
Anglo-French Financial Co-operation 1850-1880 *

Philip L. Cottrell
University of Leicester

During the third quarter of the nineteenth century London and Paris were the two major financial centres of the developing world economy. This was also a period of major structural change within the financial sectors of both economies. The first French modern deposit banks were established between 1859 and 1864¹ while in England financial institutions increased both in numbers and variety during the credit boom of the first half of the 1860s² after the repeal in 1857 of the restrictive banking code of 1844³ and the general liberalisation of company law. The volume of both English and French capital exports increased during the 1850s. Between 1826 and 1855 English capital exports had

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¹ J. BOUVIER, *The Banking Mechanism in France in the late 19th century*, translated by J. P. Ward and reprinted in R. E. CAMERON, *Essays in French Economic History* (Homewood, Illinois, 1970), p. 341.

² P. L. COTTRELL, *The Financial Sector and Economic Growth: England in the Nineteenth Century*, « *Revue Internationale d'Histoire de la Banque* », IV (1971), pp. 414-9.

³ See K. S. TOFT, *A Mid-Nineteenth Century attempt at Banking Control*, « *Revue Internationale d'Histoire de la Banque*, III (1970), pp. 149-167.

been of the order of £5 m. to £6 m. per annum average but during the quinquennium 1851-55 they increased to £7.6 m. per annum average and to £25 m. per annum average for the quinquennium 1856-60.⁴ Similarly French capital exports, which it has been estimated were £3.28 m. per annum average between 1816 and 1847, increased to £5 m. per annum average between 1848 and 1851 and to £22 m. per annum during the Second Empire.⁵ The parallel financial growth of England and France during the third quarter of the nineteenth century was the product of a number of common causal factors, in particular the 'new gold', the internal growth of the two economies, and the emergence of a world economy in which the constituent parts were linked by the iron steamship, the railway, and the telegraph.⁶ There were also differences between the two economies which in turn lead to the development of contrasting financial institutions; the French economic environment produced the corporate investment bank while in England, as a result of scarcity of credit rather than capital, the joint stock deposit banks evolved. However these financial institutions did not remain implanted within the economies that had produced them but, as with the diffusion of new mechanical skills, they were adopted and adapted elsewhere. In England the *banque d'affaire* became the finance company and the joint stock deposit bank became in France the *banque de dépôts*. There were contrasts; French bankers were apparently more prudent than their English counterparts⁷ which may have been due partly to the different development of mercantile and commercial law on the continent.⁸ By the middle of the nineteenth century the English financial sector, as a result of an earlier onset

⁴ A. H. IMLAH, *Economic Elements in the Pax Britannica* (New York, 1970 ed.), pp. 70-73; see also D. S. LANDES, *Bankers and Pashas* (London, 1958), p. 55.

⁵ Calculated at an exchange rate of 25 francs to £1 from R. E. CAMERON, *France and the Economic Development of Europe* (Princeton, 1961), p. 79. The estimates of the volume of English and French capital exports are comparable to the extent that they are both derived from balance of payments calculations.

⁶ See D. S. LANDES, *The Unbound Prometheus* (Cambridge, 1969), pp. 193-210.

⁷ LANDES, *Bankers and Pashas*, p. 36.

⁸ See B. L. ANDERSON, *Money and the structure of Credit in the Eighteenth Century*, « Business History », XII (1970), p. 90.

of industrialisation, was more advanced than French; a point of difference which was often noted by *The Economist*:

« The system of trade in France is a sound though incomplete one. Credit is very little diffused there; business is a ready-money business. In consequence France does not suffer as we suffer not unfrequently from commercial pains and critical disturbances of credit. But, on the other hand, the division of labour is far less perfectly understood in France than it is here. What would be thought of a London bill-broker establishing a 'branch' at Shanghai to conduct exchange transactions with England? It would be thought that he would be more likely to lose his business in London than to gain any in China ».⁹

Similarly *The Economist* thought that the French mercantile community did not understand in the early 1860s the proper working of the monetary mechanism:

« should the demands on the Bank [of France] continue to be heavy, it is hoped that the Directors will not hesitate to raise the [rate of] discount again; to do so would, it is true, cause a great outcry, for here the majority of the public understand financial matters so ill, that they think the Bank can fix what discount it pleases, and that consequently a high one is little better than robbery ».¹⁰

However in England during the 1850s and 1860s there were complaints from the provinces voiced against high interest rates or the lack of credit at any price caused by an external drain of gold.¹¹ There are contrasts and common themes in the development of the financial sectors of England and France during the third quarter of the nineteenth century; this present paper will consider the various attempts at Anglo-French co-operation in the fields of deposit and investment banking.

There were flows of factors, both capital and labour, between the two economies during the first half of the nineteenth century. The many attempts to attract English entrepreneurs and skilled

⁹ « *The Economist* », 22-9-1860, pp. 1036-1037; the comments were provoked by the « *Comptoir d'Escompte* » establishing a branch at Shanghai.

¹⁰ *Ibid.*, 12-1-1861, p. 38.

¹¹ F. W. FETTER, *Development of British Monetary Orthodoxy, 1797-1875* (Cambridge, Mass., 1965), pp. 237-239.

workmen to the continent are well known but there was a flow in the opposite direction across the Channel. Skilled silk workers from Lyons came to England in the 1820s¹² and in the glass technology, the English economy was in many respects dependent upon the French. Pilkingtons drew skilled glassblowers from St. Gobain in 1845 with high wages and special concessions while Charles Singre, a sheet glass blower from Choisy-le-Roi, was attracted to St. Helens by a two year contract which gave him wages four times greater than his English counterparts, a house and coals, his return fare from Paris, and a loan of £240.¹³ In the case of capital flows it would appear that France was dependent on England though both economies were net capital exporters during the first half of the nineteenth century. London merchant bankers during the Napoleonic Wars had gained experience in the floatation of government debt and after Waterloo Baring Brothers with Hope & Co., serviced the financial needs of the army of occupation and issued loans for the French government to meet the occupation costs and the war indemnity payments.¹⁴ It was during the French wars that London became the world's new financial centre and from 1815 to 1855 the level of British foreign investment appears to have fluctuated with the domestic trade cycle. There is no evidence of long swings in British net capital movements prior to the late 1850s and instead there were peaks every 7 to 10 years, in 1835 and 1844, with a double peak in the second half of the 1850s.¹⁵

It is well known that British capital played an important role in the finance of French railways before 1850; it would appear that British investors provided nearly as much capital for French railways as did the French private investors.¹⁶ Earlier, in the

¹² R. CAMERON, *France and the Economic Development of Europe* (Princeton, 1960), p. 97.

¹³ T. C. BARKER, *Pilkington Brothers and the Glass Industry* (London, 1960), pp. 102-103.

¹⁴ R. W. HIDY, *The House of Baring in American Trade and Finance* (Cambridge, Mass., 1949), pp. 25-26, 58-60.

¹⁵ J. G. WILLIAMSON, *American Growth and the Balance of Payments 1820-1913* (Chapel Hill, North Carolina, 1964), pp. 208-210.

¹⁶ CAMERON, *France and... Europe*, cit., p. 213.

1820s and 1830s, British capital had assisted the foundation of the French gas industry through three companies, the Imperial Continental Gas Association, the International Gas Company, both formed in the 1820s, and the European Gas Company established in 1835. The International was one of four companies supplying Paris while the European Gas Company obtained the concessions for Caen, Le Havre, Nantes and Rouen. By 1850 the Imperial Continental Gas Company had an employed capital of £1,172,000 of which £274,000 was in four gas works in France. The Bordeaux plant at £90,000 and the Marseilles works at £76,000 were amongst the company's largest plants but its main interests were in Berlin (£202,000) and Vienna (£183,000). Only 942 shares of the Imperial's 28,000 £50 shares were held abroad in 1858 with 108 shares in the hands of French investors.¹⁷

Capital for European railway companies was raised on the London market from the mid 1830s and during the subsequent decade the focus of interest was France which was partly the result of the competition between a number of English railway companies for the London-Paris traffic. Anglo-French groups of railway financiers obtained the concessions for the following routes, Paris-Rouen-le Havre, Amiens-Boulogne, and Orleans-Tours-Bordeaux.¹⁸ In contrast to many of the English railway companies established during the 1840s, the French lines were successful, giving a return of 5 per cent in 1855 whereas 28 English railway companies which had absorbed £22m. were not paying an ordinary dividend.¹⁹ However, the brief English domestic depression of 1853-4 led to the recall of capital invested in French and other European railway²⁰ companies. Although the *obligations* of the main French railway companies were quoted on the London

¹⁷ N. K. HILL, *The History of the Imperial Continental Gas Association 1824-1900* (unpublished University of London Ph. D. thesis, 1950), pp. 17, 18, 89, 93. The company lost its concessions at Marseilles in 1857, at Toulouse in 1867, and Bordeaux in 1875; it held the Lille Concession from 1832 until 1946, and in 1883 obtained the concession for Nancy and 21 smaller French towns.

