

**DILLON EMILE
JOSEPH**

ENGLAND AND GERMANY

Emile Dillon
England and Germany

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Emile Joseph Dillon

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INTRODUCTION

Behind any human institution there stand a few men – perhaps only one man – who direct its movement, protect its interests, or serve as its mouthpiece. This applies to nations. If we wish to know for what a nation stands and what are its ideals and by what means it seeks to realise them, we shall do well to know something of the men who lead its people or express their feelings.

It is of vital importance that we should understand the attitude of every one of the nations – both friends and enemies – involved in this war. For in this way only can we know what is necessary to be done to achieve victory.

And the remarkable man who has written this book knows those who lead the warring nations in this titanic conflict very much better than ordinary men know their own townsmen.

Dr. Dillon has moved through the chancelleries of Europe. He has seen and heard what has been denied to all but very few. In the Balkans, that cauldron of racial passions which, overflowing, gave our enemies an ostensible cause for this war, he moved as though an invisible and yet keenly observant figure. He could

claim the friendship of Venizelos and other Balkan statesmen. He has travelled as a monk throughout the mountain fastnesses, he has slept in the caves of Albania. He understands the people of all the Balkans, speaks their tongues as a native, and knows and assesses at their true value their leaders.

At the time of the murder of the Archduke Ferdinand and the Archduchess, Dr. Dillon was in Austria, and he remained there through those long negotiations in which Germany tenaciously clung to her design of war.

How well he knows Germany let his book speak. His knowledge of Russia is profound. A master of many languages, he occupied a chair at the Moscow University for many years, and his insight into Russian politics is deep.

In this book he speaks out of the depth of his knowledge, and tells the people of Britain what this war means to them, and what needs to be done before we can hope for victory. He speaks plainly because he feels strongly.

It may be that we cannot agree with him in everything that he says. But no one, after reading Dr. Dillon's remarkable book, will any longer regard the war as but a passing episode. It is a timely antidote to that fatal delusion.

For this war is a veritable cataclysm, and the future of the world hangs upon the result. We must change our lives. Insidiously, while we have called all foreigners brothers and sought foes amongst ourselves, the great force of barbarism, in a new guise and with enormous power of penetration and

annexation, has worked for our undoing. This force now stands bared, in the hideous bestiality of Germany's doctrine of Might, and it can be defeated only by an adaptation of its methods that will leave nothing as it was before.

Dr. Dillon's unfolding of the story of German preparation is, it will be admitted, one of fascinating interest. Of its value as a contribution to political and diplomatic history it is not for me to speak. But to its purpose in keying all men to the pitch; all to a sense of the great events in which we are taking part, I bear my testimony. "Germany is wholly alive, physically, intellectually, and psychically. And she lives in the present and future" ([p. 311](#)). And the living force of Germany requires us to rise to the very fulness of our powers; for as the champions of truth and right we must prove ourselves physically and morally stronger than the champions of soulless might.

Germany is wholly alive; but she is alive for evil. We whose purpose is good, whose cause is justice and whose triumph is indispensable if honest industry and human right are not to disappear from mankind, are as yet not fully alive to the immensity and necessity of our task. We must awaken, or be awakened, ere it be too late.

Germany is living in the present and in the future. It is a present of determined effort, of unlimited sacrifice, of colossal hope. The future for which she strives and suffers is a future incompatible with those ideals which our race cherishes and reveres. Either our philosophy, our religion and code prevail, or

they fade into decay, and Germany's aims remain. The choice is definite.

There can be no parley, no compromise with the evil thing for which Germany fights. There is not room for both. One must go down.

We must win outright. And we can and shall win – if we bend every thought, our whole will, our every energy, our utmost intensity of determination to the great work. Failing this, we shall secure only a victory equivalent to defeat. We chose the part of free men, and, when purified by complete self-sacrifice, shall emerge from the ordeal a great and regenerated people.

W. M. Hughes.

CHAPTER I

THE CHARACTER OF GERMANY

During the memorable space of time that separates us from the outbreak of the catastrophic struggle, out of which a new Europe will shortly emerge, events have shed a partial but helpful light on much that at the outset was blurred or mysterious. They have belied or confirmed various forecasts, fulfilled some few hopes, blasted many others, and obliged the allied peoples to carry forward most of their cherished anticipations to another year's account. Meanwhile the balance as it stands offers ample food for sobering reflection, but will doubtless evoke dignified resignation and grim resolve on the part of those who confidently looked for better things.

The items of which that balance is made up are worth careful scrutiny for the sake of the hints which they offer for future guidance. The essence of their teaching is that we Allies are engaged not in a war of the by-past type in which only our armies and navies are contending with those of the adversary according to accepted rules, but in a tremendous struggle wherein our enemies are deploying all their resources without reserve or scruple for the purpose of destroying or crippling our peoples. Unless, therefore, we have the will and the means to mobilize our admittedly vaster facilities and materials

and make these subservient to our aim, we are at a disadvantage which will profoundly influence the final result. It will be a source of comfort to optimists to think that, looking back on the vicissitudes of the first twenty months' campaign, they can discern evidences that there is somewhere a statesman's hand methodically moulding events to our advantage, or attempering their most sinister effects. Those who fail to perceive any such traces must look for solace to future developments. For there are many who fancy that the economy of our energies has been carried to needless lengths, that the adjustment of means to ends lacks thoroughness and precision, and that our leaders have kept over rigorously within the narrow range of partial aims, instead of surveying the problem in its totality and enlarging the permanent efficacy of their precautions against unprecedented dangers.

The twenty months that have just lapsed into history have done much to loosen the hold of some of the baleful insular prejudices which heretofore held sway over the minds of nearly all sections of the British nation. It may well be, therefore, that we are now better able to grasp the significance of the principal events of the war, and to seek it not in their immediate effects on the course of the struggle, but in the roots – still far from lifeless – whence they sprang. For it is not so much the upshot of the first phases of the campaign as the deep-lying causes which rendered them a foregone conclusion that force themselves on our consideration. Those causes are still operative, and unless they be speedily uprooted will continue to work havoc with our

hopes.

It is now fairly evident that the present war is but a violent phase in the unfolding of a grandiose ground idea – the subjugation of Europe by the Teuton – which was being steadily realized ever since the close of the Franco-German campaign of 1870. It is likewise clear that, despite her “swelled head,” Germany’s estimate of her ability to try issues with all continental Europe was less erroneous than the faith of her destined victims in their superior powers of resistance. The original plan, having been limited to the continental states, was upset by Great Britain’s co-operation with France and Russia. But, despite this additional drag, Germany has achieved the remarkable results recorded in recent history. And with some show of reason she looks forward to successes more decisive still. For in her mode of conceiving the problem and her methods of solving it lie the secret of her progress. But there, too, is to be found the counter-spell by which that progress may be effectually checked; and it is only by mastering that secret and applying it to the future conduct of the struggle that we can hope to ward off the dangers that encompass us.

Germany is like no other State known to human history. She exercises the authority of an infallible and intolerant Church while disposing of the flawless mechanism of an absolute State. She is armed with the most deadly engines of destruction that advanced science can forge, and in order to use them ruthlessly she mixes the subtlest poisons to corrupt the wells of truth and

debase the standards of right and wrong. And this she can do without the least qualms of conscience, in virtue of her firm belief in the amorality of political conduct. Her members at home and abroad, whose number is not fewer than a hundred and twenty millions, form a political community of whose compactness, social sense and single-mindedness the annals of the human race offer no other example. All are fired by the same zeal, all obey the same lead, all work for the same object. She sent and is still sending forth missionaries of her political faith, preachers of the gospel of the mailed fist, to every country in which their services may prove helpful. Diplomats, journalists, bankers, contrabandists, social agitators, spies, incendiaries, assassins and courtesans, willing to offer up their energies and their lives in order to circumvent, despoil or slay the supposed enemies of their race, address themselves each one to his own allotted task and discharge it conscientiously.

Those German colonists abroad are the eyes and arms and tongues of the monster organism of which the brain-centre is Berlin. They endeavoured to stir up dissension between class and class in Russia, France, Britain, Belgium, to plant suspicion in the breast of Bulgaria and Roumania, to create a prussophile atmosphere in Greece, Switzerland and Sweden, and to bring pressure to bear on the Government of the United States in the hope of fomenting discord between the American and British peoples. They have occupied posts of influence in the Vatican, are devoted to the Moslem Caliph, cultivate friendship with

the Senussi and the ex-Khedive of Egypt, are intriguing with the Negus of Abyssinia, and spreading lying rumours, false news and vile calumnies throughout the world. During the years that passed between the war of 1870 and the outbreak of the present European struggle, that stupendous organism contrived by those and kindred means to possess itself of the principal strongholds of international opinion and influence, the centres of the chief religions, the press, the exchanges, the world's "key industries," the great marts of commerce and the banks. It has friends at every Court, in every Cabinet, in every European Parliament, and its agents are alert and active in every branch of the administration of foreign lands. And while suppleness marked their dealings with others, they were inflexible only in their fidelity to the Teuton cause. Thus in Russia they were conservative and autocratic in their intercourse with the ruling spheres, and revolutionary in their relations with the Socialists and working classes; in France and Britain they were democrats and pacifists; in Italy they were rabid nationalists or neutralists according to the political sentiments of their environment; in Turkey, Morocco, Egypt and Persia staunch friends of Islam. They intrigued against dynasties, conspired against cabinets, reviled influential publicists, fostered strikes and tumults, set political parties and entire states by the ears, dispelled grounded suspicions and armed various bands of incendiaries and assassins.

But in spite of clogged dice and poisoned weapons, the comprehensive way in which the enterprise was conceived, the

consummate skill with which it was wrought out towards a satisfactory issue, the whole-heartedness of the nation which, although animated by a fiery patriotism that fuses all parties and classes into one, is yet governed with military discipline, offer a wide field for imitation and emulation. For the changes brought about by the first phases of the war are but fruits of seed sown years ago and tended ever since with unflinching care, and unless suitable implements, willing hands and combined energies are employed in digging them up and casting them to the winds, the second crop may prove even more bitter than the first.

CHAPTER II

THE GERMAN SYSTEM OF PREPARATION

On the historic third of August when war was formally declared, its nature was as little understood by the Allies as had been its imminence. The statesmen who had to full-front its manifestations were those who had persistently refused to believe in its possibility, and who had no inkling of its nature and momentousness. Most of them, judging other peoples by their own, had formed a high opinion of the character of the German nation and of the pacific intentions of its Government, and continued to ground their policy in war time on this generous estimate, which even when upset by subsequent experience still seems to linger on in a subconscious but not inoperative state. At first their preparations to meet the emergency hardly went beyond the expedients to which they would have resorted for any ordinary campaign. In this they resembled a sea-captain who should make ready to encounter a gale when his ship was threatened by a typhoon. Hence their unco-ordinated efforts, their chivalrous treatment of a dastardly foe, their high-minded refusal to credit the circumstantial stories of sickening savagery emanating first from Belgium and then from France, their gentle remonstrances with the enemy, their carefully worded

arguments, their generous understatement of their country's case, and their suppression of any emotion among their own folk akin to hatred or passion. In an insular people for whom peace was an ideal, neighbourliness a sacred duty, and the psychology of foreign nations a sealed book, this way of reading the bearings of the new situation and adjusting them to the nation's requirements was natural and fateful.

To the few private individuals who had the advantage of experience and were gifted with political vision the crisis presented itself under a different aspect. Some of them had foreseen and foretold the war, basing their forecast on the obvious policy of the German Government and on the overt strivings of the German nation. They had depicted that nation as intellectual and enterprising, abundantly equipped with all the requisites for an exhausting contest, fired with enthusiasm for a single idea – the subjugation of the world – and devoid of ethical scruple. And in the clarion's blast which suddenly resounded on the pacific air they recognized the trump of doom for Teuton Kultur or European civilization, and proclaimed the utter inadequacy of ordinary methods to put down this titanic rebellion against the human race. That has been the gist of every opinion and suggestion on the subject put forward by the writer of these lines since the outbreak of the war.

