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MAGNIFICENT MONEY-MAKERS

MAGNIFICENT MONEY-MAKERS

BY
HANS WANTOCH

Translated by
J. S. H. MOORE

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PUBLISHERS' NOTE

THE publishers of this translation of Hans Wantoch's "Millionäre" believe that it will find a ready welcome among English readers. It is no mere record of the achievements of money-makers, whether British or foreign, on the grandiose scale. The Author has chosen his subjects, generally, because of the parts they have played in building up the vast fabric of the business of the modern world—in banking and stock-dealing, in transport, in manufacturing industry, in shop-keeping—or because of their influence on politics or again of their contributions, as in the cases of André Boucicaut and Henry Ford, to better, more sympathetic relations between capital and labour. The book may be regarded, therefore, as possessing a definite historical value. With vigour, with much picturesque detail and with full technical knowledge, the Author brings his characters vividly before the reader, and, if his views on the economic questions that arise throughout the work will sometimes be challenged by readers whose knowledge of them is equal to his own, it will not be denied that he wields a pen of singular force and charm.

The chapter on Ivar Kreuger was written before this strangest of all careers in the history of finance was brought to a tragic end in March of the present year.

LAVRENTIVS MEDICES, MVSA.
RVM PATRONVS incomparabilis.



*Musarum Pater en, decorat quem laurea Phœbi,
Quàm bene Laurentis nomina digna gero!*

LORENZO DE' MEDICI

thoughts turned from spiritual values to work and the creation of wealth. This idea of independence, dimly visualised at first, only became attainable through the introduction of gold, which is the most universal, the most adaptable and the most flexible measure of value. It was gold which enabled man to free himself from the feudal system. The greatest of the Florentine historians, Robert Davidson, says: "The commercial development of the States in Northern and Southern Italy from the end of the twelfth century onwards, marked the beginning of modern culture and civilisation."

The Medici were not the first to take an interest in art, literature and philosophy, even as they were not the first bankers, but they did represent the completion of a process that had gone on for two hundred years and more. Just as Italy was undergoing a spiritual reformation through the influence of St. Francis of Assisi, so her outlook on worldly matters was changing, and the country emerged from a condition of passive dependence on the Church to set an example of creative activity to the world.

Not only were the mistakes of the Papal Court more apparent in Italy, but more interest was shown there in the past with its well-developed monetary system than in any other country. Italy had been for centuries the magnet that drew travellers, politicians and philosophers to her shores, and this constant flow of people, together with the soldiers and Crusaders who were continually passing through, meant a wider circulation of money in more diverse forms than was seen anywhere else in the world.

A careful examination of the facts will show, not that Capitalism was a product of the wars between the Empire and the Papacy, but that it was the result of a revolutionary change in man's outlook. Even

Machiavelli (in his pamphlet criticising Cicero's statement: "*Pecunia nervus belli*") maintains that in war man-power is of more importance than money.

On the other hand, man's capacity to adjust himself to a mode of living and thinking based on money and Capitalism was the most potent factor in the civilisation of the world. In the future, individual effort would be taken into account and every man would be able to reckon in terms of gold what he was and what he had achieved.

As a result, the previously accepted standards were doomed to pass away. As an example, we must look at one of the first recorded transactions of the Medici. In 1240 a body of nineteen Florentine merchants, amongst them the brothers Ugo and Galgano di Buonagiunta di Medici, sued the Duke Guido Gueria for repayment of a debt. They demanded in satisfaction his castle of San Leolino, together with agricultural holdings and vineyards. The old feudal system had to bow to modern methods of commerce and finance.

In the same year the foundation at Camaldoli, which had large estates on the Upper Arno was forced to raise a loan from Chiarissimo di Medici. In 1311 one of the old nobility mortgaged his income from seven properties to Giambono di Medici. And so it went on. They changed money in the market square of Florence, they lent money, sometimes to noblemen, sometimes to monasteries, sometimes to neighbouring Communes, such as Carmignano, but they were always careful to obtain adequate security. They started branches of their own; they financed factories; one in Gemona in the thirteenth century, another in Romagna in the fourteenth century and another in Treviso in 1527. They even went as far afield as Nîmes.

But for all that they were careful and as yet took no part in the big international transactions, which were not only highly speculative but also unbelievably complicated. These were handled by the banking house of Scala (1205) and afterwards by two still more ambitious firms, the Bardi and Peruzzi, whose spheres of operations stretched from the East to Spain. It was they who acted as bankers to the Kings of France and England during their struggles with their own feudal chiefs. Both of them, in common with the other leading houses of Florence, the Acciaiuoli, the Buonaccorsi and the Corcini, were made bankrupt in 1346 by the financial failure of the King of England.

It was, however, due to the modest nature of their undertakings that the Medici survived this year of crisis. Their business at that time was more in the nature of a money-changing establishment and could not be reckoned as one of the big concerns on the Calimala street, which subsequently gave its name to that type of undertaking.

The Medici must originally have belonged to the guild of druggists and apothecaries, for the six balls appearing in their arms—which were described as the apples of Hesperides by sycophants of the time—were in reality pills, the sign of the apothecaries. The family of Dante Alighieri were also members of the guild.

It was shortly after this year of crisis that the house of Medici began to develop. Giovanni d'Averardo, who had the same significance for the firm as Meyer Amschel had for the Rothschilds, was the second richest man in the town, leaving a fortune of 179,221 Florentine gulden when he died in 1429. In 1401 he had lent Rupert of Bavaria 60,000 gulden for his campaign against Milan: but

it was the transactions of Giovanni with the Archbishop of Milan, Baldassare Cossa, who later became Pope John XXIII, that really brought the house of Medici to its zenith. For two generations after that the firm were engaged in continual financial dealings with the Papal Court, which Davidson aptly describes as "a financial undertaking that employed any means to attain an end in view." It possessed, of course, the biggest financial resources of the time.

Over the whole Christian world it had spread a fine network of general collectors, collectors and sub-collectors, who had to gather in and forward the tithes and taxes payable to the Pope. The upkeep of the Papal entourage and the Papal war policy, which included the conquest of the Holy Sepulchre and the aggrandisement of the Pope's territorial possessions, all brought enormous sums of money into circulation, and naturally entailed a highly developed organisation.

It was a most profitable business to be the exchange broker to the Papal Court, as money flowed in from all over the world. It must be realised, too, that the Church, with its enormous influence on the whole social and commercial world, played a big part in the introduction of Capitalism, and assisted at the birth of that new spirit of productive and creative work which was a far more vital manifestation of the Renaissance than all the pictures and sculptures, cupolas and pillared halls.

Giovanni was most successful in his business transactions with Pope Martin V, who was the rival of Pope John XXIII. It was he who started a branch of the firm in Rome. Fortunately many of the firm's ledgers have been preserved for us, and have been elucidated by Professor Sieveking. They contain, amongst other entries, the purchase of two bales of cloth and other small goods from B. Manni of

Montpellier, of bed-linen and of another consignment of cloth, this time from England. There is mention of two bundles of hides, six boxes of sugar, leather, alum and other goods. All these purchases would seem to show that the business had a solid and a wide-spread basis, and was well fitted to support the financial structure eventually built on it.

Giovanni's son, Cosimo, was such a financial power that when he was banished to Venice in 1433, only four years after Giovanni's death, it was not his firm but the whole of Florence that was ruined, since most of the citizens had entrusted their savings to him. As a result, there was a general restriction of credit on the Arno. The smaller people, feeling the crisis, were forced to apply to the larger institutions, and a financial crisis of the first magnitude was very quickly brought about.

In 1434 there was a complete reversal of policy, and Cosimo was invited to return again. Cosimo, his son and his grandson, Piero—who only survived him by five years—and Lorenzo the Magnificent, were the acknowledged leaders of Florence, not only in the banking world but in the political world as well, by reason of their wealth.

Between the years 1434 and 1491, when the younger Piero was driven out by Charles VIII of France, the Medici held their position through the operations of their banks, to which many noblemen both at home and abroad were tied by loans and mortgages. The clientele was carefully chosen, even as it is now by some of the old family bankers. It was considered an honour to be entered in the ledgers of the Medici. In one ledger of 1460 appear the names of the Bishop of Fiesole, two Cardinals, the Chancellor of the King of Navarre, the Duke of Calabria, the Margrave of Mantua and the Duke of Modena.

Cosimo gave the firm an international standing. He established branches in Pisa and Venice, in Avignon, Geneva, Bruges and even in London. It was his money that enabled Franz Sforza to retain control of Milan, and in the branch there both the Court and the commercial world had large sums on deposit which were credited with interest at ten per cent. In Lyons, cloth was bought and exported; the branch at Bruges specialised in the export of almonds, pepper and sugar to London and Antwerp and in time became the centre of this business for the world. The London branch dealt in wool and cloth. It is interesting to note that instructions were issued in 1446, to the management there that money was to be lent, to the King and the Barons, only against the deposit of good securities, but that advances could be made to commoners and merchants on their personal undertakings. These instructions were not issued as a result of the financial disaster in England in 1346, but because Cosimo was essentially a friend of the small man.

In all these transactions political power and economic power went hand in hand. To be imbued with political intrigue was the hall-mark of this type of banking house not only in Florence, but in Venice, Genoa and the French, Dutch and English centres.

The firms that came before and after the Medici, the Albizzi and the Strozzi, had exactly the same structure—half political, half financial. A political defeat of their party usually entailed their bankruptcy, while a victory in town or State ensured them a period of financial domination.

The power of money and capital which one might call the lever for raising the political and social life of a democracy, is dependent in turn on the changes in the political and social situations. This power is

sometimes increased, sometimes diminished and at times even destroyed, according as the persons who control it are up or down on the political see-saw.

At the death of Giovanni d'Averardo the Medici possessed a fortune of 179,221 gulden. This had grown, eleven years later, to 235,137 gulden. The peak was reached about 1460, when the figure was 263,402 gulden, but soon after Cosimo's death this had again fallen to 237,988 gulden.

Between the years 1434 and 1471, the Medici had paid out for public works, taxes and other good purposes, sums amounting to 663,755 gulden, the equivalent in to-day's purchasing power of £1,750,000.

Otto Melzing maintains, in his work on the Medici transactions, that it was this enormous expenditure on public and social works that proved on many occasions a danger to the Medici. It seems far more likely that they erred in attempting to combine transactions of State and a private banking business, and that they confused political with private economy.

Lorenzo is often accused of neglecting his Bank for the business of the State, and preferring the life of a public man to that of a merchant; but it was Lorenzo who brought the firm to its zenith in Italy and, in fact, enabled it to exercise a virtual monopoly in certain directions. Except for spasmodic squabbles with Pope Sixtus IV, (who wanted to lay hands on territory claimed by Florence for his nephew, Girolamo Riario,) the Papal Court was the most consistent customer the firm ever had. Lorenzo was their banker before and after these quarrels. He bought from Pope Sixtus a collection of precious stones, rings and jewellery for the very inadequate sum of 23,170 gulden. He paid for the Pope's funeral, and he made three very large advances to Pope Innocent VIII. In 1484 the Papal Court was indebted to the Bank

for a matter of a quarter of a million gulden, as security for which the Bank held liens on duties, taxes and tithes.

Lorenzo was very fond of dealing and speculating in alum. Soon after the mines in Tolfa, which were on Church territory, were closed, the Medici succeeded in establishing a virtual monopoly in what was at that time a most valuable colouring agent.

