

AUSTRALIAN FINANCIERS

Biographical Essays

EDITED BY R. T. APPLEYARD AND C. B. SCHEDVIN

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Contents

<i>List of Illustrations</i>	<i>vi</i>
<i>List of Abbreviations</i>	<i>vii</i>
Foreword	<i>R.A. Johnston ix</i>
Introduction	<i>R.T. Appleyard and C.B. Schedvin 1</i>
1. Colonial Commissaries	<i>T.G. Parsons 11</i>
2. Robert Brooks	<i>Frank Broeze 34</i>
3. Benjamin Boyd	<i>Marion Diamond 52</i>
4. Donald Larnach	<i>R.S. Gilbert 70</i>
5. Sir Thomas Elder	<i>Rob Linn 88</i>
6. Henry Gyles Turner	<i>Margot and Alan Beever 108</i>
7. Charles and Reginald Bright	<i>G.J. Whitwell 137</i>
8. Financiers of Western Australia's Goldfields	<i>R.T. Appleyard and Mel Davies 160</i>
9. Lord Glendyne	<i>R.P.T. Davenport-Hines 190</i>
10. Sir Denison Miller	<i>I.R. Harper and C.B. Schedvin 206</i>
11. Collins House Financiers	<i>Peter Richardson 226</i>
12. Frank Anstey and the Monetary Radicals	<i>Peter Love 254</i>
13. E.G. Theodore	<i>K.H. Kennedy 278</i>
14. Staniforth Ricketson	<i>Robert Murray and Kate White 309</i>
15. Sir Alfred Davidson	<i>C.B. Schedvin 331</i>
16. Ian Jacoby	<i>T.M. Fitzgerald 364</i>
17. Ted Tytherleigh	<i>Mark Lyons 388</i>
18. Sir Ian Potter and his Generation	<i>Leon Glezer 401</i>
19. Sir Keith Campbell	<i>Edna Carew 427</i>
<i>List of Contributors</i>	<i>448</i>
<i>Index</i>	<i>449</i>

LORD GLENDYNE

R.P.T. Davenport-Hines

Robert Nivison (1849–1930) created 1st Lord Glendyne in 1922, is a figure wreathed in obscurity. Once ‘one of the most potent forces in the loan-issuing market of London’,¹ it was he who rescued Australian public finance from incipient bankruptcy in the 1890s and transformed the methods of British issuing houses. His career offers important insights into the City of London’s perceptions of both Australian creditworthiness and antipodean society, and also into the structure and institutional evolution of stockbrokers and issuing houses dealing with colonial government finance. As with other financiers described in this collection, Glendyne’s career illustrates both the increasing specialisation of financial intermediation and other processes of financial innovation.

The bald facts of his career are shortly stated. The eldest of five sons of John Nivison (1824–98) and Janet Hair, he was born on 3 July 1849 in the small Dumfriesshire town of Sanquhar and was educated privately there. Sanquhar lay in a mining district, and both his father and grandfather were colliery managers. At the age of fifteen he became a junior at Sanquhar’s branch of the British Linen Bank, where he remained for five years until he was twenty. In August 1869 he joined the London & Westminster Bank, and in August 1872 became second coupon clerk in the securities department at the bank’s head office at Lothbury in the City of London. He remained in that position (which in 1878 carried an annual salary of £192) until he resigned from the bank in March 1881.² The *Bankers’ Magazine* later recalled that

in those early days the Westminster Bank was intimately and specially connected with the flotation of colonial government loans, and during the years that Mr Nivison was with the bank, he doubtless gained a very special knowledge of colonial loans and finances, a knowledge that was destined to make him known far and wide as the greatest specialist in colonial loans.³

During 1881–82 Nivison was a partner in the Stock Exchange firm of T.P. Baptie. After twelve months he approached his former employees, the London & Westminster Bank, and having obtained a promise of their support, in 1883 became a full member of the Stock Exchange, setting up in business with another member. This partnership was dissolved in 1886, when the firm of R. Nivison was established. It immediately prospered, particularly in the period after 1891 when it rose to its ascendancy in colonial government issues. Nivison, acting in concert with the Westminster Bank, became the Australian state governments’ ‘special confidant’ from the

1890s,⁴ and thereafter his firm was successively entrusted with floating government or state loans for South Africa (beginning with Natal in 1901), Canada (starting with the Newfoundland government loan of 1902), and India from 1906. It did not however undertake issues for younger African colonies such as Rhodesia, and had no contact with the Colonial Office, which was not involved with City borrowing by Australia. Glendyne and his successors conducted negotiations through the Australian High Commission and Treasury, with some involvement from the Commonwealth Bank.