But even without these repeated warnings it should have been clear that a carefully calculating people like the Germans, in whom the gift of organizing is inborn and solicitude for detail is

a passion, would not embark on a preventive war without having first established a just proportion between their own equipment for the struggle and the magnitude of the issues dependent on its outcome. It was, further, reasonable to assume that this was no mere onset of army against army and navy against navy according to the old rules of the game, but a mobilization by the two military empires of all their resources – military, naval, financial, economic, industrial, scientific and journalistic – to be utilized to the fullest for the destruction of the Entente group. It was also easy to discern that, whichever side was worsted, the Europe which had witnessed the beginning of the conflict would be transfigured at its close, and that Germany would, therefore, not allow her freedom of action in conducting the war to be cramped by sentimental respect for the checks and restraints of a political system that was already dead. Lastly, it might readily be inferred that the huge resources hoarded up by the enemy during forty years of preparation would be centupled in value by the favourable conditions which rendered them capable of being co-ordinated and directed by a single will to the attainment of a single end. All these previsions, warranted then by unmistakable tokens, have since been justified by historic events, and it is to be hoped that the practical conclusions to which they point may sink into the minds of the allied nations as well as of their Governments, now that nearly two years have gone by since they were first expressed.

The earliest impression which German mobilization left upon

the Allies was that of the preventive character of this war. For it could have had no other mainspring than a resolve to paralyse the arm of the Entente, which, if allowed to wax stronger, might smite in lieu of being smitten. For the moment, however, Germany was neither attacked nor menaced. Far from that, her rivals were vying with each other in their strivings to maintain peace. Her condition was prosperous, her industries thriving, her colonial possessions had recently been greatly increased, her influence on the affairs of the world was unquestioned, her citizens were materially well-to-do, her workmen were highly paid, her capitalists, seconding her statesmen and diplomatists, had, with gold extracted from France, Britain and Belgium, woven a vast net in the fine meshes of which most of the nations of Europe, Asia and America were being insensibly trammelled. Already her bankers handled the finances, regulated the industries and influenced the politics of those tributary peoples. And by these tactics a relationship was established between Germany and most states of the globe which cut deep into the destinies of these and is become an abiding factor of the present contest. For that reason, and also because of the paramount influence of the economic factor on the results of the struggle, they are well worth studying.

To her superior breadth of outlook, marvellous organizing powers, the hearty co-operation between rulers and people, and the ease with which, unhampered by parliamentary opposition, her Government was enabled to place a single aim at the head

and front of its national policy, Germany is perhaps more deeply indebted for her successes during the first phases of the campaign than to the strategy of Hindenburg or the furious onslaughts of Mackensen. German diplomacy has been ridiculed for its glaring blunders, and German statesmanship discredited for its cynical contempt of others' rights and its own moral obligations. And gauged by our ethical standards the blame incurred was richly deserved. But we are apt to forget that German diplomacy has two distinct aspects – the professional and the economic – and that where the one failed the other triumphed. And if success be nine-tenths of justification, as the Prussian doctrine teaches, the statesmen who preside over the destinies of the Teutonic peoples have little to fear in the way of strictures from their domestic critics. For they left nothing to chance that could be ensured by effort. Trade, commerce, finances, journalism, science, religion, the advantages to be had by royal marriages, by the elevation of German princes to the thrones of the lesser states, had all been calculated with as much care and precision as the choice of sites in foreign countries for the erection of concrete emplacements for their monster guns. No detail seemed too trivial for the bestowal of conscientious labour, if it promised a possible return. When in doubt whether it was worth while to make an effort for some object of no immediate interest to the Fatherland the German invariably decided that the thing should be done. “You never can tell,” he argued, “when or how it may prove useful.” For years one firm

of motor-car makers turned out vehicles with holes, the object of which no one could guess until the needs of the war revealed them as receptacles for light machine-guns.

Nearly two years of an unparalleled struggle between certain isolated forces of the Allies and all the combined resources of the Teutons ought to banish the notion that the results achieved are the fruits only of Germany's military and naval efficiency. In truth, the adequacy of her military and naval forces constitutes but an integral part of a much vaster system. It has hitherto been the fashion among British and French writers to dwell exclusively on the comprehensiveness of the measures adopted by the Germans to fashion their land and sea defences into destructive implements of enormous striking power and scientific precision. But the German conception of the enterprise was immeasurably more grandiose. It included every means of offence and defence actually available or yet to be devised, and testifies to a grasp of the nature of the problem which, so far as one can judge, has not even yet been attained outside the Fatherland. As the present situation and its coming developments present themselves as practical corollaries of causes which the leaders of Germany rendered operative, it may not be amiss to describe these briefly.

The objective being the subjugation of Europe to Teutonic sway, the execution of the plan was attempted by two different sets of measures, each of which supplemented the other: military and naval efficiency on the one hand and pacific interpenetration on the other. The former has been often and

adequately described; the latter has not yet attracted the degree of attention it merits. For one thing, it was unostentatious and invariably tinged with the colour of legitimate trade and industry. Practically every country in Europe, and many lands beyond the seas, were covered with networks of economic relations which, without being always emanations of the governmental brain, were never devoid of a definite political purpose. While Great Britain, and in a lesser degree France, distracted by parliamentary strife or intent on domestic reforms, left trade and commerce to private initiative and the law of supply and demand, the German Government watched over all big commercial transactions, interwove them with political interests, and regarded every mark invested in a foreign country not merely as capital bringing in interest in the ordinary way, but also as political seed bearing fruit to be ingathered when *Der Tag* should dawn. Thus France and Britain advanced loans to various countries – to Greece, for instance – at lower rates of interest than the credit of those states warranted, but they bargained for no political gain in return. Germany, on the contrary, insisted on every such transaction being paid in political or economic advantages as well as pecuniary returns. And by these means she tied the hands of most European nations with bonds twisted of strands which they themselves were foolish enough to supply. Italy, Russia, Turkey, Roumania, Bulgaria, Greece, Belgium and the Scandinavian States are all instructive instances of this plan. Bankers and their staffs, directors of works and factories,

agents of shipping companies, commercial travellers, German colonies in various foreign cities, military instructors to foreign armies, schools and schoolmasters abroad, heads of commercial houses in the different capitals, were all so many agencies toiling ceaselessly for the same purpose. The effect of their manœuvres was to extract from all those countries the wealth needed for their subjugation. One of the most astounding instances of the success of these hardy manipulations is afforded by the Banca Commerciale of Italy, which was a thoroughly German concern, holding in its hands most of the financial establishments, trades and industries of Italy. This all-powerful institution possessed in 1914 a capital of £6,240,000 of which 63 per cent. was subscribed by Italian shareholders, 20 per cent. by Swiss, 14 per cent. by French, and only 2½ per cent. by Germans and Austrians combined! And the astounding exertions put forward by the Germans during the first twelvemonth of the war are largely the product of the economic energies which this line of action enabled them to store up during the years of peace and preparation.

The execution of those grandiose schemes was facilitated by the easy access which Germany had to the principal markets of the globe. One of the main objects of her diplomacy had been to break down the tariff barriers which would have reserved to the great trading empires the main fruits of their own labour and enterprise. By the Treaty of Frankfort the French had been compelled to confer on Germany the most-favoured-nation

clause, thus entitling her to enjoy all the tariff reductions which the Republic might accord to those countries with which it was on the most amicable terms. British free trade opened wide the portals of the world's greatest empire to a deluge of Teuton wares and to a kind of competition which contrasted with fair play in a degree similar to that which now obtains between German methods of warfare and our own. Russia, at first insensible to suasion and rebellious to threats, endeavoured to bar the way to the economic flood on her western frontiers, but during the stress of the Japanese war she chose the lesser of two evils and yielded. The concessions then made by my friend, the late Count Witte, to the German Chancellor, drained the Tsardom of enormous sums of money and rendered it a tributary to the Teuton. But it did much more. It supplied Germany with a satisfactory type of commercial treaty which she easily imposed upon other nations. Germany's road through Italy was traced by the mistaken policy of the French Government which, by a systematic endeavour to depreciate Italian consols and other securities, drove Crispi to Berlin, where his suit for help was heard, the Banca Commerciale conceived, and commercial arrangements concluded which opened the door to the influx of German wares, men and political ideals.

A few years sufficed for the fruits of this generous hospitality to reveal themselves. The influx of wealth and the increased population helped to render the German army a match for the combined land forces of her rivals, a formidable navy was

created, which ranked immediately after that of Great Britain, and a large part of Europe was so closely associated with, and dependent on, Germany that an extension of the Zollverein was talked of in the Fatherland, and a league of European brotherhood advocated by the day-dreamers of France and Britain. The French, however, never ceased to chafe at the commercial chain forged by the Treaty of Frankfort, but were powerless to break it, while the British lavished tributes of praise and admiration on Germany's enterprise, and construed it as a pledge of peace. Russia, alive to the danger, at last summoned up courage to remove it, and had already decided to refuse to extend the term of the ruinous commercial treaty, even though the alternative were war. That was the danger which stimulated the final efforts of the Kaiser's Government.

Thus the entire political history of Entente diplomacy during this war may be summarized as a series of attempts on the part of the Allies to undo some of the effects of the masterstrokes executed by Germany during the years of abundance which she owed to the favoured-nation clause, British free trade and kindred economic concessions. Interpenetration is the term by which the process has been known ever since Count Witte essayed it in Manchuria and China.

The German procedure was simple, yet effective withal. Funds were borrowed mainly in France, Britain, Belgium, where investors are often timid and bankers are unenterprising. And then operations were begun. The first aim pursued and

attained was to acquire control of the foreign trade of the country experimented on. With this object in view banks of credit were established which lavished on German traders every help, information and encouragement. Men of Teuton nationality settled in the land as heads of firms, as clerks without salary, private secretaries, foremen, correspondents, and rapidly contrived to get command of the main arteries of the economic organism. German manufactures soon flooded the country, because those who undertook to import them could count on extensive credit from the institutions founded with the money of the very nations whose trade they were engaged in killing. In this way the competition, not only of all Entente peoples but also of the natives of the country experimented on, was systematically choked. And the customers of these banks, natives as well as Teutons, became apostles of German influence.

Insensibly the great industrial concerns of the place passed into the possession of German banks, behind which stood the German empire. A nucleus of influential business people, having been thus equipped for action, incessantly propagated the German political faith. German schools were established and subsidized by the *Deutscher Schulverein*, clubs opened, musical societies formed, and newspapers supported or founded, to consolidate the achievements of the financiers. On political circles, especially in constitutional lands, the influence of this Teutonic phalanx was profound and lasting.

In all these commercial and industrial enterprises undertaken

abroad for economic gain and political influence, the German State, its organs and the individual firms, went hand in hand, supplementing each other's endeavours. The maxim they adopted was that of their military commanders: to advance separately but to attack in combination. Not only the Consul, but the Ambassador, the Minister, the Scholar, the Statesman, nay the Kaiser¹ himself, were the inspirers, the partners, the backers of the German merchant. Marschall von Bieberstein once told me in Constantinople that his functions were those of a super-commercial traveller rather than ambassadorial. And he discharged them with efficiency. Laws and railway tariffs at home, diplomatic facilities and valuable information abroad smoothed the way of the Teuton trader. Berlin rightly gauged the worth of this pacific interpenetration at a time when Britons were laughing it to scorn as a ludicrous freak of grandmotherly government. To-day its results stand out in relief as barriers to the progress of the Allies in the conduct of the war.

Of this ingenious way of enslaving foreign nations unknown to themselves, Italy's experience offers us an instructive illustration. The headquarters of the German commercial army in that realm were the offices of the Banca Commerciale in Milan. This institution was founded under the auspices of the Berlin Foreign Office, with the co-operation of Herr Schwabach, head of the bank of Bleichröder. Employing the absurdly small capital of two hundred thousand pounds, not all of which was German, it

¹ The Kaiser is one of the largest shareholders in the great mercury mines of Italy.

worked its way at the cost of the Italian people into the vitals of the nation, and finally succeeded in obtaining the supreme direction of their foreign trade, national industries and finances, and in usurping a degree of political influence so durable that even the war is supposed to have only numbed it for a time.