At the same time Lorenzo was not a cold and passionless calculating machine like his grandfather Cosimo. He was a typical Renaissance man, and any undertaking that was to win his support had to appeal to his imagination. The trading accounts of the branches in London, Lyons and Bruges that his father and grandfather had watched so carefully, were of little interest to him. It was not until it was too late that he discovered the senseless and costly speculations of Canigiani with Edward IV, and of Portinari with Charles of Burgundy, and the losses of Noris and Lionetto de Rossis in Lyons—enormous sums amounting in London alone to over 50,000 gulden—all had to be written off. Lorenzo died in 1492, when he was only forty-three years old, just at the time that his firm had reached its zenith. The refrain of the Carnival song which he wrote in honour of Bacchus and Ariadne could serve as his own epitaph: "Youth is fleeing further from us every day, so let joy be claimed a virtue—for who knows how long we have to live?"

Lorenzo's early death removed one more obstacle from the path of Charles V, who was determined to destroy the Renaissance movement, and who was the leader of a spiritual and political reaction that swept over Europe. Piero, whom even his own father considered half-witted, brought about by his utter stupidity the destruction of that spiritual and political influence which Florence had exercised not

only in Italy, but throughout the whole civilised world. When Charles VIII at the request of Milan started his campaign against Italy, Piero severed the bonds which had bound his firm and his town to France and, with them, the intellectual connexions which had been fostered and handed down to him by his ancestors.

Charles VIII captured Florence almost without a fight. Piero, only three years after Lorenzo's death, was forced to flee the country, and politically, as well as financially, the house of Medici was bankrupt. Luca Landucci comments on it in his diary—the first note being on July 9th, 1495, and the last on November 14th—when he writes that many of the belongings of Piero de Medici including clothes, pictures, sculptures and other beautiful things, were sold by auction in the Orto San Michele. In those sad days, more was auctioned and scattered beyond recall than the mere collection of precious things which had once been kept together by one man's sense of beauty.

The Medici first returned to Florence again in 1512, and settled there once more permanently in 1527, but only under Spanish patronage. Politically they supported the Counter-reformation and the reactionary régime introduced by Spain, under which all political freedom, all artistic development and all business progress were throttled.

The flower of the Renaissance had died. Historically, it is interesting to contemplate how, one after another, the big Florentine Banking houses, the Strozzi, Salviati, Caponi and Albizzi, migrated from the Arno to the Rhone and the Seine, and found a refuge in that other Latin country in which, under Francis I and Henry IV up till the time of Voltaire and Mirabeau, the Renaissance principles found their second spiritual home.

JACOB FUGGER THE RICH

THE first man of the new era who was a millionaire in the opinion of the time and his country, was Jacob Fugger the Rich. About 1525 the firm "Jacob Fugger, Brothers and Sons", and their eighteen branches, represented the most powerful financial force of the century and their field of influence covered half Europe, from Spain and Antwerp, to Breslau and Neusohl in Hungary, and from Denmark to Venice and Rome.

Clemens Sander, the chronicler of Augsburg, wrote, without exaggeration: "The name of Jacob Fugger and his firm is known in all lands and kingdoms, and even amongst the barbarians. The Pope has received him and greeted him as 'his dear son': Cardinals stand up to greet him. He is a credit to the great land of Germany and, in particular, to the town of Augsburg."

The new forces of capitalism were centred in Germany for the next century owing largely to the Fuggers and, to a certain extent, other less wealthy families such as the Welsers, the Höchstetters and Herwarts, the Tuchers of Nuremberg and the Imhoffs. Business ability was throwing off the fetters of the Middle Ages and encouraging the cultivation of literature, art and science in Germany, just as it had done previously on the other side of the Alps. Jacob Fugger collected an extensive library. His nephew and successor, Anton, carried on a correspondence with Erasmus in Amsterdam. Pirkheimer and Peutinger, two dignitaries of Nuremberg and Augs-

burg, were the leaders of the Reuchlinists, that sect who sought the origin of God with the aid of cabalistic and agnostic rites. But quite close to Augsburg, in a little house at the foot of the hill of Nüremberg, Albrecht Dürer was re-creating, with his consummate skill, a world of God and Nature with flowers, animals and the smiling likeness of man. As Ranke has said in his history of the Reformation: "After long years of learning, the national spirit suddenly realised itself: it cast off all veneer and tested things and the institutions of the world, by comparing them with its own standards of truth."

Men were filled with optimistic ideas of their own ability and powers of development. Jacob Fugger was born in 1459 and until his fourteenth year was destined for the Church. He was an honest, cheerful man, a typical product of the security and comfort of the Church in the late Middle Ages. As he says himself, when he took off his shirt, he laid down with it all the anxiety and strife of business, and slept well. On the other hand, we can see in the face of Anton, his nephew and heir, in the portrait painted by Burgkmaier, all the puzzling problems of an age when God and life, the Church and work had become highly complex questions: on his face are the heavy shadows cast by the Hundred Years' War which broke not only men's swords, but their souls, and which stifled the German Renaissance and all progress in thought, art and business. The Fuggers themselves were indeed partly responsible for this sad state of affairs.

Unlike the Medici, who preceded them as world bankers, the Fuggers failed to realise—possibly owing to their religious prejudices—that industry can only derive a lasting benefit from the democratic co-operation of all classes of society. The Fuggers swore

allegiance to the Habsburgs, the leaders of the reaction and Counter-reformation, the autocrats who hated democracy and made obeisance to Charles V, the man who had such a profound influence on social developments at that time.

In Italy, the flood of Spanish principles which Charles let loose over Church, culture and peoples, covered that unique spiritual growth amongst thousands and thousands of her citizens in a welter of dogma; his enmity with France caused the hostility between the dwellers on either bank of the Rhine, which was handed on by the Habsburgs as a legacy to the Hohenzollern; in the case of the Fuggers he produced an arbitrary antagonism between capital and labour which was quite contrary to economic principles. In politics, religion and social life, he introduced dissensions that for hundreds of years hindered and checked all normal development.

The Fuggers financed the armies of the political and religious autocrats against the Protestant democracy and their own town of Augsburg. Even their name assumed a sinister significance. In the popular etymology of the time "Fokker" meant financial power, which was responsible for every real and imaginary evil; for war and oppression, for taxation and increase of prices. Although this criticism of the difficult circumstances, naïve and inexperienced as it was, was inaccurate—the rise in prices, for instance, was caused by the discovery of enormous new mineral deposits—it was not far from the mark, for the Fuggers were using their—and consequently the entire capital resources of Germany—not to finance new productive work, but to finance war loans and speculations in taxation in company with an autocratic government.

To use an expression of Max Weber, they became



JAKOB FUGGER DER REICHE

"Court favourites", just as the favourites of the Stuarts, who brought down on their heads all the hatred of the real industrial and productive Puritan element in the population of England. They introduced a new phase of autocratic capitalism, which is foredoomed to failure since, in its operation, the State is bound to the capitalist and all available capital is devoted to State issues. Such a system violated the natural law of personal freedom and individual capacity and was rendered unworkable in a comparatively short time by the collapse of its most eminent advocate in the country.

It is true that money could be obtained more easily and with amazing speed in this way. But it was not devoted to productive enterprises that increased the country's assets. About one hundred and twenty years after the original founder of the house, Hans Fugger, had migrated from the village of Graben in 1367 and set up as a master weaver in Augsburg, about seventy years after the elder Jacob Fugger had given up weaving for the more profitable rôle of a shop-keeper, Jacob Fugger the Rich sold his whole grocery and manufacturing business, and devoted the proceeds to dealing in foreign exchange and mines.

Just as cloth and piece-goods had been the essentials to the Bardi and Peruzzi and partly to the Medici, so now minerals—silver, copper and tin—took first place. But the dealings were not in the different ores, but in credit. The output of a mine for years ahead was bought, and payment for it was advanced to the owner in the Tyrol, Hungary, Idria or Almaden.

In 1487, Jacob Fugger lent Duke Sigismund of the Tyrol 23,627 Rhenish gulden secured on the country's production of silver; in the following year, on similar

terms, he advanced a further 150,000 gulden. Soon after that, the Fuggers worked their way into copper mines.

In 1494, Jacob Fugger took into partnership Johann Thurzo of Cracow, a mining specialist, to exploit the Hungarian copper and silver deposits in Neusohl. During 1525, the year of Jacob's death, and the previous years, the Fuggers had a charge on the income both in cash and in kind paid to the Spanish crown by the three religious orders, the Knights of Alcantara, Calatrava and Saint Jago, as well as on the earnings of the quicksilver mines at Almaden and the silver workings of the Guadal Canal. These charges remained in force, with only three interruptions, till 1634.

The profits made from the mines in the Tyrol, in Neusohl (till 1546) and in Spain, laid the foundations of the Fuggers' wealth. The business in Hungary alone brought in one-and-a-half million gold gulden, and that in Spain between 1563 and 1604 over 2,100,000 ducats.

The Fuggers, however, first Jacob and a few years after his death, Anton, strove to obtain a monopoly of the metal market. It was this purely speculative and anti-social behaviour, which was quite opposed to the spirit of the times, that brought them advancement at first but, later, involved them and their royal masters, the Habsburgs in both Germany and Spain, in ruin. As early as 1498 the Fuggers, relying on their forward purchases of copper in the Tyrol, formed a syndicate with the Herwarts, Gossembrots and Paumgartners, to force up the price of copper. This syndicate soon came to grief, owing to quarrels among the members. From then on, they began their continued and unwearying efforts to obtain a world-monopoly themselves. According to Jacob Strieder,

they were probably backing Konrad Mayr, who was, no doubt, a creature of their own, in his efforts to create a tin monopoly in Bohemia in 1579, in conjunction with the King, Ferdinand.

Such plans were only feasible in those days if the co-operation of the Emperor or King could be secured, since they were opposed by peasants and citizens, councils and parliaments, Catholic and Protestant priests. In his famous pamphlet: "The duties of an honest tradesman", Geiler von Kaisersberg denounces: "the real monopolists who only want to sell one thing" and the other monopolists "who agree with each other, and so rob the market of its freedom of price" (i.e., form a cartel to keep up prices). An Imperial Edict of 1512 inveighs against "the many big companies and other individual persons who succeed in bringing all sorts of merchandise, groceries, ores, cloth, etc., under their control" and who then put a value on such goods "in accordance with their own will and pleasure".

But Charles, the Emperor, and Ferdinand, the King, were protecting the monopolies established by various merchants, by secret agreements in opposition to the treasury officials. Autocratic monarchy and irresponsible capitalism—which latter is only made possible by the former and which is of little use in social development—are complementary, and the appalling wars that broke out in Germany at this time were caused chiefly by racial and political differences, but also to a large extent by social conditions. Just as one speaks of the Spanish influence on Church learning and politics introduced by Charles V, so one can similarly speak of the Spanish influence on business, which brought about a temporary victory of the financiers and put a stop to all constructive work. It sowed discord between capital

and labour, and finally ended in general chaos, as every artificial structure of financial credit must inevitably do.

The wealthy men of Augsburg and Nüremberg bled themselves white in their Princes' interests, which appeared to coincide with their own. From 1487 the Fuggers were making almost every year war loans or State loans to Sigismund of Tyrol, Maximilian I, Charles V and his brother Ferdinand and, later on, they had similar transactions with Philip of Spain and Maximilian II of Austria. At first the sums in question were modest, 10,000 current gulden; as time went on the amounts became bigger, and finally attained fantastic dimensions. Richard Ehrenberg was possibly not altogether wrong when he said: "The German Princes would never have chosen Charles V at the election in 1519, if he had not been backed by the Fuggers, with their large resources and still larger credit facilities." In any event, cheques were handed out one by one, in return for their votes, to the Princes who chose Maximilian's nephew in preference to Francis I of France. Out of a total of 850,000 gulden paid out to this end, the Fuggers made themselves responsible for 543,000.

