, a quarter of which was paid up. 4 The French firms were diverse in character, 5 while English undertakings were

1 From 1879 to 1886, £22,243,000 in gold and silver bullion was imported into Egypt, while only £5,110,800 was exported. This meant that the Nilotic, with 1/240 of the Earth's population, absorbed one-twelfth of the world's yearly production of the precious metals (Corp. For. Bondh. Rep., 1886, p. 47).


3 Cromer, I, 302-303, n. 1.

4 Atkins, p. 200. Hershlag (p. 99) states that by 1902 there were six French companies with a combined capital of £11,548,000, while twenty-six British firms possessed £9,977,000.

5 These included sugar refineries in Alexandria and land improvement societies such as de Blignières' Société d'Enterprises et des Travaux Publiques.
generally concentrated in communications, utilities, and various aspects of trade, most especially cotton.

Of even greater importance to Egypt was the influx of capital into organizations designed to reap profits from the vaunted alluvium of the Nile. In June of 1878, the Standard remarked:

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1The Duke of Sutherland, who had once told Disraeli that English capital must dominate the Nile Valley (Atkins, p. 200), failed along with another group headed by Sir George Elliot in a project to lease the Egyptian railroads, which the controllers had opposed (Baring to Salisbury, March 15, 1880, Cromer Papers PRO FO 633/2). More successful were the Public Works Company, established January 3, 1881 with £400,000 capital for building canals, roads, and bridges (Prospectus for the Public Works Company, ACFB, Egypt, XV, insert), and the Oriental Telephone Company, also originating in 1881, with £300,000 capital.

2For example, the Alexandria Waterworks was purchased in 1880 by an English combination headed by the Duke of Sutherland. In its first year it yielded 7 per cent profit for its new owners (The Times, May 26, 1880, p. 13).

3Among these firms was the Anglo-Egyptian Coal and Iron Company (BT 31/2800/15327), dealers in coal, metals, and machinery, with a capital of £10,000, 26 per cent of which was held by the parent firm, the Anglo-Egyptian Banking Company; the Alexandria Market Company (BT 31/2439/12369) with £25,000 capital in £20 shares; the Alexandria Cotton Pressing Company (BT 31/1573/5147) possessing £30,000 capital and dominated by the same Lancashire spinners who operated the Commercial Bank of Alexandria; and finally, the Mansourah Trading Company, a cotton ginning factory with assets of £30,000 (BT 31/2553/13289).
Considering the low prices at which land is now being sold and the cheapness of agricultural labor, there can be very little doubt that, with proper management, Associations of this kind will have a good chance of success.\(^1\)

In January of the following year, the *Daily Telegraph* urged the creation of a land and mortgage bank which could borrow in England at 5 per cent and lend in Egypt at 12 per cent.\(^2\) By 1880 a land boom was in full flower, with prices steadily rising.\(^3\) The prospects for large dividends were alluring and as Mr. Masterman told his stockholders in May, 1880, "our fingers have rather itched, I must say, at times, to venture upon that kind of business."\(^4\) Land and mortgage companies had been a good investment in the previous decade, and despite the drop in market prices of Egyptian crops, more land was being brought under the plough.\(^5\)

\(^1\) *Standard*, June 18, 1878, ACFB, *Egypt*, X, 46.


\(^3\) *The Times*, Aug. 30, 1881, p. 6.

\(^4\) *Money Market Review*, XL (May 29, 1880), 638.

\(^5\) Cairncross, *Home and Foreign Investment*, p. 229, Table 53. Cairncross believes that the British investor earned 16 per cent return on his money in these securities in the 1870's. Despite the increasing amount of land being cultivated, produce prices fell from 1880 to 1884 as follows: cotton, 22 per cent; cotton seed, 5.5 per cent; wheat, 34 per cent; beans, 29 per cent (*Corp. For. Bondh. Rep.*, 1885, p. 42).
Unlike other provinces of the Ottoman Empire, Egypt permitted foreigners to own land; the mortgage companies, with the International Tribunals to support them, found it easy to dispossess the indebted fellah of his farm. Little wonder, then, that the peasants hated the Mixed Courts as well as the irrigation projects which inevitably led to a loss of acreage. The prosperity was therefore illusory, for the peasantry was becoming impoverished and had increased its indebtedness from £500,000 to £7,000,000 between the years 1876 and 1882. Capital for these new operations was not only drawn from England and France, but from Egypt as

1 Villiers Stuart, Egypt After the War: Being the Narrative of a Tour of Inspection (London: John Murray, 1883), p. 56; W. Fowler to Granville, April 3, 1882, Granville Papers PRO FO 10/29/150.

2 Issawi, p. 9, n. 17. This figure is also cited by Lord Dufferin in his report of 1882.

3 For instance, the Duke of Sutherland’s investments included £14,000 in the Bedruschen Land Company, £24,000 in the Land and Irrigation Company of Egypt, and £10,000 in the Société d’Industrielle du Delta du Nil. The Land and Mortgage Company of Egypt, a purely English venture, was born in early 1880. The organization planned to do all sorts of land agency operations, and commanded a capital of £1 million (half of which was called up) in £20 shares (Prospectus for the Land and Mortgage Company of Egypt, ACFB, Egypt XIV, insert).

4 The largest of all the mortgage organizations, the Crédit Foncier Égyptien, by 1891 was the fifth largest landowner in the country (Baer, p. 69). The assets of the firm came to £E3,238,000, and upon its board were
The Corporation of Foreign Bondholders viewed the condition of Egypt in a positive light after the promulgation of the Law of Liquidation. Bouverie, at the General Court of 1881, drew a parallel between their success in Egypt and the Turkish situation. "Egypt," said the chairman, "was now finally sound, after being on the verge of national bankruptcy."² The 'Council' seemed to have shared this optimism, for many of its members took an interest in the new wave of investment; the Deputy Chairman, R. B. Martin, was a trustee for the Egyptian Delta Land Company,³ while Arthur Kinnaird owned 100 shares of Beltim Land and Irrigation Company.⁴

directors from the major French houses and the Bank of Egypt. Edward Dicey was also a director (Prospectus for the Crédit Foncier Égyptien, ACFB, Egypt, XIV, insert), since he possessed the concession for establishing the society as a reward for past services.

¹In 1881, Nubar Pasha established La Société Anonyme d'Irrigation dans le Behéra with £200,000 capital drawn from English, French, and Egyptian investors, and was successful for some years (Baer, pp. 68-69).

²Money Market Review, XLII (March 5, 1881), 316.

³Bullionist, Nov. 22, 1880, ACFB, Egypt, XIV, 202.

⁴The Beltim Land and Irrigation Company was created to improve the land of Egypt as well as to lend money to the cultivators. Its capital was £240,000 in £20 shares (BT 31/2732/14800).
G. A. F. Bentinck was a heavy investor in this period, holding 1,000 shares in the Oriental Telephone Company and 200 in the Land and Mortgage Company of Egypt. Robert Bourke, the Parliamentary Under Secretary to the Foreign Office under Beaconsfield, joined the Council in 1880; he took up 100 shares in the Land and Mortgage Company of Egypt, becoming a fellow shareholder of John H. Daniell, who owned 100 shares, and Walter Farquhar and William Trotter, each with 20 shares. When difficulties arose in 1882, the Council, perhaps not surprisingly, was a staunch supporter of strong Government measures.

Within the organization, divisions—which had long hampered vigorous action—surfaced in 1880. At a meeting of the 'Council,' on December 2, 1879, it was decided to amend the articles of the society which governed the remuneration to the executive. The reason given for this proposed revision was the sparse attendance at meetings. Some members felt that after their £100 permanent certificates were drawn and paid, there was little reason to remain

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1 Oriental Telephone Company Share Lists, BT 31/2748/14922.

2 Land and Mortgage Company of Egypt Share Lists, BT 31/14647/13996.

in the organization or to fulfill any 'Council' duties they might have. Bennnoch remarked that "before the introduction of that system [salaries for the 'Council'] great difficulty was experienced in getting a quorum."¹ This move might have helped in bringing up the attendance of the 'Council,' but the General Courts remained small. During a special meeting following the General Court of 1880 (when less than one-eighth of the membership, minus the 'Council,' was present), it was resolved:

That this meeting authorizes and approves the payment to the Council, as remuneration for their services, of the sum of £100 per annum in respect of each member of the Council for the time being (other than the Chairman), such sum to be divided amongst them as the Council may determine.²

The proposal was passed, but only after a resort to proxies by the chairman. Thus, the 'Council' was granted £2,000 a year to disburse as it chose, and it appears that a portion of this money went to Secretary Clarke's salary of £600 a year.

The dissidents within the Corporation were angry over the timing of this démarche as well as the means which the executive had discovered to benefit from the

¹Bishop, p. 15.
ever-growing fund, which amounted to £38,000 by 1881.\(^1\) Augustus Abraham was so incensed by these proceedings that he forwarded a twelve-page epistle to the Board of Trade, describing the 'Council's' misdeeds.\(^2\) Mr. Chamberlain, the President of the Board of Trade, was not sufficiently impressed to act, which irritated Mr. Abraham and his associates, who felt frustrated and aggrieved. Although a large surplus existed, they thought the drawings of permanent certificates were very slow,\(^3\) and (to their minds) too much was spent for the agents and the general Council expenditures.\(^4\) Worse still, there

\(^1\)By 1897 this fund had grown to over £100,000 (Economist, LV [Nov. 20, 1897], 1624).


\(^3\)Money Market Review, XLVIII (Feb. 23, 1884), 289. The repayment schedule of permanent certificates, excluding those returned upon incorporation, was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Certificates</th>
<th>Year</th>
<th>Number of Certificates</th>
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</thead>
<tbody>
<tr>
<td>1874</td>
<td>0</td>
<td>1880</td>
<td>50</td>
</tr>
<tr>
<td>1875</td>
<td>50</td>
<td>1881</td>
<td>30</td>
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<tr>
<td>1876</td>
<td>0</td>
<td>1882</td>
<td>50</td>
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<tr>
<td>1877</td>
<td>10</td>
<td>1883</td>
<td>103</td>
</tr>
<tr>
<td>1878</td>
<td>30</td>
<td>1884</td>
<td>120</td>
</tr>
<tr>
<td>1879</td>
<td>50</td>
<td>1885</td>
<td>123</td>
</tr>
</tbody>
</table>

\(^4\)Bishop, p. 17. Through 1878, £7,400 was paid to the Council's agents, and another £2,180 for testimonials.
was a growing suspicion that all was not being administered properly at Moorgate Street. Rumors were widespread, as the decade advanced, that settlements arranged by Council-house were not the most advantageous for the holders, and that large commissions, the rewards for such negotiations, were piling up in the coffers of the organization beyond the reach of its members. There were also charges concerning the transfer of certificates. It was alleged that clerks sold certificates for what they would bring or gave them gratis to friends of the Corporation.\(^1\)

The opponents of the 'Council' found their weak position exacerbating. When they threatened the society with liquidation, they were told that in that event no one would receive a penny, as the courts would not allow it; when they demanded a yearly dividend from the profits, the chairman declared that legal opinion had been consulted, and that no such course of action was possible. Attempts at internal mutiny were likewise abortive. At the General Court of 1880 Abraham moved that a committee be appointed to investigate the workings of the Corporation. The motion

\(^{1}\text{Ibid., pp. 28-29. This author, both a 'Council' member and a dissident, and a friend of Mr. Abraham, reported that thirty permanent certificates had been drawn and never collected. In the face of such apathy, it is possible that certain violations of trust had occurred.}\)
was negatived and even a request for more extensive figures on the annual balance sheet was defeated.\(^1\)

The executive body of the Corporation became increasingly touchy as to its rights, and according to W. H. Bishop, all accounts of meetings by the press had to be submitted to Councilhouse for approval.\(^2\) Mr. Bouverie and associates, correctly or not, viewed those who disagreed with 'Council' policy as enemies, which seriously impaired whatever influence remained to the institution.