Between the years 1895 and 1915 the capital of this institution had augmented to the sum of £6,240,000, of which Germany and Austria together held but 2½ per cent., while controlling all the operations of the Bank itself and of the trades and industries linked with it.

The Germans, as a Frenchman wittily remarked, are born with the mania of annexation. It runs in their blood. And it is not merely territory, or political influence, or the world's markets that they seek to appropriate. Their appetite extends to everything in the present and future, nay, even in the past which they deem worth having. It is thus that they claim as their own most of Italy's great men, such as Dante, Giotto, Leonardo da Vinci, Botticelli, Galileo, and it is now asserted by a number of Teuton writers that Christ Himself came of a Teutonic stock.

German organisms, as well as German statesmen, display the same mania of annexation, and the Banks in especial give it free scope. German banks differ from French, British and Italian in the nature, extent and audacity of their operations. It was not always thus. Down to the war of 1870 their methods were old-fashioned, cautious and slow. From the year 1872 onward, however, they struck out a new and bold course of their own

from which British and French experts boded speedy disaster. Private enterprises were turned into joint stock companies, the capital of prosperous undertakings was increased and gigantic operations were inaugurated. Between the years 1885 and 1889 the industrial values issued each year reached an average of 1,770 million francs; between 1890 and 1895 the average rose to 1,880 millions, and from 1896 to 1900 it was computed at 2,384 millions.²

Of all German financial institutions the most influential and prosperous is the Deutsche Bank. It has been aptly termed an empire within the empire. Its capital, 250 million francs, exceeds that of the Reichsbank by thirty millions. It is the first of the six great German banks, of which four are known as the “D” group, because the first letter of their respective names is D: Deutsche Bank, Dresdner Bank, Disconto-Gesellschaft and Darmstädter Bank. The other two are the Schaffhausenscher Bankverein and the Berliner Handelsgesellschaft. The total capital of these six concerns amounts to 1,100 million francs.³

None of these houses is hampered by those rules, traditions or scruples which limit the activity of British joint stock banks. They are free to launch into speculations which, to the sober judgment of our own financiers, must seem wild and precarious, but to which success has affixed the hall-mark of approval. Each of the six banks is a centre of German home industries and also

² Cf. *L'Invasione tedesca in Italia*. Ezio M. Gray. Firenze.

³ *Op. cit.*, p. 113.

of the foreign transformations of these. To mention an industry is almost always to connote some one of the six. Before the war broke out one had but to gaze steadily at the beautiful facade of this or that Russian bank to discern the Lamia-like monster from the banks of the Spree. The famous firm of Krupps, for instance, had its affairs closely interwoven with those of the Berliner Disconto Gesellschaft, and was more than once rescued from bankruptcy by its timely assistance. Similar help was afforded to the celebrated firm of Bauer which is known throughout the world for its synthetical medicines. There were critical moments in its existence when it was confronted with ruin. The Bank extricated the firm from its difficulties, and the present dividend of 33 per cent. has justified its enterprise.

In this way the latter-day German banks upset all financial traditions, opened large credits to industries, smoothed the way for the spread of German commerce, killed foreign competition and seconded the national policy of their Government. As an instance of the push and audacity of these modernized institutions, a master stroke of the Bank of Behrens and Sons of Hamburg may be mentioned: it bought up the entire coffee crop of Guatemala one year to the amazement of its rivals and netted a very large profit by the transaction.

Now as commerce is international and industry depends for its greatest successes upon exportation, it was inevitable that the up-to-date German banks should seek fields of activity abroad and aim at playing a commanding part in the world's commerce.

And they tried and succeeded. For they alone instinctively divined the new spirit of the age, which may be termed co-operative and agglutinative. It was in virtue of this new idea that groups of States were leagued together by Germany in view of her projected war, and it is the same principle that impels her, before the conflict has yet been decided, to weld to herself as many tributary peoples as she may to assist her in the economic struggle which will be ushered in by peace. Germans first semiconsciously felt and now deliberately hold that in all departments of modern life, social, economic and political, our conception of quantities must undergo a radical change. The scale must be greatly enlarged. The unit of former times must give place to a group of units, to syndicates and trusts in commerce and industry, to trade unions in the labour world, to Customs-federations in international life. That this shifting of quantities is a correlate of the progress achieved in technical science and in means of communication, and also of the vastness of armies and navies and of the aims of the world's foremost peoples, is since then become a truism, realized not only by the Germans but by all their allies.

For individual enterprise, as well as for national isolation, there is no room in the modern world. Isolation spells weakness and helplessness there. The lesser neutral States must of necessity become the clients of the Great Powers and pay a high price for the protection afforded them. Hence the maintenance of small nations on their present basis, with enormous colonies to exploit

but without efficient means of defending them, forms no part of Germany's future programme. And the altruistic professions of the Entente which claims to be fighting for the rights of little States, whose idyllic existence it would fain perpetuate, is scoffed at by the Teutons as chimerical or hypocritical. When this war is over, whatever its upshot, Central Europe with or without the non-German elements will have become a single unit, against whose combined industrial, commercial and military strivings no one European Power can successfully compete. And the difficulties which geographical situation has raised against effective co-operation among the Allies in war time will make themselves felt with increased force during the economic struggle which will then begin.

No mere tariff arrangement, but only a genuine league between all the west European Powers and the British Empire, supplemented by a customs union between them and the other Allies of the Entente, will then avail to ward off the new danger and establish some rough approach to the equilibrium which the present conflict has overthrown. The future destinies of Europe, as far as one may conjecture from the data available to-day, will depend largely on the insight of the Entente nations and their readiness to subordinate national aims and interests to those of the larger unit which will be the inevitable product of the new order of things.

The ideal type of the industrial bank having been thus wrought out, the Germans, whom a thoroughly commercial education had

qualified for the work, carried on vast operations with a degree of boldness which was matched only by the thoroughness of their precautions. They advanced money with a readiness and an open-handedness which the West European financier set down as sheer folly, but which was the outcome of close study and careful deliberation. They began by acquainting themselves with the solvency of their clients, with the nature of the transactions which these were carrying on, with their business methods and individual abilities, and to the results of this preliminary examination they adjusted the extent of their financial assistance. They had secret inquiry offices to keep them constantly informed of the condition of the various firms and individuals, and when in doubt they demanded an insight into the books of the company which was seldom denied them. The Spanish Inquisition was but a clumsy agency in comparison with the perfect system evolved by these German banks, which could at any given moment sum up the prospects as well as the actual situation of each of their customers. It was this comprehensive survey which warranted some of the large advances they made to seemingly insolvent firms which afterwards grew to be the most prosperous in the Fatherland.

The methods thus practised at home were adhered to in all those foreign countries which the German financier, manufacturer or trader selected for his field of operations. A bank would be opened in the foreign capital with money advanced mainly by one of the six great financial institutions.

It would be called by some high-sounding name, suggestive of the country experimented upon, and little by little the German capital would be diminished to a minimum and local capital substituted, but the supreme control kept zealously in the hands of the Teuton directors. Industries would then be financed and finally bought up. Others would also be financed but deliberately ruined. Competition would in this way be effectively killed, and little by little the life-juices of the country would be canalized to suit the requirements of German trade, industry and politics.

If an industry in the invaded country was judged capable of becoming subsidiary to some German industry, the Bank would maintain it for the purpose of amalgamating the two later on, or else having the foreign concern absorbed by the Teutonic. This was a labour of patriotism and profit. But if the business was recognized as a formidable rival to some German enterprise, it was doomed. The procedure in this case was simple. The Bank advanced money readily, tied the firm financially, rendering it wholly tributary; and then when the hour of destiny struck, the credit was suddenly withdrawn and the curtain rung up in the Bankruptcy Court. When this consummation became public, the unsuspecting foreigner would ask with naïve astonishment: "How can it be bankrupt? I understood that Germans were financing it." They were, and it was precisely for that reason, and because it was on the way to prosperity as a rival to some German firm, that it was suffocated.⁴

⁴ Cf. *L'Invasione tedesca in Italia*, pp. 118, 119.

This ingenious system proved exceptionally effective in Brazil. It has been said that that republic is become a dependency of Germany. What cannot be gainsaid is that about one-third of Brazil's national debt⁵ is owing to German bankers, and the whole financial and industrial movement of the country is swayed by the Society of Colonization which is German, by the German Society for Mutual Protection, by the German-Brazilian Society and by the three Navigation Companies whose steamers ply between Brazil and the Fatherland.⁶ It is because of the far-reaching power and influence which has accrued to Germany from this successful invasion that Professor Schmoller of the Berlin University could write: "It behoves us to desire at any and every cost that, by the next century, a German land of twenty or thirty million inhabitants shall arise in Southern Brazil. It is immaterial whether it remains part of Brazil or constitutes an independent State or enters into close relations with the German Empire. But without a connection guaranteed by battleships, without the possibility of Germany's armed intervention in Brazil, its future would be jeopardized."

It is the Monroe doctrine that is commonly credited with thwarting these designs on South America. But as a matter of plain fact, it is to the British Navy and to nothing else that the credit is due. Were it not for the known resolve of the British nation to co-operate in case of need with the American people

⁵ 1050 million francs.

⁶ *Op. cit.*, p. 120.

in their exertions to uphold that doctrine against Germany, the Berlin Cabinet would long ago have formally established a firm footing in Southern Brazil and the United States Government would have been powerless to prevent it.⁷

⁷ An instructive article on the subject by Mr. Moreton Frewen appeared in the *Nineteenth Century* of February, 1916.

CHAPTER III

GERMANY AND ITALIAN FINANCE

It was in congruity with those principles and methods that the Banca Commerciale, which had its headquarters in Milan, set itself to discharge the complex functions of a financial, industrial, commercial and political agency of German interpenetration in Italy.

To German customers and those Italians who imported German goods, the Banca Commerciale allowed long credits and easy means of payment. To all who were in need of implements, machinery, or materials for a new enterprise, the bank “recommended” German houses, and those who were wise construed the “recommendation” as an ultimatum. For if it was ignored, their names were inscribed on the black books of the bank, and by means of an efficacious system of secret dossiers, handled by a confidential information bureau,⁸ they found themselves thrust into a “credit vacuum,” boycotted by

⁸ This secret information bureau is everywhere a potent engine of attack in German hands. It renders deliberate libellers and defamers immune against the action of the law. The victims feel the effects but cannot point to the cause. The *fiches*, as the certificates are called, are couched in conventional terms and bear no signature. In the case of persons whom the bank desires to ruin, these documents are sentences of commercial death.

finance and condemned to bankruptcy. All banks shunned them. Their bonds became mere scraps of paper. Every enterprise to which they set their hands was blighted, and nothing remained for them but to abandon their avocations or surrender at discretion.

But besides this executive of destruction there was another and still more important board, whose work was wholly constructive. It was commonly known as the "service of information." Its functions were to collect at first hand all useful data about Italian commerce and industry, to draw up tabulated reports for the use of Germans at home engaged in trade and industry. These lists indicated current prices, the qualities of the goods in demand, the favourite ways of packing and consigning these, samples of manufactures, statistics of production, the addresses of all firms dealing with Italians – in a word, every kind of data calculated to enable German trade and industry to compete successfully with their rivals. The manner in which this body of information was drawn up, sifted, classified, and made accessible, deserves unstinted admiration. To say that commercial espionage was practised largely in the working of this comprehensive system is but another way of stating that it was German.

