

A British Broker's Daring

A Story of the Recent "Independent" Chinese Loan

By NORMAN PATTERSON

ONE of the most interesting chapters in international finance has just been written in the city of London, in connection with the recent "Independent" Chinese loan. It is the story of how one broker successfully fought the Foreign Office of Great Britain to a standstill, although the officials of that Department were backed up by the Foreign Departments of five other great nations. The story runs somewhat as follows:

China has been re-organized as a Republic and needs considerable cash to carry out the national schemes which its re-organizers have in mind. The Chinese authorities arranged with the financiers and diplomats in London and Paris to float a loan of two hundred and fifty millions of dollars. When this came to the ears of the governments of the other great powers, they feared that this would give Great Britain an advantage in Chinese affairs. The United States, Germany, Russia, and Japan, all took exception to this loan being handled exclusively by Great Britain and France. The British diplomats pointed out that almost the only two lending countries in the world were France and Great Britain. The other four great powers are borrowers rather than lenders, and therefore it was not reasonable that they should be included in the loan. If any portion of this large amount of bonds were floated in the other four great countries, those bonds would gradually find their way back to France and Great Britain, and thus the bulk of the loan would, in the end, fall upon those two countries. However, the four powers could not see it that way, and they insisted on having their share. It was then agreed that the loan should be increased from two hundred and fifty million dollars to three hundred million and divided equally among the six countries, and that China should be obliged to accept this amount of money and guarantee the interest on it, whether or not that amount was needed.

Apparently the Chinese authorities did not take kindly to this new arrangement. It meant that all their expenditures in the near future would have to be sanctioned by the six governments involved, and the accounts inspected by representatives of the six governments. China seemed to think that this system was too complex and too comprehensive to be workable, and they sought a way out of their difficulties. They came in contact with a London broker named Mr. Crisp, who offered to help them. He agreed to raise fifty million dollars for them, one-half immediately and one-half in the near future. He took the matter up successfully with the members of the London Stock Exchange, and was also supported by Lloyd's Bank, the London and South-western Bank, the Capital and Counties Bank, and the Chartered Bank of India. It was arranged to issue one-half of the loan at once in bonds selling at ninety-five and paying five per cent.

The British Foreign Office, acting presumably for the foreign offices of all the powers, at once began to raise objections. It took steps to halt Mr. Crisp and his associates. It warned these gentlemen that the Government was opposed to this "independent" loan and that the six governments were already pledged to raise a Chinese loan of larger proportions. Mr. Crisp asked the Foreign Office officials to put their objections in writing, but this they refused to do. He then declared that he would go ahead with his scheme in spite of these tremendous protests. On Tuesday, September 25th, he arranged for the underwriting. On Thursday afternoon the prospectus was issued and on Saturday the lists were closed. The twenty-five million dollars had been raised. Mr. Crisp and the London Stock Exchange had triumphed over the six great powers.

Further details of this matter are given in the London *Economist* of Sept. 28th, as follows:

"It would be rash to speculate on the details of the scheme which was worked up in secret by the Foreign Offices of the world, and has been a subject of all the diplomatic intrigue that revolved around the great Six-Power loan. Exactly what stipulations were made when the loan was pressed on China; how far they were genuinely financial, and how far they were in theory political we do not know. But one thing is certain, three or four of the six Governments concerned wanted no financial profit, but political power. The countries involved were Great Britain, France, Germany, the United States, Russia and Japan, and it is roughly true that their eagerness to lend varied in inverse proportion to their capacity. London and Paris are both big lending centres, and the natural market for a loan of this kind. Neither Germany—which wants all her spare capital—nor America—which is a big borrower for her own need—would naturally lend to a foreign power; while the presence of Japan and Russia in this list of capitalistic countries turns the comedy at one stroke into a farce. Both Governments are up to their necks in debt; both live from year to year on outside capital; every penny that they might lend must first be borrowed in London or Paris, and the fact that in these circumstances they claimed a right to press money on China was in itself an insult which the Chinese Government had every right to resent. Russia's designs on China are obvious enough, and Japan is notoriously anxious to increase her territorial influence on the mainland. The power which they demanded of vetoing or controlling the expenditure of good English money would give them a hold of incalculable importance over the Republic, and enable them perhaps to cut slices off the Chinese melon. All this was to be expected, but it is a grievous thing that the British Government should employ its influence to back up the scheme and play the part of sponge-holder to two of the greediest Powers in the world. Whatever may be the failings of the Chinese Republic, the country is at least groping its way along the path to constitutional Government and a common patriotism, and it was not for Great Britain to block the path and hinder the growing liberties of China. The action, we are glad to believe, has not been taken with the knowledge or approval of the whole Cabinet, but it is surely a disturbing thought that a vital step of this kind—a step which commits the country to a meddling, un-English foreign policy—can be taken by a few permanent officials in the absence of their own chief."

This exploit of C. Birch Crisp has more than a personal significance. As one Wall Street financial journal says, there is a manliness and sincerity about the transaction which is in keeping with Britain's great and enduring reputation for being a free market for everything. London is a free market for capital. All the world exchanges on the British sovereign. The London exchange offices take a toll on the financial transactions of the world as its ship-owners take a toll on the merchandise passing from one nation to another. The British investor makes mistakes and suffers losses, but he knows investments better than any other capitalist in the world. Hence the world is interested in the freedom of the London money market. Mr. C. Birch Crisp has vindicated that freedom, and the world will have the benefit of the battle which he has fought and won.



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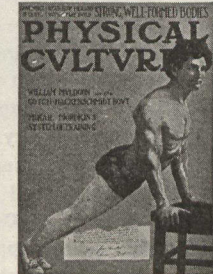
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