¹⁸ L. H. JENKS, *The Migration of British Capital to 1875* (London, 1965 ed.), pp. 141-144, 146-150.

¹⁹ J. R. T. HUGHES, *Fluctuations in Trade, Industry and Finance 1850-1960* (Oxford, 1960), pp. 186-187.

²⁰ CAMERON, *France and... Europe*, cit., pp. 213, 229.

Stock Exchange at the end of the 1870s, business in them on the London market was extremely limited and the bonds were «only held in the country to a small extent».²¹ The financing group behind the introduction of English capital into French railways during 1840s which consisted of E. Blount, T. Uzielli of C. Devaux & Co., S. Laing, and Thomas Brassey, later in the 1860s established the General Credit and Finance Company, the English partner of the *Société Générale*. Therefore one aspect of Anglo-French financial co-operation has its origins in the flow of British capital into French railways in the 1840s.

An important part of the background to Anglo-French financial co-operation during the middle decades was the political relationship between the two countries, which in England until 1865 meant essentially the attitude of Lord Palmerston. There was tension between the two countries in 1852 following Louis Napoleon's *coup d'état* in December 1851²² and conditions deteriorated again in 1858 following the Orsini bomb plot.²³ However Palmerston was a supporter of Louis Napoleon while his colleague Lord Clarendon had been a close personal friend of Napoleon when he had been a refugee in England.²⁴ In September 1853 Palmerston had suggested that Princess Mary of Cambridge, Queen Victoria's cousin, should marry Prince Napoleon Jerome, Emperor Napoleon's cousin and nominated heir. This proposal did not meet with Victoria's support but following the visit of Napoleon and Eugénie to London in April, 1855, the Queen favoured a French alliance.²⁵ The two countries were allies in the Crimean war; both countries contemplated jointly the coercion of Peru in 1855 following Peru's repudiation of her 1853 loan and in 1857 British and French warships moved into Peruvian waters;²⁶ an

²¹ See entries for the Western and North Western Railway of France; the Southern Railway Company of France; the Paris Lyons and Mediterranean Railway Company; Northern of France Railway Company; and Eastern of France Railway Company in T. SKINNER, *The Stock Exchange Year-Book for 1879*, pp. 56, 91, 94, 107, 115.

²² D. A. FARNIE, *East and West of Suez* (Oxford, 1969), p. 28.

²³ J. RIDLEY, *Lord Palmerston* (London, 1970), pp. 479-484.

⁴² *Ibid.*, pp. 413-449.

²⁵ *Ibid.*, pp. 406, 444-446.

²⁶ W. M. MATHEW, *The Imperialism of Free Trade: Peru, 1820-1870*, «Economic History Review», 2nd series, XXI (1968), pp. 576-577.

Anglo-French expeditionary force was sent to China in 1860,²⁷ and in 1861 British naval forces joined French and Spanish troops in Mexico to force the payment of debt claims following the Tripartite Treaty of London.²⁸ British military support was withdrawn in April, 1862 but Palmerston continued to give Napoleon III moral support in his attempt to make Archduke Maximilian the Emperor of Mexico.²⁹ There was considerable anti-French feeling in England in 1858 but Palmerston introduced the Conspiracy to Murder Bill, as a result of the Orsini bomb plot, which was defeated on its second reading and brought down the Palmerston administration.³⁰ Although risking his political career, Palmerston stayed, together with Lord Clarendon, as a private guest of Napoleon III at Compiègne in August, 1858,³¹ in the midst of growing English anxiety over the establishment of Cherbourg as a base for steam warships.

While Palmerston gave considerable support to Napoleon III and in some areas pursued a joint foreign policy with the French, there were two issues in which Palmerston opposed French initiatives. Palmerston wished to maintain the Ottoman Empire as an English buffer against Russian expansion into the Mediterranean. He therefore opposed Napoleon's claim to be the protector of Roman Catholics in Turkey although England subsequently went to war against Russia with France.³² Palmerston, through secret diplomacy in Cairo and Constantinople, attempted to prevent de Lesseps from obtaining the concession for the Suez canal since this in his view would lead to France replacing Turkey as the suzerain of Egypt and would create a second Bosphorus.³³ Similarly in order to maintain the integrity of the Ottoman Empire Palmerston attempted to prevent Napoleon sending an expedition

²⁷ RIDLEY, *op. cit.*, pp. 537-538.

²⁸ See P. J. SHERIDAN, *The Committee of Mexican Bondholders and European Intervention in 1861*, «Mid-America», XLIII (1960); and S. W. ROBERTSON, *The Tripartite Treaty of London*, «The Hispanic American Historical Review», XX (1960).

²⁹ RIDLEY, *op. cit.*, p. 546.

³⁰ *Ibid.*, pp. 479-481.

³¹ *Ibid.*, p. 484.

³² *Ibid.*, p. 413.

³³ FARNIE, *op. cit.*, pp. 29-30, 40-41.

to Syria in 1860 following the massacre of the Roman Catholic Maronites in the Lebanon and Damascus.³⁴ Palmerston was also opposed to the French domination of northern Italy and, after Villa Franca, the friendly relations between Palmerston and Napoleon III broke down.³⁵ In the light of these two sensitive issues, it is significant that Napoleon III did not give de Lesseps his first definite promise of support until 23 October 1859.³⁶

There was a French war scare in England in 1859 which led to a policy of rearmament with the construction of a set of forts on the south coast and to the volunteer movement.³⁷ The British government was in favour of a commercial treaty with France in order to relieve the political tension between the two countries which had developed by the end of the 1850s.³⁸ Napoleon III wished to introduce a liberal commercial policy for France in 1852 but this was opposed by French manufacturers while French public opinion was either indifferent or favoured protection.³⁹ Whereas free trade had won the day in England by the 1850s, it was only supported in France by a number of economists, the Pereires, a few merchants in the large ports, and the wine and silk trades and within this group there was no unanimity.⁴⁰ There were Anglo-French discussions in 1852 and 1854 and the Emperor, by decree, in 1853 and 1855 reduced French duties on coal, iron and steel and machinery to assist French railway construction and these were reluctantly ratified by the Chambers.⁴¹ The Cobden-Chevalier Treaty of 1860 replaced a frankly prohibitionist trade policy with a moderately protective system of tariffs, whose walls were heightened by transport costs and the use of foreign ships.⁴²

³⁴ RIDLEY, *op. cit.*, pp. 535-536.

³⁵ *Ibid.*, pp. 486-495, 534.

³⁶ FARNIE, *op. cit.*, p. 56.

³⁷ RIDLEY, *op. cit.*, pp. 492, 495.

³⁸ K. B. CLAYTON, *Anglo-French Commercial Relations, 1860-1882* (Unpublished University of Manchester, M.A. thesis, 1954), p. 14.

³⁹ A. L. DUNHAM, *The Anglo-French Treaty of Commerce of 1860* (Ann Arbor, 1930), p. 17.

⁴⁰ *Ibid.*, p. 17; CLAYTON, *op. cit.*, pp. 13-14.

⁴¹ *Ibid.*, p. 11; DUNHAM, *op. cit.*, pp. 13-20.

⁴² M. RIST, *A French Experiment with Free Trade: The Treaty of 1860*, translated and reprinted in R. CAMERON (ed.), *Essay in French Economic History*, *op. cit.*, p. 289.

Recently a French historian has concluded that the treaty had a favourable influence on French industry in that it forced the French manufacturers to improve their equipment and increase their efficiency.⁴³ France did have a balance of trade deficit in 1861 but this primarily was the result not of the treaty but of the failure of French harvest which led to an increase in the volume and value of cereals imported and a decline, due to the Civil war, of French exports to the United States.⁴⁴ British domestic exports to France rose sharply after the treaty; their value, at current prices, increasing from £5.3 m. in 1860 to £9.9 m. in 1861 which mitigated the effects of a general decline in British exports between 1860 and 1862. There was a general increase in the value of Anglo-French foreign trade after 1860; imports from France increased from £17.8 m. in 1860 to £37 m. in 1866.⁴⁵ The Cobden-Chevalier treaty was the first of a unique cluster of European trade treaties which incorporated 'the most favoured nation' clause and which were an important stimulant for inter-European trade until the late 1870s.⁴⁶ Britain concluded nine such agreements during the 1860s from which her main gain was the prevention of discrimination against her exports.⁴⁷ An important result of the Cobden-Chevalier Treaty was the agreement concluded by France and Belgium in 1857, which allowed free access to companies, was extended to include Britain in 1862.⁴⁸

Until 1855 Paris, as a financial centre, had one major advantage over London through relative liberality of French as opposed to English company law.⁴⁹ In both countries joint stock companies with limited liability could not be formed without parliamentary approval but in France, under the Code de Commerce of 1807,

⁴³ *Ibid.*, p. 314.

