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EDITED BY JOE MITCHELL CHAPPLE

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Mr. James J. Hill,  
Pres. Great Northern,  
St. Paul, Minnesota.

My dear Mr. Hill:

I enclose herewith a rough draft of a sketch I have prepared on the Anglo-French Loan, and which will appear in the November issue of the National Magazine. If there are any corrections or suggestions which you have to make, I should appreciate it very much if you would do so.

If there are any persons to whom you would like to send copies of this issue, kindly let me know.

me,

With cordial best wishes, believe

Yours sincerely,

jmc-a.

*Joe Mitchell Chapple*

# Why the Anglo-French Loan Was Made

by Flynn Wayne

THE one event that has brought the United States to a closer realization of the distressing situation in Europe, was the visit of the Anglo-French Commission to negotiate a loan secured by the total resources of two countries which have been large customers of American products. The success of the mission recalls the historic circumstances in which Benjamin Franklin, over a century ago, made his pleas in France during the dark days of the Revolution on behalf of the young and struggling Republic. It was early realized by far-seeing men that the work of this Commission would have a most important influence upon the world trade and international financing for the future.

When the Commission arrived, there was a strong protest by many newspapers and a host of eminent peace advocates, who evidently did not understand the far-reaching and vital influence of the loan in fostering future trade relationship with two nations that have been buying \$750,000,000 worth of our products a year in the past. This money was paid to the United States for farm products and other commodities. Reciprocally, we have also been a large customer of these countries; but since the war began, American purchases decreased at a tremendous rate, while exports to these countries have grown by leaps and bounds. As a business proposition, it was plain that these countries could not meet the heavy balances against them through the regular routine of inter-

national exchange, as this country already held a stock of gold far beyond immediate uses, and further shipments of the precious metal to the United States would not only be difficult but unwise and hazardous. It therefore remained for America to solve the problem of taking care of these important customers.

Those in charge of the work quietly proceeded to place the facts before the American people in a business-like way, and as these facts became known, popular opinion became more favorable and the predominant sentiment of the country radically changed in a short time.

The interest of the United States was not in assisting this or that warring nation—it was wholly a business proposition. In effect the proposition illustrated the situation of one business man temporarily embarrassed for ready cash, seeking credit from another upon visible resources, to tide over a depression, and basing his appeal upon patronage in the past, and promises to continue the same trade relationship in the future. It was made plain that the loan was altogether a proposition for mutual safety and convenience—a plan to preserve good times when peace prevailed, and in effecting the deal, the United States has emphasized its conviction that friendly trade relations are a paramount necessity, and that business, rather than bullets or shrapnel, should represent the genius of the age.

When the visiting members of the delegation reached our shores they encountered





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## BARON READING

Lord Chief Justice of England, who headed the commission that arranged the \$500,000,000 loan

the opinion of financiers and others not in sympathy with their mission. They saw that editorials and articles, for and against the loan, voiced a divided national sentiment. With Mr. Blacklett in charge of the details, the objections and difficulties were considered in logical sequence and with an intelligence born of patience. Under the leadership of Baron Reading, Lord Chief Justice of England, a man of rare tact and poise, there was a dignity in every action that reflected the cool judgment of the statesman as well as the jurist. Numerous conferences were held in the financial district of New York, and the feeling of Messrs. J. P. Morgan & Company and of all the bankers who would naturally take the lead in a financial operation of this magnitude was that the loan should be participated in by the country at large. They felt that its influence in future dealings of this character was important, and

therefore it involved much more than merely supplying the money from one financial center.

The Commission and their American representatives made a journey to Chicago, which was the storm center of the opposition, and also because the peace propaganda was in high favor throughout the Middle West. Then again complications relative to the decisions of the English Prize Court, which involved millions of dollars' worth of Chicago exports were a tangle in the skein.

The mid-continent trip to Chicago was an amazing revelation to the members of the Commission. In a chat with Baron Reading, he told me that it was altogether one of the most impressive incidents of this, his first trip, to America, and that he now has learned a great deal about the visible and unlimited resources of these United States. He stated that to find in Chicago a gigantic and thriving business and market center, so far inland and located upon the borders of a great body of water—a sea in itself—and to realize that this had all been accomplished within a century, was almost beyond the comprehension of any European who traveled in this country. With enthusiastic appreciation expressed in his face, belying popular impression of the imperturbable Briton, he stated that the more he saw of Chicago and the Mid-West the more he marveled. This enthusiastic and favorable impression gained by the Lord Chief Justice was in no way disturbed by the fact that the Commission was confronted in the western part of the country with poor prospects of success.