Descent into Chaos: September 1881 to September 1882

Although the prospects for Egypt appeared fair in 1881, there was a storm gathering which would upset many calculations. One of the last places on earth where one might have looked for a revolution was in Egypt, and, in fact, for some time after the September rising the British journals of the day persisted in disregarding the telegraphic reports. The grievances of the population were certainly numerous. Foreigners dominated the country's trade, finances, government, and even the army, where Turks occupied the highest ranks. The dual control

\(^{1}\)Money Market Review, XL (March 6, 1880), 281.

\(^{2}\)Bishop, p. 34.
produced many job duplications which created inefficiency and waste.  

Anti-Christian feelings had also been building during the 1870's, kindled by much fiery preaching. The influence of the Khedive was ebbing, and throughout North Africa provinces of the Ottoman Empire were slipping into European hands.

Joining the revolutionary movement were native merchants, large landlords, constitutional liberals, and, at the heart, the army. There were also external elements—the Sultan, Halim, and the former Khedive, all directing their own parties of intriguers—and it was said that even Europeans, wishing to return to the old-style financing of Ismail's heyday, gave succor to the insurgents.

Leading the conspiracy were the colonels headed by Arabi Pasha, a fellah who had risen in the army under Ismail Pasha. The émeute of February, 1879, had given the military an indication of what might be achieved if the threat of force were used, which led directly to the rising

1Stuart, pp. 461-64. European employees cost Egypt £8515,000 per year.

2Medlicott, p. 76.


4For a brief biography of Arabi, see Blunt, Secret History (p. 99).
of September 9, 1881.

Although the explosive Egyptian situation was temporarily defused by the Khedive's concessions to the army, Gladstone stated his opinion that in case of a repetition of such events, all the Powers should be discouraged from meddling, and that only the Sultan had the right to employ force.¹ For the Quai d'Orsay, Turkish intervention under any circumstances was an anathema, a position which was to cause hard feelings later. Granville was not reassured that the troubles in Egypt were over, and expressed his uneasiness that England would be drawn ever deeper into Egyptian internal affairs.² Only if a state of anarchy existed in Egypt, said the British Foreign Secretary, would England contemplate the use of force.³

The colonels were not long satisfied, and soon demanded additional funds which, if granted, would unbalance the budget for the coming year. Auckland Colvin, the most pro-Egyptian expert Granville had,⁴ submitted

¹Gladstone to Granville, Sept. 13, 1881, Ramm, 1876-86, I, 291.
²Granville to Gladstone, Oct. 4, 1881, ibid., 298-99.
³Granville to Malet, Nov. 4, 1881, PRO FOCP 407/18, No. 257, pp. 143-44.
⁴Granville to Gladstone, Sept. 21, 1882, Ramm, 1876-86, I, 427.
a memorandum in late December in which he predicted the exclusion of Europeans from the administration, a repudiation of the financial arrangements, and a neutralization of the Control. He thought that the Chamber, which had been summoned, would insist on voting the budget and would require a responsible ministry.\(^1\) Tenterden and Wilson pursued the Foreign Secretary as to what preparations were being made in case of hostilities, so that Granville took up the matter in mid-December with Childers and Northbrook. Granville had again turned pessimistic. "Egypt is our great stumbling block," he wrote, "[and] it seems quite on the cards that we shall soon have disorder there again."\(^2\) In this frame of mind, Granville agreed to a joint note with France, to be sent to Cairo, holding out the possibility of intervention in support of the Viceroy should there be a recurrence of trouble. The note was delivered on January 8, 1882, and elicited an unexpectedly hostile reaction, for as soon as it was clear to the Egyptians that the maneuver had been a bluff, their wrath and disdain were kindled.

\(^1\) Malet to Granville, Jan. 2, 1882, PRO FOCP 407/19, No. 2, pp. 2-5 (enclosure).
\(^2\) Granville to Dilke, Dec. 21, 1881, Granville Papers PRO FO 30/29/121.
Malet reported home on the ill effects of the note, and observed that "there was a chance of arriving at an understanding, but this is apparently now passed."¹ The British agent remained conciliatory, albeit vacillating, on whether force was necessary.² The Chamber succeeded in obtaining a strong reply to the Western Powers, and expected no reprisals, trusting to division in Europe and to Gladstone, whose views on struggling nationalities were well-publicized.

With this accomplished, the assembly turned to the task of giving Egypt a constitution. The financial aspects of the resulting document were particularly sensitive, as the Chamber desired jurisdiction over all contracts, concessions, and treaties, as well as the composition of the annual budget.³ Granville did not believe the Chamber competent to vote the budget; however, caution was paramount.⁴ Although the assembly agreed that the debt settlement was beyond their purview, Colvin

¹ Malet to Granville, Jan. 9, 1882, PRO FOCP 407/18, No. 34, p. 27.
² Malet to Granville, Jan. 11, 1882, ibid., No. 77, p. 41.
³ The important articles of the constitution are Nos. 34 and 38; the text of the whole document appears in Blunt, Secret History (pp. 390-96).
considered

d that the right claimed by the Chamber, seriously affects the guarantees given to the creditors, because it necessarily transfers the conduct of affairs from the Council to the Chamber.¹

As for France, Gambetta strongly objected to native interference with the budget; still, Paris was not inclined to take stern measures. In a discussion on February 1, the London Cabinet found itself divided, with the jingos Hardington and Northbrook outnumbered by those who preferred circumspection, which lead to a temporary feud between Hardington and the Foreign Secretary.² It was decided to propose changes in the Egyptian constitution and to submit them to Europe for consideration, since the Powers were involved in the guarantee on the secured debt. Within the Government the strongest voice in defense of bondholders' rights was Hardington's. In early February, Tewfik signed the new constitution into force, causing a change of government, with Arabi Bey as the new Minister of War.

For the bondholders the events of September, 1881, brought down the curtain on the period of prosperity in Egypt. Letters from the region took on a frightened tone

¹Malet to Granville, Jan. 12, 1882, ibid., No. 45, p. 29; Lyons to Granville, Jan. 12, 1882, ibid., No. 46, p. 29.

²Gwynn and Tuckwell, I, 456.
and an exodus of women and children began. Like Colvin, many investors feared that the Caisse would be swept away and that the liquidation arrangements might not be respected. Anxiety increased as the Chamber pressed new demands upon the controllers, whose authority suffered in the Council of Ministers. By February Egyptian finances appeared as chaotic as in the era before 1876, and Colvin warned of impending disaster.

The shock wave of the September rising hit an already shaky market, immediately dropping the "unifieds" 1-1/8, and the Preference and Daira stocks 1-3/4 points. A syndicate was formed in Alexandria to keep the Unified scrip above 75 while speculators fished the turbulent waters (a dangerous game when the bulk of "unifieds"—which made up 62 per cent of the entire debt—was still in the hands of a few intermediaries).

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3 Cookson to Granville, March 6, 1882, ibid., No. 352, p. 196 (enclosure).
4 Financier, Sept. 13, 1881, ACFB, Egypt, XV, 125.
5 Pall Mall Gazette, Jan. 21, 1882, ibid., 240.
as the head of the Eastern Telegraph Company, intercepted
a message supposedly from James Macdonald in England to
Cherif and the President of the Chamber, urging the re-
duction of the Egyptian debt by two-thirds, which if
acted upon or even published would have caused a panic.¹
Not even the knowledge that by January, 1882, the Caisse
possessed sufficient money to meet the April and May coupons
could improve the prices of Egyptian stocks.² Across the
Channel, the opening of the year 1882 witnessed a crash on
the Paris bourse, and the concomitant wave of selling added
to the depressed condition of "Egyptians."³ At "bargain
prices" Egyptian securities began to flow to London, so that
by the time of the occupation an estimated two-thirds of
the entire debt of Egypt was in British hands.⁴

From the start the English journals, and particularly
the financial periodicals, were unsympathetic toward the
Arabist cause. For example, the Bullionist wrote in

¹Pender to Granville, Feb. 3, 1882, Granville
Papers PRO FO 30/29/152.

²Economist, XL (Jan. 28, 1882), 111.

³Ibid., (March 25, 1882), 346. The decline in
Egyptian stocks was considerable; from January 3, 1882,
to February 2, 1882, the Unified stock went from 71-1/2
to 64, the Daira from 72 to 64, and the Preference from
92 to 88.

⁴Ibid., (Sept. 16, 1882), 1149.
October, 1881:

The Army, then, is master; but it cannot be permitted to remain so. There must be reassertion of the right to rule by the only defacto Government. . . . It must, in fact, be England and France.¹

The French press was also aroused against the colonels and was widely quoted in England. After the failure of the January note, pressure was increased upon the Foreign Office to take some action. Punch interpreted the preferences of the investors in its "Egyptian Barometer":

English Annexation.—Enthusiasm, white heat. Stocks, 150.
Anglo-French Intervention.—Delight, red hot. Stocks, 100.
Egyptian Independence.—Approval, summer heat. Stocks, 80.
Continental Interference.—Anger, blood heat. Stocks, 60.
Turkish Supremacy.—Hope, below zero. Stocks, unsaleable.²

The banks filed with Downing Street their objections to the activities of the Chamber, while advice was offered from many quarters. One of the most persistent correspondents was Edward Dicey, who wrote from Cairo through his friend Rivers Wilson that

a new danger is presenting itself (which I have long dreaded but never dared speak about), that an anti-_____________

¹Bullionist, Oct. 15, 1881, ACFB, Egypt, XV, 166.
²Punch, LXXVII (Jan. 14, 1882), 14.
taxpayer movement would declare itself. If that happens the Bondholders will come to the front again and pressure will be put upon the Foreign Governments by the creditors to interfere and enforce the provisions of the Law of Liquidation.\footnote{Wilson to Granville, Jan. 31, 1882, Granville Papers PRO FO 30/29/168.}

Dicey suggested sending in the army, and in another letter declared Arabi to be half fanatic, half knave.\footnote{Dicey to Granville, Jan. 22, 1882, \textit{ibid.} 30/29/149; Dicey to Granville, Feb. 6, 1882, \textit{ibid.}}

England was aware, from the start, that the bondholders would not stand idly by if yet another "final" arrangement were overturned. Lord Lyons wrote home in September of 1881:

\begin{quote}
If we let either the Egyptians or Foreign Powers suppose they can upset that [Law of Liquidation], we shall not be able to maintain the English and French Controllers, and if they disappear, the financial prosperity will disappear with them, and we shall have the bondholders, French and English, on our backs again.\footnote{Lyons to Granville, Sept. 30, 1881, Newton, II, 258.}
\end{quote}

Investors saw the British presence in the Nile Valley as a guarantee of proper administration, and even Gladstone recognized Britain's responsibilities:

\begin{quote}
I suppose we are entitled to hold the present position so far as it is necessary to guarantee the pecuniary interests on behalf of which we have in this somewhat
exceptional case been acting with.\textsuperscript{1}

Besides, as Lyons observed, the Khedive "could not con­front the mass of enraged bondholders if he abandoned their interests,"\textsuperscript{2} especially if France chose to act.

On February 19, 1882, the controllers dispatched a letter to the Council of Ministers in which the attributes of their offices were restated for the Egyptian Government.\textsuperscript{3} Colvin, who took an elevated view of his duties, was greatly disturbed over the turn events had taken:

The Ministry professes to regard the Control as an institution existing solely in the interests of the holders of the bonded debt.\ldots We, on the other hand, view the Control as intended to secure more than a mere guarantee for the payment from year to year of the interests in the bonded debt. Our business, as we understand it, is to do this, but also to prevent a possible recurrence of the difficulties which were finally closed by the Law of Liquidation.\textsuperscript{4}

Since early February, Wilson had been working on a plan for revising the Egyptian constitution, in order to gain

\textsuperscript{1}Gladstone to Granville, Jan. 11, 1882, Ramm, 1876-86, I, 325.

\textsuperscript{2}Lyons to Granville, Jan. 19, 1882, Newton, II, 274.

\textsuperscript{3}Malet to Granville, Feb. 9, 1882, PRO FOCP 407/19, No. 267, p. 135.