As well as handling colonial government loans, the firm specialised in colonial municipal loans, such as Melbourne (1892), City of Toronto (1894), City of Pietermaritzburg (1902), City of Wellington (1907), and the ports of Calcutta and Karachi (1909), to mention the earliest examples. The firm also came to handle with Scrimgeours most British municipal loan issues in London, in which there was a particular boom during 1920–21, although in 1926–29 the aggressive but seductive manoeuvres of Corporation & General Securities Ltd, controlled by the volatile financier Clarence Hatry, led to some loss of this business. The collapse of Hatry's companies with debts of £14 million, followed by his imprisonment for fraud in 1929–30, enabled recovery of Nivison's role in municipal loans.⁵

Glendyne also participated in other business with a quasi-official or political tincture. In 1920, for example, he was one of the members of the G.P. Syndicate, whose initials denoted its organisers, the financier Arthur Grenfell and the shipowner Sir William Peterson. The syndicate originally aimed to create a railway freight network on the European continent comparable to the sleeping-car monopoly of the Cie. Internationale des Wagons-Lit. It held 40 per cent of the controlling shares of Mitropa, the German company formed with official encouragement before 1914 to challenge the Franco-Belgian monopoly of the Wagons-Lit company. In 1921 the syndicate sold its interests to the Trans-European Company, which later became Wagons-Lit's only serious rival, and was connected with other schemes organised by Grenfell after 1918 to increase British political and economic influence in the Danube basin by controlling transport systems. In fact during 1909–14 Nivisons had a close relationship with Arthur Grenfell's Canadian Agency, which was involved in west Canadian development and land speculation. Nivisons collaborated with Grenfell (who was brother-in-law of a Nivison partner, Guy St Aubyn) issuing loans for the Lake Superior Corporation (1909), numerous Canadian towns from 1910, the Grand Trunk Pacific Railway (1910–11), and the Algoma Steel Corporation (1912); but the firm's reputation was not damaged by the bankruptcy of Grenfell's operations in the spring of 1914, when a major collapse on the London Stock Exchange was only averted by a high level rescue operation. Twenty years later the Nivison family were the 'loyal supporters' of Sir James Dunn when he reconstructed the Algoma Steel Corporation, and by 1944 were its largest private shareholders, holding 10 per cent of the capital.⁶

Throughout his career Glendyne maintained his intimate connection with the Westminster Bank, and in 1909 together with another stockbroker, Sir

Walpole Greenwell, was a crucial intermediary in its merger with the London & County Bank. At the suggestion of Lord Goschen (the chairman of the amalgamated bank) for his role in this he was sent a cheque for £5,000 that, however, he donated to the Westminster Bank's staff benevolent fund.⁷

Glendyne's success was due to untiring personal effort, and 'painstaking study of all the elements in the business in which he was engaged', according to one account. 'In the course of his life he met with many obstacles, and such support as he secured came from his energy and business sagacity rather than from influence'.⁸ He stood apart from the hereditary plutocracy of the City,⁹ and lived comfortably but unostentatiously in the London suburbs, initially at Stoke Newington and later at Branch Hill in Hampstead. He had few interests outside his family, several of whom became partners in his firm. In the early years his only partner was his brother Samuel Nivison (1860–1925) who was a member of the firm from 1887 to 1910: the partnership was joined in 1899 by his eldest son John (1878–1967), afterwards 2nd Lord Glendyne; by his sons-in-law A.N. Rickett (1875–1963) and Arthur Owen; and by his cousin Walter S. Hair. Grandsons became partners, including in 1935 the Olympic rower, Harold R.N. Rickett (1909–69) and in 1948 Robert Nivison (born 1926) later 3rd Lord Glendyne, followed by the next generation of Ricketts and Nivisons.

Until the dissolution of the firm in October 1986, the partners continued to sit together in one room, and an easy working relationship between them was indispensable to success. Glendyne however told them no more than he felt they needed to know, and consulted nobody about his decisions, which were taken entirely on his own judgement and responsibility. A partial exception to this masterful self-reliance was his relationship with his elder son, who accompanied him to most important meetings, and with whom his dealings were more intimate.

Glendyne was known for his public philanthropy, particularly to hospitals,¹⁰ but his private acts of benevolence were greater: his early manhood taught him 'the struggles of the man with a small salary', and various individuals at times of pressure and difficulty had their burdens lightened by him.¹¹ His office staff and their families were devoted to him, and idiosyncratic generosity both to them and to individuals at Sanquhar was lifelong. He was created a baronet in 1914 and received a barony in the New Year's Honours of 1922. His was the only peerage granted to a businessman in that honours list that was not publicly censured,¹² but he seldom attended and never spoke in the House of Lords.

'A man of quick decision, impulsive in nature, and something of an autocrat in business, he had the kindest of hearts, while his friendship ... was staunch'.¹³ Among those who were the recipients of his friendship was William Lever (Lord Leverhulme); although the firm of Foster and Braithwaite were brokers to Lever Brothers, Leverhulme 'never took them so closely into his confidence as Sir Robert Nivison ... who was his principal adviser in the City for over twenty years'.¹⁴ Nivisons underwrote ten issues for Lever Brothers between 1908 and 1920, but friendship between the two

men was breached in 1920 when Glendyne declined to underwrite an issue by Lever Brothers of £4 million worth of 8 per cent preferred shares to cover Leverhulme's impulsive and ultimately vexatious purchase of the Niger Company. Although Lever Brothers successfully floated the issue themselves without underwriters, Glendyne's caution was justified in the circumstances.¹⁵

Other industrial issues with which Nivisons were involved included those for the caterers J. Lyons (1919–20) and the match makers Bryant & May (1922), for providers of municipal services such as the London Power and South Metropolitan Gas Companies (1921), or the Port of London Authority (1911–21), shipping lines such as General Steam Navigation (1903) and British India Steam Navigation (1912–13), together with various Indian railway loans, beginning with the Great India Peninsula issues of 1908–10.

