

# Egyptian finances in the nineteenth century: a Rothschild perspective

Caroline Shaw reveals new sources for the history of Egyptian finances in The Rothschild Archive.

One of the great pleasures of working in an archive is the sudden sensation of discovery, of emerging into a new landscape, that opening a brown cardboard box – even a well-labelled cardboard box – can sometimes yield. Just such a moment occurred when I was researching the Archive’s latest publication *The Necessary Security: an illustrated history of Rothschild bonds* and discovered not only extensive documentation for a largely forgotten bond issue but a vivid and moving correspondence from the era of British imperialism.

The bond certificate issued for the three per cent £9,000,000 loan to Egypt in 1887 initially attracted my attention for no better reason than its lively vignettes and decorative panels executed in a very European interpretation of Egyptian themes and styles. The loan itself was of interest for it was guaranteed by all the great European powers – Germany, Austria-Hungary, France, Great Britain, Italy and France – as Egyptian finances were a sensitive international subject in the latter quarter of the nineteenth century. As so often one bond led to another, in this case to the first Egyptian bond issued by the Rothschild banks, the 1879 five per cent £8,500,000 Egyptian state domain mortgage loan.

The bond certificate for the 1879 loan was not so immediately appealing, and the only example in the Archive had been heavily perforated by the bank’s industrially-proportioned cancelling equipment, yet it was to prove to be a ticket to uncharted territories. There were a number of clues that this loan had been more than a little out of the ordinary: documents had not been filed in the usual series;<sup>1</sup> there was considerably greater documentation than usual for a loan of that date; and at some point the documents had passed through the hands of NM Rothschild & Sons’ solicitors, who had sorted them into neat bundles. This had clearly been a contentious transaction.

The Khedive of Egypt, Ismail Pasha, had had great ambitions for his reign (1863–1879): irrigation works, bridges, sugar mills, docks and harbours, railways and a stake in the Suez Canal. But he borrowed – and was lent – money recklessly: Egypt became heavily indebted and its population of largely agricultural labourers bore a tremendous burden of taxation. The European bondholders, concerned that Egypt would be unable to meet its obligations to them, put pressure on their governments to intervene. In 1878 Ismail Pasha was compelled to accept an external commission of enquiry, and in August of that year the British and French commissioners were appointed to his cabinet. By then Egypt was on the very verge of bankruptcy, without sufficient funds to pay the dividends on its consolidated debt. Charles Rivers Wilson, now the Khedive’s Minister of Finance, approached Lionel de Rothschild with a proposal for a loan secured on the property of the Khedive and his family. Over the course of his reign these estates had grown to encompass around one fifth of Egypt’s agricultural land: Rivers Wilson further proposed that their revenue be used to service the loan.

Lionel was, of course, famously responsible for providing the money in 1875 for the British government to purchase the Khedive’s shares in the Suez Canal.<sup>2</sup> Receipts of that date, found in the Archive, suggest that the bank then immediately used the proceeds of this sale to liquidate some of the Khedive’s debts to a number of other banks. The Rothschild banks had not, however, had any prior involvement in handling loans for Egypt and it is perhaps surprising that



Monogram of Ismail Pasha, from correspondence addressed to James and Betty de Rothschild.

'The Lion's Share' from Punch in 1875, showing Prime Minister Benjamin Disraeli handing over to the Khedive some of the £4 million advanced to the British Government by Lionel de Rothschild for the purchase of Suez Canal shares.



they decided to take on such a complex and controversial operation. Nevertheless, an agreement was reached in 1878 for N.M. Rothschild & Sons in London and de Rothschild frères in Paris to issue the bond jointly and the bond was issued for sale to investors in February 1879.

Almost immediately thereafter the files in the Archive record the torrent of protests, problems and complaints that the loan unleashed on the bank from every quarter. Many of the properties turned out to have prior mortgages, which were keenly defended in the courts of Cairo and Alexandria. Bondholders, who had purchased bonds issued for sale at 73 per cent of their nominal value, then demanded a refund at par (that is, at the full nominal value), claiming that there was insufficient security for the loan. Acting on the advice of their lawyers, the bank withheld the proceeds of the bond issue from the government until the status of the mortgages could be established. Funds were not released until November 1879, causing angry and agonised letters from Rivers Wilson, desperate to meet the demands of Egypt's other creditors. In the event the London bank advanced him £1,225,000 to keep the government afloat.