The Banca Commerciale, which was the head and centre of this organization, was, as a matter of course, called Italian. For every similar institution, commercial, journalistic or other, which has for its object the realization of the Teutonic plan of internationalization, invariably wears the mask of the nationality of the country in which it operates. And in this case the mask

was supplied by Italians, on whom the bank bestowed all the highest *honorary* posts, while reserving the influential ones for Germans and Austrians. Thus the moving spirits of this vast organization were Herrn Joel, Weil and Toeplitz, men of uncommon business capacity, who devoted all their time and energies to the attainment of the end in view. And their zeal, industry and ingenuity were rewarded by substantial results, which have left an abiding mark on Italian politics and entered for a great deal into the attitude of the nation towards the two groups of belligerents. In a relatively short span of time foreign competition in Italian markets was checked, German products ousted those of their rivals, and at last the very sources of Italy's economic life were in the hands of the Teuton, whose continued goodwill became almost a vital necessity to the struggling nation.

Already in the year 1912 Germany stood first among Italy's customers, whether we consider the list of her exports or that of imports. Italy bought from that empire goods valued at 626,300,000 francs, and sold it produce worth 328,200,000 francs; whereas Great Britain, who supplies Italy with the bulk of her coal, exported only 577,100,000 francs worth, while her imports were valued at 264,400,000 francs. For France the figures were 289,600,000 and 222,600,000 francs respectively.

The method by which Italian industries were assailed, shaken, and then purchased and controlled by this redoubtable organization, bore, as we saw, all the marks of German commercial ethics. Sharp practice which recognizes as its only

limitation the strong arm of the penal law, is a fair description of the plan of campaign. Against this insidious process none of the native enterprises had the strength to offer effective resistance. One by one they were drawn into the vast net woven by the three German Fates – Joel, Weil and Toeplitz. The various iron, mechanical and shipbuilding works, which represented the germs from which native industries were to grow, were sucked into the Teuton maelstrom. The larger and the smaller steamship navigation companies likewise fell under the direction of the Banca Commerciale, which permitted some of them to exist and even to thrive up to a certain point, beyond which their usefulness to the general plan would have turned to harm. In this way Italy's entire mercantile marine became one of the numerous levers in the hands of the interpenetrating German. And the importance of this lever for political purposes can neither be gainsaid nor easily overstated.

In every little town and village which sends a quota of emigrants to the transatlantic liners, agents of the various steamship companies are always about and active. Being intelligent and enterprising, their influence on local politics is irresistible, and it was uniformly employed in those interests which it was the object of the Banca Commerciale to further. "This institution," writes an Italian expert, who has studied the subject with unusual care, "being the mistress of the dominant economic organisms of the nation, makes use of them to carry out a germanophile policy. It employs them for the purpose

of exercising a directive action in all elections, commercial, provincial and general. Every servant of a steamship navigation company, every purveyor of emigrants is at the same time and by the very force of things an electoral agent. The position of arbitress and mistress of the steamship companies carries with it possession of the keys of the national wealth, and is consequently a formidable weapon of aggressive competition against all industries, Italian and foreign, which are not affiliated to those of Germany. The Banca Commerciale, having obtained that supremacy, forced the Italian companies to lead a languishing existence in straitened circumstances, whereas they might easily have grown rich and flourishing. It permits our steamship companies to subsist and even to earn somewhat, but only just enough to suffice for the declaration of a modest dividend. That is why Italian navigation companies levy such excessive rates of freight, why their service is not organized in accordance with rational and latter day standards, why they take no thought of winning foreign markets or of national expansion.⁹ They have no means of consigning merchandise at the domicile, so that the consignees are put to enormous expense for collection and delivery. And to make matters still worse, Italian navigation companies are bound with those of Germany by special secret conventions, which oblige them to abandon to their rivals certain kinds of merchandise of the Near and the Far East.”

If we examine the peculiarly Teuton ways of trade competition

⁹ Cf. Preziosi, *La Germania a la Conquista dell' Italia*, p. 57 fol.

in their everyday guise, and without the glamour of political ideals to distract our attention, we are confronted with phenomena of a repulsive character. For the German's keen practical sense, his sustained concentration of effort on the furtherance of material interests, and his scorn of ethical restraints render him a formidable competitor in pacific pursuits and a dangerous enemy in war. His moral sense is not so much dulled by experience as warped by education. It may be likened to a clock which has not stopped but shows the wrong hour. He has been taught that there are times and circumstances when religious and ethical standards may or must be set aside, and he arrogates to himself the right of determining them. Without examining into stories of preternatural meanness and perfidy which have come into vogue since the outbreak of the war, it is fair to say that dirty tricks, destructive of all social intercourse, formed part of the German commercial procedure in France, Britain and Russia, the only proviso being that they were not penalized by the criminal law of the country.

An amusing but nowise edifying instance turns upon Paris fashions. That Berlin, like Vienna, should seek to vie with Paris in setting the fashion of feminine finery to the world is conceivable and legitimate. But that Germans should compete with Paris in Paris fashions connotes a psychological frame of mind which is better understood by the inmates of a prison than by a mercantile community. American ladies visiting the French capital to order their gowns are astonished to note that no fashions

really new have been shown to them in the great Paris houses. They had just seen them all in the German capital. And the Paris models destined to be placed on the market next season turn out to be identical with those which the fair visitors had already inspected in Berlin and could have purchased there at a much lower price. How this could be is explained simply. A German merchant in continuous relations with the staffs of the Paris firms clandestinely obtains from some of the members for a high price the models which are still being kept secret, has them copied in large numbers in Berlin and sold at a cheap price. True, the German workmanship lacks the dainty finish of the Paris article, but the difference is such as appeals only to the eye of a connoisseur.

In Italy similar phenomena were observed frequently. A firm in Florence celebrated for special types of wooden utensils which were never successfully imitated elsewhere was ruined by commercial espionage. One day the proprietor engaged the services of two foreign workmen who laboured hard and steadily for some time and then departed, to his great regret. Six months later Germany dumped on the Italian markets the very same articles in vast quantities, and at a price so low that the Italian firm could not hope to compete with them. At first, indeed, the Florence house made a valiant stand against the invasion, but had finally to give up the fight as hopeless. Later on the proprietor learned that the two honest-looking workmen were first-class German engineers, whose only objects in entering his service

were to acquaint themselves with his methods, copy his models and then strangle his trade. And these objects they achieved to their satisfaction.¹⁰

Thus, in order to strangle concerns that compete with them successfully, the average German merchant sticks at nothing. His maxim is, that in trade as in all forms of the struggle for existence, necessity knows no law. And he is himself the judge of necessity. The history of German industry in Italy is full of instructive examples of this disdain of moral checks, but one will suffice as a type. It turns upon the struggle which the Teuton invaders carried on against the Italian iron industry, which for a while held its own against all fair competition. In their own country, the German manufacturers sold girders at £6 10s. the ton. The profits made at this price enabled them to offer the same articles in Switzerland for £6, in Great Britain for £5 3s. and in Italy for £3 15s. Now, as the cost of production in Germany fluctuated between £4 5s. and £4 15s. per ton, it is evident that the dead loss incurred by the German manufacturers on Italian sales varied between 10s. and £1 per ton. But this sacrifice was offered up cheerfully because its object was the destruction of the growing iron industry of Northern Italy and the clearing of the ground for a German monopoly.¹¹ The spirit that animates the Teuton producer, in his capacity as rival, was clearly embodied by one of the principal manufacturers of aniline dyes

¹⁰ *L'Invasione tedesca*, p. 147.

¹¹ *L'Invasione tedesca in Italia*, p. 149.

in Frankfort, who remarked to an Italian business man: "I am ready to sell at a dead loss for ten years running rather than lose the Italian market, and if it were necessary I would give up for the purpose all the profits I have made during the past ten years."¹² To contend with any hope of success against men of this stamp, one should be imbued with qualities resembling their own. And of such a commercial equipment the business community of Great Britain have as yet shown no tokens.

In Italy the Banca Commerciale was wont to send to every firm, whether it had or had not dealings with it, a tabulated list of questions to be answered in writing. The ostensible object was to obtain trustworthy materials to serve for the Annual Review of the economic movement in the country published every year by the Bank. In reality the ends achieved were far more important, as we may infer from the use to which all such information in France was put. There the well-known agency of Schimmelpfeng, which was in receipt of a subvention from the German Chamber of Commerce, was a centre of secret information respecting the solvency, the prospects, the debts and assets of every firm in France, and its tabulated information about French commerce and industry, together with all the knowledge that had been secretly gleaned, was duly sent to Berlin.

Russians complain somewhat tardily of the prevalence of the same system among themselves. "Every day," writes the *Novoye*

¹² *Op. cit.*, p. 150.

Vremya, “fresh details are leaking out respecting a certain German firm, ideal in its resourcefulness, which succeeded in spreading a vast net over all Russia. It has been satisfactorily established that Germans occupied many responsible posts in the organization, and that these¹³ officials were subjects of the German Empire. At the head of the entire business in Russia down to a recent date was also a German subject.” The kind of information gathered by the agents of the company, “for business purposes,” is clear from a circular issued by the firm just a fortnight before the outbreak of the war.

THE FIRM OF XYZ

“Tula,”

5/18 July, 1914.

“District Card for the Collectors of the Circuit.

“Form N 246.

“We have forwarded you to-day a number of cards of the printed form N 246, which you are requested to have filled in at once and placed at the head of form 490 of the corresponding district. We draw your attention herewith to the necessity of enumerating on the first table of form N 246 all the villages and other places of the circuit of each district collector, whether or

¹³ It is an American Company for the sale of certain machines. The Russian organ mentions all the names. For my purpose this is unnecessary. The curious may find them in the *Novoye Vremya* of 5/18 August, 1915.

no they contain debtors of ours, and of stating in the second table the number of inhabitants. The registration is to be done by the official charged with that part of the work: each circuit is to be entered separately and the villages and places it contains to be given in alphabetical order. These lists are to be verified every six months and fresh information set out respecting the growing number of our debtors. We request you to take this work in hand at once and without delay.

“The Control Department, Tula.”

When this circular was published in Moscow the general director of the firm wrote to certain provincial newspapers pointing out that the company is American, not German. “It is curious,” a Russian journal remarks, “that an American firm should need a map containing all the villages and hamlets of the districts, with the number of their inhabitants, irrespective of the presence there of the company’s debtors.”¹⁴

¹⁴ *Novoye Vremya*, 5/18 July, 1916.

CHAPTER IV

THE ANNEXATION MANIA

Another instructive example of the Annexation mania, as it displays itself in German commercial undertakings, comes to us from Russia.

It is only one of many, a typical instance of a recognized method. The Franco-Russian joint-stock company Provodnik is known throughout Europe. It manufactures tyres and other rubber wares. The capital, which amounted to only 700,000 roubles at the date of its foundation, in the year 1888, had increased to 22,000,000 by the time when war was declared. It is closely connected with another company named the Buffalo, which has its headquarters in Riga and was promoted by the President of the Provodnik, M. Wittenberg, together with several Austrian capitalists. M. Wittenberg is President of both companies, and the Provodnik has assisted the Buffalo on various occasions, even during the war, notwithstanding the fact that the shareholders of the Buffalo are mostly German subjects. On January 2, 1914, another company was created, this time in Berlin, and called the "German Provodnik." Now, according to the instructions laying down the rights of the Board (Par. 24), wares may not be delivered on credit to any firm or institution for the value of more than 50,000 roubles, and not even to this

amount unless the solvency of the recipient is beyond question.

In spite of this clearly marked limitation the Board of the Franco-Russian Provodnik, which exerted itself with unwonted zest to supply the German Provodnik with motor-tyres shortly before the war, opened a credit of 498,000 roubles in favour of this firm. The manager of the warehouses of the Riga products in New York is a German subject named Lindner. The managers in Zurich and Copenhagen are also German subjects.¹⁵

It is not to be wondered at that countries like Italy and Russia, poor in capital and industry, fell an easy prey to the ruthless German invader, who, with the help of British, French, and even Italian and Russian savings, suffocated the nascent industries of the respective nations, killed foreign competition, earned large profits, obtained control of the country's resources and an intimate knowledge of the political secrets of their respective Governments. "Many Germans," wrote an Italian Review,¹⁶ "serving in Italian establishments are in possession of lists of the fortresses, measurements, distances, positions of the roads and footpaths, they have found the points of triangulation and acquired all requisite data and information about them. And tomorrow, should war break out, they will accompany and guide the German or Austrian invaders."