⁴⁴ *Ibid.*, pp. 292-295.

⁴⁵ B. R. MITCHELL with P. DEANE, *Abstract of British Historical Statistics* (Cambridge, 1962), p. 324.

⁴⁶ LANDES, *op. cit.*, p. 198.

⁴⁷ S. B. SAUL, *Studies in British Overseas Trade, 1870-1914* (Liverpool, 1960), p. 135.

⁴⁸ A. S. J. BASTER, *The International Banks* (1935), p. 41.

⁴⁹ C. E. FREEDMAN, *Joint-Stock Business Organisation in France, 1807-1867*, « Business History Review », XXXIX (1960), p. 204.

there was available for financiers a 'half-way house', the *société en commandite par actions*, and blind passive investors in such companies did have the privilege of limited liability.⁵⁰ In England under the Joint Stock Companies Registration and Regulation Act of 1844 joint stock companies could only be established generally with unlimited liability for all shareholders.⁵¹ This disparity between English and French company law led in the 1850s to English companies being established in Paris in order to obtain limited liability for their shareholders; in 1852 and 1853 20 English companies were formed in this way. The companies were prepared to pay costs of £400 to £500 a year incurred through the hire of offices in France and the payment of a salary of a French gerant, who did nothing but give a power of attorney to one of the company's English directors. In addition there were the costs of forming a company in France including custom duties paid on the shares which had to be stamped in Paris and stamp duties on the *Acte sociale* which constituted the company.⁵² No French capital was involved in these companies which were formed in Paris simply to obtain the privilege of limited liability for their shareholders under French company law.

The *Crédit Mobilier* was responsible for bringing together in one company the bus interests of Paris⁵³ and in 1855 a company was established in Paris, the *Compagnie Générale des Omnibus de Londres*, by French promoters and with French capital to consolidate the bus companies of London. Sir E. Chadwick had had discussions in France in 1855 about the total co-ordination of London's urban transport system of buses, steam boats and tramways⁵⁴ but it is not possible to discern whether the initiative

⁵⁰ *Ibid.*, pp. 185-186.

⁵¹ See B. C. HUNT, *The Development of the Business Corporation in England 1800-1867* (Cambridge, Mass., 1936), Chapt. IV, and H. A. SHANNON, *The Coming of General Limited Liability*, «Economic History», III (1931-1933).

⁵² «British Parliamentary Paper», XXVII (1854), «First Report of the Commissioners appointed to inquire how far the mercantile laws in the different parts of the United Kingdom, may be advantageously assimilated...», Appendix No. 39 to the Report by Thomas Baker of Messrs. Baker, Ruck and Jennings, Solicitors, London, p. 239

⁵³ CAMERON, *France and... Europe*, cit., p. 98.

⁵⁴ [H. POLLINS], *London General: The story of the London Bus 1856-1956* (London, 1956), p. 15.

taken by the French promoters, Joseph Orsi, a merchant and friend of Louis Napoleon, Leopold Foucard, a Parisian businessman, and Felix Carbelet, a former State Councillor, was a result of these Anglo-French conversations. The Company had a capital of £1 m. (Fr^s 25 m) and initially took over four London firms who owned 10 per cent of London's buses.⁵⁵ The company's shares were handled in London by Theodore Uzielli who had been a member of the English financial group interested in French railways during the 1840s.⁵⁶ The *Crédit Mobilier* may have been involved as Theodore and Mathieu Uzielli were its only two London shareholders and later Felix Cahaquet who held a high position within the *Crédit Mobilier* joined the bus company.⁵⁷ Two-thirds of the company's 15,000 issued shares were taken up by French investors and it was not until 1867 that the majority of the company's shares were in English hands. An attempt by the company to take over the Thames Steamboats failed and a parliamentary bill for tramways which it sponsored was defeated. By the end of the 1850s the anti-French feeling, the company's falling profits and the initial watering of its capital resulted in it being reformed under English company law on 1 January, 1859 as the British London General Omnibus Company Ltd.⁵⁸ Its annual reports continued to be printed in English and French until 1870 and French directors sat on its board until 1870.⁵⁹

The introduction of the *Société en Commandite* into English company law had been argued far from the late 1820s and the discussion about the reform of English law during the early 1850s came to focus on the advantages of the *Société en Commandite*.⁶⁰ In June 1855 when E.P. Bouverie, the Vice-President of the Board of Trade, introduced the bills to amend the law of partnership, and to apply limited liability to joint stock companies, he

⁵⁵ T. C. BARKER and M. ROBBINS, *A History of London Transport*, vol. I, « The Nineteenth Century », pp. 72-74.

⁵⁶ See above, p. 59.

⁵⁷ BARKER and ROBBINS, *op. cit.*, p. 74.

⁵⁸ *Ibid.*, pp. 75-95.

⁵⁹ CAMERON, *France and... Europe, cit.*, p. 98.

⁶⁰ J. SAVILLE, *Sleeping Partnership and Limited Liability, 1850-1856*, « Economic History Review », 2nd series, VIII (1955), pp. 420-428.

said that the second measure was especially important in view of the increasing numbers of companies that were registering under French and American laws.⁶¹ While English company law was reformed between 1855 and 1862 and in the process moved to being the most permissive code from one of the most stringent in Western Europe, the *Société en Commandite* was not incorporated into the English code until 1867, following a recommendation of the Select Committee on the Limited Liability Acts.⁶² It is doubtful whether by 1880 any companies had been formed on England on such a basis.⁶³ The French Code de Commerce therefore had some influence on the development of the English company law during the 1850s and 1860s. The Franco-British convention of 30 April 1862 which gave British companies the right to operate in France was one of the factors which resulted in the liberalisation of French law in 1863 and 1867.⁶⁴ During the 1870s, one French company, the *Compagnie bouillère de Graigola-Mertbyr*, with a capital of Frs. 7 m., was set up to work mines and a briquet factory at Swansea in the South Wales coalfield. Charles Dreyfus, an Alsatian, in 1876 formed the Clayton Ariline Co. Ltd., but with Swiss rather than French banking.⁶⁵ Scottish entrepreneurs between 1860 and 1865 built eight jute mills at Dunkirk⁶⁶ and in 1872 under English law the *Compagnie Générale des Asphaltes de France* was established in London with a capital of £ 72,000.⁶⁷ However this very limited

⁶¹ *Ibid.*, p. 429.

⁶² *British Parliamentary Papers X (1867), Report from the Select Committee on Limited Liability Acts.* Partnership law had been amended in 1865 to allow persons to lend money to partnerships and receive a rate of interest varying with the profits. The amendment was not successful and led to confusion see *The Economist*, 18-3-1865, p. 308, 9-12-1876, pp. 1429-1430; F. POLLOCK, *The Law of Partnership in England, with Special Reference to Proposed Codification and Amendments*, «Journal of the Institute of Bankers», I (1880), pp. 721-730; and M.D. MALLESON, *The Law of Partnership in England*, «*Ibid.*», V (1884), pp. 1-10.

⁶³ POLLOCK, *loc. cit.*, p. 724; see also the evidence of Sir GEORGE JESSEL, MASTER OF THE ROLLS, to the *Select Committee on the Companies Acts, 1862 and 1867, British Parliamentary Papers*, VIII (1877).

⁶⁴ FREEDMAN, *loc. cit.*, p. 198; CAMERON, *France and... Europe*, cit., p. 98.

⁶⁵ *Ibid.*, p. 98.

⁶⁶ CLAYTON, *op. cit.*, p. 46.

