into which the aggregate of 80,393,000*l.* was thus divided, Messrs. Goschen and Joubert proposed to leave its old 7 per cent. interest, but reduced its rate of redemption from 100 to 80; to the second, in view of the special value of its security, they gave 5 per cent. interest; and for the large third they also retained the old 7 per cent. interest, reduced only by 1 per cent.—to be applied as a special sinking-fund—till the expiration of the Moukabala at the end of 1885. The obvious objection in equity to this manipulation of the various classes of debt was—that while it docked 20 per cent. off the redemption rate of the three short loans, it not merely placed the totally unsecured Treasury bondholders on a level with the funded creditors, but gave the former a premium of 10 per cent. over the latter for no equitable reason whatever. It was subsequently urged, indeed, that it was necessary to buy off French opposition with this sop; but this can hardly have been so, as the holders of the Treasury bonds were in much worse plight than the secured creditors—with whom, besides, the Khedive desired to make a preferential arrangement—and had everything to lose with nothing to gain, by impeding the only settlement that could give market value to their paper. The best-informed opinion, both in London and Cairo, also doubted the ability of the Egyptian exchequer to pay 7 per cent. on 59,000,000*l.* out of a reduced revenue of about 7,750,000*l.* —even assuming that with the Moukabala and railways a gross total of 10,500,000*l.* can be maintained—and was, therefore, in favour of a reduction of interest to a uniform 5 per cent. on all but the short loans. The Khedive himself shared this estimate of his own resources, but finally yielded to the arguments of Messrs. Goschen and Joubert and the diplomatic pressure behind them, and by a decree dated November 18, 1876—which now forms the "organic

law" of Egyptian finance—substituted their scheme for the abortive measure of May 7.

But, although the settlement thus effected may be open to objection on the ground of too favourable treatment of the Treasury bondholders at the expense of the funded creditors, and divides opinion as to the rate of interest on the unified debt, the merits of the scheme on the whole outweigh its defects. Thus, in view of the loss of income in 1886 by the expiration of the Moukabala and the Village Annuities, and the diminution in the land-tax which will then result, it was necessary to provide for such a gradual reduction of the charge on the unified debt as will balance it with the available revenue of that year; and this has been done in a manner which is at once ingenious and, on the whole, equitable. Simply a proportionate measure of sacrifice is imposed on all concerned. In return for the retention of their old interest and sinking funds, the holders of the short loans are made to surrender 20 per cent. of their redemption rate, equivalent to 800,000*l.* of capital; the Treasury bondholders give up 3,400,000*l.* of their indefensible premium of 25 per cent. under the decree of May 7; the holders of the Preference Stock, by accepting 5 instead of 7 per cent. on 15,000,000*l.*, forego 300,000*l.* a year; while the deduction for eight years of 1 off 7 per cent. on the unified debt docks 590,000*l.* a year from the interest on that stock—the whole representing an annual sacrifice of 1,128,000*l.*, which the Government, in its turn, renders possible by taxing its resources to the uttermost to pay the high rate of interest imposed on the chief mass of its debt. The calculated effect of these various contributions, *plus* the yearly increasing balances of the Moukabala after payment of the short loans, will be that by the end of 1885, when this terminable revenue expires, the unified debt will have been reduced by the process of redemption from 59,000,000*l.* to 40,000,000*l.*, and the annual charge on it from 4,170,000*l.* in 1877, to 2,900,000*l.* in 1866.* As, however, besides the Moukabala and the Village Annuities about 2,000,000*l.* of land-tax will also then be lost to the Treasury, the reduction thus ingeniously effected will not be sufficient; and unless the deficit be met by an increase of revenue (which is possible, but not certain) there will be nothing for it but to accept then what had better been accepted now—a uniform interest of 5 per cent. all round.

That this contingency may be equably contemplated, happily results from the *guarantees* which—far above the mere arithmetical details of the measure—constitute its real value to all classes of Egyptian creditors. These are in fact not merely as theoretically perfect, but also, so far as experience has yet shown, as practically efficient as any obligations imposed on an absolute Government could well be; and it is but fair to record that the credit of them belongs quite as much to the spontaneous initiative of the Khedive himself as to the diplomacy of Messrs. Goschen and Joubert. Already, before they had formulated their scheme, his Highness had affirmed its principle as regards guarantees in the two decrees of May 2nd and 7th, and announced his readiness to increase the securities there given to any extent, compatible with his sovereignty,

* The details of the manner in which the redemption of both the Preference and unified debts is to be effected will be found stated in the decree of November 18, but may be here summarised :—The former is to be paid off in 65 years from Oct. 15, 1876, by the operation of a sinking-fund of 35,744*l.* a year, applied in half-yearly drawings at par, the whole annuity for the service of this debt thus amounting to 885,744*l.* The unified debt is also to be extinguished within the same term and in the same way, but in addition, up to 1886, by public purchase at the market price of the day. If this, however, should exceed 75, then this subsidiary redemption will be by drawings to be paid off at this price. In the event of the revenue increasing so as to afford a higher figure, the bonds drawn in this latter way will be redeemed at 80.

that the bondholders might themselves propose; and when the November project was laid before him, he at once accepted the improved administrative machinery by which it further safeguarded the interests alike of the creditors and of the tax-paying population, for in fact this part of the scheme is almost equally advantageous to both. These guarantees now consist:

1. Of two English and French Controllers-General, of whom one is Controller-General of Receipts, and the other of Audit and the Public Debt. The functions and powers of the first of these comprise the collection of all the revenues of the State, and their payment into the several special chests to which they are allocated; and for this double purpose he is invested with full authority over the tax-collectors, nor can any direct tax be levied unless sanctioned by his counter-signature of the tax-paper—a provision that effectually protects the peasants from the arbitrary exactions of the old *régime*. Similarly, the Controller-General of Audit exercises supreme check over the account-keeping of the Treasury and all the public offices into which any revenue is paid; and as a security that the Budget estimates of the year shall not be exceeded, his counter-signature is necessary to all departmental cheques or orders for payment. These two functionaries, whose appointment in the first instance is for five years, form, along with the Minister of Finance, a Finance Committee which controls all contracts involving pecuniary engagements exceeding one-twelfth of the Budget credits of the year, or which would be applicable to more than one year. Both of them are directly responsible to the Khedive, and to him alone.