How keen they are to make themselves conversant with

¹⁵ Their names are Johann Assman and Rudolf Meyer. Cf. *Novoye Vremya*, 11/24 August, 1915.

¹⁶ *Rassegna Contemporanea*.

matters of political moment in the guise of honest workmen is becoming fairly well known to day, although it may be taken for granted that if peace were concluded to-morrow these same commercial spies would find hospitality among some of the easy-going merchants of Great Britain, who still refuse to believe in the obvious danger or to act upon their belief. In November 1912 the Italian Minister of the Marine called for tenders for the supply of silver dinner-plate for the warships. At the critical moment, when the decision was about to be taken, the German firm of Hermann, which has its headquarters in Vienna, reduced its offer first by 18 per cent., then by 20, and finally by 20·13 per cent. in order to get the order. For the order carried with it, for the representative of the firm, Herr Forster, *the permanent right of access to all naval arsenals of Italy.*¹⁷

The *naïveté* of Italy in matters of this delicate nature stands out in jarring contrast to the habitual caution of that diplomatic nation, and has not yet been satisfactorily explained from the psychological point of view. One is puzzled to understand how, months after the present war had begun, the press of Genoa could announce that the supply of electric motors for the Italian marine and of ventilators for Italy's fortified places on her eastern frontier had been adjudicated to two German firms, on the ground that their tenders were the lowest.¹⁸

One of the largest automobile and motor works in the German

¹⁷ *L'Invasione tedesca in Italia*, p. 171.

¹⁸ *Op. cit.*, p. 171.

Empire is the Benz and Rheinische Automobil und Motoren Fabrik Actien Gesellschaft of Mannheim. It supplies the Kaiser with his cars and has branches everywhere. In Italy, too, it exists and flourishes. But there the great German firm is modestly disguised under the name of the Societá Italiana Benz. And it is so modest that in spite of its gorgeous warehouse in the Via Floria (Rome), of its luxurious head-office in the Via Finanze, of its well-equipped workshop for repairing and fitting and its little army of agents actively pushing the business all over Italy, its capital, all told, amounts only to 30,000 lire, or £1,000! The firm is managed by a German engineer whose kith and kin are fighting in the Kaiser's army. And this German engineer, Herr Matt, has free access to the Italian War Minister, even now,¹⁹ when it is question of manufacturing projectiles; and he has continuous relations with the Italian Airmen's Brigade.

Electricity in Italy, together with all its auxiliary trades and industries, was, like every other lucrative enterprise, in the hands of Germans and German Swiss. The names of the various company directors had the usual familiar Teuton sound. When the European conflict broke out it seemed for a moment as if all these German concerns must come to a sudden and dire end. But just as the German engineer Herr Matt, whose relatives are officers in the Kaiser's army, has free access to the Italian War Minister and carries on his business in Italy as usual, so the

¹⁹ Cf. *L'Idea Nazionale*. The words "even now" refer to November 22, 1915, and may be equally true to-day.

electrical concerns had merely to change one or two adjectives in their trading names and were forthwith shielded from harm. A case in point which is valuable because typical occurred recently. The Italian Electro-technical Association published a list of the manufacturers of electric machines and requisites in Italy, and by way of introduction set down the following patriotic remarks: "This list is addressed to those who at the present moment feel it to be their duty to uphold and encourage the production and development of materials for electricity. Importation from abroad, which we favoured when Italian industry was still in an embryonic stage, *degenerated especially in consequence of the action of the Germans*, into a veritable conquest of the markets; and no weapon, licit or illicit, was spurned to destroy our sources of production, and suffocate our nascent initiative."

These are pathetic words. They are calculated to appeal with force to the Italian who loves his country. But when one looks more closely into the list of Italian producers one is disappointed to find the same familiar names as before:²⁰ Allgemeine Electricitäts Gesellschaft, Thomson Houston, the Mannesmann Tubes Co., the Italian Brown Boveri Co., etc. The nationalist Italian press organ which first directed public attention to these German subtleties asks pertinently: "Were not and are not the real producers named in this list the same who were the prime movers in the deplorable foreign conquest of the

²⁰ Felix Deutsch, Karl Zander, Otto Joel, Karl von Siemens, Walter Boveri, Karl Kapp, etc.

Italian market?"²¹

The Banca Commerciale, which was admittedly an all-powerful German institution, and has the control, direct or indirect, of most of the industries, the silk manufacture, metallurgical and mechanical works of the country and of thirty-four electrical companies in Italy: which possess a capital of 434,000,000 francs and produce energy equal to 940,000 h.p.: found itself in an unpleasant predicament as soon as the King of Italy declared war against Austria-Hungary. But Teuton resourcefulness solved the problem with ease and seeming thoroughness by inducing certain German officials on the board to resign and appointing as Italian director a gentleman known for his philo-Germanism. But the three creators of the bank were left: Herr Joel, Toeplitz and Weil, and although it was affirmed solemnly that Joel was no longer the director but M. Fenoglio, it has been publicly proved that after the resignation of the former, the latter, before sending a *consignment of gold to Berlin*,²² had to ask for and actually received the authorization of Herr Joel.²³

The following brief summary of the companies and enterprises in which the Banca Commerciale is interested may enable the British reader to form an idea of its decisive influence on the economic and political life of the Italian nation: they include eighteen of the largest companies of textile

²¹ *L'Idea Nazionale*, September 8, 1915.

²² On May 21, 1915.

²³ *L'Idea Nazionale*, November 8, 1915.

industries; sixteen of the most important companies of chemical, electrical and kindred industries; six of the chief companies of alimentation; twenty-six transport companies; twenty-seven of the principal companies of mechanical industries and naval construction; six building companies; five of the chief mining companies; twenty-eight of the largest electrical companies; and twenty-two miscellaneous.²⁴

Thus every artery and vein of the economic organism of Italy is swathed and pressed and choked by this German isolator, which nobody dares to pull away. For if we turn from the economic to the political aspect of this curious phenomenon, we shall find that the companies enumerated give work to scores of thousands of operators and employees, through whose willing instrumentality they become vast electoral agencies. "It is obvious," we are authoritatively assured, "that the influence of such companies in administrative and political elections is put forth in congruity with the interests at stake, a circumstance which explains how it comes that many Italian politicians and representatives are, directly or otherwise, chained to the chariot of the Banca Commerciale and indirectly to that of Germany's policy."²⁵ In Italy the deputies are, with few exceptions, the humble servants of their constituents, and are powerless to shake themselves free from local influences. "It is easy to infer from this what efforts have to be made and what compromises must

²⁴ *Giornale d'Italia*, November 17, 1915.

²⁵ Cf. Preziosi, *La Germania a la Conquista dell' Italia*, p. 66.

be acquiesced in by those deputies whose election depends on such institutions which, aware that money is more than ever the nerve of political contests, subscribe to the election expenses, and assure in this way the respectful gratitude of the parliamentary recipients of their benefactions. And all this is executed with order and discipline. Examples could be quoted and names mentioned.”²⁶

The unsuspected ways in which this remarkable organization destroys, constructs and draws its sustenance from its victims are a revelation. Imagine a few British bankers possessed of two hundred thousand pounds and conceiving the plan of wresting the economic markets of Italy from Britain’s rivals, building up an all-powerful organization with Italian money, throttling Italian industries and commerce with the help of Italian agents paid for the purpose out of the hard-earned savings of the Italian people, and then yoking the national policy to the interests of Great Britain. One would laugh to scorn such a mad scheme, and set down its authors as wild visionaries. Yet that was the programme of the little band of audacious Germans who conceived the design of teutonizing Italy. And they had almost realized it when the war broke out. Even the halfpence scraped together by poor emigrants and half-starved Sicilian working-men were diverted from the savings banks into banks of German origin, two of which held four hundred million francs of the nation’s economies a few months ago.

²⁶ *Ibid.*, p. 67.

It was not to be expected that the domain of foreign politics should long escape the notice or be spared the experiments of this all-absorbing organization. What excites our wonder are the superiority of its method and the completeness of its success. To the thinking of Germany's leaders international politics and foreign trade are correlates. In the Near East, where so many of Italy's interests are now concentrated, the Societa Commerciale d'Oriente of Constantinople, being one of the agencies of the Banca Commerciale, was also one of the canals through which this influence passed. Under the Italian flag and with the cooperation of Italian diplomacy, that "little business" of Germany was conscientiously transacted which consisted in the adaptation and employment of Italian expansion as an instrument for Teutonic interpenetration. Whithersoever we turn our gaze we discern, lurking under the comely vesture of Italy, the clumsy form of the Teuton. It is amusing to reflect that the recent railway concessions in Asia Minor, for which Italian statesmen laboured so hard and so long, went in reality to the Banca Commerciale, which is but a roundabout way of saying to Germany. And in order to win their suit and have those advantages conferred on "Italy," King Victor's Government agreed to renounce their claims for the reimbursement of the expenses incurred during the administration of the occupied Turkish islands. This sacrifice meant tens of millions of francs, kept from the pockets of Italian taxpayers and handed over to the German bankers, who spent them in promoting anti-Italian projects. The Bank of Albania

was also conceived originally as an organ of German propaganda, and was pushed forward by the same set of agents who induced the Italian Government to employ them as its own.

In those ways the seemingly modest little bank scheme which Friedrich Weil with Crispi's help initiated in 1890, grew until it acquired the influence of a State within the State. And then it began to discharge functions unique in the history of the banking world. Its employees became diplomatists and statesmen at a moment's notice, ended wars, and drafted treaties. The Banca Commerciale put a stop to the campaign against Turkey which was a thorn in the side of Teutonism and settled the terms of peace in accordance with its own judgment. It was not an ambassador or a minister who opened the *pourparlers* in Stamboul and continued them at Ouchy, but an agent of the Banca Commerciale. It was that same agent who immediately afterwards, in concert with colleagues of his bank, negotiated the treaty, reporting by telegraph to the headquarters of the bank in Milan every important conversation he had with the Turkish delegates.²⁷ At a later date important conversations between the British Foreign Office and the Consulta were entered into in the name and for the alleged interests of Italy, but the principal part in the drawing up of the terms of the settlement arrived at was taken by Signor Nogara of the Societa Commerciale d'Oriente, – the company which the concessions demanded were destined to

²⁷ Signor Preziosi gives the names of those agents as MM. Volpi, Bertolini and Nogara (*op. cit.*, p. 71).

benefit. In fine, the parasite had thus become almost equal in power to the body on which it battered.

A well-known politician and member of the Italian Legislature, Di Cesaró, narrated the following curious incident in a public speech delivered on March 17, 1915: “An Italian Admiral, having had the audacity to request the immediate delivery of an order for arms manufactured by the works which are under the control of the Banca Commerciale, was relieved of his functions within twenty-four hours, and his place was taken by another Admiral, who by chance happened to be the brother of one of the negotiators of the Italo-Turkish Peace of Ouchy.” And as we saw, the negotiators of that peace were officials of the Banca Commerciale. An authority on the subject²⁸ wrote: “For many years the Banca Commerciale has contrived, directly or indirectly, according to circumstances, to take a hand in the formation of various ministries... As a matter of fact, on its governing board there are seven senators, many deputies, and a numerous host of political notabilities. It has its tentacles everywhere, high up and low down, in Italy and abroad, in peace time and in war time, when our native land is elated with good fortune and when it is cast down with bad. Its hand lies heavy upon everything and everybody. It is the arbitress in the choice of good and evil and is under no obligation to render an account of its doings to any one... In war time we are certain to feel

²⁸ Professor Bondi, ex-Questor of Milan.

greatly hampered by the meshes of such a firmly woven net.”²⁹ This anticipation has since come true.