⁶⁷ T. SKINNER, *The Stock Exchange Year Book for 1879*, p. 222.

flow of capital between the two countries into manufacturing industry is very understandable since both English and French business firms and companies relied on internal sources and local external sources of funds for the finance of expansion. This had the result in both countries during the middle decades of the nineteenth century of firms making little use of the machinery of their national capital markets in London and Paris and also that the investment banks which were established at this time turned the savings that they mobilised to overseas ventures.⁶⁸

The Crimean war through the financing of the provision of military supplies led to a closer relationship between English and French bankers.⁶⁹ This co-operation was followed up by attempts to form Anglo-French joint stock banks; in 1855 under the onerous English banking code of 1844, the London and Paris Joint Stock Bank was formed which planned to open a branch in Paris and raise some of its capital in France. It was dissolved in September 1856 after the failure of the Royal British Bank which caused such concern in France that it was impossible to open a branch in Paris while the English shareholders' fears were aroused by its directors' plans to take over the business of the Royal British.⁷⁰ More successful was the *Caisse L'Alliance* (*Anglo-Française*), a French *société en commandite*, which began business in April 1856 with a capital of £200,000 and at the end of the year distributed a dividend of 16 per cent.⁷¹ Its main operations were in connection with the London and Paris foreign exchanges but one of its aims was the development of commerce with Turkey.⁷² One of the characteristics of the boom in England during the first half of the 1860s was the creation of a large number of financial institutions of which many were « Anglo-

⁶⁸ LANDES, *op. cit.*, pp. 209-210; COTTRELL, *loc. cit.*, *ad passim*.

⁶⁹ E. V. MORGAN, *The Theory and Practice of Central Banking, 1797-1875* (London, rep. 1965), p. 159; HUGHES, *op. cit.*, pp. 44-45.

⁷⁰ TOFT, *loc. cit.*, pp. 162-163; BASTER, *loc. cit.*, pp. 41-42.

⁷¹ H. AYRES, *Ayres' Financial Register* (London, 1857), p. 418.

⁷² « The Bankers' Magazine » (1856), pp. 511-512.

Continental banks».⁷³ The Cobden-Chevalier treaty had led to an increase in trade between Britain and France and a number of Anglo-French Banks. The most important was the Union Bank of England and France formed in 1862 which by amalgamation became «The European Bank». It opened branches in Paris, Marseilles, Amsterdam and Rotterdam but was a speculative affair and failed during the English crisis of 1866. Its liquidation together with the Franco-Prussian war stopped the establishment of further concerns.⁷⁴ Although French and German banks began to open branches in London during the 1870s, the major English domestic banks did not move overseas until after 1900 and then through separate subsidiaries such as Lloyds Bank (France) formed in 1911 and the London County and Westminster Bank (Paris) established in 1913.⁷⁵

Corporate investment banking in England in the 1860s arose from a number of indigenous financial developments including the money market's involvement in the provision of finance to railway companies, industrial banking, and the large increase in the export of capital. Anglo-French financial co-operation was a further factor which led to the establishment of investment banks or finance companies in London in 1863. There had been a number of attempts to form investment banks in 1856 but they were nipped in the bud by the crisis of 1857. There was an English element in the founding syndicate of the International Society of Commercial Credit consisting of W. Gladstone, Weguelin, the Governor of the Bank of England, and C. Bell, all partners in Thompson, Bonar & Co., Alderman Salomans, a director of the London and Westminster Bank, G. Morrison of Morrison, Dillion & Co., A. Hankey, S.H.J. Goldsmidt and R. Campbell. Its capital was to be raised in London, Paris and in the financial centres of Belgium, Germany and Holland but on its board of directors the

⁷³ See D.S. LANDES, *Bankers and Pashas* (London, 1958), pp. 55-70; COTTRELL, *The Financial Sector and Economic Growth*, *cit.*; and COTTRELL, *London Financiers and Austria: The Anglo-Austrian Bank*, «Business History», XI (1969).

⁷⁴ BASTER, *op. cit.*, pp. 42-43.

⁷⁵ *Ibid.*, pp. 57-58; T.E. GREGORY, *The Westminster Bank through a Century* (London, 1936), vol. II, p. 5.

French were to be firmly in control with 15 members as opposed to 6 English and 4 German representatives.⁷⁶ No more was reported of this proposed rival to the *Crédit Mobilier* but in 1859 Gladstone, Arles-Defour, Armand Donon, and David Hausmann of Berlin established the *Crédit Industriel et Commercial* which was a deposit bank and aimed at introducing the cheque into France. Though prohibited from participating directly in industrial enterprises, the *Crédit Industriel et Commercial* carried out underwriting and through its directors assisted floatations.⁷⁷ In England there was considerable opposition to the *Crédit Mobilier*; Newmarch in almost the manner of sermon preached doom for the *Mobilier* at the meeting of the British Association in 1858.⁷⁸ The finance companies, when they formed in the 1860s, were not welcomed by *The Economist* which distrusted the *Crédit Mobilier*, being in its view « nothing more than a wholesale dealer in stocks and shares » while in England:

« There is less call... for new developments of credit, for there are already more developments than elsewhere. The code of commercial morality too is different; the notion of 'rigging the market' is unpopular here, but it might be considered as a 'support' of friends or 'industry' in Paris ».⁷⁹

Similarly Henry Hucks Gibbs of Antony Gibbs and Sons, merchant bankers of London wrote:

« I don't like the idea of companionship with the *Crédit Mobilier* ... The French view of such matters is, I fancy that a loan for instance coming out at 20 prem., is an affaire faite; whereas we should think *someone* was being robbed, and should not like it — they would see with great equanimity the same go down to 20 disc. so that they had sold out — we shouldn't. In short I fear we might some day find ourselves dragged through mud against our will and without our knowledge ».⁸⁰

⁷⁶ « The Bankers' Magazine » (1857), p. 299.

⁷⁷ CAMERON, *France and... Europe, cit.*, p. 172.

⁷⁸ W. NEWMARCH, *On the Recent History of the Crédit Mobilier*, « Journal of the Statistical Society of London », XXI (1858).

⁷⁹ « The Economist », 9-5-1863, p. 506.

⁸⁰ Guildhall Library, London; papers of A. Gibbs and Sons, MS 11036/3, H. H. Gibbs, Private Letter Book, to William Gibbs, 2-5-1863.

Nevertheless there had been during the 1850s and early 1860s some co-operation with the *Crédit Mobilier* by London bankers and financiers. The *Crédit Mobilier* may have been involved in the formation of the *Compagnie Générale des Omnibus de Londres* in 1855,⁸¹ Francis Baring was a member of the financial group headed by the *Crédit Mobilier* which took over the Russian railway system and part of the Austrian network in 1856,⁸² and in 1863, partly as a result of pressure from the French educated Turkish ministers, Fuad Pasha and Ali Pasha, the Ottoman Bank joined the *Crédit Mobilier* in establishing the Imperial Ottoman Bank under Turkish law with committees of directors in Constantinople, London, and Paris.⁸³ Between 1863 and 1865 35 finance companies were formed publicly in London⁸⁴ of which two, the International Financial Society and the General Credit and Finance were linked with the French banks — the *Crédit Mobilier* and the *Société Générale*, and a third, the Credit Foncier and Mobilier of England claimed a relationship with the *Crédit Mobilier* in the difficult year of 1866. Some lesser English finance companies also had continental connections; on the Board of the Public Works Credit Company of London and Paris were English and French bankers,⁸⁵ while the English and Foreign Credit Company had a lengthy list of European correspondents.⁸⁶

The General Credit and Finance was the first of the Anglo-French banks to appear on the London market.⁸⁷ Some of its directors, S. Laing, E. Blount, M. Uzielli and T. Brassey had been involved in French Railway finance during the 1840s and in the 1850s had been members of the Rothschild syndicate for the

⁸¹ BARKER and ROBBINS, *op. cit.*, p. 74.

⁸² CAMERON, *France and... Europe, cit.*, p. 276.

⁸³ *Ibid.*, p. 187; *The Bankers' Magazine* (1863), p. 267; (1864), pp. 650-656; G. YOUNG, *Corps de Profit Ottoman* (Oxford, 1906), vol. V, p. 30; LANDES, *Bankers and Pashas, cit.*, pp. 61-67.

⁸⁴ From the annual lists of public company floatations prepared by Messrs. Spackman & Co., published in «The Times», and reprinted in «The Commercial History and Review», a retrospective annual supplement to «The Economist» from 1864.

⁸⁵ «The Economist», 23-5-1863, p. 588; in 1864 it merged with the European and American Finance Corporation. «The Bankers' Magazine» (1865), p. 329.

⁸⁶ «The Economist», 23-4-1864, p. 539.

⁸⁷ *Ibid.*, 23-5-1863, p. 588.