International financiers depended for their operations on a social milieu that provided them with confidentiality, mutual trust and privileged market information: both Glendyne and the firm of Nivisons were part of this network that Ranald Michie has termed 'the social web of investment'.¹⁶ As the *Morning Post* noted of Glendyne, 'the strong following which he always had in the City gave the firm exceptional power in the placing of investment loans'.¹⁷ He was helped by legislation that until the early 1960s imposed upon trustees in Britain the duty to confine their investment to British government stocks or government guaranteed stocks, to reduce the risk of the trust beneficiaries' interests being ruined. Nivisons became renowned for its skill in placing colonial and dominion stock with clients or associates interested in trustee securities: Glendyne's ability in attracting investment from this source was crucial to the success of his operations, depended upon regular personal contact, and involved practically no correspondence. Money available for investment by trustees only became available in small sums at frequent intervals, but Nivisons were able to tap these funds (that aggregately were worth a considerable sum) through the mediation of brokers and jobbers who were in constant confidential contact with trustees. Similarly when the issue of government securities by public tender was superseded in the nervous money market of the early 1890s by the organisation of tendering syndicates, Nivisons were to the forefront of this innovation in the flotation of colonial loans.

One strength of Nivisons was that jobbers in the market knew that if one of the firm's loans was not fully subscribed and underwriters asked Nivisons to take back some of their sub-underwriting, the firm would only sell the parcel of stock when the market was in a position to absorb it without price movement. Thus, the market in stocks floated by Nivisons was distinctly stable after flotation as jobbers knew that they would not be swamped with sales by dissatisfied underwriters. If a loan opened at some discount, jobbers would bid Nivisons for stock, the firm would go through its underwriting list and bid people for their own holdings, and if it then transpired that they had already sold, then they were promptly removed from Glendyne's underwriting list. As a result the market liked Nivison loans for their

outstanding steadiness.

The social web of investment was exemplified by the partners recruited to Nivisons from outside the family as the firm expanded during the Edwardian era: Horace Scott (partner 1905–24), then broker to the Indian government who brought the firm into direct touch with the Indian financiers and loans (and paved the way for R. Nivison & Co. to be appointed as brokers to the Indian government on Scott's retirement); and Guy St Aubyn (partner 1910–24), a cousin of (amongst others) Lords Galloway and St Levan, who married a Grenfell and whose social connections enabled the firm to attract new clients and to tap new sources of investment. Other partners were recruited by Glendyne: Herbert Butcher in 1923 and Dorian Williamson in 1927. Both retired in 1944.

The powerful working of this social web was fundamental to the issuing of foreign government loans on the London market. This is well illustrated by a description given to the Canadian prime minister Sir Robert Borden in 1908 of reactions to a politically controversial loan:

the thoughtful man in England ... feels that Germany is a great and growing danger to England. In the City—the source of the Empire's strength, for without money the Empire could do nothing—this feeling is much accentuated ... The recent German loan that was launched at a very low price and a high rate of interest, was regarded by the City as a war loan, and word was given by all the big houses that on no account was money to be invested ... So high was this feeling that ... a single individual ... who sold £50,000 of consols to invest in the German loan, but who was forced by City opinion to withdraw his application for money, it being put pretty plainly to him that he might be boycotted in consequence ... a few insurance companies did give a little money, but they, too, under the same pressure have ... sold out.¹⁸

In this case Borden was being cautioned that there was a risk of Canadian loans being undersubscribed on the London market for political reasons: it was by a similar familiarity and trust between individuals, and by a comparable emergence of consensus between jobbers, brokers and others that Glendyne was so well able to fix the terms and master the issue of state governmental loans.

It now remains to consider Glendyne's career with reference to Australian finance. During his period with the London & Westminster Bank, colonial borrowing on the London market rose steadily: exclusive of Indian and municipal loans it totalled £92.8 million for 1876–83. In 1879 New Zealand was forced to pledge that it would raise no further loans for three years, while in 1876–83 South Australia issued ten different loans totalling £11.1 million and Queensland seven loans amounting to £9.3 million. Large amounts of nominally issued bonds remained in first hands waiting to be marketed; this meant that fresh issues were only possible on terms disadvantageous to borrowers, while bonds already issued depreciated in value. Despite the large amounts disposed of, prices did not fall, largely due to the distrust among investors of foreign as distinct from colonial government

stocks since the default of Turkey in 1876–81 and of Egypt in 1878–79, together with the scarcity of new issues of sound investment securities. Moreover a wider range of investors was drawn once the regulations by which such bonds were registered came into force. This measure 'enabled many persons, who dreaded to hold a security to bearer, to invest in Colonial Bonds'.¹⁹