From then on, they paid about 100,000 ducats a year for Charles's wars in Italy, Germany, the Netherlands and Spain. These payments rose still higher in 1546, when financial preparations were being secretly made for the Smalkaldic War. Six years after that, Anton Fugger fled, with Charles, from Innsbruck to Villach, and there he provided the head of the Counter-reformation with one loan after another, amounting to over a million ducats, with which to make war on the German rebels and their French allies. As a result of these transactions, the

firm got into difficulties for the first time, and was forced to borrow money. Anton Fugger wrote to one of his Agents in a tone of resignation: "I am as much worried by the jeering of people here as I am by the affair itself."

Anton Fugger lacked the concentrated, careful business sense of his uncle Jacob, who made matters perfectly clear to the Emperor in a letter which has become famous, when repayments of the loan made at the Emperor's election were not being made punctually. He wrote: "It is well known to everybody that without my help you would never have succeeded in winning the Imperial Crown." Anton did not possess the power of comprehensive survey, and slipped gradually into more and more speculative transactions. After considering a general liquidation of all his undertakings, as early as 1546 he was forced to admit in his diary: "Owing to protracted wars, things have got so bad that we have not only failed to settle our business affairs and collect our debts but, in order to serve the Emperor and King, we have had to make more loans, and to do this have been compelled to borrow money ourselves." •

The balance sheets of "Jacob Fugger, Brothers and Sons" show a marked difference from those of "Anton Fugger, Brothers and Sons." Under Jacob's guidance, the business increased enormously, although he excluded nearly all foreign transactions. Under Anton, the sphere of operations and the investment of capital were both on a broader basis. In 1511, following on the death of his two brothers—George in 1506 and Ulrich, 1511—Jacob, who was the financial genius of the family, assumed full responsibility. At that time the Fuggers between them had a fortune of 245,463 gulden, and the assets

in the Company amounted to 196,791 gulden. Sixteen years afterwards this had risen to 2,032,652 gulden. Under Anton Fugger, there was again an increase, not at the same rate, admittedly, up to 4,700,000 gulden in 1546, the highest point in the firm's career. But by this time the majority of their interests had been transferred from Augsburg to Spain and Antwerp. The balance sheet of 1553 made a most unfavourable impression, owing to the large increase of creditors, and in the next one, dated 1563—following the first Spanish bankruptcy in 1557 and the death of Anton in 1560—over a million gulden had to be written off owing to losses in Spain and the Netherlands.

The Bardi and Peruzzi and, to a certain extent, the Medici, had all suffered from their foreign branches and the independent actions of their managers there, and the Fuggers were still more unfortunate in this direction. Between 1555 and 1557 during the general welter of credit transactions on the Dutch exchanges, the Fuggers' Antwerp manager lent one-and-a-half million ducats—nearly two million gulden—to the Courts of Brussels and Madrid. In 1557 the first set-back occurred there, and in 1576 Antwerp was plundered and finally ruined, by the brutal Spanish troops. The underlying causes, as well as the visible agent responsible for this collapse in the business world, were the same as those which had accounted for the disruption of Rome as a centre of intellectual and political thought fifty years before; it was the Sack of Rome again, but this time in the business world.

The majority of the Upper German houses were quite unprepared for the catastrophe, as they had been for the second Spanish bankruptcy of the previous year, which had also hit the Fuggers to a

certain extent. In those days the most elaborate agreements were entered into, but very little attention was paid either to world conditions or world markets. From the time of the Bardi and Peruzzi up till the time of the Fuggers, danger and ruin seemed to threaten any business with international interests. Later, in the time of the Rothschilds, for instance, the spreading of commitments throughout the different financial centres lent security against sudden surprise, and seemed to produce an organisation that gained in general balance. But in those early days no one firm could dominate the finances of a single centre, let alone of the world; there was no intelligent comprehension of the laws governing commercial reactions; no one had any idea of the meaning of price fluctuations on the Stock Exchange or of the reasons for variation in the international rates of exchange.

No better proof of their childish helplessness, in the face of financial happenings, can be provided than the astrological system for foretelling prices of commodities and securities devised by Christopher Kurz of Antwerp. This system he offered in 1543 to the firm of Tucher in Nuremberg, and they had a long and earnest correspondence with him about it. He wrote: "I have been searching for it for three years without success until this year, when I think God bestowed it on me. I have had it under observation for one year and am satisfied that I can foretell the periods of plentiful money and tight money, not only from week to week, but from day to day, and even whether it will be in the morning or afternoon."

Anton's successor, his nephew Hans Jacob, indulged in the wildest speculations, which were, after all, only an exaggerated caricature of the Fuggers' methods of business. He eventually got into serious

difficulties and, in order to avoid doing further damage to the already somewhat tarnished reputation of the Firm, made it responsible for the payment of all his own personal debts. This blow it survived, as well as all the internal quarrels of the Fugger family. But in 1607, Philip of Spain once more declared his country bankrupt. The Fuggers had over three-and-a-half-million ducats tied up in their Spanish undertakings, which owed another two million to foreign creditors. In 1626 their position was hopeless, and a short time afterwards they were forced into compulsory liquidation. In 1640 it was all over with the Firm which, a hundred years before, had been the greatest financial power in the world. In Spain they lost four million ducats: the Netherlands and the Habsburgs of Austria had had three million gulden. They had lost altogether more than eight million gulden.

This partnership, between an autocratic form of government and an irresponsible capitalism, had proved to be not only dangerous to itself, but opposed to all beneficial development work; it had ministered solely to wars and conquests and, finally, had been cut in pieces itself. *

The constructive capacity of capitalism working for the good of the whole people, which had been clearly understood by the leading men of the Renaissance, had been completely missed by the Fuggers, and the other contemporary and like-minded firms in Upper Germany. The real uses of capital were to be proved in countries which were more ready for social progress than South Germany, which was completely under the influence of the Spanish reactionaries.

THE TREASURE OF THE INCAS

THE Discovery of America and the conquests of the Spaniards in the New World were responsible for the finding of enormous deposits of gold and silver. These discoveries were not the result of journeys undertaken to find fresh fields of activity and profit, since the journeys were more in the nature of Crusades. It is in this light that we must regard the expeditions of Fernando Cortez to Mexico, of Francisco Pizarro to Peru, and of Pedro de Valdivia to Chile; they were crusades undertaken to spread the Catholic faith, even as Christopher Columbus bound himself to do by the Agreement of Santa Fé, which he made with Ferdinand and Isabella. Planned as crusades, they developed into raids and plundering expeditions which wiped out the noble civilisation of the Aztecs in Mexico and the Incas in Peru, just as the Spaniards had destroyed the Moorish culture in Spain. ,

Atahualpa, the last great chief of the Incas of Peru, was captured and offered Pizarro, as a ransom for his own freedom, "to cover the floor of the room in which they were standing with gold". Receiving no answer, he increased his offer—"to fill the room with gold as high as his hands could reach". He stood on the tips of his toes and stretched his arms up against the wall. This offer Pizarro accepted and had a red mark put all round the room at the height indicated by the Inca. The room was approximately seventeen feet wide, twenty-two feet long, and the mark on the wall was about nine feet above the

floor. The palaces and temples were denuded, their walls stripped of their treasures, household goods and arms were all collected and together produced 1,323,600 Pesos de Oro [a Peso of gold being approximately an ounce].

This ransom was bigger than the presents given to Cortez by the Mexican King Montezuma, although it had not the same artistic merit. Cortez and his band of adventurer's at the first onslaught took booty amounting to about 580,000 Pesos. But much of it, particularly the crests and plumes of the helmets which were made of coloured feathers, interlaced with gold and silver threads and ornamented with precious stones, was of such surpassing beauty that Albrecht Dürer, who was present when it was given to Charles V in Holland, wrote in his diary: "In all my life I have never seen anything that rejoiced my heart more. For I beheld a collection of marvellous artistic merit and was lost in wonder at the ingenuity of men in foreign lands."

All this, however, was only a beginning, particularly as the Mexicans, unlike the Peruvians, appeared to have no idea of the value of silver. The El Dorado, which men had sought so patiently and which was to provide the means to reconquer the Holy Sepulchre, turned out to be a land of silver. In 1520 the silver mines of Mexico were discovered, and in 1544 the Potosi mines in South Peru, which were exploited in the first instance by Pizarro's youngest brother, Gonzalo. The world production of silver rose from 180,000 pounds to 623,000 pounds, and in 1600 to 844,000 pounds; of this total 78.6 per cent was found either at home in Spain, or in her colonies.

In stately galleons it was carried across the sea. Once or sometimes twice a year, a fleet was fitted out in Seville and sent across the Ocean convoyed by

men-of-war and carrying to the troops abroad provisions and all kinds of useful goods, wine and oil, linen, shoes and clothes. Once a year the fleet returned again to Spain laden with silver. The King received as his right a Quinto or fifth of the cargo, and his share in 1551 amounted to 400,000 ducats [a ducat being equal approximately to ten shillings], in 1556, to 700,000 ducats, and between 1608 and 1620 it varied between two and three million ducats and once reached the figure of 4,000,000 ducats, an almost incredible sum in those days.

The Spaniards had a monopoly in the products of the New World, and a monopoly in the production of silver, as well as in its transport and import. When a silver fleet arrived in harbour, the bankers of Seville took all the bar silver from the cargo and dispatched it immediately to different destinations. The year before they would have advanced money to merchants and shippers to pay their wages and to buy goods. Very few of these bankers were Spaniards; most of them came from Upper Germany, from Augsburg or Nüremberg, or they were Italians from Genoa. Richard Ehrenberg has described how "all this American silver flowed like water through the country, doing no good, but rather laying it waste and leaving behind it always still more restricted conditions". For money is only a symbol and of no value in itself. The more the precious metal flowed out of Potosi and Guanaxuato into Spain, the worse became the conditions in that country.

In the sixteenth century, Spain began to develop a literature dealing with social conditions, and one of the first of these books, written by Juan Luis Viva in 1526, bore the title: "The increase of beggars and vagabonds." Round Seville the cereal crops were displaced by vineyards and olive groves; in

Segovia and Toledo there was a temporary increase in the output of cloth, and in Seville and Granada a larger production of silk goods; but in a very short time a general decline set in. The customers in the New World were robbed at first in the most fantastic way: a pair of boots cost three hundred ducats; a coat, one thousand; a horse, four hundred; and a flask of wine, two hundred. One day, however, the whole fleet returned to Spain with its cargo of unsold and unsaleable goods intact. Martinez de la Mata, a renowned writer on political economy, broke out into lamentations. "Who will now pay wages? what can our work-people do? how are they to live?"—The end came in about 1620.

How had it happened? This steady, gradual but irresistible decline which kept pace with an unexampled import of precious metal, presented a problem over which Spanish writers, like Luis Ortiz (1558), as well as men like Hume, Locke and Anderson, racked their brains; it is a problem which can only be solved by those who realise that the welfare of a people depends solely on the will to work, the gospel of the Renaissance. This maxim the Spaniards completely failed to grasp. As a result, this opportunity which, if seized upon, would have made Spain the richest and most cultured country in the world, was missed. The Spaniards stretched forth their hands in prayer to Heaven but forgot to use them on this earth, to work.

The example of Spain shows that the decisive factors in the rise of modern capitalism in this age of restless creativeness as regards the material world, were not gold and the precious metals, as Werner Sombart* holds, but moral and spiritual forces; and

*Professor Werner Sombart, one of the greatest of modern German economic historians. His principal work is "Der Moderne Kapitalismus."

that the precious metals were at best but a means to the bringing about of this new world of bustling activity and of individual achievement, but not its ultimate cause. If there was an appearance of prosperity in the first few years after 1500, it was due to the energy of the Jews and Moors, who embarked on every type of commercial and industrial undertaking. The Spaniards themselves were not producers but, at most, money-lenders and merchants. In Triana, a suburb of Seville, the production of soap was in the hands of Genoese, as was the manufacture of silk in Granada. In the middle of the sixteenth century, five-sixths of the internal trade and nine-tenths of the external trade of the country was in the hands of foreigners.