\textsuperscript{4}Malet to Granville, Feb. 13, 1882, \textit{ibid.}, No. 142, p. 273 (enclosure No. 1).
security for the foreign creditors. His labors were embodied in a memorandum of February 13, which formed the nucleus of Granville's proposals passed on for European consideration.\textsuperscript{1} Arabi was master of the situation, and Malet soon suspected that the Porte was flirting with the colonels. The French Foreign Minister Freycinet presented modifications to Granville's plan, after which the assent of the interested Powers had to be obtained.

Paris seemed to place little hope in England's project, and entered into a policy which gave the impression of a weakening of Anglo-French solidarity. Many disturbing reports were brought to Granville's attention. From Cairo came rumors of contacts between French agents and Arabi and even stranger news that the ex-Khedive Ismail Pasha had gained the ear of the Quai d'Orsay. At the same time, Lyons reported that Freycinet was blaming the situation in Egypt upon Tewfik's weak character and suggesting his deposition in favor of Halim.\textsuperscript{2}

\textsuperscript{1} Memorandum of C. Wilson, Feb. 13, 1882, \textit{ibid.}, No. 126, p. 240.

\textsuperscript{2} The French overtures to Arabi are reported in: Cookson to Granville, March 15, 1882, PRO FOCP 407/19, No. 374, p. 208. For Ismail's liaison with the French, see: Wilson to Granville, March 18, 1882, Granville Papers PRO FO 30/29/170. The removal of Tewfik was mentioned in: Lyons to Granville, March 17, 1882, PRO FOCP 407/19, No. 385, p. 214.
nières, who was anti-Arabist and pro-English in his sentiments, was recalled in mid-March and replaced by Brédif. This move was part of a general program to eliminate dissension in the French camp in order to give their agent Sienkiewicz a stronger hand.¹ The English Foreign Secretary found hazards on every side, and because he did "not trust Freycinet much,"² his ally, unbending in outward diplomacy toward Arabi, afforded scanty comfort.

As April advanced, Downing Street became increasingly anti-Arabist, and stronger measures were contemplated.³ The Powers had agreed to the proposed modifications of the Egyptian constitution, but although the Chamber of Notables was left with considerable influence, the time for compromise had slipped past. By May Tewfik undoubtedly had decided that his only hope of weathering the future lay in following the advice of the British agent.

On May 11, Granville stated his willingness that England join with France in a naval demonstration, which

¹Lyons to Granville, March 15, 1882, PRO FOCP 407/19, No. 377, p. 209.
²Granville to Malet, March 17, 1882, Granville Papers PRO FO 30/29/199 (copy).
³The English envoy to Paris proposed a naval demonstration as early as mid-April (Lyons to Granville, April 13, 1882, PRO FOCP 407/20, No. 34, p. 23).
was undertaken with Malet's concurrence.¹ On the following
day, Paris reluctantly agreed to allow Turkish troops to
be used in Egypt, should the need arise, which served as
a rejuvenating tonic to Lord Granville.² London decided
to call upon the Sultan's troops, but was shocked when
the Quai d'Orsay executed a volte face.³ Dilke was quite
unhappy that "the French completely sold us, and we once
more realized the fact that they are not pleasant people
to go tiger-hunting with."⁴

The arrival of the ships at Alexandria, in conjunc-
tion with firmness on the part of the Khedive who was sup-
ported by the British and French agents, brought the tem-
porary resignation of the Egyptian ministers on May 27.⁵
Arabi declared the Sultan his only suzerain,⁶ whereupon the
Viceroy, rapidly losing control, formally requested the

¹ Granville to Lyons, May 11, 1882, PRO FOCP 407/20,
No. 170, p. 85; Granville to Queen Victoria, May 12, 1882,
Buckle, II, 294.

² Gwynn and Tuckwell, I, 457.

³ Lyons to Granville, May 19, 1882, PRO FOCP 407/20,
No. 366, pp. 162-63.

⁴ Gwynn and Tuckwell, I, 458.

⁵ Malet to Granville, May 27, 1882, PRO FOCP 407/20,
No. 538, p. 236.

⁶ Malet to Granville, May 27, 1882, ibid., No. 575,
p. 241.
Turkish mission, which was dispatched on June 3. By the end of May, Tenterden, Northbrook, and Dilke had joined Hardington and others in desiring strong action, without France if necessary.1 Granville, who had always striven for compromise and strongly opposed occupation, was now beginning to place his hopes in a European conference.2

Panic reigned among Westerners in Egypt upon the return of Arabi to power.3 Government had ground to a halt and economic chaos spread as lending institutions ceased operations.4 The Turkish commissioners proved useless, expending energy on spying upon one another and coquetting with both sides rather than aiding in a settlement.5 England found herself being isolated as the Italian, Austro-Hungarian, and German consuls turned their support to Arabi, and even the French were not averse to dealing with him in a sub rosa fashion.6 In one of his last

1Atkins, p. 357.
4Malet to Granville, May 2, 1882, ibid., No. 147, p. 74.
5For an account of this mission, see Wallace (pp. 85-86).
dispatches from Egypt, Malet observed that in his opinion French and British policy had come to a dividing point in the road.¹

As the Egyptian situation grew increasingly chaotic, all those with a vested interest in the area came forward to urge some course of positive action which would re-establish tranquility and prosperity. Shippers, bankers, capitalists, imperialists, and Anglo-Egyptian officials all found common ground upon which to stand. Bondholders, naturally enough, formed an important element as well, but they were not the major component in this combination. Their cause was more palatable to the English public when it was heavily seasoned with the rhetoric of imperial defense and the paramountcy of British trade.

Egyptian stocks, although having recovered somewhat by March, 1882, from the effects of the Paris crash of January, again began to decline. The Bondholders Register advised its readers in early May:

Under the existing uncertain conditions no person ought to hold Egyptian Bonds who is not prepared to

¹ Malet to Granville, June 10, 1882, PRO FOCP 407/20, No. 872, p. 344. Malet wrote that after moving from Cairo to Alexandria in early June, he fell seriously ill, and was removed to Italy (Sir Edward B. Malet, Shifting Scenes; or, Memories of Many Men in Many Lands [London: John Murray, 1901], p. 80). He later ascribed his illness to a "cup of coffee."
view with equanimity the possibility of a sharp fall in their market value.\textsuperscript{1}

The banks, being the largest holders, were the most dissatisfied. On May 26, the Anglo-Egyptian announced a loss of £41,000 on its holdings for the half-year, while a shareholder of the Bank of Egypt, which also suffered, took the opportunity at its August meeting to place the blame for the Egyptian difficulties on Lord Granville's procrastination.\textsuperscript{2} By the end of May many bondholders would have agreed with the City man who remarked to the editor of the Pall Mall Gazette, "what we want is 'unifieds' at 80."\textsuperscript{3}

The holders felt that if the Government insisted on the fulfillment of the stipulations of the Law of Liquidation and supported the European officials, all might be saved. The English Foreign Secretary had indeed been trying to maintain the Control and throughout the spring was engaged in defending the British position in the Egyptian Custom Service from the assaults of Arabi.\textsuperscript{4} But as

\textsuperscript{1}Bondholders Register, May 9, 1882, ACFB, Egypt, XVI, 149.

\textsuperscript{2}Money Market Review, XLIV (June 3, 1882), 849;\textit{ibid.}, XLV (Aug. 12, 1882), 259.


\textsuperscript{4}Malet to Granville, March 30, 1882, PRO FOCP 407/20, No. 21, p. 13.
the colonels became more daring, and Granville's diplomatic efforts met with defeat, it was debated how far England was prepared to retreat. Europeans in Egypt called for support,¹ and the French investors, who had reduced their holdings in Egyptian securities, were reasonably modest in their protestations. As Wilson later observed:

I must . . . point out that the interest of the French public in Egyptian Finance (e.g. as creditors of Egypt) which was very great and very powerful in 1876 when the Caisse de la Dette was established, has been immensely reduced.²

The Liberals had no desire to champion the cause of the foreign creditors of Egypt. If the bondholders and the Cairo Government could settle their difficulties without drawing in any Power, including London, and if the entente with Paris could be maintained, the Prime Minister would be well satisfied.³ Lord Granville strove for a compromise although admitting that a tour de force might be necessary at any moment.⁴ As has been indicated, the British Cabinet became less sympathetic towards Egyptian

¹ Malet to Granville, Feb. 13, 1882, Granville Papers PRO FO 30/29/160.
² Wilson to Granville, Nov. 5, 1882, ibid., 30/29/170.
³ Robinson and Gallagher, pp. 103-104.
⁴ Granville to Dicey, March 18, 1882, Granville Papers PRO FO 30/29/149 (copy).
nationalism. In early February, Hardington, Harcourt, and a few others were willing to support a strong policy in Egypt, and their number grew as Arabi's moderate guise evaporated. To avoid criticism, Granville kept discussions of Egypt to a minimum, which at last drew an irritated response from Hardington, the Secretary for India, on May 27:

I wonder if any human being (out of Downing Street) would believe that not a word has been said in the Cabinet about Egypt for a fortnight, and I suppose will not be for another week—if then.2

Granville's Egyptian experts generally held decidedly negative views on the Arabist movement, which colored their counsel. Wilson, for instance, provided the Foreign Secretary with information from his many financial connections, while personally viewing Arabi as a doubtful patriot and a disturber of the peace.3 In Egypt, Colvin was hostile to Arabi, a fact which Blunt later considered one of the prime causes for the British occupation.4 Even Malet, who had written early in the year, "I own to have a repugnance

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1 Robinson and Gallagher, p. 100.
2 Hardington to Granville, May 27, 1882, Granville Papers PRO FO 30/29/132.
3 Wilson to Sanderson (Granville's Private Secretary), March 28, 1882, ibid. 30/29/170.
to a war engaged on behalf of bondholders,"¹ by May was agreeable to the arrival of the fleet and the employment of Turkish troops.

The letter-writing campaign to Downing Street, begun in early January, gained intensity, with numerous appraisals of the situation being proffered. Sir Samuel Baker, a steadfast Egyptian bondholder,² believed that Halim was behind the disturbances and advised that steps "should be taken without a day's delay to nip in the bud the pretensions of Arabi Bey before he should become the dictator of Egypt."³ In May, Baker called for the punishment of Arabi, and in early June, for the separation of Egypt from Turkey.⁴ Goschen expressed his fear that the ex-Khedive might somehow be reinstated,⁵ while the Rothschilds were confident that, whatever might come, some intervention in Egypt was inevitable.⁶

¹ Malet to Granville, Jan. 11, 1882, PRO FOCP 407/19, No. 77, p. 41.
² Murray and White, p. 264.
⁴ Baker to Granville, May 18, and June 2, 1882, ibid.
⁵ Goschen to Granville, Feb. 16, 1882, ibid. 30/29/510.
⁶ The Rothschild comment was sent to Francis Rowsell by cypher, and was communicated to the Foreign Office in a latter from Malet to Granville, Jan. 18, 1882 (Granville Papers PRO FO 30/29/160).
Dicey, in Egypt, repeated the theme that the threads of power in the new movement were being manipulated by persons abroad, and that Arabi was bent upon destroying the institutions which England had created since 1876.\footnote{Dicey to Granville, Feb. 27, 1882, Granville Papers PRO FO 30/29/149; Wilson to Granville, March 13, 1882, ibid. 30/29/180, (enclosure).} Richard Milnes, Baron Houghton (father-in-law of Gerald Fitzgerald, the head of the Egyptian Accounting Office) and one of the founders of the Royal Colonial Society,\footnote{Times, June 29, 1869, p. 5.} wrote to Lord Granville advising the strengthening of the Control.\footnote{Houghton to Granville, Feb. 21, 1882, Granville Papers PRO FO 30/29/150.} Members of Parliament also expressed their view in this period. Sir John Pender, M.P., who was deeply concerned in Middle Eastern affairs, passed on gloomy reports to the Foreign Secretary; H. V. Stuart, M.P., who fought the pro-Arabists in the press, likewise kept Downing Street informed as to his views; and E. Heneage, M.P., wrote Lord Granville:

\begin{quote}
I hold very strong views on the necessity of England remaining paramount in Egypt. . . . and of our duty to try and settle the land and debt questions.\footnote{Pender to Granville, Feb. 4, 1882, ibid. 30/29/152; Stuart to Granville, April 1, 1882, ibid. 30/29/163; Heneage to Granville, June 2, 1882, ibid. 30/29/150.} 
\end{quote}
The Corporation of Foreign Bondholders, which had refrained from any action on the Egyptian matter, made its views known at the Foreign Office. Since Granville had assumed his office, Downing Street had been helpful to the Council in various ways. Moorgate Street was kept abreast of developments in the Levant by its agent Captain Stab, and by General Goldsmid, who served as a commissioner of the Daira. In March the chairman of the Council wrote to Granville, saying that the Sultan stood behind the so-called nationalists in Cairo, and submitted a letter from Captain Stab which read in part:

The choice of leaders for the movement was made in preference among the Arabs for a twofold reason, first not to awaken any suspicion among certain classes of the population—that the 'mot d'ordre' was given at Constantinople but principally to make it appear in the eyes of Europe that the movement was spontaneous and national. The scheme had so far succeeded because of hopes, nurtured in Egypt, that its financial burdens might be lifted; as Captain Stab continued:

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1 Such assistance took the shape, for example, of letters of introduction (Bouverie to Granville, June 28, 1882, ibid. 30/29/148).