During the 1870s issues by Australian colonial governments were usually made by the Anglo-Australian Bank, the Bank of New South Wales, the Union Bank of Australia, the Queensland National Bank or the National Bank of Australasia. In 1884–85 New South Wales and Queensland transferred their issuing business to the Bank of England, while Glendyne's old employer, the London & Westminster Bank, secured the issuing business of Victoria from 1886 and of Western Australia and Tasmania around 1890. The chief reason for the transfer of this issue business was the prestige that attached to the Bank of England and to the London & Westminster Bank: 'to the ordinary investor their names would be a sufficient guarantee for the issue'.²⁰

By 1889 the annual cost to Australasia of servicing its public debts to Britain approximated £12 million, and as the *Statist* observed in October of that year, 'plain, though courteous, speaking' by London bankers only

arouse[d] mingled feelings in the vigorous and self-assertive young communities at the Antipodes ... It is proverbial that in Australia the most capable and severely-trained minds are repelled from Parliamentary life. The result is that the study and administration of public finance is too often left in the hands of rough and half-informed adventurers whose audacity meddles with questions which the modesty peculiar to cultured ability and lengthened experience in an older country approaches with gravity and caution.²¹

Influential British opinion, in the City and among potential investors, was prejudiced against Australian loans by increasing apprehensions about state socialism and working class political power in the antipodean colonies. The London financial press deplored 'foolish projects' such as proposals in Victoria to offer agricultural subsidies to farmers, and 'the industrial Frankenstein' of protective duties created by that 'dread of competition' that among Australian trade unionists 'amounts to a blind and furious mania'. It was seen as

invidious that the self-governing Australian Colonies should eagerly strive to obtain British money, while they look with suspicion upon immigrants fitted to swell the fund of colonial wealth, who land on their shores from England. The majority in Parliament owe their position and their pay ... to the working classes, and feel bound to make liberal concessions to their constituencies.²²

It was not only the specialist British financial press that carried ebullitions on Australian credit and character in 1891. The influential London magazine, the *Nineteenth Century*, in April 1891 carried an article on 'The Seamy

Side of Australia' by the Hon. Sir John Fortescue, a military historian afterwards librarian at Windsor Castle. Between 1881 and December 1888 the debts of Victoria rose from £22.4 million to £34.6 million; of New South Wales from £16.9 million to £44.1 million; of Queensland from £13.2 million to £25.8 million; and of South Australia from £11.2 million to £19.1 million. Fortescue found such levels of indebtedness both ominous and deplorable. He noted that during 1888 the railways in Victoria earned 3.8 per cent, the money having been borrowed at 4.21 per cent; for New South Wales the comparable figures were 3.5 per cent and 3.91 per cent, and for Queensland, 2.1 per cent and 4.11 per cent. Only South Australia paid its way, returning 5.26 per cent on money that had been borrowed at 4.08 per cent.

Fortescue inveighed against 'the waste, folly and extravagance now rampant in Australia' through the supremacy of trade unions 'which are admirably organised, very powerful, very rapacious and very unscrupulous'. He added that Australians 'live on our loans, they trade on our prestige, they presume on our protection; but they make sport of our interests, and do their best to exclude both our produce and our surplus labour'.²³ Fortescue's attack elicited several articles defending Australian credit,²⁴ as well as further 'atrabilious and unwarrantable onslaughts upon Australian manners, morals and money', in Sir Edward Braddon's phrase,²⁵ both by Fortescue and others.²⁶

The damage to Australian credit from this journalistic controversy was grave. In February 1891 the South Australian government received tenders for only one-third of the loan of £1.2 million that it sought from the London market, and in April 'the Victorian government sought £3 million but obtained only £2 million from tenders, whence a year earlier, when it sought £4 million, tenders had totalled £13.6 million'.²⁷ Most ignominious of all, in a debacle over which Nivisons had no control as they had not yet established their control in the colonial government loan business, Queensland was offered only £300,000 when it tried to float a loan of £2.5 million in May 1891. Queensland was particularly vulnerable and unfortunate in the timing of its loans.

'The Thirst of Australians for Financial Stimulant', to borrow the title of one of many articles of 1891 in *The Economist*,²⁸ drew widespread suspicion in the City. The colonial governments were recklessly impervious to these doubts. The failure of three Melbourne land banks in October 1891 provoked further moralising about real estate gambling.²⁹ 'British investors have no desire permanently to exclude Australian loans; they only ask that they shall be brought forward in moderate amounts and at convenient seasons'.³⁰ The Australians were perpetrating one of the fatal errors of Lord Revelstoke that led to the Baring crisis of November 1890: by issuing loans too rapidly in succession for investors to absorb them, they were left holding unsold stocks, and as this knowledge became public, such stock became harder to sell and the value of unloaded stock depreciated.