In such conditions, opposed to all true social progress, there was no likelihood of a second Medici era, no possibility of a Fugger fortune. In the rest of Europe—Italy, Germany, France, England and Holland—there was at this time a political and spiritual revival, but in Spain there were only feudal Grandees and commercial gamblers. There was no moneyed middle-class, for everyone was filled with the ambition to belong to the nobility and to live on investments. In fact, living on investments originated in Spain.

In Castille, at the end of the Middle Ages, there were permanent government loans, secured on certain State lands and the incomes derived therefrom, and in the time of Ferdinand and Isabella there were considerable dealings in these loans. It was not only the Hidalgos and the lesser nobility, but even merchants, manufacturers, and indeed, manual labourers, who desired above everything to bequeath an entailed estate in their wills. By doing this, they felt, as Ranke tells us, that they would automatically be

raised to the status of nobles. Even their younger brothers shared this aristocratic prejudice and withheld themselves fastidiously from useful employment. Everyone wanted to be called "Don"; everyone despised work.

The consequence was that any big transactions connected either with the State or industry—and no one entered on bigger ones at that time than Charles V and his son, Phillip II—had to be carried out by foreigners. The quicksilver mines at Almaden, which had been controlled by the Spanish family, Gutierrez de los Rios, soon passed into the Fuggers' hands.

The dues paid to the Throne by the religious orders of the Knights of Calatrava, Sant Jago and Alcantara were mortgaged to German financial houses. Above all, the Government made arrangements with Genoese Bankers, the Centurioni, Grimaldi and Spinola, for the raising of war loans and for the necessary exchange facilities to pay the Spanish troops in Holland. These arrangements were briefly called *Asientos*, and for the most part they were secured on the fifth part of the cargoes of silver arriving in Seville, which was payable to the King. •

Even Konrad Haebler, who had set himself the impossible task of rehabilitating Spanish commerce, had to admit that Charles V could not carry out the necessary financial arrangements with Spaniards at home, since in Spain there were no reliable financial organisations but only pseudo-capitalists in the shape of gamblers and privileged feudal lords.

At a time when in every other country wealth was making work and opportunity for all, in Spain, thanks to the aristocratic aspirations of the bourgeoisie, it was lying unproductive in the hands of the born *Grandees*, the *Mendozas*, *Enriquez*, *Guzmans*

and Velascos. Most of the land belonged to them, too, and was allowed to fall out of arable cultivation into grazing.

The Duke de Frias, a Velasco, took a tenth part of all the oversea cargoes. The Dukes de Infantado and Medina del Rio Seco, drew from their properties which they inherited respectively from the Mendoza and Enriquez families, a yearly income of over 100,000 ducats in tithes, taxes and tributes; the Duke de Medina Sidonia, a Guzman, had an income of over 130,000 ducats.

With the instinct of the Spaniard to gamble, to win, perhaps even to take a risk but never to work, the nobility naturally settled down to win part of the flow of silver coming from the New World. Don Antonio de Mendoza became Viceroy of Mexico in 1553, immediately after the first conqueror and his sons. Don Pedro de los Rios became Regent of Panama. Soon after 1590 the Mendozas were also rulers of Peru, and in 1560 a Velasco appeared suddenly as King in Mexico. Cortez, by his marriage with Dona Juana de Zuñiga, obtained Aguilas. The Colons (of which family Columbus was a member), Pizarro and Cortez were given first the title of Marquis, then of Duke, and so entered the ranks of the Grandees.

The stream of silver was still flowing from the New World into their pockets. Gold and Silver was amassed in enormous quantities by the Church and by the feudal lords. At the end of the sixteenth century the Duke of Albuquerque had 1,400 dozen gold and silver plates and 700 small and 500 large plaques made of various precious metals. The Duke de Frias gave each of his three daughters a dowry of 60,000 escudos in silver bars. Each dowry was put in a box, sealed and labelled with the name of each

daughter, and was only opened on the wedding day. All these Grandees, however, soon got into financial difficulties, since they were surrounded by "Courts" in their castles and lived in a style far more luxurious even than that of the King.

The silver won from the Potosi and Guanaxuato mines was of no benefit, since it lay unused in the halls and cellars of the aristocracy. The Treasure of the Incas, which might have made Spain one of the richest countries in the world, not for a moment only but for centuries, was not invested in improvements to the land, nor in factories, trade and industrial enterprise, but was allowed to lie fallow and stagnant. The prevalent idea of subjection to God and the aristocracy was fundamentally opposed to the democratic principle of work for all.

In consequence, the Seville brokerage houses of Juan de Curiel de la Torre, of the Espinosas, who through the influence of a priest, Fernando de Luque, had obtained an interest in Pizarro's expedition, and of the Morgas, were never more than second-rate firms, although the royal ministers of finance were generally engaged in corrupt dealings with them, Francisco Erassa with the Curiels, and his cousin Juan Fernandez with the Espinosas. These firms remained essentially gambling institutions without any considerable capital resources, and they merely succeeded in introducing a habit of gambling in State securities amongst all ranks of the population, and so discouraged them from doing any honest work. The Bankruptcy of Phillip II in 1575 put a sudden stop to their activities. The Espinosas and Morgas failed, with liabilities of two-and-a-half million ducats. Thomas Müller, the Fuggers' Agent in Seville, wrote home: "This has completely upset the trade with the West Indies which so far has supported the

whole country." The fleet which was ready to sail in May, 1576, could find no cargo.

Spain had been drained of her life blood. She had been destroyed by the senseless behaviour of her citizens and politicians; by the risks in trade and investment taken by the people, and by the risks in war taken by her princes who were ready to gamble with the country's welfare in order to increase the dominion of the Catholic Church.

The war against the Dutch, who had rebelled against the doctrines of the King and the Church, was costing originally about a million ducats a year; it rose in 1570 to two millions, later to three millions, and occasionally throughout the Thirty Years' War was as high as six millions; in other words, the Spaniards were spending as much and often more than was received from the yearly Quinto of silver, brought home by the fleet and paid to the King. In addition to this, money had to be found for the troops in Italy, subsidies had to be paid to the Habsburgs in Austria, and bribes given to all their partisans in different countries, as, for instance, to the Duc de Guise in France, who was paid more than three million ducats in the reign of Phillip II in a very short time.

Between 1575 and 1650, at least five million ducats were spent every year in this way to the greater glory of Spanish catholicism, and occasionally as much as ten millions in a single year. A similar amount was spent on fitting out the great Armada, which comprised 130 sailing ships and 65 galleys, a total tonnage of 57,860 and crews amounting to 30,000, apart from civilians and priests. The defeat of the Armada necessitated the immediate provision of a further eight million ducats if the country were to escape attack and possibly total destruction. The chief

source of Revenue, the Alcabala, a ten per cent tax on turnover, which was collected in lump sums from the different districts, was raised to thirty per cent in 1575.

In 1594 the Cortes complained that the people were paying in taxes three hundred out of every one thousand ducats they earned. Shopkeepers and tradesmen retired from business altogether and decided to hoard their capital. The sale of State securities, which it was hoped would make up the deficit, sank to nothing.

Here again the State deprived the people of their means of livelihood, and went bankrupt in 1557, 1575, 1596, 1607, 1627 and 1647. All assignments of royal incomes were declared invalid again and again, since they were mortgaged for years ahead and no more money could be borrowed on them. It was left to a Priest, full of devotion to the King and his heavenly aspirations, to prove by quotations from the Bible that the King had the right to take everything belonging to his people. In 1557 the Priest became the Cardinal Silico.

In spite of his formula, all the symptoms of inflation soon became apparent; a wild rise in prices, growing scarcity of money and an ever-increasing national debt. The silver from the New World only passed through Spain to France, Holland, England, Germany and Italy, and was used to pay for the war and all commodities, and even for freights to America, while the Spaniards themselves had neither the energy nor the ability to turn this stream of wealth into productive channels. In 1560 the National Debt amounted to twenty million ducats, in 1563 to between twenty-five and thirty millions, in 1565 to about sixty millions, and when Phillip II died, it was over a hundred millions.

A hundred years later in 1680, King Charles received an anonymous communication from a writer gifted with a real insight into the part played by capital and into the principles of modern industry and labour economics. He wrote: "The most valuable metal, the most indispensable, excellent and reliable metal that there has ever been or ever will be is the sweat that gathers in drops on a man's brow. Without it, gold and silver are of no value whatever."

Was there anyone in Spain who could appreciate such rational advice? In the time of Charles's predecessor, Phillip IV (the patron of Velasquez), the writer Céspedes tells us that: "Men relied not on mortal aid but on invisible divine assistance" to avert the catastrophe, and they chose "the virgin Santa Teresa di Jesu as the Patron Saint of Spain because of the special favours that she could obtain from God through her mediation." And yet when the last Spanish Habsburg died in 1700, there was not enough money in the Treasury to pay for his funeral.

Long before that, however, the constructive genius of the middle-classes, working behind the scenes of political activity, had laid the foundations for its own rise to power in the Protestant lands of Northern Europe, and the process of development begun in Florence, Paris and Augsburg was continued in London and Antwerp.

SIR THOMAS GRESHAM

IN spite of the conscious and purposeful mercantile policy of Henry VII and Henry VIII, England was one of the poorest countries in Europe when Elizabeth ascended the Throne in 1558. France and Germany, Italy, the Netherlands and Spain, all had far greater financial resources and an incomparably greater voice in the destinies of Europe; all, with the exception of Spain, had attained a far higher degree of efficiency in industry as well as in commercial and financial organisation.

Forty-five years later, when Elizabeth, the Virgin Queen, was laid in her grave, England was already on the way to being the leader of industry and finance in Europe. Houses built of stone had replaced the primitive wooden dwellings; sumptuous furniture and pewter tableware came into use; silk and fur were substituted for humbler materials. English ships carried the national wool products across the North Sea and the Baltic, the trade with the East Indies became ever greater. For the last twenty years the government had obtained all the money required without borrowing abroad: the country's credit had been mobilised. Thanks to the improvement in trade and industry and to the concentration of capital in the newly opened London Exchange, there were "always enough people to be found in the country who were ready to lend a few thousand pounds."

England had become affluent. Her riches were produced by the combined efforts of all creeds and



SIR THOMAS GRESHAM

classes—the King and the politicians, the gentry and the middle-classes. Agriculture and industry, trade and the government, were all cogs in a mechanism which united the efforts of the whole nation in a combined endeavour, and provided a truly phenomenal example of the power of democratic co-operation. The sociological structure of the country was founded on the idea of constructive work and partnership, and this idea is still responsible for the belief, deep-rooted in every Englishman, that the welfare of the individual is inseparably bound up with the welfare of the community.

Thomas More, in the time of Henry VIII, had preached this doctrine and it has endured for over four hundred years. In spite of Marx and the doctrine of “class-warfare”, it is still upheld by all British citizens; so much so, that every worker considers the wealth of the country as the wealth of the people, and cherishes it as the tangible results of his own work and industry.

This amazing structural unity in England was the result of certain material productivity on the one hand, and a personal effort of will on the other. The material reason was well explained by a member of the Hanseatic Steelyard in London who, shortly before it was closed, wrote home to Germany: “In England the most important industry is the manufacture of cloth. The nobility and the farmers are supported by the proceeds of the sheep farms; the working people by weaving the wool into cloth; and the merchant by dealing in it. Even the Queen herself profits by an export tax on it.”

But the man who was able to concentrate the interests of all ranks in the government and the country on a national and rational programme and was able to translate that programme step by step

into reality, the man who drove the foreigners out of business and made the country independent of foreign loans, was Sir Thomas Gresham. He was financial Agent to the Crown in the time of Henry VIII, Edward VI, and Mary, as well as during Queen Elizabeth's reign. He put the English currency and National Debt on a proper basis, and founded the London Exchange. In addition, he was a goldsmith and money-changer, but, above all, one of those merchant adventurers who was interested in both export and import trade. His own practical experience, coupled with the furtherance of his own interests, enabled him always to recommend to the Government the best and most progressive measures in all matters of commerce or finance.