Lombard-Venetian line⁸⁸ while Uzielli had sold in London the shares of the *Compagnie Générale des Omnibus de Londres*.⁸⁹ In addition S. Laing and E. Blount together with Basile Parent and Jacques Ruffer were directors of the *Société de Crédit Genèvois*.⁹⁰ There had been already some rivalry between this group and the *Crédit Mobilier's* future English partners as in 1856 Uzielli together with Laing and Brassey had tried to form the Imperial National Bank of Turkey in opposition to the Ottoman Bank probably not so much to obtain the Ottoman banking concession but rather to fish for railway contracts.⁹¹ Paulin Talabot, the representative of the allied French bank received 20,000 £20 shares of the General Credit but he sold them all six months before the French bank had received its charter.⁹² An immense amount of political pressure was required before the *Conseil d'Etat* was prepared to grant the *Société Générale* the necessary charter which delayed the bank's foundation. The failure to establish the *Société Générale* in 1863 delayed the appearance of the General Credit in London.⁹³ At a special meeting of the General Credit on 19 May 1864 the successful formation of the French bank was announced; the General Credit issued a further 125,000 shares of which 20,000 went to the *Société Générale* in return for 19,000 French shares.⁹⁴ By the 1866 crisis the French shareholding interest in the General Credit had fallen considerably.⁹⁵

Within ten days of the foundation of the General Credit and Finance in 1863, the *Crédit Mobilier* had registered apparently its answer to this challenge in London. Following a visit to London by Charles Mallet⁹⁶ meetings had taken place through May at Messrs. Heath & Co., attended by Bonamy Dobree, late Governor of the Bank of England, G. Peabody, K. Hodgson, D. Meinertz-

⁸⁸ See above, p. 64 and CAMERON, *France and... Europe*, p. 224.

⁸⁹ BARKER and ROBBINS, *op. cit.*, p. 74.

⁹⁰ CAMERON, *France and... Europe, cit.*, p. 175.

⁹¹ BASTER, *op. cit.*, p. 83.

⁹² Public Record Office, London; BT 31/771/3380; hereafter referred to as P.R.O.

⁹³ « The Bankers' Magazine » (1863), p. 476.

⁹⁴ *Ibid.* (1864), p. 560; « The Economist », 7-5-1864, p. 584.

⁹⁵ P.R.O., BT 31/771/338C.

⁹⁶ Gibbs Papers, MS 11036/3, H.H. Gibbs Private letter book, to W. Gibbs, 1-5-1863; see also « The Times », 1-5-1863, 6-5-1863, 8-5-1863.

hagen of F. Huth & Co., Crawford of Schrodgers, T. Baring and others to discuss a proposal from the *Crédit Mobilier* to form an English associate. The ground for cooperation had been established by the reconstruction of the Ottoman Bank as the Imperial Ottoman Bank in February, 1863. While the London merchant banking community welcomed the idea of establishing an investment bank, they insisted that it should be independent but were prepared to co-operate with the *Crédit Mobilier*. Negotiations with Paris continued through M. Grienniger, who replaced C. Mallet, and G. E. Seymour, a London stockbroker and confidant of Glyn, Mills, and on 11 May the following memorandum was drawn up and signed:

« 'International Financial Society' »

It is understood that this Society is formed upon the basis of mutual relations with the societies of Paris, Spain, Italy and Amsterdam.

That it is to act in all business transacted by the societies of Paris, Spain and Italy as their sole agent here and vice versa.

It is also understood that in consideration of 50,000 shares the principle of an optional participation in financial operations entered into by the Credit Mobilier of Paris (and through it with its affiliated societies of Spain, Italy and Amsterdam and the associated Paris Houses) shall be extended to this society vice versa.

Approved R. A. HEATH - International Financial Society
J. GRIENNIGER - Crédit Mobilier ».⁹⁷

The International's Board consisted of R. A. Heath of Messrs. Heath & Co., Robert Benson of Messrs. Robert Benson & Co., Bonamy Dobree of Messrs. Samuel Dobree & Sons, John F. Flemmick of Messrs. Frederick Huth & Co., Junius Spencer Morgan of Messrs. G. Peabody & Co., W. E. Quentell of Messrs. Fruhing and Goschen, and Hermann Stern of Messrs. Stern Brothers. As well as having a link with the *Crédit Mobilier*, the International was also connected with the Imperial Ottoman Bank through W. R. Drake its solicitor, a connection which was reinforced when

⁹⁷ International Financial Society, Minutes of Board Meetings, May 1863; henceforth referred to as I.B.; see also «The Economist», 16-5-1863, p. 537; «The Bankers' Magazine» (1863), p. 518.

L.M. Rate, a director of the bank, joined the Board of the International in 1864,⁹⁸ and with the Anglo-Austrian bank which was being formed at the same time by George Grenfell Glyn of the Society's bankers. During the 1860s and 1870s the links with these banks, one of which was Anglo-French, were more important than the society's relationship with the *Crédit Mobilier* which deteriorated after the joint floatation of the Mexican loan of 1864. Herman Stern was to become a London director of the Anglo-Austrian Bank⁹⁹ and Messrs. Robert Benson & Co., had been concerned with Glyn, Mills in the establishment a year earlier, in May, 1862, of the London and Brazilian Bank.¹⁰⁰ While the inspiration for the formation of the International Financial Society may have come from the *Crédit Mobilier*, in its subsequent activities the Society was rather a facet of the interests of a loosely allied group of London merchants, bankers and financiers who on the relaxation of English company law established various financial institutions to assist their private business affairs. During the 1860's boom this process continued with the International, the issuing house for the group, aiding the formation of the Anglo-Italian Bank, the London and San Francisco Bank, and the Bank of Roumania and further overseas banks were similarly established in the booms of the early 1870s and early 1880s. In sharp contrast to this continuing process, close co-operation between the International and the *Crédit Mobilier* only took place in 1863 and 1864 but Charles Mallet did continue to be an associate of the International.

The International Financial Society was formed with a nominal capital of £3 m. consisting of 150,000 £20 shares of which 110,000 were taken by its Anglo-French founders and 40,000 were issued on the London market to the public.¹⁰¹ The public subscription closed on 15 May 1863 with applications for 470,000 shares,¹⁰² the issue being oversubscribed by a multiple of 11.75.

⁹⁸ I.B., 1-12-1864.

⁹⁹ COTTRELL, *London Financiers and Austria*, cit., p. 112.

¹⁰⁰ D. JOSLIN, *A Century of Banking in Latin America* (Cambridge, 1963), pp. 64-65.

¹⁰¹ INTERNATIONAL FINANCIAL SOCIETY, *Prospectus*.

¹⁰² I.B., 14-5-1863.

The founders sold their shares through two London Stock Exchange syndicates which ran from May 1863 until at least 7 April 1864,¹⁰³ during which time the premium on the Society's shares fluctuated from £12 (13 May 1863) to £4 1s. 3d. (15 January 1864). The French founders' holdings of shares of the International were sold through the second syndicate which in total sold at 43,386 shares for a total net profit of £177,825 16s. 2d.¹⁰⁴ The French interest which had been of the order of 32,500 shares including the holdings of the *Mobilier's* affiliates,¹⁰⁵ stood at 11,505 shares at the end of September, 1863 and the remaining balance of 7,230 shares at the closure of that stock exchange account had been sold by the middle of October. The French-held shares participated in the syndicate on the same basis as other holdings with the net profit, as in the case of the first syndicate, being divided in the ratio of shareholdings. The Society's shares were dealt in on the Paris Bourse but it would appear that at least a third of the French held shares were sold on the London market where possibly the price was higher. The withdrawal of all French capital invested in the Society's shares within six months of its foundation would indicate that the *Crédit Mobilier* was more interested in profits from the stock market than the establishment of an enduring Anglo-French financial axis. The withdrawal of its equity interest removed any possibility of the *Crédit Mobilier* having any control over the International's activities.

In 1863 the International Financial Society promoted the Land Securities Company¹⁰⁶ in which Mallet Frères took 700 shares.¹⁰⁷ After the profitable floatation of the Lands Securities

¹⁰³ Guildhall Library, London, Papers of F. Huth & Co., MS 10, 700/2, 1506.

¹⁰⁴ *Ibid.*, Unfortunately only some of the account papers of the second syndicate are legible and so a complete picture of its operations cannot be established.

¹⁰⁵ The *Crédit Mobilier* took initially 12,000 shares, the *Credito Mobiliario* 6,000 shares, the *Credito Mobiliare*, 5,000 and the *Crédit Neerlandais* 4,000. Emile Pereire bought 1,500 shares as did his brother Isaac while Mallet Frères took 2,500. Companies Registration Office, London, International Financial Society, File No. 415c, Part I.

¹⁰⁶ I.B., 3-12-1863; 17-12-1863; 21-12-1863, 14-1-1863; «The Economist», 16-1-1864, p. 78. The proposal to form the company came from W. Napier, the Managing Director of the Lands Improvement Company, the most successful of the private land finance companies formed during the 1850s.