The Baring crisis was still reverberating at the time of the Queensland issue. 'The feeling against Revelstoke in the City is stronger than ever', Sir

Edward Hamilton of the Treasury wrote in June 1891, 'if the Stock Exchange could get hold of him, they would . . . lynch him.'³¹ 'Disquietude' permeated City opinion throughout 1891, 'and made for a greater probing among British leaders of the creditworthiness of foreign borrowers' that 'dealt a staggering blow to Australian credit' both by its generally 'adverse effect upon all foreign securities' and particularly by emphasising to investors 'the possible weaknesses of countries at a similar stage of development to the Argentine'. It was not feared that Australia would default like the Latin American republics, but London opinion of Australia held 'that excessive and unprofitable borrowing had occurred on both public and private accounts'.³²

One criticism made after the failure of the first attempt to float the Queensland loan was based on the colonial treasurer's erroneous belief that promised assistance from the Bank of England, on which he had depended, had failed.³³ In London the Australian colonies, when they issued treasury bills, were represented as 'trying by crafty and specious expedients to augment their debts after being warned off the market by peremptory rebuffs'. The colonialists denied that such treasury bills were 'a rash and impulsive ruse for wheedling money out of the pockets of capitalists', and promised long term prosperity for Australia 'if the development of its resources be not embarrassed by unwise administration nor by pernicious class agitation'.³⁴ Altogether there was an atmosphere of mutual distrust and misunderstanding.

It was in these difficult circumstances that Nivisons came to prominence. After the Queensland debacle of 1891 it was decided, apparently at the suggestion of Robert Nivison, to replace the public tender system for colonial loans with a new technique of underwriting syndicates. Instead of the traditional form of tendering, whereby as Queensland had discovered there was uncertainty about how much would be subscribed, underwriting syndicates proved far more reliable for the borrowers. Queensland's loan of 1893 was the first to use the methods of underwriting at a fixed price, and although the state twice reverted to public tender in 1895-96, under Nivisons' aegis, loan underwriting was adopted by other Australian states: Western Australia (1900), Victoria (1901), Tasmania (1901), New South Wales (1905) and South Australia (1906). Within a decade it became the conventional method of floating such loans, with Glendyne acknowledged as the best organiser of the technique that was particularly suited to his trustees business.³⁵ For example the Commonwealth of Australia Loan of 1928, worth £8 million, was recommended simply by *The Economist* as 'a trustee investment'.³⁶

Hall has described 'the virtual monopoly' enjoyed by Nivisons as the issuers of colonial loans in 1891-1914, but concedes that although 'the cost of issuing Australian government securities increased as the period advanced', it was never excessive. Glendyne's firm had low overheads, but their charges were correspondingly modest for Australian state borrowing. For

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their services Nivisons received 0.25 per cent for handling applications from lenders, 0.25 per cent for arranging the underwriting, and 1 per cent usually was dispersed amongst sub-underwriters as remuneration for their guaranteeing cash for the securities offered. Glendyne's associates at the London & Westminster Bank charged annual fees for the inscription and management of stock of £500 for the first ten millions, £450 for the second similar amount and £400 for any subsequent amount. Stamp duty was three-eighths and later five-eighths of 1 per cent. Charges for the actual negotiation of the issue were 0.5 per cent by the Bank of England and 0.25 per cent by the London & Westminster Bank: brokerage cost 0.25 per cent and incidental expenses less than 5 old pence per £100. Issues after 1900 were underwritten at the rate of 1 per cent.

Expenses of issues varied between colonies and over time, but their trend is indicated by the rise from 11s 5d per £100 for the New South Wales issue of 1883 and £1 7s 10d for that of 1895 to £3 2s 6d for the Queensland loan of 1902-3 and £2 14s 10d for the New South Wales loan of 1913. After 1900 underwriting commission was excluded from these expenses. Nivisons' crucial part in Australian state finance was little known. Although it was important to public confidence in an issue that the prospectus should carry the name of a well-known bank, the broker was given less emphasis.³⁷

Glendyne devised his own rules for issuing colonial loans in London. He discussed terms with prospective borrowers without consulting institutions, judged what the market would take, and on the day of issue walked around the City institutions offering them an opportunity to participate. The firm was dedicated to ensuring an orderly market. If any institution said that it disliked the terms, and was not interested in sub-underwriting at the price offered, it was permanently removed from Nivisons' list, and was never again offered an opportunity to participate in an issue made by the firm. At least one major insurance company suffered permanent exclusion in this manner: a few such examples were sufficient for Glendyne to enforce his personal discipline on the colonial issue market. He did not apply this draconian attitude without exemption. If at any time a sub-underwriter forewarned Nivisons that he did not wish to participate in loans for a particular borrower, country or local authority, this would be accepted, and he would not in future be offered sub-underwriting in such issues. Glendyne accepted the declaration in advance of some underwriters that they would not underwrite certain issues, but otherwise held the dominating attitude that underwriting in the City of London would have been impossible unless such discipline was imposed.

'An absolute expert' in his subject, Glendyne was 'a forceful personality', according to one financial journalist:

There were occasions, indeed, when the terms appeared to be almost too fine and in difficult times the loans were not always immediately covered by public subscriptions, but Lord Glendyne's judgement of the level at which the issues would ultimately be absorbed was seldom at fault.³⁸

This was a euphemistic way of expressing the belief of some journalists that Nivison's loans were overpriced, but the firm had a long term principle of favouring the borrower over the lender, and saw no success in oversubscription. Glendyne and his successors felt that in an ideal issue, stock would open at a small discount, or there would be no price movement after issue. Without broking through Nivisons it was impossible to float a loan for Australian government securities in the face of obstacles raised by jobbers and brokers; by offering a higher rate of interest or a lower price, it was possible in principle to fight the market and attract money that would otherwise have been invested elsewhere, but this was a very risky course.