2. Of a Commission of the Public Debt, also composed of foreigners, recommended, or whose appointments are acquiesced in, by their respective Governments. The

duty of this body—which is declared permanent until the whole debt is redeemed—is to receive from the Controller-General of Receipts, and remit to the Bank of England and the Bank of France, the revenue hypothecated for the payment of the debt annuities, and to carry out the provisions for its amortisation. And

3. Of a Commission for administering the railways and the port of Alexandria. This body consists of two native, one French, and two English members, under the presidency of one of these last. The foreign members are appointed for five years certain, and the whole Commission is declared permanent until the Preference debt secured by these revenues is redeemed. This railway and port administration has (under the Khedive) paramount working power over the two services, and pays the revenue received from both directly into the chest of the Commissioners of the Public Debt.*

Nor is this all. By Article IV. of the decree of May 2nd, which forms a substantive part of this amended measure, these powers of the Debt Commissioners are specifically placed under the protection of the new tribunals, whose jurisdiction over the Ministry of Finance, "in so far as regards the guardianship of the guarantees of the debt," is there affirmed; thus subjecting the Government itself to an authority which is quite as independent, and relatively very nearly as powerful, as our English Court of Chancery.

The value of such checks on administrative abuse or bad faith cannot well be over-stated, and the settlement of which they are essential conditions—whatever be its defects in other points of detail—may be said to form a

* The details of the functions and powers of these three bodies will be found in full in the decrees of May 2 and 7, and November 18, 1876 in the Appendix.

foundation for Egyptian credit that will compare favourably with that of any second-rate State in Europe. It has, indeed, this one theoretical element of weakness—that it depends on the good faith of an absolute Prince, who has power to shatter the whole by an arbitrary act. But, as has been influentially remarked, that act would have to be performed overtly, in defiance of the public opinion of Europe and of the Powers whose good offices the Khedive has invoked to aid him in carrying out these reforms; and the present ruler of Egypt is far too intelligent a man to forget that while his relations to the Porte remain as they are he cannot thus wisely defy either. Engagements whose faithful observance is as much a matter of policy as of honour run little risk of violation; and if so, the early rehabilitation of Egyptian credit may be regarded as certain. But the reader will not have failed to perceive that the guarantees which ensure this are equally good for all classes of the debt. The Controllers-General and the Commissioners of the Public Debt are common bailees for the whole, and arbitrary interference with their functions in regard to any one of them would be equally fatal to the credit of all three. The only difference, therefore, between the Preference and unified stocks is—that while the revenue which secures the former may be regarded as absolutely sufficient to pay its charges, that which is pledged to the latter may not, in very possible contingencies, suffice to meet its much higher rate of interest. The obvious way to equalise the value of the two stocks would be to lower this last to a figure at which its special securities would be equally certain to cover its annuities, and nearly a consensus of opinion points to a uniform rate of 5 per cent. as that which would both satisfy all the equities and be within the power of Egypt to pay in almost any event. That her creditors prefer an assured 5 to a relatively uncertain 7 per cent. was shown by the eagerness with which the Preference bonds were taken up, and is still evidenced by the wide margin of market value between the two stocks. Of course, if experience bears out Messrs. Goschen and Joubert's anticipations of revenue, there is no reason why the Cairo Government should not be held to its bargain; but the hope is at least a sanguine one that the humane and law-respecting administration now at work will realise as much as was *courbashed* and tortured out of the fellahs by the late Moufettish. It would have lessened the risk, therefore, of another shock to Egyptian credit if the recent settlement had fixed the whole interest at 5 per cent. all round except—on the short loans—with the provision either for its increase to a higher rate if the Debt Commissioners found the revenue could afford it, or for the application of any surplus to a reduction of the debt. Still, the administrative safeguards which now protect their interests afford holders of the unified stock ample assurance that if the country can pay 7 per cent. they will get it, and that if it cannot they will receive 6, 5, or 4,—a certainty that gives an element of value to their stock which it never possessed before. The power of the Controllers-General, too, over the assessment and collection of the taxes will protect the peasantry from the ruinous exactions which oppressed them under the old system; while the share of the same officers in framing the Budget, and subsequently controlling the departmental expenditure, should equally operate as a check on every branch of the administration, and prevent the illicit growth of a new floating debt, pregnant with fresh embarrassment and real dangers for the future. If this prove so, the Government itself, quite as much as its creditors, may be congratulated on a measure which—

whether the unified 7 per cent. stand or be reduced—undoubtedly constitutes a valuable reform.

Thus, while the cost of the Suez Canal and an excessive outlay on public works—which in a few years, however, will be nearly all remunerative—coupled with bad management and other wasteful expenditure, have contributed to bring Egypt perilously near to the brink of national bankruptcy, a fair review of the country's resources, and of the new administrative reforms, suggests confidence, not merely in the power, but in the firm purpose of its present Government, to retrieve its financial position and honestly pay its debts, notwithstanding the scandalously usurious terms on which many of these have been incurred.