Although differing from Lorenzo di Medici in many respects, Sir Thomas Gresham was truly a prince of commerce. In his periods of leisure, he led the splendid life of a Renaissance nobleman in one of his half-dozen estates at Ringshall, Mayfield, Westacre, Osterley or Intwood Hall. He was an off-shoot of that young Tudor aristocracy of work and ability, which is always being created by the middle-classes, and to which the middle-classes are always contributing as a result of their successes in politics and industry; an aristocracy which acts as a link between the various classes and, by a sort of osmose, instils into everyone a desire for constructive commercial work.

Even the landed gentry, who had admittedly been nearly ruined by the recent Wars of the Roses, the Councillors of State, and the Queen herself, all had some interest in business. The Earl of Leicester, one of the Queen's favourites, was a shareholder in the new Russian Trading Company which displaced the Hanseatic League in the Trade of the East, and he

wrote to a friend of his: "If I had had ten thousand pounds in my purse, I would gladly have risked it all in this venture."

The position of a merchant was becoming one of importance: poets were writing odes in their praise. All were working towards a common end. (In the following century the genius of Isaac Newton was devoted to currency reform, as well as to natural science.)

In 1581 the Queen and the Privy Council contributed to the formation of the Levantine Company: indeed, the Queen did not consider it inconsistent with her sovereign dignity to participate, up to sixty per cent, in the piratical expeditions of Martin Frobisher, Thomas Cavendish and Francis Drake; and in one year, 1577, she was able to congratulate herself on a profit of one and a half million pounds. When a lottery was started in 1568, Elizabeth was not above having the first prize of £100,000 drawn in her name, "to the no small displeasure of her citizens", as J. W. Burgeon recounts in his book, "The Life and Times of Sir Thomas Gresham". Apart, however, from such eccentricities, the Queen was always and above everything else the protector of the rising democratic community, of trade and industry, of the home manufacturers and the merchant adventurers. She lent her support to that vast and clearly conceived process of nationalisation and rationalisation which is much more than commerce, and has wider and higher aims than the mere extension and protection of business, which takes social and political considerations into account and which can only be properly inaugurated by a ruler possessing an intelligent and enlightened outlook.

Contrary to the practice of all other European countries, the leading Ministers in England, even in

the time of Henry VIII, had been commoners. One of them, Thomas Cromwell, came from a family of cloth manufacturers. The great era of middle-class prosperity had begun and, although much of it was modelled on the example of the Netherlands, it was Sir Thomas Gresham who wrote the titles to the chapters in no uncertain hand.

He was born in London in 1519 and was the son of a merchant, and had a brother and uncle who were also important men of business. He was educated at Cambridge, where he acquired the tastes of a real Renaissance man for art and science, painting and poetry, and went on from there, for seven years, to study at the most up-to-date school of commerce and finance at Antwerp; even as, in the generation before him, the founder of the house of Fugger had attended the best school in Italy. He became assistant to Sir William Dansell, the Crown-Agent for all financial and loan transactions, and succeeded to this position himself in 1551 under Edward VI. In Antwerp where, owing to the debased currencies prevalent throughout the world, tables of current values were always published, he learned the laws governing money, bills of exchange, funding loans, etc., which were incomprehensible to most of his contemporaries. He learned to appreciate the still somewhat inscrutable natural laws governing trade and the balance of payments, and he recognised the great importance of having an Exchange where Capital could be not only concentrated, but distributed to satisfy all the demands of the State and the trading community.

Gresham was called to Hatfield to take part in Elizabeth's first Privy Council in 1558, and detailed there all his experiences with a clarity which seems characteristic of the Anglo-Saxon race. He put

forward proposals so logically and carefully formulated that they were assured of instant success. He was largely responsible for the ruin of the two biggest world-trading organisations, the Hanseatic League and the Antwerp Exchange.

Gresham was, of course, earning money for his services. The monarchs whom he served were in the habit of presenting him with rich Church lands which were in the gift of the Crown. In letters which he wrote continually to Sir William Cecil, the Queen's Prime Minister, the Privy Council and the Queen herself, he complained of the miserly twenty shillings a day expenses allowed to him, but wisely forgot to mention the commission of one per cent paid on all loans procured by him.

The rise in value of the English pound as compared to the Flemish currency also reacted to his benefit, as an exporter of cloth. From the rents paid on the London Exchange, the building of which he had partly financed himself, he received an income which, in the event of his wife's death, was to pass to a College in London founded by him. The seven professors of the College each received £50 a year from rents paid on the Exchange.

Gresham was the richest man of his time when he died, and left his widow an income of £2,388 10s. a year.

One of his first official actions was the reform of the currency which, under Henry VIII, had suffered from an increase in the base metal employed in the alloy. Although the law, which is named after him in technical circles, that bad money will always drive good money out of the country, was enunciated long before by Bishop Oresimus and, indeed, was even hinted at in one of the comedies of Aristophanes, the important thing for his reputation and for the good

of his country was, that he put the law into practice. In doing so, he afforded an example of business rectitude, of fair dealing, integrity and reliability which compared very favourably with the high-handed and arbitrary methods of Princes and grandees in other lands.

In conjunction with this reform of the currency he introduced a system which put a stop to the payment of foreign creditors by the export of gold and precious stones, and enlisted the co-operation of the exporters. By making use of the balances which they held in foreign countries, he was able in quite a short time to raise the value of the English pound from sixteen to twenty-two Flemish shillings. The interest payable by the country on loans raised abroad, which had amounted to £40,000 a year in the time of Henry VIII, was in consequence appreciably diminished. Gold bars were secretly smuggled into England in pepper sacks and, apart from this, the gold stock held in England was constantly increasing, owing to the policy of deflation.

In 1559 the Antwerp Exchange was beginning to show signs of nervousness. Plans were made to attack Gresham, and he was unable to leave his house while the Exchange was open. He was unmoved by this, and in 1560 wrote a friendly letter of triumph to Sir William Cecil: "From now on there will always be plenty of gold and silver in England." Nine years later, when the country was self-supporting, when the supremacy of Antwerp had been almost completely destroyed, and the attack on the Hanseatic League was just beginning, he sent the following letter: "The Duke of Alba is more upset at the credit the Queen can obtain and at the enormous sale of English goods in Hamburg than anything else. He is simply shaking with fright."

The spirit of the English people at that time is best illustrated by the fact that England alone was carrying on trade-wars against Holland, the Hanseatic League and Spain, when elsewhere the thoughts of all were turned to the crisis created by the Reformation and the Counter-reformation. The new doctrines were accepted in England in the time of Henry VIII, as they were in other Northern countries of Europe—Denmark, Sweden and Norway—but in England there was no spiritual conflict, no bloodshed; the new religion obtained official sanction by an ordinary Act of Parliament. This Act was passed to satisfy the King's matrimonial aspirations but there is no doubt that it gave expression at the same time to the general wishes of the people.

The attitude of the English people towards religion was ably described by Lujo Brentano in his "History of English Commerce", when he said: "Man is put into the world not to run away from it, but that he may serve God in it." The same idea is expressed by Sebastian Franck, the writer of the Reformation period, who uttered the warning: "You think you have escaped from the Monastery, but I tell you everyone must remain a monk during his whole lifetime."

The English regarded work as their mission, production as their creed and the development of all their resources as their gospel; in accordance with Bacon's teaching, they made "all the forces of Nature subservient to man", and they remained aloof from all the excitements of the time, with their habitual common sense. Gresham was worried, but even more amazed, at the approaching catastrophe in Antwerp, and he wrote: "I don't like the position here at all. Everyone is ready to strangle his neighbour on the question of religion." This was in 1566 and Gresham

made up his mind to transfer his cloth export business and his financial organisation from Antwerp, and to conduct his business in future in England. It was a decision involving world-wide consequences, for the exporters, of whom Gresham was one, were only prepared, in fact were only able, to grant loans to the Crown when the prior claims of the Hanseatic merchants had been satisfied, for they had been privileged for years to export cloth, paying an export tax of twopence less than even the English themselves. The interests of the Crown and of the commercial community were, of course, identical, but an open rupture with the Hanseatic League was a dangerous experiment. Apart from possible political difficulties, the whole of the English trade might have been jeopardised, if no other suitable wool-market were found, for, as we have seen, England at this time lived on sheep-farming, wool and the manufacture of cloth.

During the fourteenth century, about 5,000 pieces of cloth were exported yearly; towards the end of the fifteenth century this figure had risen to about 60,000 and, in 1547, to 122,000. The organisation of the wool industry was also influenced by the system in vogue in Flanders which approached, in its capital structure, the vertical trust. The dealers and, in particular, the merchant-adventurers became the financiers of the industry and advanced money to the workers and mill owners. The cloth trade meant such opportunity for further employment, such an increase in financial and trading requirements, such an influx of foreigners, that many Continental towns, including Emden and Stade and even Hamburg, were obliged to offer facilities for opening branches to the English exporters, in spite of the penalties and threats of the Hanseatic League. By doing this they prepared the

way for the expansion of England's trade in Germany, and eventually in Italy. The business done by the Hanseatic League in London gradually dwindled, and finally the London "Steelyard", where the cloth was "steeled"—that is to say examined as to its value—was closed.

The merchant adventurers had become State financiers, thanks to their superior organisation and their inevitable larger profits. In 1569 Gresham was able to borrow more than nineteen thousand pounds in a few months whereas, previously, in London it had often been impossible to raise even sixty pounds for any State loan. The government bonds bore the signature of Sir Thomas Gresham. In the same year he was able to advance to the Queen a further loan of forty thousand pounds, as the result of the first shipment of cloth to Hamburg.

In order to make England independent of the Continent for her capital requirements, every effort had been made to improve her economic position and now, to put the seal on these endeavours, it was decided to found an Exchange in London. This plan, the most ambitious in his life, Gresham had inherited from his father Richard, who had suggested the building of an Exchange in Lombard Street, during the lifetime of Cardinal Wolsey. Gresham put the plan into execution. A Dutch architect was appointed and he was given instructions, not only to copy the Dutch design, but to get his materials, his panelling, his window glass and even the stone from Holland, as if the Antwerp Exchange were possessed of magic qualities.

The Exchange was formally opened in 1568, in a building of two stories, surmounted by a tower: on each corner was a grasshopper, similar to those placed on Sir William's own office in Lombard Street. In

1570 the Queen made a visit of inspection, and from then on it received the title of the Royal Exchange. A banquet was given in Gresham's house, and all the poets celebrated the occasion in verse. In one ode written in Latin, the Cleopatra story is borrowed, and Gresham is represented as having bought a pearl which no one else could afford. The pearl is duly crushed to powder and Gresham drinks it down to the health of the Queen.

The work of a life-time might seem to have reached its consummation, but for Gresham it was really only a beginning which enabled many another plan conceived in his clear and logical mind to be brought to maturity. Colossal changes in the social structure were brought about by the change over from arable farming to grazing, by land enclosures and by the transition from the system of supply by individual weavers to the wholesale distribution of cloth by a capitalist class, which had all taken place between the time of Henry VIII and Elizabeth. These changes naturally brought in their train unemployment and poverty on a vast scale, and were accompanied by riots and a large increase of crime.

The Apprentice-Law and the Poor Law were introduced by Elizabeth to meet these disorders and they were applied so vigorously and so successfully that peace, equilibrium and stability were very soon re-established in the working population.

These were startling innovations for the time. The Apprentice-Law, which remained in operation for about two hundred and fifty years—from 1562 to 1814—included provisions for regulating wages according to the cost of living. Decisions in these cases rested with the magistrate, and one is consequently justified in saying that the modern idea of

arbitration in trade disputes originated in this legislation.