Nivison's strength derived from his mastery of the network by which brokers and jobbers were able to draw trustees into investing their clients' funds in Dominion securities.³⁹ Through this co-operation at underwriting level, Nivisons had access to a large supply of funds. As issuing bankers were ready to take responsibility for issues in the knowledge that Nivisons' connections would supply the cash needed, it was irrelevant whether a loan was subscribed immediately. The assured flow of trustee and similar subscribers' cash ultimately enabled the underwriters' and sub-underwriters' holdings of securities to be taken off their hands. Although underwriters might initially be left holding a large part of a new issue, they were sure of getting clear eventually. At times, particularly in the 1920s, there was a tendency for some important applicants to hang back in the hope of securing stock at a small discount.

Underwriters allowed for this contingency not only in the underwriting fee but also by offering the loan on the day of issue at a price which would be high enough to allow a small discount later in order to entice the usual subscribers to take it up.⁴⁰

Country brokers in England later added another dimension to the business. As an increasing number of British municipal loans were brought to Nivisons by provincial stockbrokers acting on behalf of their local authorities, some of these brokers were drawn into participating in colonial issues, and opened access to new areas of trustee business in country districts.

When Australia met obstacles raising funds in London after 1902, some 'colonial politicians, either through ignorance or because they wished to find a scapegoat to take the blame for their own inability to raise money, attributed this coldness of the London market to the activities of the London "ring"'. Eventually in 1908 Elder Smith arranged with Lloyds Bank in London, instead of the normal issuer, the Bank of Adelaide, to undertake a South Australian conversion loan of £2 million. 'But somebody talked too soon, and then the London brokers—led by Nivisons, the firm that practically bosses Australian and South African loan issues—went on strike', as the *Sydney Bulletin* reported bitterly. It was

intimated to Lloyds that if the latter took up the loan it would be left on the bank's hands—the brokers wouldn't touch it. Lloyds offered to let Nivisons

stand in; but Nivisons wasn't taking any standing in ... the bank ... saw that the situation was hopeless, and the whole business fell through ... Nivisons, now that it has crushed out all possible opposition, isn't likely to make things nice and pleasant for either S. Australia or any other Commonwealth State ... Australia can't apparently borrow money without saying 'Please, Mr Nivison'.⁴¹

According to another contemporary description of sub-underwriting colonial government loans,

Jobbers ask directly a loan is coming out 'Is Nivison in this?' If he is not they will not touch it. Nivison divides the brokerage with them ... If the stock is going off quickly, they have the right to stop the applications from the public, and to retain such proportions as they wish. But if it happens that the public does not subscribe ... the underwriters have to take the balance, and work it off as best they are able.⁴²

Other events showed the power of Nivisons. In 1925 when Britain returned to the gold standard, the Bank of England imposed an informal stoppage on capital outflow that disturbed Australian government attempts to raise loans in London. A decision was taken by the voluntary Loan Council that the Australian Commonwealth should cover the deficiency on the New York money market. Nivisons encouraged this resort to New York, and suggested J.P. Morgan and Co. as suitable brokers. The premier of New South Wales justified the decision by declaring his desire

to stick as close as I possibly can to the London market. If our financial advisers on the other side of the world think it is impossible to obtain money [in London] or that it is preferable to obtain some of it in America, I must be guided by them.

The New South Wales government did not adopt Nivison's advice to employ Morgans, but instead in 1926-27 floated its loans through the Equitable Trust Company and associated bankers.⁴³ In fact this was not the first recourse by Australian state borrowers to the New York market: Queensland had raised a loan of £12 million yielding 7 per cent, which signalled Australian recognition that during World War I both assets and more tangible influence over markets had shifted from the City of London to New York.

Co-ordination of overseas borrowing through Nivisons was an established procedure before the creation of the voluntary Loan Council in 1923 or its enshrinement as a statutory body in 1927. 'The advantages of having one borrower are politically very great', wrote an official of the Prime Minister's Department in Melbourne, who was paid in the early 1920s for confidential political analyses by the London merchant bank, Antony Gibbs. 'It will give the Commonwealth power to curb wildcat state legislation, and will prevent wide scrambling for loans on the part of impecunious State Treasurers.'⁴⁴ This ideal was not fully attained, but the discreet informal co-ordination previously provided by Nivisons was partly superseded by the Loan Council.

