

THE MARCONI AFFAIR

(Specially contributed to *The Monetary Times*.)

When British cabinet ministers are tempted to speculate again, it will likely be under a *nom de plume*. The "Marconi affair" caused their honor to be assailed, although the later investigation left spotless characters. But as speculators the ministers appear to have been prime failures. According to *The Round Table*, which prints an interesting story of the happenings, "the City" thinks, and says so quite plainly, that the ministers have been gambling. "It things also, and does not hesitate to say, that, considering their positions and their salaries, they had no need, and certainly no business, to be gambling, and that the discredit of their particular gamble is enhanced rather than excused by the fact that they were losers. For what two of them did is what every tyro does—what every parson or old lady having a half-guilty 'flutter' in the haunts of Mammon with an aunt's legacy or some other unexpected windfall does. Their method was the same as that habitually pursued by a well-known client of the Stock Exchange called 'Mr. Juggins—he takes a tip. He buys half-way up the 'boom'; sells excitedly at a profit; then, his wholly undeserved good luck for some natural and infallible sagacity, at the first serious drop he buys in again in larger quantities than before. But on this occasion, as he has bought half-way down the 'slump,' he finds himself at settling day, as the saying is, 'left.'"

Sir Rufus Isaacs is in a different category from the other two—Mr. Lloyd George and Lord Murray. He bought intending, whatever rise might take place, to retain at least one-half of his original purchase as an investment, and this he has done. Moreover, he did not enter the market a second time.

Here is a chronicle of the facts which caused all the commotion. On April 9th, 1912, nearly five weeks after the acceptance of the Marconi tender by the British Post Office, Mr. Godfrey Isaacs, the managing director of the English Marconi Company, who had just returned from the United States, invited his two brothers, Sir Rufus and Mr. Harry Isaacs, to lunch with him. He told them that the American Marconi Company had been reconstructed, that it had been successful in litigation of a critical character, that it had bought out certain competing interests, and that it had arrived at an advantageous arrangement with the Cable Companies. He spoke warmly of its prospects, and informed his relatives of the decision to issue £1,400,000 new capital, of which he had undertaken to place £500,000. He offered his brothers a portion of his allotment at par or a little over. He recommended this stock as a good investment, and estimated that the £1 shares would probably soon be worth 25s. to 30s. He further told them that the only connection between the English and the American companies was that the former was a large shareholder in the latter, and that three directors of the American company, out of a total of nine, were also directors of the English company. He himself was one of these three.

Sir Rufus made up his mind not to take any of these shares. He had three reasons for his refusal. He "thought it was a very large issue of capital"; he did not wish to have any dealings with the English Marconi Company, having regard to their recent negotiations with his own Government; nor, on similar grounds, did he wish to have any transactions of this sort with his brother, the managing director.

On April 17th, Sir Rufus met his brother, Mr. Harry Isaacs, who expressed his regret that Sir Rufus had not bought any shares. It was in his opinion an excellent investment, and, although the shares were not yet issued to the public, they were already quoted at £2 1/16. He thought they were going to rise still higher. Sir Rufus thereupon bought from his brother, Mr. Harry Isaacs, 10,000 shares at £2 per share. Seeing that his object was investment, this seems a high price

to have paid, because Mr. Godfrey Isaacs (who ought to have known if anyone did) had not, upon the former occasion, put the ultimate value of the shares higher than from 25s. to 30c.

Sir Rufus, however, upon reflection had apparently come to the conclusion that the new issue of capital, although large, was not too large. He also appears to have concluded that as he was buying his shares from Mr. Harry Isaacs (and at a premium of 100 per cent.) he could not in any sense be held to be buying them either from Mr. Godfrey Isaacs or from the English Marconi Company. Nor was it his opinion that he was now incurring any obligation to the English company or to its managing director. He knew, however, that the shares he bought were part of a lot which Mr. Harry had bought from Mr. Godfrey as the result of the former conversation.

On the same day Sir Rufus sold 1,000 of these shares to Mr. Lloyd George, and another 1,000 to the Master of Elibank. The price he charged them was the same as that which he had paid—£2 per share. He told them that they need not bother about payment for the time being, as the shares would not be actually issued for some considerable time. The understanding between the three friends was that, even if the shares rose in price, each would retain at least half of his original purchase as an investment, but that each was free to deal as he chose with the remainder.

Two days later, on April 19th, the American shares were offered to the public at £3 3/4, and so great was the demand for them on the London Stock Exchange that the price touched almost £4 the same afternoon. Sir Rufus thereupon sold 3,570 shares on behalf of himself and his two friends, at an average price of £3 6s. 9d.

On April 20th Mr. Lloyd George asked Sir Rufus if he and the Master of Elibank might sell the halves (500 each) which they had undertaken to hold. Sir Rufus agreed, and these shares were sold at an average price of £3 7s. Out of this transaction Mr. Lloyd George and the Master of Elibank had done very well. After settling up, each of them had made a profit of £743, and each of them still held 143 shares—even at present prices, worth something over £150—into the bargain. Sir Rufus, however, was less fortunate. If he were compelled to sell to-day at present prices the balance which he originally undertook to keep; and which he still holds, he would make a loss of something like £1,200 on the whole transaction.

But Mr. Lloyd George and the Master of Elibank were unwisely venturesome. On May 22nd, more than a month later—the shares having meanwhile fallen to £2 5/32—they made a second "investment" on their own account, and apparently without consultation with Sir Rufus. They then bought 3,000 shares for their joint account. On these—reckoning at present prices—they have lost heavily. On June 19th, 20th and 21st, these shares were "delivered" to them by their stockbroker, and the balance owing to him upon the transaction was £3,413.

Several obvious morals are to be drawn from the story. The boy who chalks the prices on the stock exchange blackboard will also have opinions on the matter. Turning from Westminster to Ottawa, it would seem, from this quiet vantage point, that for many decades past, cabinet ministers have gambled not and speculated never. If they have, however, the job was performed with the skill of past masters of the arts.

COBOURG IS SEEKING INDUSTRIES

Mr. T. S. Chatterton, manager of the Metropolitan Bank, Cobourg, has been elected secretary-treasurer of the Cobourg board of trade, to whom all enquiries regarding factory sites should be addressed. This famous summer resort is determined to get more industries and is offering special inducements to obtain them.