¹⁰⁷ P.R.O., BT31/866/852C.

Company, the International received a proposal from Charles Mallet, probably on behalf of the *Crédit Mobilier*, to form a *Crédit Immobilière* in England and this the board agreed to pursue.¹⁰⁸ The International attempted to combine this French suggestion with a proposal to buy land in Cornwall but Mallet was not attracted. He, together with the Pereire brothers and Hottinguer put forward the idea of an English Real Estate Company with a nominal capital of £1 m., made up of 50,000 £20 shares of which the International was to take a fifth.¹⁰⁹ The proposal may have been discussed in London, but no action was taken and probably as a result, after a month, Mallet's original proposal, the *Société Immobilière*, was revived in a new form based on a projected new street in London's West End. As in the earlier French proposal, the International was to provide a fifth of the initial capital by taking 10,000 shares.¹¹⁰ This second French proposal was very similar in nature to the undertakings of the Pereires in Paris which were absorbing an ever increasing amount of the Mobilier's capital. These propositions from Paris for an English *Immobilière* may have been an attempt to raise capital on the London market through the International for its ailing French ally. However probably the last thing that the International's directors desired was to have their resources run dry in common with those of the *Crédit Mobilier* in the financing, through the French *Crédit Immobilière*, the architectural beautification of Paris. In December 1863 the directors of the International had declined a direct invitation from the *Crédit Mobilier*, to participate in a Parisian building scheme.¹¹¹ Therefore the International was not going to come to the aid of the *Crédit Mobilier* but it was prepared to co-operate in other ventures. The Mobilier had not gained a new associate but it had, as a founder of the International, obtained substantial profits from the London company's promotion. Similarly the link between the General

¹⁰⁸ I.B., 29-2-1864.

¹⁰⁹ *Ibid.*, 14-4-1864.

¹¹⁰ *Ibid.*, 21-5-1864.

¹¹¹ *Ibid.*, 14-12-1863.

Credit and the *Société Générale* was not a strong bond and did not provide a channel for capital flows between London and Paris.

The high point of co-operation between the International and the *Crédit Mobilier* was in the years 1863 and 1864, before the Mexican loan failure, but it was very much one sided with the *Mobilier* attempting to induce the International to participate in its ventures. The directors of the International only offered the *Mobilier* an involvement in schemes it was carrying out in London on two occasions. The International Financial Society undertook in June, 1863 the promotion of the Egyptian Commercial and Trading Company, a venture which had been conceived by E. Dervieu, a French banker in Egypt, and Ismail, the Viceroy of Egypt.¹¹² However the *Crédit Mobilier* refused to take up the 5,000 shares of the company that had been reserved for it by the International and the London board learned through Charles Mallet that « the Credit Mobilier objected to be a founder »¹¹³ of what promised to be a lucrative concern.¹¹⁴ The *Crédit Mobilier's* place was taken by Fruhling and Goschen,¹¹⁵ a London merchant bank associated with the International while the other founders of the Egyptian Commercial and Trading company were Marcuard André et Cie, Dervieu's correspondent in Paris, W. F. Jaeger and S. Subzbach of Frankfurt a.M., and Oppenheim, Nephew & Co., and E. Dervieu et Cie of Alexandria.¹¹⁶ The German element in the syndicate was due to Henry Oppenheim having been given the task by Dervieu of assembling European financial support for the company. While the *Crédit Mobilier* refused to promote the Egyptian concern, it did accept a small participation in the refloatation of the Hudson's Bay Company which was carried out

¹¹² See LANDES, *Bankers and Pashas. cit.*, pp.151-154.

¹¹³ I.B., 2-6-1863, 9-6-1863.

¹¹⁴ Landes had speculated that Dervieu's position in Egypt was threatened by the aggressive imperialism of the *Crédit Mobilier*; this evidence of the *Crédit Mobilier's* lack of interest in the Trading Company would appear to show that Dervieu had little to fear from the juggernaut. See LANDES, *Bankers and Pashas, cit.*, p. 164.

¹¹⁵ INTERNATIONAL FINANCIAL SOCIETY, *Minutes of Committee Meetings*, 1-7-1863 henceforth referred to as I.C.

¹¹⁶ P.R.O., BT31/790/481C.

by the International during the summer of 1863.¹¹⁷ It should be noted that both these London offers of participations to the *Crédit Mobilier* came within a month of the establishment of the International when the *Crédit Mobilier* still had a large shareholding in the London bank. After June, 1863 the flow of proposals from London to Paris ceased.

In 1863 and during the early months of 1864 the International received a number of propositions from its Parisian associates, all of which the London board declined. These opportunities for co-operation included the establishment of a *comptoir d'escompte* at Marseilles¹¹⁸ and the financing of a Paris to Dieppe canal;¹¹⁹ and the *Crédit Néerlandais* invited the International to jointly finance a timber project in Venezuela¹²⁰ which was only the proposal that the International received from an affiliate of the *Crédit Mobilier*. It would appear that there was little co-operation between the General Credit and Finance¹²¹ and the *Société Générale* in the promotion of companies and railways. Alphonse Pinard of the *Comptoir d'Escompte* and *Crédit Foncier Colonial* did become a director of the Land Mortgage Bank of India (*Crédit Foncier Indien*) established by the General Credit and Finance in 1863¹²² but this would appear to be the only case of a French involvement in such affairs. The major field of co-operation between both London-Paris investment bank alliances was the government loan business and in this area the two alliances both co-operated together and were in competition.

The *Crédit Foncier* offered the International a participation in a credit for the Russian government in September 1863,¹²³ and in the following month the London board received an invitation to join the *Crédit Mobilier* and the *Crédit Néerlandais*¹²⁴ in

¹¹⁷ I.B., 24-6-1863.

¹¹⁸ *Ibid.*, 3-12-1863.

¹¹⁹ *Ibid.*, 1-10-1863, 19-11-1863.

¹²⁰ *Ibid.*, 3-12-1863.

¹²¹ Unfortunately the records of the General Credit and Finance have not survived.

¹²² P.R.O., BT31/827/672C; « The Bankers' Magazine » (1863), p. 824.

¹²³ I.B., 28-9-1863.

¹²⁴ *Ibid.*, 15-10-1863.

providing a loan for Austria which the International declined as it would have brought it into competition with the Anglo-Austrian Bank with which it was associated.¹²⁵ The International did underwrite a *tranche* of £0.25 m. of the Turkish loan of 1863 issued by the *Crédit Mobilier* and the Imperial Ottoman Bank and the bonds held by the International were placed on the Paris market by the *Crédit Mobilier*.¹²⁶ The Imperial Ottoman Bank's monopoly of Turkish state finance was challenged in 1865 by the General Credit and the *Société Générale*. S. Laing, the Chairman of the General Credit, obtained a contract to convert the internal Turkish debt into an externally held loan. The London agency of the Imperial Ottoman Bank were offered a participation in the loan by Laing¹²⁷ which was refused after the matter had been discussed with the bank's Parisian directors.¹²⁸ The conversion loan was subsequently issued by the *Credit'anstalt*, the General Credit and Finance, and the *Société Générale*.¹²⁹ This invasion of the Imperial Ottoman Bank's financial domain was rebuffed through an advance and a new public loan arranged for the bank by the Pereires and Mallet.¹³⁰ The two groups of investment banks did co-operate in meeting the financial needs of the Italian government. In May 1864, the International Financial Society had been approached by General Credit and Finance to establish jointly a company to negotiate the sale of the Italian state domains.¹³¹ This invitation was declined as the International together with the Anglo-Italian Bank, which it had promoted, were forming jointly the Italian Land Credit Company. The *Crédit Mobilier* also invited the International to join a plan to issue debentures on the security of Italian state lands, which the London-board also declined as it thought that it would « not be possible at present to place any amount... [in London] at

¹²⁵ See COTTRELL, *London Financiers and Austria*, cit.

¹²⁶ I.B., 4-2-1864, 28-3-1864.

¹²⁷ IMPERIAL OTTOMAN BANK, *Minutes of the London Agency*, 14-4-1865.

¹²⁸ *Ibid.*, 17-5-1865.

¹²⁹ « The Bankers' Magazine » (1865), p. 781; LANDES, *Bankers and Pashas*, cit., CAMERON, *France and... Europe*, cit., p. 462.

¹³⁰ IMPERIAL OTTOMAN BANK, *Minutes of the London Agency*, 20-12-1865.