After the Queensland debacle of 1891 care was taken not to bring two government issues onto the market simultaneously or at intervals so close that the first would spoil the market for the succeeding issues. This could be difficult, especially during Imperial Conferences in London, when politicians (particularly Australians) vied with each other in trying to arrange new loans. Nivisons as a firm preferred to leave the individual states to settle among themselves the order in which they would borrow, and found in practice that New South Wales as the state most heavily indebted usually had first recourse to the London market. Occasionally Glendyne was unable to prevent bunching of issues: in 1924 a Commonwealth of Australia loan issued in November was followed a month later by a Victorian loan worth £6 million issued on identical terms that, despite the intrinsic soundness of the loan, left the underwriters still holding 91 per cent of the amount in January 1925 simply because the two issues had been too crowded together.⁴⁵

As a result of Glendyne's ordering of the market there was competition between the states for the broker's services and underwriting connections in London: in order to ensure that they would rank higher on a broker's list than other states, governments passed legislation sanctioning new loans long in advance, and preserved secrecy concerning the precise date of an intended approach to the market. Although comparatively high rates of interest were offered, or a lower issue price requested if a state was desperate for a loan, the state was liable to delay if other states enjoyed higher priority.⁴⁶ To borrow through Nivison's, Australian states had to accept that conversion loans ranked in turn, just like other loans; that new loans were not to be floated while any instalments on a previous loan for the same state remained outstanding; and that the order of rotation of loans was to be decided only in consultation with Nivisons. One reason for the latter condition was the relation of the demand for securities to the structure of investors' portfolios and hence to their preference for a particular government's securities at certain times.⁴⁷

Some reservations in the City of London about Australian investment continued. In the early 1920s, for example, Australian politicians were accused of being 'unmindful of the services rendered by British capital in opening up the country', and to this picture of colonial ingratitude was added the spectre of excessive trade union power creating 'a sectional oligarchy'.⁴⁸ This sort of harping, based on an unease that was as vague as it was classbound, did not have the profound effects of Sir John Fortescue's articles of 1891, and seldom ruffled the ease with which Glendyne placed on the London market Australian state loans, usually acknowledged by the 1920s to meet that ideal of security required by trustee investors.

Although a myriad of detail has not survived in Britain on the career of Lord Glendyne as it touched Australian state finance, the main conclusions and overall picture are clear. Recurrently from the 1880s to the 1930s received opinion in the City of London saw Australia not as uncreditworthy, but as unnecessarily lengthening its credit risks by wayward extravagance; it was felt that working class political leaders were inherently unsound and

their financial conduct untrustworthy. The British business community in its dealing with the rest of the world in the late nineteenth and early twentieth centuries tended to fasten on a particular pejorative word for each different nationality, and to use that in excuse for the failures in their dealings. For example, instead of analysing how to do more effective or profitable business with the Japanese, the British condemned them as 'tricky' and so impossible to work with; the Persians similarly were dismissed as 'corrupt' or the Turks as 'lazy'.⁴⁹ For Australia, to a considerable extent, the catchword was 'working man'. The political power, social iconoclasm and occasional economic naivety of Australian society often gave London financiers pause to think. It was as much a factor in the events of 1891 as the Baring crisis, the extent of antipodean indebtedness or any other disturbance in the money market.

In a later example, Queensland's Labor government under E.G. Theodore failed to raise a loan of £3 million in 1920 partly because of its 'confiscatory and repudiatory legislation'; although his political opponents considered that it was 'moonshine' to claim that 'self-governing rights' or 'the domestic policy of Queensland' were being crushed by 'the dictation of . . . London Capitalists', it is striking how threatening Australian socialism was seen to be in the City of London. 'Save us from the Labour extremists', begged a member of the London merchant bank of Antony Gibbs. 'A very special effort must be made to defeat the Theodore government, and all those having interests in Queensland should contribute liberally'.⁵⁰ Perhaps because of the common English language, financiers alarmed at the distant possibility of a socialist takeover in Britain created a special bugbear of their own in Australia.

Lord Glendyne was detached from this, although it was to some extent the making of his great opportunity in 1891-93. Compared to many of his generation in the City, he was notably (but not sentimentally) sympathetic to Australian aspirations and development. His development of the underwriting system for colonial state loans and his fostering of a network of brokers and jobbers to tap the reservoirs of capital available from trustees were alike manifestations of the social web of investment: they were intrinsically discreet, personal and unregulated. The evidence suggests that they served Australian interests well. So too did his other handling of colonial issues. Contrary to some opinion in Australia, their terms were always intended to favour the borrower at the time of issue and to ensure thereafter an orderly market. This was a distinctive feature of all flotations arranged by the firm, and Australian state loans were no exception. Indeed it is likely that Australian issues would have been on less favourable terms if it had not been for the more profitable loan business that Nivisons transacted in South Africa, Canada, India and elsewhere. Sir Robert Menzies wrote that the second Lord Glendyne 'was always prepared to go "the second mile"' for Australia and had a 'sense of practical duty to it'.⁵¹ This was far truer of the founder of Nivison & Co. than many of his contemporaries recognised.

NOTES

I am deeply grateful to the present Lord Glendyne for patient advice in the preparation of this chapter.