In the same way Elizabeth's Poor Law laid on the local authorities the responsibility of caring for the poor; it prohibited begging and provided that every man should ply some trade. In the whole of Elizabeth's national and commercial policy, there is no better example than that provided by this law of the puritanical doctrine that work is the whole essence and object of life, and that the shirking of work is a crime. In many respects the measures proposed not only resembled the theories advanced by Ford, three hundred and more years later, but were identical with them, since both advocated the relief of poverty, not by charity but by the provision of work.

In the last years of his life Sir Thomas Gresham erected eight Almshouses in a part of the city behind his mansion, and they were constructed with the sole object of enabling man to make full use of his capacity for work.

Workers were needed, for England's commercial sphere was being constantly increased. The removal of the wool-market from Antwerp to Germany signalled the birth of the English fleet. Every year, three or four ships of two thousand tons each were built and when Elizabeth who, with her desire to foster trade and industry, had held aloof from all the religious wars on the Continent, was eventually forced to take a definite line, the English fleet, thanks largely to the merchant services, was able to meet the Spanish Armada and overwhelm it in 1588.

To all outward appearance the Queen of England had reached the summit of her career; in reality she had already passed it. A gifted commentator on the Elizabethan era, describing the last fifteen years of her reign, said: "The functions of the Crown began

to be superseded by the citizens in their new activities." The merchant community, which had risen within the State and with the State, and which was exemplified in the person of Sir Thomas Gresham who occupied a dual position, was now strong enough to exist without the State and to take its own way, and obey its own laws. It suffered consequently no appreciable set-back under the reactionary Stuarts. The connexion between the State and Capitalism which, in the time of the Medici, secured for the rich the position and privileges of the governing class, which involved the Fuggers in the rise and fall of the Hapsburgs, and which made the Spanish adventurers in the New World the exponents of His Majesty's Catholic policy, was now broken.

For the first time in history the working and trading community was able to hold its own: it no longer required nursing and fostering by the Government, but was even able to stand out against the restrictions imposed on it by law. For the first time there appeared the outline, but dimly drawn as yet, of a world in which capital was to work unfettered, in which capital was to be responsible for all future development. The world had taken another step forward.

WALLENSTEIN, THE WAR PROVIDER

WALLENSTEIN'S ability as a leader in the field is not universally accepted by all writers on war and history, but there is no doubt whatsoever about his genius for making social connexions which enabled him to transact business and amass a very considerable fortune. His family were in very modest circumstances, but in 1609 he married a widow who brought him the estates of Wsetin, Lukow, Rimitz and Wschetul in Moravia, which were worth about 400,000 gulden. These estates were all confiscated about ten years later when he went over from the Protestant faith to Rome. Nevertheless, in the remaining fifteen years of his life, he managed to make fifteen to twenty million gulden, by every form of speculation, in the wars which were being waged at the time.

Wallenstein was not the only one to acquire wealth in this manner, for at the time a struggle was taking place between the autocratic forces of the Counter-reformation and the democratic supporters of the Renaissance, in the course of which bands of adventurers and robber knights, like those of the dark Middle Ages, pursued their evil courses in comparative immunity.

In 1629 the Archduke Leopold wrote: "Many distinguished officers who left the service as poor men are now worth 300,000 or 400,000 gulden." Peter Melander, who started life as a peasant and died a Field-Marshal, left to Duke Holzapfel 1,500,000 thaler. In just the same way the Spanish Conquista-

dores and the English pirates had made colossal fortunes. All these gay edifices of wealth and pleasure, however, lacked any solid foundations of productive industry; the spirit of speculation brought them eventually to the ground. It is not merely coincidence that almost without exception those who have made their fortunes in war, from the time of the Bardi and Peruzzi right down to the present time, have gone bankrupt; they have all lacked the power to concentrate on productive work, and the hazardous method adopted of acquiring wealth has always been accompanied by a tendency to extravagance and gambling.

It was this unbusiness-like mentality, so typical of feudal times, far more than the ravages of war, which impeded the commercial development of Germany, and this in spite of the fact that Germany had led the whole of Europe in industry, and particularly in mining technique.

Wallenstein at first was a provider of armies and not of provisions for armies and can be compared to the feudal lord who led out his men and offered them to his Prince. But his mind went far beyond such simple pictures of the past and conceived very different plans for the future. He lived at a time of mighty changes: he was the product of an era in which Johannes Kepler was designing a new picture of the world from studying the stars in their courses, and when the rack and the Inquisition were threatening the new light that had arisen. He lived at a time when men in their ignorance and fear had produced a Doctor Faustus, who yet sold his soul to the devil.

In the confusion of those days, the struggle between the two Christian religions was complicated by the growing ideas of national unity and power; the



WALLENSTEIN

whole life to the cause; it was no task for an ambitious man to whom money and worldly possessions meant everything. And so Wallenstein is remembered only as the last big purveyor of mercenaries, and must be classed with Roberto Malatesta, Carmagnola, Jacopo and Francesco Sforza, all of whom realised that the supply of soldiers provided one of the most profitable enterprises in their time.

In that respect he was a master and a model for all those who want to get rich quickly. In the history of industrial development the art, as he practised it, is admittedly only of negative value since we can hardly accept as valuable contributions to history Werner Sombart's well-known dicta: "In the beginning was the Army" and: "Without war, capitalism would never have existed."

The English merchants of Elizabeth's time, who really had some constructive policy, knew full well why they compelled their Queen to keep the Peace for thirty years and why she resisted, almost to the point of disloyalty to Protestantism, any attempt to force her into participation in the religious wars of the Continent; for the permanent welfare of a country cannot be founded on the hazards of war, but must be built up on a consistent programme of constructive work, undertaken by the whole people.

It was not till one hundred and seventy-five years later that, out of the wealth produced by the people "which flowed into the Treasury and was mostly used for financing wars", a certain portion was held back by the eldest Rothschild and devoted to commercial undertakings.

The spirit of reaction, which was the dominating factor in politics during the Counter-reformation period, was responsible for the almost mediaeval condition of the social order. It was well described

by a French citizen in 1689, who wrote in his diary: "*On ne travaille pas et les guerres en sont la cause.*"

The largest fortune of the time was made by robbery and speculation in war, and was not the result of new commercial enterprise or of the exploitation of existing opportunities.

When Wallenstein was deprived of his Moravian properties in 1619, he found himself almost a pauper and was left with only two regiments in which he had invested 63,185 gulden. In the following year, however, he was able to rehabilitate himself about the time of the Battle of the White Mountain. He regained possession of the Bohemian towns of Leitmeritz, Saaz and Aussig, exacting immense indemnities which he retained himself. This was the foundation of his new fortune, the capital with which he conducted all his future operations. These began almost immediately, when, following the capture of Prague, Wallenstein bought up all the grain and wine in the district, sent it into the town and re-sold it there at an enormous profit. "This profit," as we are told by one of his biographers, "was invested in soldiers."

Wallenstein now had three regiments, and he was of such value to the Emperor in his difficult circumstances and so important a factor in the Habsburgs' military undertakings, that he became possessed in a short time of many of the estates in Bohemia which were confiscated from the Protestant nobility. Between 1621 and 1623 he obtained over sixty estates by advancing four-and-a-half million thaler to the Treasury and by buying up the lands which were literally thrown away by their terrified Protestant owners. In a very short time he was the wealthiest man in the kingdom.

He remained nevertheless faithful to his original

business of supplying soldiers, a business that had now assumed very different proportions, partly owing to his own increased capital resources, and partly owing to an extension of the war which, with the entry of Christian IV of Denmark, entered on a new phase. Wallenstein expressed his readiness to supply the Emperor, who had no troops of his own, with fifteen hundred infantry and five thousand cavalry. In this venture he was bound to risk some of his own money since, quite apart from the necessary equipment, each soldier had to be provided with a certain amount of pocket-money on enlistment, which in the case of a good foot-soldier might amount to as much as twenty-five thaler. These payments admittedly devolved frequently on the regimental commanders, but there is no doubt that Wallenstein advanced very considerable sums to them from time to time. In 1626 he had an army of 70,000 men, and in 1627, 100,000 men. He produced an account for the Emperor, probably using a pen that multiplied by two, showing that he had about three million thaler invested in the war against Christian IV.

However, it was money well spent, for in return he received the duchy of Sagan, in Silesia, in 1627, and the two duchies of Mecklenburg, whose owners were allies of the Danes, in 1628. The properties were valued. Wallenstein first received sufficient to repay his advances, together with a handsome present from his Emperor; and the remaining revenues of the estates were used to pay the army. Between the Emperor and his General there was a formal system of book-keeping in which payments and receipts were set off, without any sort of sickly sentiment, against expenditure in men's bodies and souls.

Wallenstein's lust for money far exceeded his political aspirations, although he succeeded in in-

curing the hatred of the Catholic Electoral Princes, who depended on the Emperor, by seeking to reach a similar position himself. It is typical of the man that in 1627 he obtained a contract from Ferdinand, in which it was agreed that his life but not his estates would be forfeited in the event, quite openly discussed, of his deciding to prosecute his plans for introducing religious toleration and unity in Germany in opposition to the Emperor, who would still be pursuing his campaign against the Protestants, the French and the Swedes.

Wallenstein made money out of war not only by supplying men and armies and by drawing a monthly salary of six thousand gulden, but by supplying the army with all the necessities of life: grain, shoes and clothes, powder and lead, which were all charged up to the Emperor. It meant handling and transporting materials in quantities quite unknown up till then, and the transactions were of such magnitude that they no doubt provoked Werner Sombart's theory of war being the originator of capitalism. In fact, the method adopted was to accumulate supplies by a system of intensive production and by depriving the people of all but the barest necessities. In no other way would it have been possible to meet the needs of the army from the very circumscribed districts in which it was possible to operate. Apart from this, recourse was had to requisitions, plundering and wholesale robbery, with such effect that a complete stop was put to normal commercial production throughout the whole of Germany.

On his estates at Gitschin, and at his original headquarters, Wallenstein maintained an office staff of more than ninety, who kept a careful record of all army supplies. If his troops were in the South, they were fed from his estates in Friedland and Reichen-

berg, which Wallenstein, for sound economic reasons, had always managed to keep free from soldiers. He often supplied foodstuffs to other places, for instance, to Altmark and Halberstadt in 1625 and 1626, to South Saxony in 1627, and once, on the 13th March, 1626, there was one such order for thirty thousand measures of wheat each of 93.6 litres. On another occasion he wrote home: "Have ten thousand pairs of shoes made, which I can distribute to the Regiments later on. At the same time have more leather got ready, for I shall soon be ordering another two thousand pairs. Get cloth ready as well, because new clothes will probably be required." Shortly afterwards, on 13th June, 1626, he sent an order from Aschersleben: "My cousin Max will have sent you an order for four thousand suits for the men, and these are to be a jacket of cloth lined with linen, trousers in cloth and gaiters in cloth."

In the following year, 1627, he wrote from Neuss: "The paymaster is going to Gitschin and will place an order for thirteen thousand thalers' [in the next letter was another order of forty thousand thaler] worth of gaiters, shoes and clothing, which is to be made for the Army. See that you give him every assistance. You can let him have the four thousand suits you got ready last year, as soon as he has paid the money down, if he is willing to give what they cost me." In 1633, during his second appointment, Wallenstein supplied the Army with forty-eight thousand measures of meal.

In the duchy of Friedland, as well as in Suhl and Nuremberg, there was a period of intense commercial activity due to the war. It came to a sudden stop with Wallenstein's death. It provides a very good example, for war creates a sudden and irregular demand, but no permanent benefit to industry ever

results from it. On the other hand, there is no doubt whatsoever that the financial collapse of Germany, which began with the war speculations of the German bankers in Augsburg and Nuremberg was completed by the Thirty Years' War. In the words of Ehrenberg: "The establishment of any national commercial life was made quite impossible for several centuries."