¹³¹ I.B., 19-5-1864.

anything like a reasonable price». ¹³² While the International vacillated the General Credit and Finance and the *Société Générale* made an advance of *Frs.* 150 m. to the Italian government and obtained the concession to sell the state domains. In January 1865 the £8 m. nominal Italian 5 per cent state domain loan was issued by the General Credit and Finance, the *Société Générale*, the *Crédit Lyonnais*, the *Banque de Crédit et Dépôt des Pays Bas*, the *Banque de Crédit Genevois*, the National Bank of Italy, Von Erlanger of Frankfurt a M., and the Italian Land Company which had been established by the International Financial Society and the Anglo-Italian Bank. ¹³³

The climax of co-operation between the *Crédit Mobilier* and the International Financial Society was the floatation for the French government and Archduke Maximilian of the 6 per cent. Mexican loan of 1864. At the beginning of March, 1864 two directors of the International went to Paris to finalise the arrangements with the *Crédit Mobilier* for the issue of the loan ¹³⁴ but quickly learned that their French ally had decided to withdraw. ¹³⁵ The *Crédit Mobilier* suggested that the International should find other collaborators, naming the General Credit and Finance, which initially agreed. ¹³⁶ However at the same time the *Crédit Mobilier* was negotiating with Glyn, Mills, through G. E. Seymour, and a contract was signed on 20 March for the loan to be issued in London and Paris within a fortnight of Maximilian receiving the Mexican crown. ¹³⁷ The International's board in London heard of these negotiations three days later ¹³⁸ and the Society was offered by George Grenfell Glyn a participation of 50 per cent

¹³² *Ibid.*, 15-9-1864.

¹³³ «The Bankers' Magazine» (1865), pp. 358, 413; «The Economist», 7-1-1865, p. 4; £2.5 m. nominal of the loan was issued on the London market. E. Erlanger had co-operated with the General Credit in taking over the South East of Portugal railway in April, 1864, see P.R.O., BT31/482/1889.

¹³⁴ *I.B.*, 14-3-1864.

¹³⁵ *Ibid.*, 15-3-1864.

¹³⁶ *Ibid.*, 16-3-1864.

¹³⁷ Glyn, Mills & Co., London Archives, File 5 «Mexican 6 per cent loan, 1864».

¹³⁸ *I.B.*, 23-3-1864.

which it accepted.¹³⁹ By this agreement the International replaced the *Crédit Mobilier* and the loan became an entirely English affair. By 4 April the form of scrip had been agreed in Paris and Hope, the manager of the International, was now trying to obtain a concession for a bank for the new empire.¹⁴⁰

The final discussions proved to be protracted as fresh difficulties arose in Paris; so much so that the International telegraphed Hope;

« desiring him to return with the money unless the Arch Duke's acceptance of the Crown and signature to the Decree for the loan were not obtained during the Present Week ».¹⁴¹

The apparent final agreement was reached on 11 April and a further contract was signed making the necessary alterations to the original of 20 March.¹⁴² This did not prevent discussions from continuing amongst the bankers and on 16 April, the day when the prospectus was due to appear in London, George Grenfell Glyn and Hermann Stern, a director of the International, came to a new agreement with the *Crédit Mobilier*¹⁴³ which brought it back into the issuing syndicate together with its affiliated societies in Italy, Spain and Holland. The loan for £12.365 m. nominal was received poorly on the London market where it attracted only 115 applications for £0.5 m. nominal stock but in Paris 80,072 investors applied for £8 m. nominal.¹⁴⁴ George Grenfell Glyn wrote to Charles Mallet:

« I cannot disguise it, the affair here has been a total failure and must be so considered. You carry it through in Paris upon terms which we cannot here accept ».¹⁴⁵

¹³⁹ Glyn, Mills & Co., Archives, File 5, letter 24-3-1864, R. A. Heath to Messrs. Glyn, Mills.

¹⁴⁰ I.B., 4-4-1864.

¹⁴¹ *Ibid.*, 5-4-1864, 6-4-1864.

¹⁴² Glyn, Mills & Co., Archives, File 5; *Annexe supplémentaire à La Convention faite à Paris entre son Excellence M. Le Comte Fery Zichy et M. M. Glyn, Mills et cie de Londres, le 20 Mars.*

¹⁴³ I.B., 16-4-1864.

¹⁴⁴ Glyn, Mills & Co., Archives, File 5.

¹⁴⁵ *Ibid.*, G. G. Glyn to C. Mallet, 29-4-1864.

In London the subscription list had been closed within a week of the appearance of the loan's prospectus.

The English and French issuing houses faced a major problem for less than half of the loan had been taken up by the public. Drake, the International's solicitor and a director of the Imperial Ottoman Bank, thought that the nominal amount of the loan could not legally be altered without Maximillian's sanction. The French government offered to withdraw its portion of the loan (£4.365 m. for French war expenses) and Glyn quickly instructed Newmarch, his general manager, to «see the Minister and get his formal written withdrawal of his portion».¹⁴⁶ The *Crédit Mobilier* not only had to face the financial difficulties but also the political consequences for it was linked closely with the government of the Second Empire while the failure of the loan gave its enemies an opportunity to attack it. The French investment bank decided to take firm the unsubscribed balance of the loan, approximately £2.1 m. at the issue price of £63 per £100 nominal, and asked both Glyn, Mills and the International to join it in this undertaking. The two English banks refused to entertain the proposal but offered to surrender to the *Crédit Mobilier* «all profit in the matter on being guaranteed against all charges, expenses or losses arising from or connected with the loan».¹⁴⁷ The loan received a special settlement on the London Stock Exchange on 12 May,¹⁴⁸ but, after having arranged this, Glyn, Mills and the International passed the servicing of the loan in London to Barings, the Mexican financial agents in London.¹⁴⁹

The failure of the 6 per cent. Mexican loan brought to a close the period of relatively close contact between the International Financial Society and the *Crédit Mobilier*. The two institutions did continue to exchange business proposals but far more spasmodically than before. The break-down of the loose

¹⁴⁶ I.B., 5-5-1864.

¹⁴⁷ *Ibid.*

¹⁴⁸ *Ibid.*, 12-5-1864.

¹⁴⁹ *Ibid.*, 1-6-1864.

relationship between the International and the *Crédit Mobilier* may have been the result of a number of factors, not all of which were a result of the Mexican loan. By May, 1864 the *Crédit Mobilier* no longer had a substantial equity interest in the International and after the spring of 1864 it became progressively more difficult to raise capital on the London market. With respect to the Mexican loan, strains may have arisen between the two banks from the negotiations leading to the issuing of the loan as well as from its failure. The *Crédit Mobilier* in negotiating separately with both the International and Glyn, Mills may, in the eyes of the International's directors, have proved itself to be an untrustworthy business partner. Certainly after the failure of the loan the *Crédit Mobilier* must have felt aggrieved when its English partners refused to take up any of the unsubscribed portion of the loan.

Even after the debacle of the Mexican loan of 1864 there was some interplay of business activity between the International and the *Crédit Mobilier* and on two occasions the initiative came from London. In June, 1864 the possibility of a loan, secured on debentures, to the West Swiss railway was referred to the *Mobilier*¹⁵⁰ and in February 1865 the International approached Charles Mallet, who usually acted as the intermediary between the two banks, asking if it was possible to borrow in Paris on the security of bonds of the Malaga and Cordoba railway, a line which the International was financing.¹⁵¹ A continuing link between the International and the *Crédit Mobilier* was the Imperial Ottoman Bank, an Anglo-French institution. The *Crédit Mobilier* had attempted twice to establish a bank in Bucharest in the new nation of Roumania but despite some progress during the second round of negotiations in 1863 the concession was not ratified by the Roumanian Parliament. A third opportunity arose in 1865 when the nationalistic Couza regime authorised the formation of the *Banca Roumanei*. The *Crédit Mobilier* was unable to pursue

¹⁵⁰ I.B., 9-6-1864.

¹⁵¹ I.C., 20-2-1865.

the matter because of its increasing internal financial difficulties but a syndicate composed of the Pereires, Mallet Frères, the Imperial Ottoman Bank and the International Financial Society undertook the concession. The new bank took over the existing agencies of the Imperial Ottoman at Bucharest and Galatz.¹⁵² The International took 2,000 shares in the bank¹⁵³ while the Imperial Ottoman took a financial interest equivalent to the capital that it had invested in its former agencies.¹⁵⁴ Though the *Banca Roumanei* did not extend the financial territory of the Anglo-French financial institutions concerned in its formation, the establishment of the bank did allow them to realise some of their capital, raise more through a public issue of securities, and meet the aspirations of Roumania, a happy coincidence of interests.