This loan, on the evidence of the files, seems far removed from the calm, measured routine demonstrated in most of the surviving documentation for the bank's other nineteenth century bond issues. It is indeed hard to imagine another Rothschild loan that would have suggested itself as suitable content for a rather unfortunate letter of condolence written upon Lionel's death in June 1879:

L'emprunt Egyptien est une des dernières affaires qu'il ait faites; espérons que ce ne sera pas la pire.<sup>3</sup>

After Lionel's death his eldest son Nathaniel took up the baton, with Nathaniel's brother Alfred later becoming involved in some of the diplomatic manoeuvrings which Egyptian finances stirred up between the 'great powers'. Indeed, Rivers Wilson became a frequent guest at Alfred's lavish weekend house parties at his Halton estate. But by far the biggest headache that the bank would have to face lay in the administration of the domains themselves.

To provide reassurance to the bondholders the state domains were put under the control of three commissioners, nominated by the governments of Egypt, Britain and France. The London bank established their relationship with the British commissioner Francis Rowsell, the erstwhile Superintendent of Naval Contracts for the British Admiralty, before he sailed for Egypt. Rowsell's regular correspondence back to the bank brings fascinating and vibrant detail to the history of European involvement in Egypt. It is also a fine example of the quality of the Rothschild network of correspondents. The subtle triangulation of information sources contributed to that quality: not only did they receive regular information from Rowsell, but de







Cancelled bond for the 1879 5 per cent £8,500,000 Egyptian state domain mortgage loan.

But it would be so popular a thing to abolish the Domain administration. I know. Everybody, from the highest pasha down to the last cowherd would be delighted to get these estates into native hands. [...] I look forward to more trouble and confusion for that unfortunate Egyptian country, cursed in its protection.<sup>8</sup>

But Rowsell took pride in his achievements: the number of cotton gins were reduced and their use rationalised; miles of road were constructed where no one had imagined it would be possible, allowing goods to be carried by mules rather than costly camels.

Rowsell was also drawn into the world of the Rothschild family: he kept Alphonse and Gustave in Paris informed about the domains and other aspects of business in Egypt; he looked after Ferdinand on his trip to the Middle East in 1880; and he appears to have had a private correspondence with Alfred. During the British military campaign against the Mahdi in Sudan Rowsell arranged for the transport through Egypt of kit belonging to Everard Henry Primrose, the brother-in-law of the Countess of Rosebery (née Hannah de Rothschild) who had joined Lord Wolseley's Nile expedition. Rowsell also reported back what he could discover about Colonel Primrose's health, culminating in the news of his death in April 1885. The Countess of Rosebery used Rowsell to distribute the funds which her Ladies Aid Society had raised for the British troops. These funds were intended for medical care, but Rowsell had to inform her that he was intending to purchase 2000lbs of tobacco for each battalion as 'the officers urged that the item should be kept in even though seemingly more useful things should have to be struck out of the list'.<sup>9</sup>

Unpleasant shocks can await those who only get their history from primary sources. Rowsell's letters hint at occasional bouts of illness, and in 1885 dysentery is mentioned and an earlier than usual period of rest and recuperation in Europe. The next letter in the bundle is in a different hand – that of Rowsell's distraught widow, her grief untouched by the £3,000 given to her by the bank in compensation for her loss.