The first public statement from a prominent man propitious to the loan which aroused the people to the necessity of prompt and favorable action, was from a builder of empires in the West, Mr. James J. Hill, whose foresight has been verified in agricultural development. There was no uncertainty in the message he carried from the West to the East. The farmers in the great West are beginning to realize that the bonds are a security that serve their needs. They not only draw interest, but are available for a loan up to eighty-five per cent of their face value at any bank at any time. It furnishes the people



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an investment that is a liquid asset and can be turned into cash over night. The foreign loan proposition promises to prove a great benefit in liquidizing the savings and resources of farmers for them to utilize in making other investments, that may come up from time to time, enabling them to increase profits as farm production opportunities vary with that of other industrial profits, and the two are more closely related than has been generally believed.

In the pioneer work necessary to a better understanding of the proposed loan, Mr. Charles G. Dawes, president of the Central

an external obligation constitutes practically a first lien on the resources of the people of England and France, customers of the United States, and there was no doubt as to its absolute safety. Mr. Dawes made a still stronger point in declaring that patriotic and neutral American citizens would not in any large numbers resent any action taken upon a sound business basis, which was unquestionably in the interest of our own nation, to which we owed our first allegiance and devotion. Mr. Dawes' convictions, published in the papers on September 30th, had a magical effect, and especially when

Trust Company of Illinois, proved to be a trail blazer. He was the first great banker to speak up strongly and to unequivocally favor the loan, by coming out squarely for American enterprise and banking independence. His statement was the most effective factor in bringing the Middle West to a true understanding of what the proposition involved, and when the formal invitation came to join the syndicate, he was ready to act. In his statement Mr. Dawes said: "Banks are coming to realize that this loan is a matter of 'America first.' From the standpoint of the commerce and industry of the nation, it is desirable that this loan be made for the preservation of our export trade. Should that trade be interfered with, our growing prosperity, now well on its way, will, in my judgment, be jeopardized, if not destroyed." He stated that while his own bank is neither pro-Allies nor pro-German in its sympathies, it would become a subscriber to the foreign loan, which being



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J. P. MORGAN AND BARON READING



it was announced that he was ready to take \$500,000 of the loan.

It was during the conference at Chicago that the calm manner of Lord Reading was most impressive. He left with only expressions of personal pleasure over the reception, and expressed himself as being highly pleased with the result. A canvass of the banking houses of the west and the meeting in Chicago brought most gratifying results, despite the ominous frigidity toward the loan at the beginning. The list of banks that participated includes those located in every important financial center.

The usual attitude of western bankers toward all foreign or external loans is generally known among American financiers. Consequently this breaking away from old-time sectional prejudices is indicative of the cohesiveness of American financial interests unitedly supporting industrial and agricultural operations of the country.

These Anglo-French bonds run for five years, bearing interest at five and one-half per cent. They were placed on the market on a basis of ninety-eight cents on the dollar. The terms of payment were: One half on October 29, and the other half on December 3. The bonds are dated October 15, and the syndicate members subscribing for them made their first payment on that date. Twenty-seven states and sixty-nine cities are represented by the banking and financial houses that have the bonds for sale, and when the contract was signed by the sixty syndicate managers, it was felt that a notable expression of Yankee business judgment had become a matter of momentous historical record.

Lord Reading stated before he departed from the United States that he had enjoyed every minute of his stay in America. He told me that he would like to have remained longer just to visit among the people of the United States, for whom he had formed even a deeper and more profound admiration than ever, but he felt that he must return to look after other matters at home, of great importance. There was a happy expression on the faces of Baron Reading and his conferees as they waved good-bye from the deck of the American steamer *St. Louis*, feeling that they had been successful in their mission.

When Baron Reading, Lord Chief Justice of England, visited Washington and walked into the Capitol one October afternoon, accompanied by Chief Justice White, it was the third time in the history of this country that a foreign jurist was honored with a seat on the bench of the Supreme Court of the United States. In 1883, Lord Coleridge, then Chief Justice of England, and Lord Herschel, British Lord High Chancellor, were honored in the same way by the Supreme Court of the United States. During the day Baron Reading called at the White House and had a talk with President Wilson. His manner and comments were exceedingly interesting, and for the time all the worriment and trouble incidental to the financial commission were forgotten. His appreciation of America and American institutions was ever apparent, and everywhere he went he made friends for his country. Baron Reading also represents the distinguished strain of Hebrew blood that furnished to England a premier in Disraeli, Earl of Beaconsfield, and many others prominent in the financial and public life of Europe.

When the loan bill was introduced in the House of Commons by Reginald McKenna, Chancellor of the Exchequer, it was ardently advocated by John Dillon, the famous Irish leader, who declared that the loan was an indication of the broad spirit of America. He insisted that it was more than a business transaction, and the rate of interest indicated that the United States was unwilling to take advantage of war necessities. The fact was appreciated in England that the American people were not accustomed to make large external loans, and that this transaction was culminated despite formidable cross currents of public opinion.