Most of the English finance companies failed during the crisis of 1866 and the General Credit and the International were affected seriously by the crisis. Until the late 1870s over 50 per cent of the International Financial Society's assets were illiquid and consisted of securities acquired during the 1860's boom. After the 1866 crisis the General Credit became a discount house and was renamed the General Credit and Discount company, though it continued to do a certain amount of investment banking until the late 1870s. When the General Credit was reformed, its original link with the *Société Générale* was retained with the French company being given the right to take 16 per cent of any shares issued by the General Credit.¹⁵⁵ During the Franc-Prussian war the General Credit came to the assistance of the *Société Générale* by providing it with a credit.¹⁵⁶ This link may also have been responsible for the General Credit and Discount in March 1874

¹⁵² IMPERIAL OTTOMAN BANK, *Minutes of London Agency*, 14-12-1864; CAMERON, *France and... Europe*, *cit.*, pp. 189-190; BASTER, *op. cit.*, p. 99.

¹⁵³ I.B., 7-12-1865; I.C., 16-12-1865.

¹⁵⁴ BASTER, *op. cit.*, p. 99.

¹⁵⁵ P.R.O., BT31/1301/3324.

¹⁵⁶ The Library, School of Oriental and African Studies, University of London; Mackinnon Papers, Box 130, ff. 7-10, 13; Box 137, ff. 45-46. W. Mackinnon was a director of the General Credit and Discount from 1866 until 1880.

issuing on the London market 3 per cent *obligations* of the Orleans and Chalons railway.¹⁵⁷ Edward Blount, Brassey's sleeping partner, who had been involved in the finance of French railways in the 1840s and who was a director of the General Credit and Finance, the General Credit and Discount, and the Union Discount Company of London formed in 1884 by the merger of the General Credit with the United Discount Corporation, was also throughout his life the London representative of the *Société Générale*.¹⁵⁸ His own private bank Edward Blount & Co., was taken over the *Société Générale* in 1870 and Blount became president of the *Société Générale*, a post he retained until 1914.¹⁵⁹

The main financial allies of the International Financial Society during the 1860s' boom had been its associated English merchant banks together with the Imperial Ottoman Bank and the Anglo-Austrian Bank. Therefore the International was unaffected by the failure of the *Crédit Mobilier* in 1867 though it was in a difficult financial position after the crisis of 1866. Between 1867 and 1876 the International Financial Society relied continually on its associated merchant banks, the Imperial Ottoman Bank, and the Anglo-Austrian Bank for funds and participations in various financial affairs. It retained its link with Mallet Frères, in 1873 became the London agents for the *Banque Française et Italienne*,¹⁶⁰ and did co-operate occasionally with the *Crédit Mobilier de Paris*.¹⁶¹ In the early 1870s a further attempt was made to establish an investment bank which would provide a link between the capital markets of London and Paris. The founders of the London Banking Association were Julius Beer, H.L. Bischoffshein, A. de Laski, Henry Oppenheim, Baron H. de Stern, J. Stewart and Christopher Weguelin in London and E.A. Archdeacon, Comte de Germiny, A.E. Joubert, Adolphe de Haber, Samuel de Haber

¹⁵⁷ « The Economist », 21-3-1874, p. 375.

¹⁵⁸ S. J. REID (ed.), *Memoirs of Sir Edward Blount* (London, 1902), pp. 99-150.

¹⁵⁹ P. H. EMDEN, *Money Powers of Europe* (London, 1938), p. 132. Blount was also chairman until 1894 of *C. de F. de L'Ouest*.

¹⁶⁰ I.C., 30-5-1873.

¹⁶¹ I.B., 12-2-1874.

and Antoine Schnapper in Paris.¹⁶² The main driving force behind the London Banking Association during the 1870s would appear to have been the Bischoffsheim group of banks. The London Banking Association together with the *Banque de Paris et des Pays-Bas*, Baron Louis d'Erlanger, H. Oppenheim and Louis Beer established the Mercantile Bank of the River Plate.¹⁶³ The London Banking Association and the *Banque de Paris et des Pays Pas* were the two channels for short term loans to the Spanish government during the first half of the 1870s.¹⁶⁴ Both the London Banking Association and the Mercantile Bank of the River Plate went into liquidation during the late 1870s' financial depression.

The International Financial Society did take an interest in the finance of French railways at the close of the 1860s and during the early 1870s. In 1869 the International joined Mallet Frères and E. Gouvin and tried to obtain the concessions for *La Vendée* and the Sedan and Lerouville lines,¹⁶⁵ and in the same year, in conjunction with Perier Frères' and Baron de Toncy, tendered for the Tulle and Clermont line.¹⁶⁶ The International refused in 1872 to provide a Mr. Harding, resident of Paris, with finance for the Amiens to Dijon line after consulting the *Banque Française et Italienne*.¹⁶⁷ In the early 1870s the International also declined to join in a loan to *Le Creusot*¹⁶⁸ and to provide the Honfleur Sagur refinery with finance.¹⁶⁹ Similarly it refused to finance, together with the Anglo-Austrian Bank, a new sewage scheme for Paris¹⁷⁰ but in 1872 it did obtain a 3 per cent participation in the finance of the *ligne de circonvallation* for Paris.¹⁷¹

¹⁶² P.R.O., BT31/1677/15957.

¹⁶³ H. S. FERNS, *Britain and Argentina in the Nineteenth Century* (Oxford, 1960), pp. 361-362.

¹⁶⁴ I.C., 17-5-1872, 21-5-1872, 24-5-1872; I.B., 4-7-1872, 22-8-1872, 26-9-1872.

¹⁶⁵ I.C., 3-2-1869, 12-2-1869, 7-6-1869, 12-7-1869; I.B., 1-4-1869, 3-6-1869.

¹⁶⁶ I.C., 27-7-1869.

¹⁶⁷ I.B., 1-8-1872.

¹⁶⁸ *Ibid.*, 6-10-1872; I.C., 7-10-1870.

¹⁶⁹ I.B., 5-12-1872; 2-1-1873.

¹⁷⁰ *Ibid.*, 17-10-1872.

¹⁷¹ *Ibid.*, 4-4-1872.

J.S. Morgan & Co., was one of the merchant banks associated with the International and through this link, the International obtained £150,000 at 80¹⁷² of the £10 m. nominal 6 per cent loan issued by J.S. Morgan for France at 85. The subsequent French war loans were floated by Rothschilds and Barings but through the Imperial Ottoman Bank the International obtained a portion of the French loan of 1871.¹⁷³ The International speculated heavily in the French loan of 1872 and tried to obtain scrip in the London market and, through Stern Brothers and the *Banque de Paris et des Pays-Bas*, from the continental bourses. The Imperial Ottoman Bank provided the International with participations in both public loans and private advances to the governments of Egypt and Turkey but offers of participations, which were usually accepted, came also from the *Société Ottomane de Change et des Valeurs*,¹⁷⁴ Ott, Asser & Co., merchant bankers of London and Paris,¹⁷⁵ Marcuard, André of Paris,¹⁷⁶ and the *Crédit Mobilier de Paris*.¹⁷⁷ This highly lucrative business came to an end in 1875 and 1876 with the defaults of Turkey and Egypt.

The International's main link with France, the *Crédit Mobilier*, waned in the strength after 1864 and was cut completely in 1867 with the failure of the *Mobilier*. The Imperial Ottoman Bank was an Anglo-French financial institution but from 1880 it became increasingly dominated by the French section of its management to the extent that the bank became prior to the First World War the mouthpiece of the forward policy of the French government in the Balkans and the instrument of its execution in the economic sphere.¹⁷⁸ By the end of the 1870s economic liberalism was being rejected in Europe; Bismarck imposed industrial tariffs in 1880 and French tariffs were raised in May, 1881. The rise of protectionism altered the Anglo-French financial

¹⁷² *Ibid.*, 24-10-1870, 25-10-1870.

¹⁷³ *Ibid.*, 22-6-1871, 13-7-1871.

¹⁷⁴ *Ibid.*, 28-1-1873, 13-3-1873, 25-2-1875; I.C., 15-2-1875.

¹⁷⁵ I.B., 29-1-1874.

¹⁷⁶ *Ibid.*, 29-1-1874.

¹⁷⁷ *Ibid.*, 12-2-1874.

¹⁷⁸ BASTER, *op. cit.*, pp. 100-112.

climate and the two economies began to move apart as their external interests no longer coincided. English capital exports to Europe fell after 1875 and British overseas lending in the 1880s was directed mainly to the United States, Australia, and the Argentine, while French capital remained predominantly in Europe. The shift in overseas economic interests was not permanent and after 1900 it would appear that British capital again moved into Europe and the Middle East through channels which were in some cases established by Anglo-French financial co-operation.