2 Corp. For. Bondh. Rep., 1882, p. 8. The British Foreign Secretary also employed General Goldsmid as an agent (Granville to Childers [Secretary for War], Sept. 24, 1881, Granville Papers PRO FO 30/29/118).

3 Bouverie to Granville, March 11, 1882, ibid. 30/29/148.
I now come to the pith of the plot which is the foreign Debt. Regarding this question the promoters prove to the national party that what was done in Turkey might be done in Egypt, whose international agreements concerning the Debt are no more binding than the Berlin protocol was to Turkey.¹

As Bouverie later said, all the talk of Egyptian rights and national aspiration did not contradict the fact that the colonels had intended to seize control of the finances of the country.²

The bondholders found in the press an unaccustomed though welcome ally. Anarchy was a live issue in England after the Phoenix Park murders in Ireland, and there seems to have been some transference to the Egyptian situation. Pro- and anti-Arabists utilized the journals to sway opinion, but the attitudes of the papers were biased against the Egyptian nationals for a number of reasons, not least of all the personal motives of newspaper men.

Dwarfing all competition among English papers in 1882 was the powerful Times of London³ which wielded great

¹Ibid.
³Hatton, p. 75. The estimated earnings of the major dailies in 1882 were: The Times of London, £1,000,000; Daily Telegraph, £120,000; Standard, £50,000; Daily News, £30,000.
influence among both the European and the native populations of Egypt.\(^1\) The editor of the "Thunderer" in this period was Thomas Chenery, an Arabic scholar, who was supposedly a holder of Egyptian bonds.\(^2\) At the time of the September rising of 1881, Chenery felt that despite the objections to every course of action, some policy must emerge, and should there be procrastination, the Dicey view—in favor of British annexation of Egypt—would grow in popularity.\(^3\)

From 1873 to 1882, Sir John Scott, the English representative to the International Court of Appeals, served as Egyptian correspondent for The Times. He was generally on good terms with Baring and others, and believed that British annexation of the Nile Valley would be best for all concerned.\(^4\) Scott was replaced in the spring of 1882 by Charles Bell, who had worked in Alexandria as an agent for both merchants and insurance firms since 1875.

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\(^1\)Malet to Granville, Oct. 22, 1881, PRO FOCP 407/18, No. 247, p. 137.

\(^2\)Wilfred S. Blunt, Mr. Blunt and The Times (London: Chiswick Press, 1907), p. 5. Chenery was a professor of Arabic at Oxford in 1868, and was the honorary Secretary of the Royal Asiatic Society (Hatton, pp. 83-84).

\(^3\)Chenery to Granville, Sept. 17, 1881, Granville Papers PRO FO 30/29/153.

\(^4\)Scott to Lascelles, July 4, 1879, Lascelles Papers PRO FO 800/4.
thought him the representative of the monied interests, and, in fact, The Times reporter was opposed to Arabi.  

His stories were not always appreciated; Mr. Cartwright, who replaced Malet, wrote: "We live in daily fear of the extravagant accounts which Bell, The Times correspondent, sends."  

In September of 1881 the paper recommended circumspection, but by May its attitude had altered: If Egypt is not reorganised with a regard to our interests, it will assuredly be so moulded as to promote interests antagonistic to ours.

The Daily Telegraph and the Standard, the largest Conservative papers, were both jingoist in outlook. The owner of the former was Edwin Arnold, another Orientalist, who had served as a school principal in India. He joined the newspaper in 1861 and brought with him a firm belief in the maintenance of British power in the East. In normal times the Telegraph received its Egyptian intelligence from Reuter's in Alexandria, an agency whose reports did not always inspire full confidence. The representative

1 Blunt, Mr. Blunt and The Times, p. 6; Bell, p. 56.
2 Cartwright to Sanderson, July 27, 1882, Granville Papers PRO FO 30/29/161.
3 Chenery to Granville, Sept. 10, 1881, ibid.
4 The Times, May 15, 1882, quoted in Rothstein, p. 194.
5 Hatton, p. 161. 6 Ibid., p. 113.
7 Edward Vizetelly, From Cyprus to Zanzibar by the Egyptian Delta: the Adventures of a Journalist (London: C. Arthur Pearson, 1901), p. 66. Also, see below, p. 419, n. 3.
for the Standard in Egypt was Albert Evans, the manager of the Oriental Telephone Company in Alexandria and an aspirant to a government post with the Control. His paper supported strong action in Egypt beginning with the joint note of January:

For ourselves, we can see no reason why the two Powers who as a matter of fact direct the policy of Egypt should not give public notice of their intention to maintain their influence and to support the Khedive so long as he submits to it.

The largest of the Liberal papers was the Daily News, with two of its three proprietors involved in Egyptian finance. The journal withheld an attack upon the Egyptian nationalists until the new constitution was issued, then called for Downing Street to formulate a policy independent of France in case that country's leaders should be struck with indecision. Reporting for the News were Hilary Skinner, who sought office on the International Tribunal, and J. C. Chapman, the agent for the

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1 Ibid., p. 66.
3 Henry Oppenheim was still interested in investing in Egyptian projects, possessing 300 shares in the Land and Mortgage Company of Egypt (BT 31/14647/13996), and Labouchere was a substantial bondholder also.
Peninsular and Oriental Steamship Company. The latter was also a representative for the Crédit Foncier of Egypt and a holder in the Land and Mortgage Company of Egypt.

Once again, those on the scene accused the press of exaggeration. In May the Foreign Secretary was told that, should a catastrophe occur in Egypt, it would be principally the fault of the news agencies and the Daily News.

The Pall Mall Gazette, which had changed hands, was a Liberal journal by 1882. Nonetheless, even here there was an unwillingness to allow British interests to be neglected in the Nile Valley. Its editor, John Morley, wrote in January:

>If Dizzy had had any pluck, he would have turned the French out of Egypt, and it is a great pity that it cannot be done now.<sup>4</sup>

In February of 1882, the paper obtained the services of Auckland Colvin as their Egyptian correspondent.

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1Vizetelly, p. 66.

2Land and Mortgage Company of Egypt, Share list for 1881, BT 31/14647/13996.

3Pender to Granville, May 12, 1882, Granville Papers PRO FO 30/29/152. Both the French and the British news agencies, Havas and Reuter, respectively, were accused of receiving a £1,000 annual subvention from the Control (Blunt, Secret History, p. 134). In a Cromer memorandum of 1894, there is mention of such a sum having been paid to Havas, but nothing conclusive can be proven (Atkins, p. 332).

4Morley to Chamberlain, Jan. 19, 1882, Chamberlain Papers 5/54/439, quoted in Atkins, p. 337.
Morning Post, whose City editor, Charles G. Warren, owned stock in the Oriental Telephone Company, wrote approvingly of Britain and France "affirming their rights of interference in order to guard the interests of the bondholders, and share holders of the Suez Canal." Mr. Labouchere, owner and chief contributor to Truth (and a proprietor of the Daily News), urged the purchase of Egyptian securities, and as a member of Parliament strongly supported the use of force in Egypt by the Government. Finally, in the financial press there was general agitation for action; one spokesman for intervention was the Bullionist.

On June 11, 1882, a riot broke out in Alexandria and before the day was done, fifty Europeans were dead.

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1 Oriental Telephone Company, Share List, BT 31/2748/14922.

2 Morning Post, April 6, 1882, ACFB, Egypt, XVI, 116.

3 Thorold, p. 196. For Labouchere's views, see Truth, Feb. 16, 1882 (ACFB, Egypt, XVI, 35).

4 Bullionist, March 18, and May 13, 1882, ibid., 89 and 152, respectively.

5 This figure was given at the time, and has been cited in most works on the subject. However, a newspaper reporter of the time estimated the death toll at 200 (Frank Scudamore, A Sheaf of Memories [London: T. Fischer Unwin, Ltd., 1925], p. 62).
The London Cabinet was convinced that Arabi was responsible for this massacre and had now revealed his true colors.\textsuperscript{1}

Everywhere the hawks were on the wing, and as tempers rose, English citizens were speedily evacuated from Egypt.\textsuperscript{2}

Many ministers desired action, although few wished to be tagged as bondholders’ men. Unlike Dilke and Chamberlain, however, Hardington did not mind supporting the re-institution of bondholder control over Egyptian finance, yet the Suez Canal was of even higher priority to him.\textsuperscript{3}

The Secretary for India, thoroughly annoyed with Paris, was the only minister prepared for unilateral intervention in Egypt, and urged a stiffer attitude toward the Porte.\textsuperscript{4}

It was impossible to hold the Prime Minister’s attention upon Egypt for very long with the Irish question once again before the House, and there was talk within the Cabinet of a break-up.\textsuperscript{5}

\textsuperscript{1}Robinson and Gallagher, p. 107. In time some within the Government, such as Dilke, were to change their opinion upon Arabi’s culpability in this affair (Gwynn and Tuckwell, I, 460).

\textsuperscript{2}Malet to Granville, June 21, 1882, PRO FOCP 407/20, No. 1334, p. 515. By this date, only 100 Englishmen remained in Egypt outside of Port Said.

\textsuperscript{3}Robinson and Gallagher, p. 110.


\textsuperscript{5}Hardington to Granville, July 11, 1882, ibid., 365–66.
In the days previous to the bombardment of Alexandria, Hardington was as important as the Foreign Secretary in policy-making, for he and Northbrook (the First Lord of the Admiralty) worked behind the scene to prepare for any eventualities. An informal committee within the Government, including Granville, Hardington, Childers (Secretary for War), and Northbrook, was established to act for the entire Cabinet.

Gladstone and Granville still placed hope in the conference which opened in Constantinople on June 23. On the twenty-first, the Cabinet decided that if the conference could not obtain a Turkish intervention, concerted action by Europe should be taken to pacify Egypt. Assistance from the conference, however, was not forthcoming. The Triple Alliance was meddling in Egyptian affairs at the Porte, and in Alexandria the British agent had received hints from his German and Austrian colleagues that he should depart with the fleet in order to avoid trouble. As for

1. Robinson and Gallagher, p. 106. Hardington alerted the troops in India without informing the Cabinet generally (Gwynn and Tuckwell, I, 463).

2. Gladstone memorandum, June 21, 1882, Ramm, 1876-86, I, 381.

3. Dufferin to Granville, June 19, 1882, PRO FOCP 407/20, No. 1257, p. 486; Malet to Granville, June 14, 1882, ibid., No. 983, p. 382.
France, it appeared by early July that she was prepared to arrange some modus vivendi with Arabi.¹

Fear lest the Suez Canal be damaged was certainly an important factor which aroused both the Government and the public. Still, concern over other matters such as trade was also voiced;² in Parliament, Chamberlain pointed out the necessity for protecting British trading interests, and many on hand were in agreement.³ Cross and Bright, M.P's who possessed large holdings in the Commercial Bank of Alexandria, urged upon Downing Street the protection of British property in Egypt.⁴ Mr. J. Slagg, M.P. for Manchester, told the House how a delegation of his constituents had met with him and had asked for Government help in the

¹Lord Charles Beresford, former M.P. and commander of a gunboat in Alexandria, reported that French visits with Arabi had become a daily occurrence before the occupation (Beresford to Granville, Sept. 26, 1882, Granville Papers PRO FO 30/29/148).