1. London *Times* obituary, 16 June 1930.
2. Westminster Bank Archives, 41 Lothbury, London, B12143. I am grateful to Mr R.H. Reed for this information.
3. *Bankers' Magazine*, vol. 130, 1930, p. 55.
4. *Ibid.*, p. 56.
5. See the forthcoming biography of Hatry by David Fanning and Marquess of Winchester, *Statesmen, Financiers and Felons*, Abbeville & Monte Carlo, 1934.
6. See entries by R.P.T. Davenport-Hines on Sir Davison Dalziel and Arthur Grenfell in D.J. Jeremy and C. Shaw (eds.), *Dictionary of Business Biography*, vol. 2, London, 1984, pp. 5–11, 649–53; Alice Teichova and Penelope Ratcliffe, 'British Interests in Danube Navigation after 1918', *Business History*, vol. 27, 1985, pp. 283–300; George H. Nash, *The Life of Herbert Hoover the Engineer*, New York, W.W. Norton, 1983, pp. 469–73, 563–8. The involvement of Nivisons with Grenfell, despite the latter's chequered career, is attributable to the fact that Guy St. Aubyn (1870–1924), a partner in Nivisons, married Grenfell's sister.
7. London County and Westminster Bank board minutes, 19 October 1909; *Bankers' Magazine*, vol. 130, 1930, p. 56.
8. H.A. Doubleday and Lord Howard de Walden (eds.), *Complete Peerage*, vol. 13, London, 1940, p. 367.
9. Youssef Cassis, *Les Banquiers de la City à l'époque Edourdienne*, Geneva, Librairie Droz, 1984; Stanley Chapman, *The Rise of Merchant Banking*, London, George Allen and Unwin, 1984; Pat Thane, 'An Independent Financier at Work: Sir Ernest Cassel', in Jean-Jacques van Helten (ed.), *Essays in British Finance*, Aldershot, Gower, 1987.
10. *The Times*, 21, 23 February, 5 March 1910; 11, 12 January 1911; 1 May 1912; 25 October 1921.
11. *Morning Post*, 16 June 1930.
12. Of the others, the whisky distiller James Buchanan is known to have bought his peerage from Lloyd George's honours brokers, and to have ensured delivery of the goods by signing his cheque 'Woolavington', which was the title he intended to adopt. Francis Willey (Lord Barnby) was a rich octogenarian wool merchant of few public distinctions but with a politically influential son. Joseph Watson (Lord Manton) was a soapmaker who had been forced into premature retirement by a speculative scandal involving linseed oil: diary of Christopher Addison, Addison papers, vol. 99, 4, 7 September 1916, Bodleian Library, Oxford.
13. *Morning Post*, 16 June 1930.
14. William J. Reader, *A House in the City*, London, Batsford, 1979, p. 107.
15. Charles Wilson, *The History of Unilever*, vol. 1, London, Cassell, 1954, pp. 252, 254–5, 259.
16. Ranald Michie, 'The Social Web of Investment in the Nineteenth Century', *Revue Internationale de l'Histoire de la Banque*, vol. 18, 1979; R.P.T. Davenport-Hines and J.J.H.E.X.A. van Helten, 'Edgar Vincent, Viscount D'Abernon, and the Eastern Investment Company in London, Constantinople and Johannesburg', in R.P.T. Davenport-Hines (ed.), *Speculators and Patriots*, London, Cass, 1986, p. 56; Jose Harris and Pat Thane, 'British and European Bankers 1880–1914: an "aristocratic bourgeoisie"?' in Pat Thane, Geoffrey Crossick and Roderick Floud (eds.), *The Power of the Past*, Cambridge University Press, 1984.
17. *Morning Post*, 16 June 1930.
18. H.A. Gwynne to Sir Robert Borden, 10 July 1908, Gwynne papers, box 15, Bodleian Library, Oxford.
19. *The Economist*, 22 December 1883, p. 680. On the Turkish default see Donald C. Blaisdell, *European Financial Control in the Ottoman Empire*, New York, Columbia

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20. A.R. Hall, *The London Capital Market and Australia 1870–1914*, Canberra, ANU Press, 1963, p. 104.
 21. *Statist*, 19 October 1889, p. 442.
 22. *Ibid.*
 23. J.W. Fortescue, 'The Seamy Side of Australia', *Nineteenth Century*, vol. 29, 1891, pp. 529–30, 535–6.
 24. Sir George Baden-Powell, 'The Credit of Australasia', *Fortnightly Review*, vol. 56, 1891, pp. 3–12; Howard Willoughby, 'The Seamy Side of Australia', *Nineteenth Century*, vol. 30, 1891, pp. 292–302; Sir Edward Braddon, 'Mr Murray and the Antipodeans', *Contemporary Review*, vol. 60, 1891, pp. 801–16.
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 28. *The Economist*, 31 October 1891, pp. 1393–4.
 29. *The Economist*, 7 November 1891, p. 1426; 5 December 1891, pp. 1553–4; 19 December 1891, pp. 1619–20.
 30. *The Economist*, 10 October 1891, p. 1300.
 31. Diary of Sir Edward Walter Hamilton, 28 June 1891, British Library Add. 48656.
 32. *Ibid.*, 19 July 1891; Boehm, *Prosperity and Depression*, p. 167.
 33. Sir John Clapham, *The Bank of England*, London, Macmillan, 1944, vol. 2, p. 400.
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 51. *The Times*, 10 February 1967.