Over five millions of dollars are being paid by the British Government to the wives and children of soldiers serving under the colors, but England's ability to pay her war debts was fully vindicated in a statement by Mr. George Paish, editor of the *London Statist*, in which he showed that in 1816, at the close of the Napoleonic wars, Great Britain, with a population of twenty million, had an accumulated wealth of twelve billions, and an income that did not exceed one billion,



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five hundred million, and a debt of four and a half billions, which called for eleven per cent of the nation's annual income to carry the interest on the debt. This four and a half billion obligation in 1816 was a dead weight indebtedness, and yet the British people experienced no difficulty in meeting the burden, which was then equal to over twenty-five per cent of the nation's entire income. It was felt that an outside loan would enable the nation to avoid all enforced hardships on the poor people which they had to meet in former times. An old country with an established population, having a great fund of wealth accumulated through the centuries and possessing great systems of highways and railroads, has resources that naturally could not be open to younger countries wherein population is small and values fluctuate.

The complete success of raising the amount of the present Anglo-French loan has already had an influence in steadying the export trade. The offer of the bonds in the advertisements in the newspapers was in keeping with the procedure that has characterized the work of the Commission from the start—fair play and open-handed public negotiation. Some of the editors are now re-reading their early editorials, and have tempered their comment after the success of the undertaking was assured, and its purpose made perfectly plain to the people. The resentful comment that the United States could not borrow money in England during the Civil War without collateral, which drove gold to a premium, served after all only as a good argument for taking hold of this loan, in order to eliminate any likelihood of gold panics abroad, which would naturally affect business in the United States.

The results have clearly proven that the loan is not of a partisan character, in spite of the fiery opposition.

A closer financial co-operation between all the nations of the earth will be one of the results of the war, however it may terminate. To have denied the integrity and financial responsibility of nations like England and France at this time would have been a dangerous precedent for the future of our own country. It is well, in



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## MEMBERS OF THE COMMISSION

(Left to right) Basil Blackett, Octave Hombert and Ernest Mallett

times of peace and prosperity, to remember that "pride goeth before destruction, and a haughty spirit before a fall." As the details of the transaction are becoming better known, and as its broad purposes are widely announced, the American people are to be congratulated upon the sturdy and firm common sense and patriotism of those financiers who insisted upon a broad and ready expression of faith and optimism in the welfare of the world.

The American nation has again been tried and not found wanting. To those



who believed our great financiers—our Morgans, Harrimans, Rogers and others—men who set the tremendous business pace of the past generation, marked the high tide of financial development in America, there is a new thought coming. No one could survey the world crisis through which we have passed, and the part which America is playing, without the conviction that a still greater work has fallen upon the shoulders of the succeeding generation. One has only to visit the great money establishments in New York to note the new trend of affairs. The old time oaks of the financial forest have passed away, but their places are re-forested with strong young trees that withstand the conflicting currents in the whirlwinds upon export trade during the world's war times. Where great oaks might have snapped with age, these hardy successors only leaned with the storm, to straighten again—and the world marvels at their strength.

The statement signed by many prominent men and published widely in the newspapers give a comprehensive and convincing review of the probable effects of the loan, and good reasons are advanced why it is based on sound business policy. Briefly, it was stated that the loan means to the United States:

- 1—That not one dollar of the money loaned will leave our shores.
- 2—That every dollar will go, directly or indirectly, to some American farmer, working man, merchant or manufacturer in cash payment for foodstuffs, clothing, raw material, labor and manufactured products that the English and French people need.
- 3—That there will be established in this country a commercial credit just as important to us as to England and France because it will be used to increase our trade and permit the outflow of our surplus products.
- 4—That this country finally recognizes that, in order to further American trade, it must become a creditor nation, giving credit to any solvent and friendly nation that may be entitled to it.

The loan and the incidental discussion served to bring home to the American people the fact that the combined population

of the countries applying for the accommodation is approximately 100,000,000, the same as that of the United States, and that a billion dollar trade balance against our country would not be considered a situation that would preclude us from foreign credit. The United States is not the only purchasing market available to Great Britain and France, and in order to retain the trade of these countries, we must manifest the same cordial business relations as exist between manufacturer and merchant or producer and consumer. Applying the strictest banking test, reveals the fact that the security is over two hundred and seventy times greater than the face value of this bond issue, since the combined wealth of the two nations is one hundred and thirty-five billion dollars, on which a first lien is given for five hundred million dollars, increasing their indebtedness only two and a half per cent. The total internal debt of England and France is under twenty billion dollars—less than one year's income of the two nations.

The successful culmination of the five hundred million dollar loan marks the opportunity that unfortunate Europe has thrown before our doors. To those who would "ostrich-ize" the nation at such a time, there is little to say, for their heads are already too far sunk in the sand to listen to the voice of reason. It is generally understood that America cannot ignore the war, nor refuse money to such of the nations as might seek it in a business-like, legitimate manner. To do such a thing would harm our own nation irretrievably, should it find itself in similar need. All the arguments for strict neutrality bear out the position of America in this much discussed question. It is a matter of adhering strictly to the fundamental tenets of international law, as laid down by the nations while assembled in peace, rather than endeavoring to inject new interpretations that might succumb to the whims of prejudice and passion which are always dangerous elements in making business transactions.