²Blunt, Secret History, p. 255. This author suggested that poor economic conditions of the period were an important cause in the British occupation of Egypt.

³Hansard, Vol. 272, July 26, 1882, col. 1801.

⁴Dilke to Malet, June 13, 1882, PRO FO 78/3462. In this case, as in that of the Cotton Pressing Company of Alexandria, requests for special protection for British property were passed on to the British agent in Egypt (Granville to Cartwright, June 29, 1882, PRO FOCP 407/20, No. 1563, p. 626).
present difficulties in Egypt. The mills of Bolton had stockpiles of Egyptian cotton to last until October, but a week after the massacre of June 11, prices rose .75d. a pound. Then, too, there was the destruction already done in Egypt, about which the Earl of Fife wished clarification. Upon this point the Foreign Secretary had decided that Egypt would bear all costs, for as he wrote: "We shall require full reparation and satisfaction for the outrages committed during the recent disorders."

The bondholders, too, were in a most unpleasant position, and despite extensive purchases a panic gripped the Exchange, driving Egyptian securities down sharply. The payment of future coupons was doubtful and the weak holders, those who had borrowed to purchase, were being wiped out. There were many failures, with dealers in "Egyptians" placed under intense pressure. All Egyptian

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4 Granville to Malet, June 17, 1882, PRO FOCP 407/20, No. 1145, p. 440.
6 For a list of the dealers in Egyptian securities, see the *Statist*, VII (May 28, 1881), 92-93.
bonds including the tribute issues were affected; on Monday, June 19, there was an eight-point drop in the "unifieds," and by week's end two jobbers had declared bankruptcy.¹ Since the uprising of September, the value of Egyptian investments had dropped 25 per cent, the largest decline occurring in June.²

For those institutions which could afford to clear Egyptian securities from their portfolios, the experience of June, 1882, was not wasted.³ The largest holders, the banks, were paralyzed by the chaos and suspended payment of interest to their stockholders. They, like other organizations with investments in Egypt, did have members in the House who could speak on their behalf.⁴ Although the Leader of the Opposition in Commons was under pressure from his party to prod the Government with unpleasant

¹Ibid., IX (June, 24, 1882), 698.

²Economist, XL (June 24, 1882), 775. Despite an improvement in the situation by June 23, Egyptian investments had declined collectively £23,041,000 in value since September 1, 1881.

³For example, the Foreign and Colonial Trust Fund sold off £63,350 in tribute loan of 1854, £56,000 in "unifieds," £50,000 in tribute loan of 1871, and £40,500 in Daira Sanieh stock (Bankers Magazine, XLIII [Feb., 1883], 202).

⁴Atkins (p. 405) estimates that there were thirty-two in Parliament who were in some way connected with Egyptian finance.
questions, he refused to do so on patriotic grounds.¹
But those who had capital in the Nile Valley had no such scruples. The Economist wrote:

To the City and to businessmen, the matter presents itself under an aspect not uncoloured by the interests of trade. To them the question is rather of the prices of Egyptian securities, of rumours of possible embarrassments connected with the hurried closing of transactions in that country, of alarms about the unprotected condition of the canal. The embarrassing the Government by putting in both Houses questions which never should be asked, and to which no reply should be given, is most strongly to be deprecated.²

Of those who spoke for the bondholders, none had more weight than Goschen, who came out strongly in favor of the employment of troops in Egypt, despite the loss of political influence this friendship cost him among his erstwhile Liberal colleagues.³ Gladstone, who disliked Capel Court, surprised many investors and sent "unifieds" climbing 3.5 points when he told Parliament:


²Economist, XL (June 24, 1882), 770.

³Hansard, Vol. 272, July 25, 1882, cols. 1872-1889. Chamberlain had expressed his unwillingness, in early July, to serve in the same Cabinet with Goschen (Garvin, I, 449). In September of 1882, Granville mentioned Goschen as the best man to be sent to Egypt to assess the situation, but his bondholders "flavour" was a major objection (Granville to Gladstone, Sept. 21, 1882, Ramm, 1876-86, I, 427).
The ends we have in view . . . are well known to consist in the general maintenance of all established rights in Egypt, whether they be those of the Sultan, those of the Khedive, those of the people of Egypt, or those of the foreign bondholders.¹

The pro- and anti-interventionists swung into action, each side striving to drum up support in the public. The press remained jingoist in sympathy, and even the Pall Mall Gazette and the Economist (both extremely Liberal in outlook) found themselves in support of Arabi's removal.²

An anti-bondholder element was predominant in those organizations which opposed British involvement in Egypt. The International Arbitration and Peace Association, for example, sent Granville a memorandum in which they argued that the only valid interest England had in Egypt was the Suez Canal, which was not endangered.³ An ad hoc group led by dissident Liberal M.P.'s set into motion the Anti-Aggression League, which circulated a petition in which Gladstone's statement on the rights of the bondholders was sharply criticized.⁴ The League held a meeting with Wilfred Lawson, M.P., in the chair, flanked by eight of

¹Gwynn and Tuckwell, I, 460.
²Pall Mall Gazette, June 15, 1882, p. 5; Economist, XL (July 1, 1882), 801.
³The Times, July 1, 1882, p. 10.
⁴Ibid., June 19, 1882, p. 8.
his confreres from the House.\(^1\)

Finally, some of the most strident criticism came from the Newcastle Foreign Affairs Association, chaired by George Crawshay, an investor in Turkish scrip. In a circular of June, 1882, the gentlemen of the Newcastle group blamed the joint note of January, and British involvement generally, upon the Egyptian bondholders. These observations sprang perhaps just as much from jealousy as from a concern for England's national interest, for as the circular stated, "the Egyptian bondholders should have been left to take care of themselves as the Turkish Bondholders were."\(^2\) The group's efforts were focused upon the circulation of petitions calling for the withdrawal of the fleet at Alexandria and the commencement of amicable discussions with the Sultan.

The British people, however, were in an aggressive mood. The meeting of the Patriotic Society on July 8 drew a throng which was treated to an oratorical display by a platform crowded with peers and M.P.'s, including Robert Fowler, a member of the 'Council' of the Corporation of Foreign Bondholders. The Government was called upon to pursue a responsible and independent policy in the East

\(^{1}\)Ibid., June 27, 1882, p. 10.

\(^{2}\)Circular of the Newcastle Foreign Affairs Association, ACFB, Egypt, XVI, 170 (enclosure).
and to protect the property of Englishmen.  

The chairman of the Council of Foreign Bondholders was not idle in advancing the cause of the Egyptian bondholders. A large non-partisan assembly was arranged to be held at Willis’s Rooms "to invite the Government to adopt at once those strong and vigorous measures to which they have indeed already pledged themselves." In fact, the gathering was mainly a Conservative affair, and drew such dignitaries as Lord Salisbury and Sir Stafford Northcote. Presiding over the event was E. P. Bouverie; sharing the rostrum on the evening of June 29 were many who had a financial stake in Egypt: the Duke of Sutherland, Mr. Easton, Sir George Elliot, as well as fourteen others from Westminster, and an array of aristocrats. Bouverie opened the proceedings by stating that the importance of the present issue was such that "the prosperity, the greatness, and, perhaps, the very existence" of the country were threatened. He touched on England’s interest, including the Canal, and the administration which had been so carefully constructed, and added that the Government

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1 The Times, July 10, 1882, p. 10.
2 Echo, June 27, 1882, ACFB, Egypt, XVI, 172.
3 An account of the meeting may be found in The Times, June 30, 1882, p. 8.
was like a "jellyfish" without a backbone. He completed his remarks by calling on the Liberals to act in the spirit of Palmerston and not betray British imperial interests. Sir Richard Temple also addressed the meeting, and stated:

We had £35,000,000 invested in thriving industries in Egypt, and we were bound to protect those who had made their investments in reliance upon the protection of the British Government.¹

Easton also stressed the investments by Britishers as well as the importance of the Nile Valley to the home cotton mills. Even Northcote in his speech acknowledged the plight of the numerous Englishmen who had placed capital in Egypt.

Perhaps the hall had been packed, as was charged, since the tickets were distributed by the Duke of Sutherland; still, the conclave served the Conservative ends while it gave the Corporation of Foreign Bondholders an opportunity to demonstrate their support of the holders. Thus, in the general agitation for intervention the Council played its part.

Events moved quickly in early July. Admiral Seymour, who commanded the British squadron at Alexandria, became disturbed over the construction of earthworks and the im-

¹Ibid.
placement of shore batteries which he claimed endangered his vessels. His request for permission to present an ultimatum to have these objects removed initiated heated Cabinet discussions. When Paris was questioned as to their attitude toward a bombardment, they replied that the French Chamber probably would not sanction such a step, and the French fleet departed for Port Said. British troop strength in the Mediterranean was augmented and Dilke secretly informed Tewfik of these preparations so that the Khedive might take appropriate action.\(^1\) By July 7 the Cabinet had decided to run the risk of damage to the Canal, and to allow the bombardment, and, if necessary, a military expedition.\(^2\) This decision has been described as a "compromise between cross purposes,"\(^3\) since the ministers supporting the ultimatum did so for different reasons. The Radicals, for example, supported the invasion in part on the grounds that the fellaheen would be freed from the foreign creditors, a position which was later to create problems after the collapse of Arabi. The Prime Minister submitted to the wishes of the Cabinet, whereupon Seymour was given permission to present the ultimatum. The

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\(^1\)Gwynn and Tuckwell, I, 466.

\(^2\)Robinson and Gallagher, pp. 110-13. This paragraph is drawn from the cited pages.

\(^3\)Ibid., p. 111.
Admiral, however, went beyond these orders and demanded the surrender of the forts guarding the harbor. The British Government did nothing to contradict him, and on July 11 the English flotilla destroyed the defensive installations, and marines were sent ashore to secure the city.

This operation did not intimidate Arabi and his followers, but rather aroused Egypt against all Europeans. Arabi declared a holy war on the foreigners and menaced their lifeline to the East by diverting salt water into the Sweetwater Canal. The British Cabinet was again in turmoil as to what to do. Attempts to obtain a formal mandate from the Conference to restore order were not successful. Hardington, who still led "the forward party," told the Foreign Secretary that England must act, alone if necessary.¹ No one in the Government desired a protectorate over Egypt, nor did they know how long an occupation might last, but on July 20 it was decided to place Sir Garnet Wolseley at the head of an expeditionary force, and to ask Parliament for £2,300,000 to finance the expedition. On July 13, Freycinet had agreed to join with England for the protection of the

¹Hardington to Granville, July 18, 1882, Granville Papers PRO FO 30/29/132.
Canal, which greatly comforted Downing Street.¹ The French Chamber, however, was not willing to grant the needed credits and, ignoring Gambetta's plea to work with London, voted down the authorization on July 29.² France did not react negatively to Britain's restoration of order,³ and only with the autumn did Paris begin to press London as to its future plans in the Nilotic. England sounded Italy as to her joining in the Egyptian campaign, but Rome declined, believing it would be better to work within the Conference at Constantinople.⁴ The Italian response greatly relieved Lord Granville:

I have just received from Menabrea the refusal, which delights me. We have done the right thing; we have shown our readiness to admit others.⁵

The debate in Commons on the military bill was led by the Prime Minister, who after the bombardment was in a fighting mood.⁶ Throughout the debates the M.P.'s

¹Robinson and Gallagher, p. 113.
³Cromer, I, 302.
⁴Roberts, "Italy," p. 326.
⁵Granville to Paget (British Ambassador to Rome), July 28, 1882, Fitzmaurice, II, 271.
⁶Gwynn and Tuckwell, I, 468.
shied away from specifying exactly what English interests were being served by the invasion. Gladstone believed the bondholders had rights, covered by the Law of Liquidation, which England could not unilaterally disregard. In no way did the Radicals wish to link national and bondholder interests, but so long as the job was being done, investors seemed not to mind under what banner they marched. Sympathy for their cause was certainly very low in the general public, but this did nothing to dampen the ardor of the City, as the Economist observed:

There has never been a time when our commercial and financial interests have been so eager to embark in costly military operations as they are now. There is comparatively little apprehension as to the cost—if the Government had asked for twice £2,300,000 the amount would have been quite as readily voted, and the extra amount regarded as an earnest of greater determination on the part of the Government to prosecute the campaign with vigour.