Several hundred million gulden had been squandered, and the population of Germany reduced by a third. What was even worse, all thought of constructive work and effort, which had played such a part at the beginning of the Fugger period in the opening of mines and the manufacture of textiles, disappeared completely. Shortly after Wallenstein's death there appeared an article in the *Unpartheyische Zeitung*, published in Frankfurt-am-Main, in which it was stated: "The country no longer looks as it did, but has become such a wilderness that one can scarcely believe it. In the neighbourhood of Leipzig, Wittenberg, Meissen, Dresden, and other places, the crops are left rotting in the fields, villages and great houses are burnt to the ground, the people have run away to die of hunger elsewhere, and the whole population has dwindled away."

The death of Wallenstein meant more than the end of a misguided and successful war speculator, more than the disappearance of a psychologically interesting rebel who, as the mighty servant of a puny master, gave way to temptation but yet never dared to take the final step. Wallenstein's imperial dream to set a powerful Emperor over both denominations living at peace in Germany, and to set himself up as an electoral prince to support him, was nothing less than the idea of German national unity, the nationalisation and rationalisation of the whole

country, which either had taken place or was taking place in all other countries touched by the commercial influences of the Renaissance, such as England, France and Holland.

But any such ordered utilisation of the whole strength of the country was quite impossible in face of the Catholic aspirations of the Habsburgs. Their policy seemed again destined to succeed after the assassination of Wallenstein in 1634. "And then began," as Ranke writes, "the disruption of the Empire."

In the previous century, the spirit of commercial enterprise had similarly been destroyed in Germany, and had had to find a new home in the democratic countries of the North, England and Holland.

STOCK EXCHANGE OPERATIONS 250 YEARS AGO

THROUGHOUT the history of the Western countries there has always existed an impulse to explore the East, the cradle of the world. Alexander the Great died in the East; there it was that the Roman Empire met the first real check to its expansion. It was not till the pioneering spirits of the Renaissance had found a way round the Cape that Europe had any direct contact with India: till then, any connexions with it had been made by using the Arabs as intermediaries.

When the Portuguese navigator, Vasco da Gama, sailed round the Cape five years after the first voyage of Columbus, and landed in Calcutta in 1498, it was only a matter of geographical interest; man had encircled most of the globe. The discovery first assumed real historical importance one hundred years later, when it was exploited by citizens of the Dutch Republic and by the adventurous merchants of England. The business and cultural ties with the Far East were destined to influence the political, economic, and, indeed, intellectual development of Europe for all time. The Dutch, for instance, made so much money out of their trade with India that they were able to proclaim and defend a democratic form of government in the midst of a world which had succumbed to all the reactionary elements. Colonisation by Spain or Portugal was either an affair of Church or State, leading to religious persecution, intellectual decay, wholesale robbery and

depopulation. It was followed by wild and extravagant military operations which meant a complete cessation of all constructive activity. On the other hand, the colonial expansion of the Dutch was not the result of any religious ecstasy, but was due to a genuine desire for work and independence. The rulers of Spain and Portugal tried to cut a vital artery of the Dutch, by forbidding them (in 1599) either to enter or trade with the harbours of Lisbon and Cadiz.

In the survival of certain names and by the chance life histories of a few individuals which have come down to us, it is possible to trace the escape of those progressive spirits who fled from the strangle-hold of the Counter-reformation, when the armies sent out by the Inquisition under the Duke of Alba to subdue the Netherlands swept over the country and destroyed Antwerp, which was the centre of trade and finance of the world. Just as the intellectual and artistic life of Rome had been extinguished fifty years before, so now the business life of Antwerp was completely disorganised.

Many of the biggest merchants and shippers fled from Antwerp and settled down in Amsterdam, a town of very minor importance at that time, where they endeavoured to start their business life again. Amongst these were Balthasar Moucheron, a native of France, in which country the Renaissance leaders had found a refuge at the end of the Medici period; Adrian Pauw, one of the leading shippers to the Baltic; Cornelis Pieterzoon de Hooft, an ancestor of the famous family of Burgermasters in Amsterdam, and Isaac Lemaire. When they settled in Amsterdam they not only formed a new State, but they paved the way for the development of modern industrial enterprises, for the concentration of strength and

capital which is found in the modern joint-stock company.

Great men were produced by the Florence of the Medici; by the Germany of the Fuggers and Dürer; by the England of Sir Thomas Gresham and Shakespeare; and in Holland at this time, when strength of will and personality were the predominating factors, there appeared the first great thinker of modern times, Baruch Spinoza, whose pantheism can be traced back to the influence of Lorenzo di Medici two hundred years before and the Faustian genius of Rembrandt. Uriel Acosta, a victim of the Jews who had remained true to their faith in this land of freedom, when he lay dying, upheld the principles of his adopted home when he said: "Oh, wicked creatures, it is not the man who calls himself Jew or Christian but he who admits his human weaknesses, acknowledges himself merely Man, that is better than all of you." Maria Tesselschade who, besides being the sister of Anna Vischer, the leader of the literary elect among the bourgeoisie, dabbled in literature herself, wrote a legend under one of Rembrandt's works: "Every man has his Why and his Wherefore."

But it was in Amboina in the Molucca Islands that Steven van der Haghen, one of the first Dutch East India merchants and a Catholic in the service of Calvinistic employers, signed a contract with the Mohammedan leaders in which it was agreed: "Every man shall practise his own faith as God gave it to him and as he hopes to reach Heaven." Such a sentiment was far in advance of the intolerant ideas of the times and was completely contrary to the policy of the Portuguese, who had sent Francis Xavier himself out to India as a missionary.

In 1595, before the voyage of van der Haghen,

Cornelis de Houtman, with encouragement and financial assistance from Moucheron, had made a voyage to the East. He had been a prisoner in Lisbon for some time and had there learnt all the secrets of the Portuguese about India, but his first voyage for all that was not very profitable. Others followed: up till 1601 fifteen voyages had been made by as many as sixty-five ships. Some returned with fantastic profits, others were so unsuccessful that the financiers, Moucheron among them, were ruined. Competition between the various companies was partly responsible since, in India, each outbid the other and at home they cut freight rates. During the period of the Portuguese East India voyages, practically the whole population had lived on the East India trade and, consequently, it was very wisely resolved to form a single company to incorporate all the different undertakings. Everyone was able to take a share in it, so that it was quite unlike the unpopular and undemocratic idea of a monopoly.

On 20th March, 1602, the "Vereenigde Ostindische Compagnie" (United East India Company) was formed by Government Charter. It was a vital day in the history of European commerce, an event the importance of which no one could estimate. The first concentration of the people's money, made for the purpose of trade and industry, had been concluded in a form which was to serve as a model to all succeeding generations. It was the birth of the Joint Stock Company.

No longer, as in the Companies of the Fuggers, Welsers and Tuchers, was relationship or connexion to count; no longer as in the Hanseatic League, or in the English guilds, was it to be a question of inheritance or class privilege: the only thing that mattered

was the personal desire to be a shareholder, the ability of the individual expressed by his money, which enabled him to subscribe. The most outstanding feature and the one which contributed most of all to the eventual survival of this type of company, was its constitution. It had had predecessors and it had contemporaries; it took certain elements from the constitution of the old Consortium companies of the Hansa League; from the syndicates of Konrad Rolt which bought pepper from Henry VIII of Portugal; from guilds and associations. As ancestors, it had the Genoese St. George's Bank of 1409, the Iron Company of Leob, the General Iron Company of Steyr in which the Board was chosen by the Town Council from amongst the shareholders and received no salary but a proportionate share of the profits.

The Dutch type of Company, by a process of selection, was adopted everywhere. It gave the best opportunity to that desire for system in their work, to that bringing in of *intelligence* upon which the whole life of Holland as the spokesman of Renaissance ideas was based—to that use of the mind which Lamb held up as a model to his countrymen in his work on the founding of a bank in England. To assist business various innovations were introduced: the endorsing of bills of exchange was authorised by an official order in Amsterdam in 1651; the balance sheet was produced in 1608; debentures were used in addition to shares; the whole technique of dealing in stocks and shares was developed, and in the middle of the seventeenth century the first trade advertisements appeared in the newspapers. During the same period more than sixty scientific works on book-keeping were published. Benjamin Franklin tells us in his *Memoirs* that a knowledge of book-keeping formed part of every young lady's education, and in

an official publication no more honourable title could be found for Rembrandt at the height of his fame than that of a "merchant of Amsterdam".

Not only were the State and the East India Company one and the same thing but they were served by the same personnel. The men who held the most important posts in the Company also held public positions in the seven provinces which were in reality City States and resembled those of classic times and of the Italian Renaissance—cities like Sparta and Athens, Pisa, Florence and Venice. Such dual positions were held by the de Hoofts, the Bickers and the Huydecoopers. In this way an El Dorado of work, an example to all the other States who were seeking prosperity in tariffs, was formed by Holland, whose oldest political parties bore the significant names of "Hoek" and "Cabeljan" taken from two of her main industries, fishing and shipping. National freedom, as well as the welfare of the whole people, depended on the success of the Company. It was the Company's wealth that enabled Holland to withstand the religious threats of the Spaniards, the imperialistic designs of England under Cromwell and, finally, the plots of Colbert and Richélieu under Louis XIV. Adam Smith, with the Dutch Company in mind, described the joint-stock company as "the most suitable form for all undertakings of considerable size or general utility."

The Company started as a commercial undertaking of the first magnitude with 6,449,211 gulden capital, an unheard of amount at that time. The capital of the English East India Company, formed in 1612, about ten years later, was only about half this figure.

Whereas for a long time many of the biggest trading concerns only had an office staff of twenty, and

everything was managed on antiquated lines as in Freytag's "Soll und Haben", the management of the East India Company was quite modern in conception. It was divided into six sections, on the basis of the six provinces most closely interested in the Company. At the head office in Amsterdam were twenty-five Directors who had sixteen accountants, twenty-eight clerks and twelve hundred workers in Europe under them, while in India there were more Directors, a staff supervisor and a large number of representatives.

Generally thirty to forty ships sailed every year in three detachments to the islands of the golden sea, and they carried cargoes of alcohol, cloth and gold-embroidered brocades, and sometimes muskets and cannon. They returned laden with pepper and nutmegs, coffee and tea and, at a later date, with *objets d'art* from China; they also brought cotton from India, which had superseded linen for clothing in about 1700. These voyages had both a commercial and warlike aspect; war was waged on three fronts: against competitors in Europe, particularly the Portuguese who, up till 1664, were never left a moment's peace in any of their possessions; against the natives who generally hailed the change of rulers quite gladly and often with acclamation, and against the pirates flying their skull-and-crossbones pennants, the worst desperadoes of Europe; in dealing with them the merchant captains had the alternative of beating them by bravery or cunning or being captured and cut in pieces themselves.

As early as 1614 an agent in India had written home that the military expenses would have to be borne by the trading community, since trade could not be maintained without war and war could only be paid for by trade. Article 33 of the "Octrooi"

gave authority to the Company "in conjunction with the Princes and Potentates of India to make treaties in the name of the country, to build fortresses and to appoint officers and judicial officials." The sovereign Dutch people in fact delegated some of their powers to the Company, which had come into being in answer to their own wishes. Although indeed the majority of the shares in the Company were held by merchants who had previously done a big business with India, it was yet possible, for the first time in history, for the small man with small savings to have a share in the Company. The great statesman, Oldenbarneveltdt, the leader of the patriotic party, was amongst those who subscribed for shares.