The Rothschild banks were involved in three more Egyptian loans: in 1887, 1888 and 1890. After the British occupation of Egypt in 1882 normal colonial practice would have been for the Bank of England to act as the creditor institution, but Egyptian finances were a sensitive diplomatic subject, with so many foreign bondholders and creditors keenly interested in the security



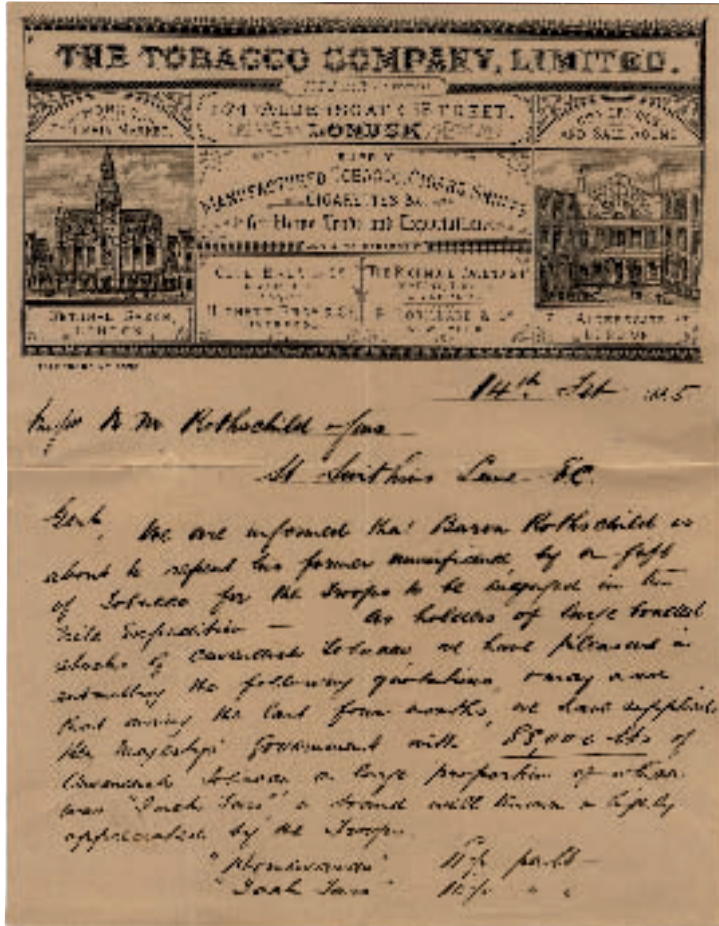
Photograph of agricultural workers taken by Lionel de Rothschild (1882–1942) on a visit to Egypt in 1923.

*Far right*  
Bond issued for the 1887 3 per cent £9,000,000 Egyptian guaranteed loan.



of their investments. At the insistence of Bismarck, the German Chancellor, German banks were allowed to participate and this precluded the Bank of England's involvement. Loans were issued instead by N.M. Rothschild & Sons, de Rothschild frères in Paris and M.A. Rothschild & Söhne in Frankfurt, in partnership with S. Bleichröder and Disconto Gesellschaft in Berlin. The state domain loan was finally renegotiated in 1893, the sands of time and Egypt passing over the whole extraordinary affair.

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Estimate from The Tobacco Company, 14 February 1885. Francis Rowsell coordinated the distribution to Nile Expedition troops of funds for medical supplies and gifts of tobacco from members of the Rothschild family.

## NOTES

- 1 RAL 000/401, 000/336, 000/337.
- 2 Victor, 3rd Lord Rothschild, *'You Have It, Madam': The Purchase, in 1875, of Suez Canal Shares by Disraeli and Baron Lionel de Rothschild* (London: np, 1980).
- 3 Letter from Bouteron, the French commissioner for the state domains, to NMR, 8 June 1879. RAL 000/96B.
- 4 RAL XI/109/126; XI/111/12, 13 & 15; 000/43; 000/96A & 96B; 000/1576. The

- Rowsell correspondence covers the years 1879–1880 and late 1882–1885. Frustratingly and mysteriously there appears to be no correspondence covering the British bombardment of Alexandria and occupation of Cairo in 1882.
- 5 Rowsell to NMR, 6 March 1879. RAL 000/69B.
- 6 It seemed typical of Rowsell's luck that at one point the 'most important' letter he had

- yet written to the bank, a detailed paper on the subject of taxation, was lost in a shipwreck.
- 7 Vincent to Earl of Rosebery, 8 February 1886. RAL 000/96B.
- 8 Rowsell to NMR, 14 November 1884. RAL XI/111/13.
- 9 Rowsell to NMR, 7 & 8 April 1885. RAL XI/111/13.