The bill was passed on July 27, 1882, by a vote of 275 to 19, 336 M.P.'s not appearing. Bondholder satis-

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3 Economist, XL (July 29, 1882), 936-37.

4 Hansard, Vol. 262, July 27, 1882, cols, 2106-2108. Of those who voted in the affirmative, six were, or had been, Council members: Sir John Lubbock, Charles Magniac, Henry B. Sheridan, General Sir George Balfour, George de Worms, and Robert Fowler.
faction in Parliament's action was evident, as stock prices slowly began a recovery which by mid-September would place them above the mark reached before the Paris crash.¹

The final scene of Arabi's revolt was played out at Tel-el-Kebir on September 13, and with his defeat Khedivial authority was restored. With the sheathing of the sword came the return of the diplomats, who would once again attempt to solve Egypt's economic riddle: prosperity for the inhabitants and payment for the bondholders. In pursuit of an answer to this conundrum, the bondholders continued to be assisted by the Corporation of Foreign Bondholders.

¹Economist, XL (Sept. 16, 1882), 1149.
CONCLUSION

By the autumn of 1882, the Corporation of Foreign Bondholders stood at a threshold. Before it lay a turbulent period which would end in Corporation reorganization by Parliamentary act; behind were years which, while agitated, were marked by significant achievements. The accomplishments of this interest group are all the more noteworthy considering the variety of difficulties encountered and the unpopularity of such organizations at the time. Some of the problems were inherent to the concept of a bondholders' society operating for the public good, but others arose from the hostility of various factions of the investing community which felt threatened by Moorgate Street.

Despite this situation, the Council was able to play an effective role in safeguarding the interests of British investors by serving as a rallying point, and by providing much needed information, legal assistance, and funds for missions on their behalf. Among the settlements arranged by the Corporation in its early
history, none gave more satisfaction than that undertaken for the Egyptian bondholders.

The guiding principles of the Corporation in defense of the Egyptian bondholders were the equitable treatment of creditors by the defaulting government and the maintenance of the sanctity of contracts. From the initial contact between Councilhouse and the Cairo Government in 1870 when the Viceroy circumvented the bond of the loan of 1868, to Council Chairman Bouverie's activities in 1882 when Arabi Bey threatened unilaterally to abrogate the Law of Liquidation, the Corporation was never intractable in its negotiations, but once a settlement was reached, a strict adherence was expected.

Certain members of the Council possessed a personal interest in the Nile Valley and its future, which no doubt contributed to the organization's efforts toward an accommodation. These interests were quite varied: there were those who saw Egypt as an important point in imperial geometry between India and Britain; others, involved in the investment trust business, wished to protect their firm's portfolios from erosion; and there were those who had purchased stock in companies which would suffer by an Egyptian default.
The decisive action of the Corporation of Foreign Bondholders came in 1876 after the Disraeli Government had turned its back upon the English investors, leaving the French bankers in control. Despite criticism from many quarters, the Council took up the matter in a professional and efficient manner. Since the treatment of the recent Turkish default had shown the destructiveness of bickering bondholders' committees, the Corporation deliberately achieved the enlistment of the services of Mr. George Goschen with a maximum of goodwill on all sides. In successfully defending British interests, the M.P. for London also laid the base for eventual Anglo-French intervention. In a certain sense, therefore, the Council was responsible for the occupation of Egypt by General Wolseley six years later.

In 1876 and 1877, the Council played a conspicuous part in the settlement of the Daira debt and also took in hand the cause of the Egyptian tribute bondholders. When all of these arrangements were completed, Councilhouse was content to leave matters in the hands of Mr. Goschen and the representatives he had selected for the creditors. But the rule of the bondholders was short-lived. Both Major Baring and Mr. Romaine disappointed the Council. With Goschen beginning to disengage himself from Egyptian affairs,
the Decree of November 18 under attack, and the Western Powers increasing their authority in Egypt, the Corporation found that the British bondholders had little choice but to accept whatever terms the Khedive's Government offered. The Commission of Inquiry and the Law of Liquidation reduced the interest to be paid the bondholders, and finally the Chairman of the Council was again forced into action to forestall the mutinous colonels from seizing power, through letters to the Foreign Office and participation in public demonstrations which called upon the Liberal Government to protect English interests. Throughout, Bouverie rarely spoke of the rights of the holders, preferring to justify British intervention by moral and political arguments.

From the foregoing, it seems correct to say that the bondholders were certainly not the prime movers behind the occupation of Egypt, yet they cannot be dismissed as insignificant. Their welfare was a single but important component of the national interest, and there is little doubt that during the period discussed their affairs were well represented by the Corporation of Foreign Bondholders.
TABLE 1
PARTICIPATION OF 'COUNCIL' MEMBERS
ON MAJOR BONDHOLDER COMMITTEES

<table>
<thead>
<tr>
<th>Committee Name</th>
<th>'Council' Members and Staff (*) on the Committee</th>
<th>Office Held (If Any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia Bondholders' Committee</td>
<td>Francis Bennoch, Lionel Bonar</td>
<td>Chairman</td>
</tr>
<tr>
<td>Costa Rica Bondholders' Committee</td>
<td>Roger Eykyn, Francis Bennoch</td>
<td></td>
</tr>
<tr>
<td>Ecuador Bondholders' Committee</td>
<td>Francis Bennoch, Lionel Bonar, Adm. Sir Provo Wallis</td>
<td></td>
</tr>
<tr>
<td>Joint Committee for Ottoman Loans of 1858 and 1862</td>
<td>Francis Bennoch, *Thomas Rumball, *Hyde Clarke</td>
<td></td>
</tr>
<tr>
<td>Committee Name</td>
<td>'Council' Members and Staff (*) on the Committee</td>
<td>Office Held (If Any)</td>
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</tr>
<tr>
<td>Louisiana Bondholders' Committee</td>
<td>Maj. Gen. Sir George Balfour</td>
<td></td>
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<tr>
<td></td>
<td>Francis Bennoch</td>
<td></td>
</tr>
<tr>
<td>Mexican Bondholders' Committee</td>
<td>Henry B. Sheridan</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Francis Bennoch</td>
<td>Deputy Chairman</td>
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<tr>
<td></td>
<td>Lionel Bonar</td>
<td></td>
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<tr>
<td></td>
<td>Adm. Sir Provo Wallis</td>
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<tr>
<td>Spanish Bondholders' Committee</td>
<td>Sir Philip Rose</td>
<td>Chairman</td>
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<td></td>
<td>Cornelius Surgy</td>
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<tr>
<td></td>
<td>Maj. Gen. Sir George Balfour</td>
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<tr>
<td></td>
<td>Augustus Abraham</td>
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<tr>
<td></td>
<td>Francis Bennoch</td>
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<td></td>
<td>Lionel Bonar</td>
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<td></td>
<td>Roger Eykyn</td>
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<td></td>
<td>Charles Magniac</td>
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<td></td>
<td>John Paterson</td>
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<tr>
<td></td>
<td>*Thomas Rumball</td>
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<tr>
<td></td>
<td>Sir John Lubbock</td>
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<tr>
<td></td>
<td>Maj. Gen. John Vaughan</td>
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<td></td>
<td>George Wythes</td>
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<tr>
<td>Turkish Loan of 1862 Committee</td>
<td>Sir Francis Lycett</td>
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<td></td>
<td>John Paterson</td>
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<td></td>
<td>Maj. Gen. John Vaughan</td>
<td>Chairman</td>
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<td></td>
<td>Adm. Sir Provo Wallis</td>
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<tr>
<td>Virginia Bondholders' Committee</td>
<td>Sir Samuel Montagu</td>
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<td></td>
<td>William Trotter</td>
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</tbody>
</table>
Note: Certain names recur frequently on these committees; this is not coincidental. These gentlemen were the officers of the Corporation and were members of the Executive Committee of the 'Council,' and in the last analysis it was in these half dozen that the real power of the association resided. In addition, the chairman of the Corporation (Isadore Gerstenberg, and later Edward Pleydell Bouverie) was the chairman ex officio of every committee, and Hyde Clarke, the Secretary of the Corporation, was usually the secretary of committees.
<table>
<thead>
<tr>
<th>Name</th>
<th>Years on the 'Council'</th>
<th>Occupation</th>
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</thead>
<tbody>
<tr>
<td>Augustus B. Abraham</td>
<td>1878-79</td>
<td>Gentleman</td>
</tr>
<tr>
<td>Charles Bell, M.P.</td>
<td>1869</td>
<td>Banker--Thomson &amp; Bonar</td>
</tr>
<tr>
<td>Francis Bennoch (Acting Chairman of the 'Council' 1873-76)</td>
<td>1873-82</td>
<td>Gentleman</td>
</tr>
<tr>
<td>Offices Held in Financial Organizations</td>
<td>Membership in Nonprofit Organizations</td>
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<td>----------------------------------------</td>
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<td></td>
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<tr>
<td><strong>Trustee--Foreign and Colonial Government Trust</strong></td>
<td>Royal Colonial Institute</td>
<td></td>
</tr>
<tr>
<td><strong>Chairman--Crédit Foncier of Mauritius</strong></td>
<td>Royal Society of Arts, Indian Section</td>
<td></td>
</tr>
<tr>
<td><strong>Director--Crédit Foncier of England</strong></td>
<td>Royal Statistical Society</td>
<td></td>
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<tr>
<td><strong>Director--Land Mortgage Bank of India</strong></td>
<td>Royal Geographical Society</td>
<td></td>
</tr>
<tr>
<td><strong>Director--Atlantic and Great Western Railway</strong></td>
<td>Royal Asiatic Society of Great Britain and Ireland</td>
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</tr>
<tr>
<td><strong>Chairman--Tunisian Railways</strong></td>
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<tr>
<td><strong>Director--Anglo-Italian Bank</strong></td>
<td>Royal Geographical Society</td>
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<tr>
<td><strong>Director--Debenture Guarantee and Investment Trust</strong></td>
<td>Royal Society of Arts (life member)</td>
<td></td>
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<tr>
<td><strong>Director--Federal Fire Insurance Company</strong></td>
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<tr>
<td><strong>Director--City of Potsdam Waterworks</strong></td>
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<tr>
<td><strong>Director--Stanley Fireproof Lathing Company</strong></td>
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<tr>
<td><strong>Director--Venezuela Telegraph and Electric Appliance Company</strong></td>
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<tr>
<td><strong>Director--London Steamboat Company</strong></td>
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<tr>
<td><strong>Chairman--Government Stock Investment Trust</strong></td>
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<tr>
<td><strong>Trustee--Omnium Stock Trust</strong></td>
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</tbody>
</table>
TABLE 2—Continued