Like the vampire that soothes its victim while drawing its life-blood, the parasitic German organism cast a spell over influential Italians of the community and imparted to them a feeling that things were going well with themselves and their country. Money passed from hand to hand. Labour found remunerative employment. Towns in decay were galvanized into new life. And all Italy was grateful. Milan, the “moral capital” of the kingdom, where a couple of decades before the name of Germany was execrated, became itself very largely Teutonic and was dominated by a rich and flourishing German colony. Venice, Genoa, Rome, Florence, Naples, Palermo and Torino, leavened in the same plentiful degree with pushing subjects of the Kaiser, turned towards Berlin as the sunflower towards the orb of day.

Against Austria, Italians might write and talk to their hearts’ content, but towards Germany feelings of respect verging on awe and of gratitude bordering on genuine friendship were cherished by every institution and leading individual in the kingdom. And when the hour struck to wrench Italy from that monster vampire, the task was so arduous and fraught with such danger that no Cabinet without the insistent encouragement of the whole nation would have attempted it. The policy of every Foreign Secretary was and still is dominated by this unnatural relationship

²⁹ Rivelazioni postume alle Memorie di un questore, 1913. Cf. Preziosi, *La Germania a la Conquista dell’ Italia*, p. 75 ff.

to the Teuton, and it came at last to be acknowledged as a political dogma that Germany must in no case be confounded with Austria. Indeed, it is fair to assert that the governing circles of both countries held and hold that nothing should be allowed to mar these friendly feelings, not even the circumstance that Germany as Austria's ally is bound to stand by her during the war. Hence when the friction between Italy and Austria was growing dangerous, Germany was ready with two expedients for keeping her friendly intercourse with the former country intact. She first assumed the rôle of umpire between them, endeavouring to beat down the demands of the one while spurring on the other to a higher degree of liberality, and when her well-laid and skilfully executed plan unexpectedly failed, in consequence of the interposition of a *deus ex machina*, she produced a draft treaty, complete in all details, which was to rob war between Italy and herself, if circumstances should render it unavoidable, of all its frightfulness and savagery. The two nations virtually said to one another: "Whatever else we may do, we shall steer clear of mutual hostilities to the best of our ability. But as the action and reaction of alliances may thwart our efforts and force us into war against each other, we hereby undertake that that war shall be but a simulacrum of the struggle that we are at present waging against all our other adversaries. We shall respect each other's property religiously, for we shall both stand in need of each other when the exhausting struggle is ended and the wounds it inflicted have to be dressed and healed. We Germans have

invested thousands of millions of francs in Italy, the one foreign country for which we feel genuine affection. You Italians have thriven on our commercial and industrial enterprise. Spare our property now and you shall not rue your self-containment. After the war the Entente people will shun us as lepers, and our only hope of finding outlets for our commerce is through the neutral States. Now, of all the European Great Powers, Italy is the only one qualified to render us great services of this nature. And she will be glad of a partner whose help is free from the alloy of jealousy or hostility. For our interests do not clash, whereas those of Italy and the Entente Powers never can run parallel. In the Adriatic she will find the Slavs pitted against her, in Asia Minor the Russians, French, British, Greeks, and in the Eastern Mediterranean the three last-named States. But at no point does Germany cross her path. Our common hope in the future is based on our experience of the past. It is knowledge rather than trust. We Germans succeeded in laying the foundations of your economic strength. And now that Austria's rivalry has ceased, we will contribute to your political growth. With the help of our organizing talent you will become the France of the future. Your population is already well-nigh equal to that of the Republic. In ten years it will be more numerous, and will still go on increasing. Tunis has been built up by Italian toil. Nature has assigned the Mediterranean to Italy as her natural domain. The overlordship of the Midland Sea is yours by right, and in co-partnership with us you shall assert and enforce this right. Mind

your steps, therefore, in performing the difficult egg dance which the European War may impose on us both. You are not, cannot be, friends of France, closely though you are related by blood. Neither can the French become our friends. Therefore you and we are natural allies, as your far-sighted politicians like Crispien perceived. Even Sonnino sees that and acknowledges it. The one political idea of his life was to solder Italy firmly to Germany. And that is still the desire of your aristocracy. Fight with Austria, if you must, but Italy and Germany must not become armed enemies.”

Nearly two milliards of francs of German money are invested in commercial and industrial enterprises and immovable property in Italy, besides the value of ships detained at Italian ports, some of which have cargoes valued at several million francs. The Kaiser is himself the largest shareholder in the Italian mercury mines of Monte Amiata, his Foreign Secretary, von Jagow, is another. And they are resolved not to relinquish their hold. That Prince von Buelow should move every lever to save this precious pledge was natural, and that Italian statesmen with their germanophile leanings should readily fall in with his scheme is not to be wondered at. The Kaiser's ambassador proposed that in the case of war each contracting party should respect the property of the other. This formula sounds decorous. Its meaning is profound. A treaty embodying these stipulations was agreed to and secretly signed by Prince von Buelow and Baron Sidney Sonnino, whose admiration for Germany embodied itself

in all the more important acts of his political career. This transaction, which the Italian Government wisely refrained from publishing, was announced by the Germans for reasons of their own. The impression produced by this display of eclectic affinities so pronounced that even the world's most ruthless war could not impair them was considerable. And it would have been heightened if the alleged and credible fact had also been divulged that the diplomatic instrument was ratified when Italy had already decided upon war with Austria-Hungary. Between Italy and Germany stands a bridge which both peoples are resolved to keep intact at all costs. Against the facts it is useless to argue.

The struggle between Germany and Italy, therefore, should it ever break out, would differ not merely in degree, but also, one may take it, in kind, from the lawless and ruthless savagery which characterizes the warfare of the Teutons against the Entente Powers. A civilizing mute would deaden the resonance of bestial passion; and even private property – in especial that of Germany – would be safe from confiscation and wanton destruction, and when peace is restored the rich mercury mines of Italy will again belong to the Kaiser and his advisers. Last summer³⁰ a series of private meetings was held for three days running in Switzerland, at which Germans of high standing took part, for the purpose of dealing with German capital in Italy and safeguarding it during the war. At one of the sittings it was computed that about two

³⁰ 1915.

milliards of francs belonging to German subjects are buried in Italian undertakings or in house or landed property.

In November 1915 the Italian Government publicly applied one of the provisions of the secret treaty in favour of Germany. At that moment it was deemed necessary to commandeer German ships in Italian ports for the service of the navy and the mercantile marine. Had it been a question of Austrian vessels they would have been seized and utilized without any such precautions. In virtue of § 4 of the Treaty the Italian authorities undertook to pay a monthly sum to the German owners for the use of their steamers. That clause lays it down that the two contracting states shall respect the enactment made by the concluding section of Article VI of the Hague Convention concerning the treatment of enemy merchant vessels.

This treaty, then, is no mere scrap of paper. It is a strong bridge spanning the chasm between Italo-German friendship in the past and Italo-German friendship after the war. To take due note of this and of like symptoms of the coming readjustment of political and economic forces is one of the primary duties of Entente statesmanship which one piously hopes are being efficiently discharged.

CHAPTER V

GERMANY AND RUSSIA

Turning to our other ally, Russia, we find that she underwent a course of treatment similar to that which well-nigh prussianized Italy. In the Tsardom the task was especially easy owing largely to the advantages offered to Teutonic immigrants from the days of yore, to the German-speaking inhabitants of the Baltic provinces, to the proselytizing German schools which flourish in Petrograd, Moscow, Odessa, Kieff, Saratoff, Simbirsk, Tiflis, Warsaw and other centres, to German colonies scattered over Russia and to religious sects. During the Manchurian campaign the Commercial Treaty drafted in Berlin, and at first denounced by Count Witte as ruinous to his country, was agreed to and signed.³¹ It was Hobson's choice. After that the empire, which had already been a favourite and fruitful field for Germany's experiments, became one of the most copious sources of her national prosperity. Commercial push and political espionage were so thoroughly fused that no line of demarcation remained visible.

Russia's losses were proportionate and at the time were computed at 35,000,000 marks a year. In the Tsardom the imposition of this tribute was resented. By the Teutons their

³¹ In June 1904.

economic victory was followed by political influence. Their agents and spies abounded everywhere. Time passed, and as relations between the two empires grew tenser, the danger defined itself in sharper outline to the eyes of Russian statesmen, who resolved, however, to postpone remedial measures until the day should come for the discussion of the renewal of the Commercial Treaty. The knowledge that Russia would refuse either to prolong that one-sided arrangement or to make another like it, and that the consequences of this refusal would be disastrous to Germany's economic and financial position, stimulated German statesmen to bring matters to a head before Russia could back her recalcitrance with a reorganized army, and was one of the contributory causes of the European struggle.

Since then the war has flashed a brilliant light on the dark places of German intrigue, and some of the sights revealed are hardly credible. Whithersoever one turns one is confronted with the same striking phenomenon; the preponderant influence wielded in almost every walk of life, private and public, by institutions and individuals who in some open or clandestine way are under German tutelage. In the sphere of economics this is particularly noticeable. Three-fourths of Russia's foreign trade was in German hands. Dealings between Russians and foreigners were transacted chiefly through Germany. Imports and exports passed principally through German offices, established throughout the length and breadth of the Tsardom, and commercial dealings were conducted by merchants in

Berlin, Hamburg, Königsberg, Leipzig, and other centres of the Fatherland. Merchandise was carried in and out of the country by German railway lines, or to German ports in German bottoms. Even American cotton and Australian wool and tallow were disposed of in Russia by German middlemen who had them conveyed in German steamers. On the other hand, Russian corn, sugar, spirits, were taken to Europe by German transport firms. Intending Russian emigrants were sought out by agents of German steamship companies, sent to German ports and accommodated on German steamers. In brief, whenever the Tsar's subjects had anything to sell to the foreigner or to buy from him, their first step was to go in search of a German, through whom the sale or purchase might be effected.

In domestic economics the same phenomenon was everywhere noticeable. To a Russian's success in almost any commercial or industrial venture, the co-operation of the German was an indispensable condition. Individual enterprise might sow and governmental legislation might water, but it was German goodwill that vouchsafed the fruit. Wherever Russian industry showed its head, Germans flocked thither to take the concern in hand, regulate its growth, and co-ordinate its effects with those of other industries which were under the patronage of German banks. It was in vain that Witte and his fellow workers threw up barriers that seemed impassable to German enterprise. They were turned with ease and rapidity. Thus in order to protect the textile industries of Moscow, prohibitive tariffs were levied

on textile fabrics of German origin. But the irrepressible Teuton crossed the frontier, established his factories in Poland, founded the German-Jewish town of Lodz, and snapped his fingers at the Government of the Tsar. And forthwith Lodz assumed all the characteristics of a German city. German schools flourished there, German agents abounded, German became the recognized language, and permission was at one time given to German reserves there, to undergo their periodic term of military drill for the Kaiser's army!

Of the three Entente Powers challenged by Germany in 1914, Russia was therefore by far the worst equipped for the unwonted effort which the European War demanded of each. For her liberty of action, and, in some cases, even her liberty of choice, was hampered by the financial, economic, and political network which Germany had slowly and almost imperceptibly woven over the entire population. In the fine meshes of this net several organs of national life were caught, immobilized and connected with the Fatherland. And it was not until they strove to move and discharge their functions on behalf of the Russian nation that they became fully conscious of their plight. German intrigue and subterranean scheming, under the mask of sympathy – now for the autocracy, now for socialism – had effected far-reaching changes in the Empire, which few even among observant politicians appear to have realized. These innovations were embodied in the thralldom of Russian banks to German financial institutions; in the splendid organization

which kept old German colonies that were scattered over the Empire in touch with each other, and co-ordinated their action; in the eloquent Russian advocates and influential dignitaries who contributed to the furtherance of German ideas and interests and swayed the policy of the State; and in the dependence of the great Russian Empire on its enemy for munitions, and almost every other technical necessary of war.