<table>
<thead>
<tr>
<th>Name</th>
<th>Years on the 'Council'</th>
<th>Occupation</th>
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</thead>
<tbody>
<tr>
<td>George A. F. C. Bentinck, M.P.</td>
<td>1869-82</td>
<td>Lawyer</td>
</tr>
<tr>
<td>Lionel N. Bonar</td>
<td>1873-82</td>
<td>Banker—Thomson &amp; Bonar</td>
</tr>
<tr>
<td>Robert Bourke, Baron Cannemara, M.P.</td>
<td>1880-82</td>
<td>Government Official</td>
</tr>
<tr>
<td>Hon. Edward Pleydell Bouverie (Chairman of the 'Council' 1876-82)</td>
<td>1876-82</td>
<td>Gentleman</td>
</tr>
<tr>
<td>E. Philip Cazenove</td>
<td>1869-73</td>
<td>Broker—Cazenove &amp; Sons</td>
</tr>
<tr>
<td>Hyde Clarke (Secretary of the 'Council' 1869-82)</td>
<td>1869-82</td>
<td>Gentleman</td>
</tr>
<tr>
<td>Henry Daniell</td>
<td>1873-82</td>
<td>Broker—Mullens, Marshall &amp; Daniell</td>
</tr>
<tr>
<td>Roger Eykyn, M.P.</td>
<td>1873-82</td>
<td>Broker—Eykyn Bros.</td>
</tr>
<tr>
<td>Offices Held in Financial Organizations</td>
<td>Membership in Nonprofit Organizations</td>
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<tr>
<td>Director--English and Australian Copper Co.</td>
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<tr>
<td>Trustee--Foreign and Colonial Government Trust</td>
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</tr>
<tr>
<td>President--Trust and Loan Co. of Canada</td>
<td>Royal Society of Arts</td>
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<tr>
<td>Director--Berks and Hants Extension Railway Co.</td>
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<tr>
<td>Director--Peninsular and Oriental Steamship Co.</td>
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<tr>
<td>Chairman--Colonial Co.</td>
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<tr>
<td>Deputy Chairman--Economic Life Assurance Society</td>
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<tr>
<td>Director--Great Western Railway</td>
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<td>...</td>
<td>Royal Colonial Institute</td>
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<td>...</td>
<td>Royal Society of Arts</td>
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<td>Royal Statistical Society</td>
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<tr>
<td>Chairman--Alabama and Great Southern Railway Co.</td>
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<tr>
<td>Name</td>
<td>Years on the 'Council'</td>
<td>Occupation</td>
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<tr>
<td>Walter R. Farquhar</td>
<td>1880-82</td>
<td>Banker-- Herries, Farquhar &amp; Co.</td>
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<tr>
<td>Sir Robert N. Fowler, Bart.</td>
<td>1873-78</td>
<td>Banker-- Drewett &amp; Fowler; Dimsdale, Fowler &amp; Co.</td>
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<tr>
<td>Isadore J. Gerstenberg (Chairman of 'Council')</td>
<td>1869-75</td>
<td>Broker</td>
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<tr>
<td>Frederick Allers Hankey</td>
<td>1873</td>
<td>Banker-- Consolidated Bank</td>
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<tr>
<td>Grosvenor Hodgkinson, M.P.</td>
<td>1873</td>
<td>Gentleman</td>
</tr>
<tr>
<td>H. R. Jameson</td>
<td>1869-72</td>
<td>Merchant (retired, W. Gibbs &amp; Co., of Valparaiso)</td>
</tr>
<tr>
<td>Sir Arthur Kinnaird, Tenth Baron Kinnaird and First Baron Rossie, M.P.</td>
<td>1873-82</td>
<td>Banker and Partner-- Ransome &amp; Bouverie</td>
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<tr>
<td>Offices Held in Financial Organizations</td>
<td>Membership in Nonprofit Organizations</td>
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<td>...</td>
<td>Royal Geographical Society</td>
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<tr>
<td>Trustee--Government Stock Investment Co.</td>
<td>Bankers Institute</td>
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<td></td>
<td>Royal Geographical Society</td>
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<td>Royal Society of Arts</td>
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<td></td>
<td>Royal Statistical Society</td>
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<tr>
<td>Director--Anglo-Hungarian Bank</td>
<td>Royal Geographical Society</td>
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<td></td>
<td>Royal Society of Arts</td>
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<tr>
<td>Chairman--Scottish and Australian Bank</td>
<td>Royal Society of Arts</td>
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<tr>
<td>Chairman--Consolidated Bank</td>
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<tr>
<td>Director--Law Life Assurance Society</td>
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<tr>
<td>Director--London, Chatham and Dover Railway Co.</td>
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<tr>
<td>Director--Midland Railway Co.</td>
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<tr>
<td>Chairman--Accidental Assurance Co.</td>
<td>Royal Colonial Institute</td>
<td></td>
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<tr>
<td>Director--County Fire Office</td>
<td>Royal Geographical Society</td>
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</tr>
<tr>
<td>Name</td>
<td>Years on the 'Council'</td>
<td>Occupation</td>
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<tr>
<td>Sir Arthur Kinnaird--continued</td>
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</tr>
<tr>
<td>Sir John Lubbock, Baron Avebury, M.P.</td>
<td>1873-82</td>
<td>Banker--Robarts &amp; Lubbock</td>
</tr>
<tr>
<td>Sir Francis Lycett</td>
<td>1869-79</td>
<td>Banker (retired, Dent &amp; Allcroft)</td>
</tr>
<tr>
<td>Charles Magniac, M.P.</td>
<td>1873-78</td>
<td>Merchant--Matheson &amp; Co.</td>
</tr>
<tr>
<td>Offices Held in Financial Organizations</td>
<td>Membership in Nonprofit Organizations</td>
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</tr>
<tr>
<td>Director--Madras Irrigation and Canal Co.</td>
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<tr>
<td>Director--Railway Share Trust Co.</td>
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<tr>
<td>Director--Railway Debenture Trust Co.</td>
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<tr>
<td>Director--Railways Passenger Assurance Society</td>
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</tr>
<tr>
<td>Chairman--Trust and Agency Co. of Australasia</td>
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<tr>
<td>Deputy Governor--London Gas Light Co.</td>
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<td></td>
</tr>
<tr>
<td>Director--Pelican Life Insurance Co.</td>
<td>President--Central Assoc. of Bankers</td>
<td></td>
</tr>
<tr>
<td>Chairman--Anglo-Italian Bank</td>
<td>First President--Institute of Bankers (1879-83)</td>
<td></td>
</tr>
<tr>
<td>Director--Bank of Montreal</td>
<td>President--London Chamber of Commerce (1888-95)</td>
<td></td>
</tr>
<tr>
<td>Director--Phoenix Fire Assurance Co.</td>
<td>Vice President--Royal Society of Arts (1876)</td>
<td></td>
</tr>
<tr>
<td>Chairman--Universal Marine Insurance Co.</td>
<td>Royal Colonial Institute</td>
<td></td>
</tr>
<tr>
<td>Director--Star Life Assurance Co.</td>
<td>Royal Statistical Society</td>
<td></td>
</tr>
<tr>
<td>Director--Russian Bank for Trade</td>
<td>President--London Chamber of Commerce (1883)</td>
<td></td>
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<tr>
<td>Chairman--National Bank of New Zealand</td>
<td>Royal Society of Arts</td>
<td></td>
</tr>
<tr>
<td>Director--Municipal Trust</td>
<td>Treasurer--Royal Statistical Society</td>
<td></td>
</tr>
<tr>
<td>Director--United States Land and Colonization Co.</td>
<td>Royal Geographical Society</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bankers Institute</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Years on the 'Council'</td>
<td>Occupation</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td>Richard Biddulph Martin, M.P.--continued</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert Martin</td>
<td>1873-75</td>
<td>Banker (retired, Messrs. Martin &amp; Co.)</td>
</tr>
<tr>
<td>Hugh McCulloch</td>
<td>1873-79</td>
<td>Banker—Jay, Cook, &amp; McCulloch</td>
</tr>
<tr>
<td>Alexander Melville, Earl of Leven and Melville</td>
<td>1873-77</td>
<td>Banker and Partner—Williams, Deacon &amp; Co.</td>
</tr>
<tr>
<td>Sir Samuel Montagu, First Baron Swaythling</td>
<td>1873-78</td>
<td>Banker—Samuel Montagu &amp; Co.</td>
</tr>
<tr>
<td>Thomas Moxon</td>
<td>1869-70</td>
<td>Gentleman</td>
</tr>
<tr>
<td>Offices Held in Financial Organizations</td>
<td>Membership in Nonprofit Organizations</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Trustee--Railway Accident Mutual Assurance Co.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Chairman--Debenture Corp.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Chairman-- Anglo-American Debenture Corp.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Chairman--Assets Realization Co.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Chairman--British North Borneo Co.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Director--Sun Insurance Co.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Director--Sun Life Assurance Co.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Director--Notting Hill Electric Lighting Co.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Director--Sun Fire Office</td>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>

| ... | ... |
| ... | ... |
| ... | ... |

| Trustee--Reliance Mutual Life Assurance Society | ... |
| Director--Nevile Reid and Co. of Windsor       | ... |

<p>| ... | ... |
| ... | ... |
| ... | ... |</p>
<table>
<thead>
<tr>
<th>Name</th>
<th>Years on the 'Council'</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Paterson, Alderman</td>
<td>1873-75</td>
<td>Merchant</td>
</tr>
<tr>
<td>Simon Reuter</td>
<td>1873-75</td>
<td>Gentleman</td>
</tr>
<tr>
<td>Sir John Rose, Bart.</td>
<td>1873-79</td>
<td>Banker—Morton, Rose &amp; Co.</td>
</tr>
<tr>
<td>Sir Philip Rose, Bart.</td>
<td>1869-78</td>
<td>Lawyer—Baxter, Rose, Norton &amp; Co.</td>
</tr>
<tr>
<td>Offices Held in Financial Organizations</td>
<td>Membership in Nonprofit Organizations</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>--------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Trustee—Omnium Stock Trust</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>• • •</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Governor—Hudson's Bay Co.</td>
<td>Royal Colonial Institute</td>
<td></td>
</tr>
<tr>
<td>Chairman—South Australian Co.</td>
<td>Royal Geographical Society</td>
<td></td>
</tr>
<tr>
<td>Director—Bank of Montreal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Bank of British Columbia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—London and Westminster Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Royal Exchange Assurance Corp.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trustee—Foreign and Colonial Government Trust</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Director—London Bank of Commerce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Public Works Construction Co.</td>
<td></td>
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<tr>
<td>Director—Eagle Insurance Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—London, Brighton, Southcoast Railway</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Tramways Union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Submarine Continental Railway</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Debenture Trust and Mortgage Co. of England</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Alabama and Great Southern Railway Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Anglo-French Fire Insurance Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—American Investment Trust Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director—Railway Shares Investment Trust Co.</td>
<td></td>
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</table>
TABLE 2--Continued

<table>
<thead>
<tr>
<th>Name</th>
<th>Years on the 'Council'</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon. H. Dudley Ryder</td>
<td>1880-82</td>
<td>Government Official (retired)</td>
</tr>
<tr>
<td>George Schlotel</td>
<td>1869-73</td>
<td>Broker</td>
</tr>
<tr>
<td>Fifth Baronet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henry B. Sheridan, M.P.</td>
<td>1869-70</td>
<td>Gentleman</td>
</tr>
<tr>
<td>Sir Thomas W. Snagge (Legal</td>
<td>1882</td>
<td>Lawyer</td>
</tr>
<tr>
<td>Advisor 1874-81)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cornelius Surgey</td>
<td>1873-82</td>
<td>Broker-- Lowndes, Surgey &amp; Woolly</td>
</tr>
<tr>
<td>George C. Taylor</td>
<td>1876-82</td>
<td>Gentleman</td>
</tr>
<tr>
<td>William Trotter</td>
<td>1873-82</td>
<td>Broker-- Capel &amp; Co.</td>
</tr>
<tr>
<td>Offices Held in Financial Organizations</td>
<td>Membership in Nonprofit Organizations</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Director--Coults and Co.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td></td>
<td>...</td>
<td></td>
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<td>...</td>
<td></td>
</tr>
<tr>
<td></td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Director--North London Railway</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td></td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Director--London Joint Stock Bank</td>
<td>Royal Statistical Society</td>
<td></td>
</tr>
<tr>
<td>Director--Grand Junction Canal Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director--London, Chatham and Dover Railway Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairman--Halesowen Railway Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>President--Varna Railway Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director--American Investment Trust</td>
<td>Royal Geographical Society</td>
<td></td>
</tr>
<tr>
<td>Director--Foreign and Colonial Government Trust</td>
<td>Royal Asiatic Society of Great Britain and Ireland</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Years on the 'Council'</td>
<td>Occupation</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Henry Tudor</td>
<td>1873-82</td>
<td>Broker—Henry Tudor &amp; Sons</td>
</tr>
<tr>
<td>Captain Sir Henry W. Tyler, Bart., R.N., M.P.</td>
<td>1875-82</td>
<td>Military</td>
</tr>
<tr>
<td>Major General John Luther Vaughan</td>
<td>1876-82</td>
<td>Military</td>
</tr>
<tr>
<td>Admiral of the Fleet Sir Provo William Parry Wallis</td>
<td>1869-78</td>
<td>Navy</td>
</tr>
<tr>
<td>Offices Held in Financial Organizations</td>
<td>Membership in Nonprofit Organizations</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>----------------------------------------</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>President--Grand Trunk Railway of Canada</td>
<td>Royal Society of Arts</td>
<td></td>
</tr>
<tr>
<td>President--Chicago and Grand Trunk Railway Co. of Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairman--Rhymney Iron Co.</td>
<td>Royal Geographical Society</td>
<td></td>
</tr>
<tr>
<td>Chairman--Buenos Aires and Campana Railway</td>
<td>Royal Society of Arts</td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman--Great Eastern Railway Co.</td>
<td></td>
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</tr>
<tr>
<td>Chairman--Westinghouse Brake Co.</td>
<td>Royal Statistical Society</td>
<td></td>
</tr>
<tr>
<td>Director--National Mutual Life Assurance Society</td>
<td></td>
<td></td>
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<tr>
<td>Director--Bristol Port and Channel Dock and Warehouse Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director--Central Pacific Coal and Coke Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director--Hamilton and Northwest Railway Co.</td>
<td></td>
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<tr>
<td>Director--Tendring Hundred Railway Co.</td>
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<tr>
<td>Director--Omnium Stock Trust</td>
<td>...</td>
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</tr>
<tr>
<td>Director--Nouveau Monde Gold Mining Co.</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Chairman--Bahai and San Francisco Railway</td>
<td>Royal Geographical Society</td>
<td></td>
</tr>
<tr>
<td>Director--Swedish Association, Ltd.</td>
<td>Royal Society of Arts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Royal Statistical Society</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Years on the 'Council'</td>
<td>Occupation</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Thomas M. Weguelin, M.P.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>George A. de Worms, Baron</td>
<td>1869</td>
<td>Banker--Messrs. de Worms &amp; Co.</td>
</tr>
<tr>
<td>George A. Wythes</td>
<td>1873-78</td>
<td>Railway Contractor</td>
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</table>
### TABLE 2--Continued

<table>
<thead>
<tr>
<th>Offices Held in Financial Organizations</th>
<th>Membership in Nonprofit Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director--Trust and Loan Co. of Upper Canada</td>
<td>...</td>
</tr>
<tr>
<td>Director--Indemnity Mutual Marine Assurance Co.</td>
<td>...</td>
</tr>
<tr>
<td>Director--Peninsular Oriental Steamship Co.</td>
<td>...</td>
</tr>
<tr>
<td>Director--General Credit and Discount Co.</td>
<td>...</td>
</tr>
<tr>
<td>Director--Public Works Construction Co.</td>
<td>...</td>
</tr>
<tr>
<td>Director--Argentine Land Co.</td>
<td>...</td>
</tr>
<tr>
<td>Director--Colchester, Stour Valley, Sudbury and Halstead Railway Co.</td>
<td>...</td>
</tr>
<tr>
<td>Director--Swedish Association, Ltd.</td>
<td>...</td>
</tr>
<tr>
<td>Director--Swedish Railway Equipment Co.</td>
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</table>
TABLE 3
THE MOST IMPORTANT FINANCIAL INSTITUTIONS IN EGYPT ON THE EVE OF DEFAULT

<table>
<thead>
<tr>
<th>Institution</th>
<th>Amount of Paid-Up Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crédit Lyonnaise</td>
<td>£3,000,000</td>
</tr>
<tr>
<td>Imperial Ottoman Bank</td>
<td>£2,500,000</td>
</tr>
<tr>
<td>Franco-Egyptian Bank</td>
<td>£2,000,000</td>
</tr>
<tr>
<td>Anglo-Egyptian Bank</td>
<td>£1,600,000</td>
</tr>
<tr>
<td>Austro-Egyptian Bank</td>
<td>£1,000,000</td>
</tr>
<tr>
<td>Bank of Alexandria</td>
<td>£800,000</td>
</tr>
<tr>
<td>Société Général Ottoman</td>
<td>£750,000</td>
</tr>
<tr>
<td>Indo-European Bank</td>
<td>£500,000</td>
</tr>
<tr>
<td>Société Egyptienne</td>
<td>£300,000</td>
</tr>
<tr>
<td>Bank of Egypt</td>
<td>£250,000</td>
</tr>
<tr>
<td>Société Nationale</td>
<td>£200,000</td>
</tr>
<tr>
<td>Italo-Izigiana</td>
<td>£120,000</td>
</tr>
</tbody>
</table>
## TABLE 4

**INTEREST PAID BY ENGLISH BANKS IN EGYPT, 1869-75**

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Number of Shares</th>
<th>Price per Share (£)</th>
<th>Per Cent Interest Paid Per Year&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1869</td>
</tr>
<tr>
<td>Bank of Egypt</td>
<td>10,000</td>
<td>25</td>
<td>16</td>
</tr>
<tr>
<td>Bank of Alexandria</td>
<td>100,000</td>
<td>10</td>
<td>..</td>
</tr>
<tr>
<td>Anglo-Egyptian (1871)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>80,000</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

<sup>a</sup>February for the Bank of Egypt, and November for the other two banks was the month marking the end of the fiscal year.

<sup>b</sup>When the Anglo-Egyptian Bank opened its doors in 1864, each share was priced at £50, but this price was reduced when the bank was reorganized.

Note: Table 4 was compiled from various economic journals of the day, principally Bankers Magazine and the Money Market Review.
<table>
<thead>
<tr>
<th>Loan, by Date of Issue</th>
<th>Nominal Amount</th>
<th>Nominal Interest (Percentage)</th>
<th>Issue Price</th>
<th>Redemption Date</th>
<th>Securities</th>
<th>Amount Realized</th>
<th>Real Issue Price</th>
<th>Real Interest (Percentage)</th>
<th>Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1862</td>
<td>3,292,800</td>
<td>7</td>
<td>82.5 and 84.5</td>
<td>1892</td>
<td>Delta</td>
<td>2,500,000</td>
<td>80</td>
<td>8.75</td>
<td>Frühling and Goschen</td>
</tr>
<tr>
<td>1864</td>
<td>5,704,000</td>
<td>7</td>
<td>93</td>
<td>1879</td>
<td>Dakalieh, Sharkieh, Beheira and general revenue</td>
<td>4,864,063</td>
<td>86</td>
<td>8.20</td>
<td>Frühling and Goschen</td>
</tr>
<tr>
<td>1866</td>
<td>3,387,300</td>
<td>7</td>
<td>90</td>
<td>1881</td>
<td>Daira</td>
<td>2,750,000</td>
<td>81</td>
<td>8.60</td>
<td>Anglo-Egyptian Bank</td>
</tr>
<tr>
<td>Year</td>
<td>Amount</td>
<td>Rate</td>
<td>Rate</td>
<td>Description</td>
<td>Amount</td>
<td>Rate</td>
<td>Rate</td>
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<td>--------------------------------------------------</td>
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<td>------</td>
<td>------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1866</td>
<td>3,000,000</td>
<td>7</td>
<td>92</td>
<td>1874 Railroads</td>
<td>2,640,000</td>
<td>88</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1867</td>
<td>2,080,000</td>
<td>9</td>
<td>90</td>
<td>1881 New estates and general revenue</td>
<td>1,700,000</td>
<td>82</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1868</td>
<td>11,890,000</td>
<td>7</td>
<td>75</td>
<td>1898 General revenue and certain taxes</td>
<td>7,193,334</td>
<td>60</td>
<td>11.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1870</td>
<td>7,142,860</td>
<td>7</td>
<td>75</td>
<td>1890 Dairas</td>
<td>5,000,000</td>
<td>70</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1873</td>
<td>32,000,000</td>
<td>7</td>
<td>84.5</td>
<td>1903 Railroads, customs, Moukabala, etc., and general revenue</td>
<td>19,973,658</td>
<td>63</td>
<td>11</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 5 is excerpted from Landes, *Bankers and Pashas*, pp. 339-40.*
<table>
<thead>
<tr>
<th>Bank</th>
<th>Price</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aug., '75</td>
<td>Nov., '75</td>
<td>Feb., '76</td>
<td>June, '76</td>
</tr>
<tr>
<td>Anglo-Egyptian Bank</td>
<td>38</td>
<td>30 1/2</td>
<td>28 1/4</td>
<td>13</td>
</tr>
<tr>
<td>Bank of Alexandria</td>
<td>12 5/8</td>
<td>10 1/8</td>
<td>9 1/2</td>
<td>6 7/8</td>
</tr>
<tr>
<td>Bank of Egypt</td>
<td>39</td>
<td>39</td>
<td>...</td>
<td>31 1/2</td>
</tr>
<tr>
<td>Loan by Issue Year</td>
<td>Price Oct. 1875</td>
<td>Price March 1876</td>
<td>Value of Stock Outstanding (£) Oct., 1875</td>
<td>Value of Stock Outstanding (£) March, 1876</td>
</tr>
<tr>
<td>--------------------</td>
<td>----------------</td>
<td>-----------------</td>
<td>------------------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>1862</td>
<td>73</td>
<td>52.5</td>
<td>1,860,000</td>
<td>1,337,000</td>
</tr>
<tr>
<td>1864</td>
<td>83</td>
<td>70</td>
<td>2,120,000</td>
<td>1,785,000</td>
</tr>
<tr>
<td>1866</td>
<td>75</td>
<td>69.5</td>
<td>1,385,000</td>
<td>1,274,000</td>
</tr>
<tr>
<td>1867</td>
<td>91</td>
<td>74.5</td>
<td>1,190,000</td>
<td>975,000</td>
</tr>
<tr>
<td>1868</td>
<td>65</td>
<td>57.5</td>
<td>7,945,000</td>
<td>5,573,000</td>
</tr>
<tr>
<td>1870</td>
<td>64.5</td>
<td>51</td>
<td>3,970,000</td>
<td>3,137,000</td>
</tr>
<tr>
<td>1873</td>
<td>65</td>
<td>52.25</td>
<td>20,485,000</td>
<td>16,466,000</td>
</tr>
<tr>
<td>Total</td>
<td>...</td>
<td>...</td>
<td>38,055,000</td>
<td>30,547,000</td>
</tr>
</tbody>
</table>

*aEconomist, XXXIV (April 1, 1876), 395.
### TABLE 8

**ACCOUNTS FOR THE CORPORATION OF FOREIGN BONDHOLDERS 1873-78a**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
</tr>
<tr>
<td>Agency and commission</td>
<td>36,836</td>
</tr>
<tr>
<td>Interest on stock held</td>
<td>14,652</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>266</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
</tr>
<tr>
<td>Ordinary expenditures, including salaries</td>
<td>25,610</td>
</tr>
<tr>
<td>and testimonials</td>
<td></td>
</tr>
<tr>
<td>Losses and depreciation on investments</td>
<td>7,484</td>
</tr>
<tr>
<td>Fifty certificates drawn and paid</td>
<td>5,995</td>
</tr>
<tr>
<td>with interest</td>
<td></td>
</tr>
<tr>
<td>House property</td>
<td>3,106</td>
</tr>
<tr>
<td>Undivided profits</td>
<td>9,557</td>
</tr>
</tbody>
</table>

*aMoney Market Review, XXXVI (May 4, 1878), 435.*
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APPROVAL SHEET

The dissertation submitted by Paul F. Meszaros has been read and approved by members of the Department of History.

The final copies have been examined by the director of the dissertation and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the dissertation is now given final approval with reference to content and form.

The dissertation is therefore accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

January 9, 1973  
Date  
Margaret M. O'Day  
Signature of Advisor