From the days of the great Peter this Teuton influence had been creeping imperceptibly over the Slav race like some cancerous soul-growth. It infused a subtle poison in the State organism, the most appalling effects of which are only now assuming visible shape. Two palace revolutions were brought about by a national reaction against the predominance of this foreign influence, which was resented by the people not merely because it was alien, but largely also because of its unscrupulous and ruthless character. Some of the most atrocious cruelties which students of Russian history associate with court and political life in the Tsardom, during the best part of two centuries, had their sources in the sheer malignity of Teuton Ministers who spoke and acted in the name of the autocrat of the moment. It is characteristic that the Minister Münnich, in the school for officers which he founded in Petersburg, had Russian history eliminated from the programme as superfluous, German history being allowed to remain; and that out of 255 students, only eighteen studied the Russian language, whereas 237 applied themselves to German. The first Sovereign to rebel against this

Teuton supremacy in his Empire was the late Alexander III., who made no secret of his profound dislike for German ways. But as the Russian proverb has it, "one man in the field, is not a soldier." Hercules, to cleanse the Augean stables, had need of the water of a river, and the anti-German Tsar could not hope to make headway without the co-operation of his army of officials, who themselves were permeated with the Teutonic spirit. And as passive resistance was their attitude, his purging scheme was abortive. As a matter of cool calculation, the only hope of freeing Russia from the meshes of the German net was a war between the two peoples. And all radical legislation had therefore to be postponed.

In the meanwhile the Germans, having organized and primed their agents, have been teutonizing Russia cunningly and effectively. With the precious assistance of their own kith and kin settled in the Baltic provinces and elsewhere, they employed the never-failing expedient of taking an active and, when possible, a leading part in domestic Russian politics, and invariably on both sides. At the Court they have always been well represented, and in the ranks of the inarticulate and Parliamentary Opposition they have also been playing a noteworthy part. In factories and other industrial and commercial institutions they arranged strikes, called indignation meetings and hatched conspiracies at critical junctures when it was to Germany's interest that Russia's attention should be riveted upon home affairs. No Parliamentary Bill could be privately drafted, no railway scheme could be

secretly discussed, no Ministerial measure could be canvassed; nay, seldom could a confidential report be drawn up to the Emperor himself without the knowledge of the Berlin authorities and the occasional intervention of their agents in Petrograd. It is interesting to note that in 1914 a secret memorandum of a highly confidential character, from a statesman to the Tsar, found its way to Berlin soon after it had been presented to the monarch and had a certain influence on the decisions which led to the war.

The work of economic interpenetration carried on under the ægis of such powerful patrons and resourceful coadjutors was greatly facilitated by the German colonies scattered over Russia for generations. Many of these foreigners had been invited by Catherine II., receiving large grants of land and various privileges which enabled them to flourish at the expense of the native population, on which they looked down with open contempt.

At that time the extent of free land was considerable in Bessarabia, Volhynia, and the provinces of Kherson, Ekaterinoslav, Saratoff and Samara, where down to the year 1915 entire cantons were inhabited by Germans. In the Novouzensky canton, for example, they constituted 40 per cent. of the population, in that of Berdyansk 17 per cent. and in the Akkerman canton 14 per cent. The inducements which had been held out to them to settle in these fertile districts were irresistible. Each colonist received fifty dessiatines of land,³² extensive pastures for cattle, grants for the journey and the cost

³² About 107 acres.

of stocking his farm, absolute immunity from all taxes, rates and military service, and complete local autonomy apart from that of the Russian community.

The Germans whom these boons attracted were of two categories: sectarians (Menonites), who eschewed military service on religious grounds; and ne'er-do-wells, who objected to the restraints of law and justice in the Fatherland; besides a considerable percentage of tramps. Most of the men of the second category fared as badly in their adopted country as they had in their native land. They gave themselves up to intemperance and kindred vices, and their descendants still lead a hand-to-mouth existence in the Tsardom which their privileges alone could not better. The sectarians, on the other hand, formed a compact co-operative body, and by dint of persevering industry and shrewdness, made the most of their favoured position and prospered. With their common savings they purchased such vast tracts of land from the neighbouring gentry that in time the Russian population was constrained to emigrate to Siberia and other distant parts of the Empire. And when the present conflict was unchained they were in possession of an area of fertile land bigger than Pomerania, which is one of the largest provinces of Prussia. In the Volga country alone they owned 879,420 dessiatines, or, say, 1,884,471 acres! In the south of Russia there are 519 German settlements, and the area they occupy is estimated at more than 31,252 square versts.³³ And the land of

³³ One square verst is equal to 0.44 square mile.

the country gentry in the neighbouring districts was fast passing into their hands.³⁴ They have their own local government, their banks which help them to acquire Russian land, their insurance companies and their schools. In short, they were a compact little State within the Tsardom.

The sectarians still hold aloof from the native population. Indeed, almost the only relations in which they stand to Russians are those of masters and agricultural labourers. They hire Russian peasants to till their land and they compel them to work hard for small wages. Many of these colonies have the appearance of little German towns. They have added industrial pursuits to agricultural, possess flour mills, timber mills, and plough their farms with German implements. They are aggressively German in sentiment, language, character and Kultur.

That in brief is the history of one type of German colonization in the Tsardom. There is another at which it may not be amiss to cast a glance. It is of recent date and consists of German elements already resident in the Tsardom. It is a monument of Teuton audacity and Slav forbearance. One might ransack the history of European nations without finding another such instance of downright effrontery and disloyalty on the part of a privileged section of the community, and of easy-going toleration on the part of the State. The German elements of the provinces of Kurland and Livland, subjects of the Tsar though they are,

³⁴ Cf. *Novoye Vremya*, October 5, 1914.

resolved after the abortive revolution of 1906 to raise a living wall against the rising tide of Russian influence. And as is the wont of the Teuton throughout the world, they employed Russia's men and Russia's money to achieve their anti-Russian object. This object was to attract some twenty thousand Germans to the province, provide them with farms on easy terms, and look to time, the industry of the men, the fecundity of the women and the teachings of the schools to create a new German State in that part of the Russian Empire. It was part of the functions of these colonists, we are frankly told by their historiographer,³⁵ "to serve, even as armed defenders" against the Russians! In no other country on the globe is such a scheme conceivable.

The undertaking was organized and carried out by two brothers, Brödrich by name, in one of whom the Tsar's Government placed implicit confidence and evinced it by appointing him to be chief of the police in the canton of Goldingen. In this post of trust the German leader was able to further the anti-Russian cause materially. And he utilized his opportunities to the utmost for the purpose during the five years of his tenure of office. He himself travelled in search of suitable German colonists and had numerous agents on the look-out for such. He finally got about 13,000 to settle in Kurland and 7000 in Livland. The Kurlandische Kreditverein advanced

³⁵ His name is Dr. Fritz Wertheimer. His writings are to be found in various periodicals. The essay from which these data are taken was published in the *Frankfurter Zeitung*, January 8, 1916.

the necessary capital as mortgagee of the land, and within five or six years many of the colonists had already paid off their debts, sold their farms to other Germans and bought untilled land in the neighbourhood for themselves. The school was responsible for the required standard of German patriotism. The success of the experiment exceeded the highest expectations, and to-day the man of confidence of the Tsar's Government, Karl Robert Brödrich, is become chief of the local administration under Wilhelm II., and deservedly enjoys the confidence of the Kaiser's Ministers.

This type of German invasion in Russia, especially in recent years, was carried out with a supreme disdain of the laws of the Empire which is equally characteristic of those who display and those who tolerate it. In virtue of a law inscribed in the Statute Book on 14/26 March 1887, foreigners are not permitted to purchase or own land outside the cities in the provinces of Kurland and Livland, whereas in Esthland there is no such prohibition. Yet in Esthland only 6396 dessiatines belong to Germans, whereas in the two provinces whence they are absolutely excluded Germans possess 36,852 dessiatines and 6396 dessiatines respectively! In the territory of the Don Cossacks no foreigner may possess land under any circumstance, yet the Germans own there 3700 dessiatines. Again, in the provinces of Podolia and Volhynia, where, for State reasons, the ownership of land is allowed only to Russians, Germans purchased and own 63,831 dessiatines in the latter province and

12,475 in the former. Altogether the amount of Russian territory which passed into the hands of the Teutons is enormous. In July 1915, when the inventory was not yet completed, the area inscribed had reached the total of 2,450,000 dessiatines or about 5,250,000 acres.³⁶ “This figure – ” we are assured – “is still far from complete, inasmuch as a large number of data from various provinces have not been included in it, and there are no entries at all for the three provinces of the kingdom of Poland where military operations are going on and where unhappily the presence of German colonists has been utilized by the German General Staff.”³⁷

In Poland there were well over 500,000 German colonists, besides a large number of new-comers, whose unwritten “privileges” included, as we saw, occasional permission to their young men liable to serve a few weeks annually in the ranks of the German army to discharge that duty under German officers in Russian Poland! In the Ukraine and the most fertile districts of the Volga basin hundreds of thousands of Germans lived, thrived, and upheld the traditions as well as the language of the Fatherland, under the eyes of tolerant local authorities.

Hard by old Novgorod, the once famous Russian republic and cradle of the Russian State, a number of German colonists

³⁶ *Novoye Vremya*, July 2, 1915.

³⁷ By a law sanctioned by the Tsar, in February 1915, the German Colonists of Southern and Western Russia were obliged to sell their land to Russian subjects, and they received ten months' grace for the purpose.

settled some 150 years ago. The population of two of these settlements numbers several thousand souls, descendants of the original settlers, in the fourth and fifth generation. They had had time enough, one would think, during that century-and-a-half to assimilate Russian ways and to acquire a thorough knowledge of the Russian tongue. Well, these colonists do not speak the language of the country in which they and their forbears have been living for over 150 years! They still consider themselves German, and if you ask them who their sovereign is they answer unhesitatingly – Kaiser Wilhelm! During Russia's recent military reverses, which threatened for a time to culminate in the capture of Riga, and possibly of Petrograd as well, these parasites in the body politic of Russia displayed their joy in various unseemly ways, which aroused the indignation of their Slav neighbours. In one of their schools the Russian visiting authorities were received with demonstrations of hostility. It is usual for the portrait of the Russian Tsar to be set up in every school in the Empire. In one of these educational establishments it was discovered in the lavatory with the eyes gouged out.

Long before this war Berlin had become alive to the importance of these colonies as factors in the work of pacific interpenetration and political propaganda. Wandering teachers from the Fatherland were accordingly sent among them to link them up with their brethren at home, and fan the embers of patriotism which long residence in the Tsardom had not quenched. Little by little, the political fruits of these apostolic

labours began to show themselves: the colonists, whose main preoccupation had been to occupy the most fertile soil in the district, began to take over the approaches to Russia's strategic plans, and to display an absorbing interest in Russian politics. Several Zemstvos fell into their hands, and were practically controlled by them, and they contrived to gain considerable influence in the elections to the Duma.

The chance of a useful part for these German colonies to perform having thus unexpectedly arisen on the horizon, they seized it with promptitude and utilized it with the thoroughness that characterizes their race. The numbers prosperity, and influence of the colonies grew rapidly. Land that had belonged to the Russian peasantry was taken over by the foreign parasites, and while the Tsar's Minister, were toiling and moiling to transport hundreds of thousands of Russian husbandmen and their families in search of land beyond the Ural Mountains to the virgin forests of Eastern Siberia, there in the very heart of European Russia were hundreds of thousands of intruders, who, with the help of their German Colonial banks, were acquiring additional tracts of land from which their native owners had been ousted.

I pointed out this anomaly over and over again, and long before the war I described it in review articles. The well-known German Professor, Hans Delbrück, replied shortly afterwards, in the *Contemporary Review*,³⁸ denying point-blank the truth of

³⁸ Cf. *Contemporary Review*, February 1911.

my statements, which were drawn from official sources, and confirmed by the evidence of my senses. For I had visited several of the colonies in question. Besides these German settlements, there had also been a number of German industrial and commercial establishments in the Empire which, at first nowise harmful, were afterwards taken in hand by emissaries from Berlin, linked up together, affiliated to one or other of the great financial houses of Germany, and transformed into redoubtable instruments of Teuton domination. Capital was subscribed, syndicates were formed, railway-building and electro-technical industries were organized, Russia's railways policy modified, and metallurgical works were monopolized by the Germans. Here again financial institutions discharged the functions of motive power. At the beginning, about thirty million roubles were subscribed for the creation of banks, and by dint of push, importunity, secret influence and intrigue, these institutions received on deposit the savings of the Russian peasant, merchant, landowner, and official, which finally mounted up to several hundreds of millions. With this money they were enabled to control the markets and constrain Russian institutions and individuals to bow to their will.

Contracts in Russia were appropriately drafted in the German language, being directed to the promotion of German interests. Incipient and even long-established Russian firms were either killed by unfair competition or compelled to enter the syndicates and forego their national character. Inventions and

new appliances were tested, plagiarized, and employed in the service of the Fatherland. And while preparing for the war which was to set Germany above the nations —*Deutschland über Alles*— these syndicates followed the policy dictated from Berlin, sowed discord between Russian firms and various State departments, organized strikes and paid the strikers in competing establishments, and thus deprived the Russian State of industrial organs on which it would necessarily have to rely in war-time. To give but one example of this cleverly devised attack, the cotton industry of the Tsardom was in the hands of the Germans when war was declared. Another of the most important groups of Russian industries is that of naphtha. When this precious liquid is dear, many of the lesser works have to close; when it is cheap, even small industrial enterprises are able to go on working. By way of obtaining complete control of this vital element of Russia's industrial life, the Deutsche Bank went to work to form a syndicate, had a number of private wells bought up, united them in one, acquired numerous shares in Russian oil companies, and had the manager of another German bank — the well-known Disconto Gesellschaft — made a member of the Board of the Russian Nobel Company.

One of the results of this ingenious deal was a sharp rise in the prices of all the products and some of the by-products of naphtha. The increase continued at an alarming rate, filling the pockets of the German shareholders, whose syndicates received the oil at cost price for their own consumption, while Russian

firms were forced to acquire it at the market value or to shut down their works. Amongst the worst sufferers from these anti-Russian tactics were the steam-navigation companies of the Volga, which had jealously warded off all attempts to germanize them.

In conditions as restrictive as these, it is well-nigh impossible for Russian industry to hold its own, much less prosper and grow. And only the most vigorous and best-organized enterprises in the Empire, like that of the Morozoffs in Moscow, managed to pursue their way unscathed. In Russian Poland, where textile industries flourished, and the total annual production was valued at 294,000,000 roubles, over one-third of these industries belonged to the Germans, whose yearly output amounted to more than one-half of the grand total, *i. e.*, to 150,000,000 roubles.³⁹ In all these industrial and commercial campaigns the German prime movers had carried out their operations more or less openly. But where interests affecting the defences of the Empire were concerned, caution was the first condition of success, and, as usual, the Teutons proved supple and adaptable. By way of levying an attack against the shipbuilding industry, they pushed shaky Russian concerns into the foreground, while studiously keeping themselves out of view. Thus in one case new Russian banks were founded, and old ones in a state of decay were revived by means of German capital and encouraged to form a syndicate with the Nikolayeffsky shipbuilding works and certain foreign banks. An official inquiry, presided over by Senator Neidhardt,

³⁹ Cf. Duma debates of August 1914.

lately revealed the significant fact that each firm of this syndicate had bound itself to demand identical prices for the construction of Russian ships, and under no circumstances to abate an iota of the demand. And it was further agreed that these prices *should be so calculated as to yield to the members of the syndicate one hundred per cent. profit.*

This allegation is not a mere inference, nor a rumour. It is an established fact. Neither is the proof circumstantial; it consists of the original agreement in writing signed by the authorized representatives of the institutions concerned. The data were laid before the members of the Russian Duma by A. N. Khvostoff.⁴⁰ Thus the Russian peasant is taxed for the creation of a fleet, and the Duma votes an initial credit of, say, 500,000,000 roubles for the purpose. And if the shipbuilding companies and their financial bankers were honest the aim could be achieved. But in the circumstances what it comes to is that the nation must pay 500,000,000 more, in order to get what it wants. And this tax of a hundred per cent. is levied by German parasites on the Russian people. One might scrutinize the history of corruption in every country of Europe without finding anything to beat this Teutonic device, which at the same time gratified the cupidity of the money-makers and dealt a stunning blow at the Russian State. Half of the shares of the celebrated Putiloff munitions factory are said to have belonged to the Austrian Skoda Works.

At the outset of the present war, when Russia's needs were

⁴⁰ Cf. *Novoye Vremya*, August 17, 1915.

growing greater and more pressing, the works controlled by Germans and Germany's agents diminished their output steadily. In lieu of turning out, say, 30,000 poods of iron they would produce only 5,000, and offer instead of the remainder verbal explanations to the effect that lack of fuel or damage to the machinery had caused the diminution. Again, one of these ubiquitous banks buys a large amount of corn or sugar, but instead of having it conveyed to the districts suffering from a dearth of that commodity, deposits it in a safe place and waits. In the meantime prices go up until they reach the prohibition level. Then the bank sells its stores in small quantities. The people suffer, murmur, and blame the Government. Nor is it only the average man who thus complains. In the Duma the authorities have been severely blamed for leaving the population to the mercy of those money-grubbers whom German capital and Russian tribute are making rich. "Averse to go to the root of the matter," one Deputy complained, "the Government punishes a woman who, on the market sells a herring five copecks dearer than the current price, yet at the same time it permits the Governors to promulgate their own arbitrary laws regulating imports and exports from their own provinces. In this way Russia is split up into sixty different regions, each one of which pursues its own policy unchecked."

The importance of the rôle played by the banks financed by German capital in Russia can hardly be overstated. They advance money on the crops and take railway and steamship invoices

as guarantees – they are centres of information respecting everybody who resides and everything that goes on in the district and the province. I write with personal knowledge of their working, for I watched it at close quarters in the Volga district and the Caucasus with the assistance of an experienced bank manager. Their political influence can be far-reaching, and the services which they are enabled to render to the Fatherland are appreciable. And they rendered them willingly. As extenders of Germany's economic power in the Empire they merited uncommonly well of their own kindred. Thus of Russia's total imports in the year 1910, which were valued at 953,000,000 roubles, Germany alone contributed goods computed at 440,000,000. These consisted mainly of raw cotton, machinery, prepared skins, chemical products, and wool.

How steadily our rivals kept ousting the British out of Russian markets by those means may be gathered from the following comparative tables. The percentage of Russia's requirements supplied by the two competing nations varied, during the fifteen years between 1898 and 1913, as follows —

| <i>Year.</i> | <i>Germany supplied.</i> | <i>Britain supplied.</i> |
|--------------|--------------------------|--------------------------|
| 1898-1902 | 34·6 per cent. | 18·6 per cent. |
| 1903-1907 | 37·2" | 14·8" |
| 1908-1910 | 41·6" | 13·4" |
| 1911 | 45·4" | 12·2" |
| 1912 | 47·5" | 12·6" |
| 1913 | 49·6" | 13·3" |

In the year 1901 Germany supplied 31 per cent. of the total value of Russia's imports; in 1905 her contribution was 42 per cent.; and the increase went steadily forward, reaching over 50 per cent. in the year 1913. If we add to this the net profits of German industrial and commercial undertakings in the Russian Empire, we may form a notion of the appropriateness of the comparison which likened the Tsardom to a vast German colony. The entire economic system of the country was rapidly approaching the colonial type. And to these economic results one should add the political.

It is fair to assume that at the outset the main motive of this industrial invasion was the quest of commercial profit. Subconsciously political objects may have been vaguely present to the minds of these pioneers, as indeed they have ever been to the various categories of German emigrants in every land, European and other. But in the first instance the creation of German industries in Russia was part of a deliberate plan to elude the heavy tariffs on manufactured goods. It has been aptly described by an Italian publicist⁴¹ as legal contraband, and it supplies us with a striking example of German enterprise and tenacity. It attained its object fully. About three-fourths of the textile and metallurgical production in the Tsardom, the entire chemical industry, the breweries, 85 per cent. of the electrical works and 70 per cent. of gas production were German. And of

⁴¹ Virginio Gayda.

the capital invested in private railways no less than 628,000,000 roubles belongs to Germans. Even Russian municipalities were wont to apply to Germany for their loans, and of the first issues of thirty-five Russian municipal loans no less than twenty-two were raised in the Fatherland.

The necessity of waging war against this potent enemy within the gates intensified Russia's initial difficulties to an extent that can hardly be realized abroad, and was a constant source of unexpected and disconcerting obstacles. Some time before the opening of the war, a feeling of restiveness, an impulse to throw off the German yoke, had been gradually displaying itself in the Press, in commercial circles, and in the Duma. These aspirations and strivings were focussed in the firm resolve of the Russian Government, under M. Kokofftseff, to refuse to renew the Treaty of Commerce which was enabling Germany to flood the Empire with her manufactures and to extort a ruinous tribute from the Russian nation. Two years more and the negotiations on this burning topic would have been inaugurated, and there is little doubt in my mind – there was none in the mind of the late Count Witte – that the upshot of these conversations would have been a Russo-German war. For there was no other less drastic way of freeing the people from the domination of German technical industries and capital, and the consequent absorption of native enterprise.

When diplomatic relations were broken off, and war was finally declared, Germany was already the unavowed protectress

of Russia. And when people point, as they frequently do, to the war as the greatest blunder ever committed by the Wilhelmstrasse since the Fatherland became one and indivisible, I feel unable to see with them eye to eye. Seemingly it was indeed an egregious mistake, but so obvious were the probable consequences which made it appear so that even a German of the Jingo type would have gladly avoided it had there not been another and less obvious side to the problem. We are not to forget that in Berlin it was perfectly well known that Russia was determined to withdraw from her Teutonic neighbour the series of one-sided privileges accorded to her by the then existing Treaty of Commerce, and that this determination would have been persisted in, even at the risk of war. And for war the year 1914 appeared to be far more auspicious to the German than any subsequent date.

Handicapped by these foreign parasites who were systematically deadening the force of its arm, the Russian nation stood its ground and Germany drew the sword.

Improvisation – the worst possible form of energy in a war crisis – was now the only resource left to the Tsar's Ministers. And the financial problems had first of all to be faced. In this, as in other spheres, the country was bound by and to Germany, so that the task may fairly be characterized as one of the most arduous that was ever tackled by the Finance Minister of any country – even if we include the resourceful Calonne. And M. Bark, who had recently come into office, was new not only to

the work, but also to the politics of finance in general. Happily, his predecessor, who, whatever his critics may advance to the contrary, was one of the most careful stewards the Empire has ever possessed, had accumulated in the Imperial Bank a gold reserve of over 1,603,000,000 roubles, besides a deposit abroad of 140,720,000 roubles. Incidentally it may be noted that no other bank in the world has ever disposed of such a vast gold reserve.

Although one of the richest countries in Europe, Russia's wealth is still under the earth, and therefore merely potential. Her burden of debt was heavy. For at the outbreak of the war the disturbing effects of the Manchurian campaign and its domestic sequel, which had cost the country 3,016,000,000 roubles, had not yet been wholly shaken off. And, unlike her enemy, Russia had no special war fund to draw upon. As the national industries were unable to furnish the necessary supplies to the army, large orders had to be placed abroad and paid for in gold. At the same moment Russia's export trade practically ceased, and together with it the one means of appreciably easing the strain. The issue of paper money in various forms was increased, loans were raised, private capital was withdrawn from the country, various less abundant sources of public revenue vanished, and the favourable balance of trade dropped from 442,000,000 roubles to 85,500,000. Germany, on the other hand, possessed her war fund, in addition to which she had levied a property tax of a milliard marks a year before the outbreak of hostilities; she

further drew in enormous sums in gold from circulation, and generally mobilized her finances systematically.

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