There was a keen demand for them. A few days after the Company had been formed premiums were offered for the shares, which stood between fourteen and sixteen per cent above par. Stock Exchange opinion, the "*Ditta di Borsa*", that peculiar "*communis opinio*" of dealers and financiers which, a hundred years before on the Antwerp Exchange, had settled the solvency of a firm, or a country, or the value of its currency, was very favourably disposed to the new *Vereenigde Ostindische Compagnie*. Very soon news began to trickle through mysteriously about lucky voyages, about good pepper and nutmeg harvests, about cargoes being held up or about fights with storm or pirates waged successfully. There were false reports and true ones, chance rumours and rumours spread with a definite object. The shares were bought and sold.

There was a connexion, quite incomprehensible originally but perfectly understood a little later, between the adventurous happenings in far-off seas and the price of the shares on the Amsterdam exchange. In the course of dealing the shares, which

had previously been all of different values, were divided up into new shares all of a like value of 500 Flemish pounds or 5,000 gulden. This was a figure within the reach of an ever-increasing number of people in Holland, for about this time there were said to be at least 65,000 really substantial people in the country.

On the other hand, there were at first no immensely wealthy people in this little democracy as there were in Florence, in Augsburg or the England of Elizabeth's time. The holders of the shares were mostly on about an equal footing, financially. In 1603 the shares stood at thirty per cent^a above par; in 1605, after the payment of the first dividend of fifteen per cent which was made in pepper and not in cash, the shares were forty per cent and in 1607 they rose to eighty per cent above par on the receipt of news—which was later found to be inaccurate—that Malacca had been captured. The birth of the Company coincided with the commencement of dealing in shares as it is known to-day, dealing which enables even the small man to have a share in productive undertakings and secures for him some of the joy of starting a new enterprise. It marked the beginning of a new development, the eventual outcome of which was described by E. H. Simons, the President of the New York Stock Exchange in 1926: "The increasing number of small shareholders in the United States indicates that capitalism is entering on a new phase which has never been experienced previously; the great consuming public is itself becoming the capitalist class. As a result the possibility of class warfare in the future is being diminished if not avoided entirely."

Naturally the Company had its ups and downs, but it had definite objectives in view and refused to be

led away by schemes of wild expansion, such as were proposed by Isaac Lemaire, one of the biggest shareholders, who demanded that voyages should be made to the West Indies and Japan. His proposals led to serious disagreement and to his resignation from the Company. He proceeded to fight the Company and, in 1609, according to an affidavit by the Directors "sold more shares than he possessed according to the register" and on the day of delivery spread unfavourable stories about the Company and "sold a parcel of shares for 100 pounds below the market price which however his accomplices had bought for 1,000 pounds below." It was the first appearance of the bears. The price of the shares fell to thirty per cent above par, although this did not represent their real value, since the Company was working and earning satisfactory profits.

Soon the general public fell a victim to the mania for speculation. Everybody speculated in everything. At one time a regular market was made in tulip bulbs which had been introduced into Europe at the end of the sixteenth century; fabulous prices were paid for rare bulbs, as often only two of a kind were offered; and when this madness came to an end in 1627 these large sums of money were of course lost.

There is something peculiarly tragic in finding Rembrandt amongst the speculators. He not only dealt on the exchange without any success, but speculated in his own paintings by putting up nominees to pay huge prices for his existing pictures, to ensure still bigger prices for any new work he produced.

However, all these eccentricities which were sometimes tragic but more often comic, did not alter the fact that a new form of commercial undertaking—the Company with its colonial trade—had come into

being in addition to the other large capitalist concerns, mining companies, cloth mills or financial houses. This new Company had all the democratic attributes of a product of Holland and, furthermore, was the forerunner of all other concerns whose shares were handled on the Stock Exchange. Admittedly, on the original Antwerp exchange there had been concentrations of capital, sharp price movements and speculation. Prices were regulated by supply and demand: opinions were formed about Portuguese loans or English bonds, and information was culled from the remarks of Treasurers or the news-letters of the Fuggers. The main difference between the Amsterdam exchange and its predecessors lay in the fact that in Amsterdam the people subscribed their money for purely private and industrial purposes, and were no longer prepared to finance various countries in their warlike projects.

The Amsterdam exchange was not interested in the Dutch Government loans, which were mostly underwritten by the big commercial houses and were seldom sold by them, owing to the high rate of interest, but encouraged dealings in the shares of the East Indian and, later, the West Indian Companies.

The different dividends paid, which varied from 0 to 62½ between 1611 and 1616, were really responsible for the development of the Stock Exchange technique. In spite of the Directors' efforts and the Government Ordinance of 1610, followed by others in 1621, 1623, 1677 and 1700, bears of the shares were frequently active, not unnaturally, as they act as a salutary check against over-valuation. In a short time there was considerable option business done, with regular settling days on the 20th of each month. Since less cash was involved, dealing became easier although the actual transfer of shares still

remained a formal affair of State. The procedure was not unlike that given in a memorandum to the Faculty of Law in Paris in the previous century, explaining the exchange at Antwerp, and was quite accurately described by I. Marperger in his "Business Magazine" in 1765: "For the purpose of buying shares, a stockbroker must be employed"; at the conclusion of the business "the seller has them entered in the buyer's name at once in the books of the Company, and at the same time signs a note in the presence of the Directors in which he formally transfers his rights to the buyer." This was obviously the report of a real sale for cash by a substantial man, and not merely an operator on the exchange. Don José de la Vega draws a very favourable picture of such a man in contrast with the gamblers in his "Dialogos Curiosos", the first technical book on the Stock Exchange. The gamblers, according to him, borrow four-fifths of the price of the shares and sell again just before settling day, but hardly ever pay cash in full.

In this wonderful work there are many delightful remarks on Stock Exchange psychology. The author advises one "not to be married to the shares, but to take a profit, and not be angry if the shares continue to rise afterwards." He gives hints on how to recognise the bulls who, when there is an earthquake, say the earth is dancing a little or describe Stygian blackness as a pleasant twilight; or the bears, for whom every mouse becomes an elephant, every gathering at church a rebellion. The bears spread bad news and create an artificial scarcity of money and, while ostensibly ready to buy shares, are in fact selling them. They adopt sometimes the crudest methods, as when they throw away carelessly a letter containing bad news, and on other occasions exhibit extreme

cunning and conclude a few bargains at excessive prices.

How different all this sounds, when compared with Christopher Kurz in the previous century who convinced Lazarus Tucher that he had an astrological system by which he could foretell infallibly the rise and fall of prices. Don José, on the other hand, penetrated the mystery of price movements which, he said, depended in the first place on conditions in India, in the second place on the general situation in Europe, the tendency towards peace or war (since all speculators had their spies "to listen to the most secret decisions of the rulers") and, finally, on the opinion of the shareholders themselves or, in other words, the feeling of the Stock Exchange. Within sixty years Stock Exchange procedure had reached such a state that Werner Sombart felt justified in saying: "The technique of dealing in stocks and shares has not been modified in any essentials in recent times." It had been perfected in 1688 when de la Vega published his book.

Since 1672 various Government loans had also been dealt in on the Stock Exchange. This had happened because the Republic, threatened with total destruction by France and England, was forced to borrow more and more money and to continue the payment of subsidies to Prussia and Austria. The Treasury officials in Vienna were bewildered by the wild fluctuations in the value of Dutch bills, which varied according as the allied troops advanced or retired, or as the rivers thawed and hindered the enemy troops, or froze over and so facilitated their progress. At one moment the price would be seventy-five, the next moment only half that, then back to seventy, seventy-six, and eighty, only to go back again to fifty-five. In vain the Austrian ambassador at the

Hague, Franz von Lisola, tried every means to explain the situation to the councillors in Vienna. His despatches—surely the most extraordinary reports ever sent by a diplomat—consisted chiefly of share prices and Stock Exchange rumours, which were really the decisive influences in the war for supremacy that was waged for one hundred years between the Habsburgs and the Bourbons.

Holland was the political, intellectual and commercial centre of Europe at this time: the country's wealth was enormous and the luxury and comfort in which her citizens lived was fabulous. They had houses "in which gold and silver, malachite and marble were used to embellish every corner"; there were "halls, the walls of which were plastered with ducats." In 1683 the existing Stock Exchange already seemed too small, and a new one was built. A new town hall for Amsterdam was planned on grandiose lines. The town grew and spread: the population rose from 105,000 in 1622, to 200,000 fifty years later.

The offices of the Company, the wharves, depôts, warehouses and docks, formed a new district in the town, a district of restless energy and work. A single convoy of ships occasionally meant a profit running into millions. In 1603, five ships brought home a cargo bought for 600,000 gulden, which was sold for over two million. At the end of the seventeenth century a profit of £2,500,000 was made on a shipment of 5,000 tons of pepper. The dividends paid increased and, between 1605 and 1728, over £18,000,000 was distributed to the shareholders.

Millionaires were no longer rarities. The big ship-pers and merchants changed in type as well as in outward appearance. At the beginning of the seventeenth century one of the richest was Willem van

Heydthuisen and his portrait, painted by Franz Hals, shows us a boorish face, the face of an adventurer, tradesman, schemer and drunkard. In five years Heydthuisen bought in Banda three million pounds of nutmegs at $7\frac{1}{2}$ cents a pound, and sold them in the Amsterdam market at 3.25 gulden the pound. Fifty years after him Hendrik de Hooft, a nephew of Cornelis Pieterzoon, was one of the wealthiest men in the land, a merchant, but a man of culture, wit and intelligence. He made the remark: "A healthy man should enjoy every moment of the day, even if he knows that on the following day he must meet a painful death." This was no empty phrase for, when he himself was suffering agonies on his death-bed, he sent his friends out of the room but called them back later, when the pain had lessened, because "he had still time for another half-hour's conversation with them."

One of his contemporaries was the Burgomaster, Nikolaus Witsen, who spent thirty-five years of his life constructing a map of Tartary. It was on his account that the Tsar, Peter the Great, visited Amsterdam; and it was not until he had given his approval that William of Orange set sail for England.

At this time Holland had risen to the chief place among the powers of Europe and had interests in England, Russia and in Sweden, where de Geer had taken over the management of the iron and copper mines, and chartered a fleet of thirty-two ships to load at Oxenstjerna. Holland was something more than the biggest trading and financial power of Europe; her continued existence was a matter of importance to the whole of Europe, as was shown by the war of 1672.

The Emperor Leopold had said at the time: "Europe can't get on without the Dutchman's

money.” In these few words he described a change of immense and far-reaching importance. The commercial position acquired by the working democracy, and the very fact of there being a class comprised of hard-working commoners, who were unaffected by politics or religious differences, provided a neutral foundation on which it was possible to construct the whole future industrial development of Europe.

Reviewing the outward and visible situation, the Catholic Habsburgs had combined with the Calvinistic Netherlands against France and a Protestant England, both of whom were fighting to protect their commercial interests. But the inward and hidden significance of the situation was far more important; the great principles of the Renaissance, the idea of personal effort and individual freedom, all found expression in business. Men realised that in commerce they had found a refuge, a structure within which they could provide for all future development, which was proof against all attacks of political reactionaries.

The influence of the Renaissance was enabled to live, from the beginning of the sixteenth century right through till the end of the eighteenth, and eventually the middle-classes, who had then grown wealthy, were able, in the nineteenth century, to win back political freedom and democratic government which, at one time, they had considered lost.

WILLIAM PATERSON

THE Bank of England was the first financial undertaking of its kind in the world and, even to-day, is still the most important. Macaulay described it as "the greatest commercial institution that the world has ever seen", and yet it was the creation of a financial adventurer and opportunist. His name was William Paterson, and he was born in the county of Dumfries in 1658. He is barely mentioned in the big scientific books on national economy: in fact, the great mass of specialised literature devoted to the history of the oldest and best commercial and State credit organisation in the world, the Bank of England, is content to describe the original founder of the Bank in a few lines.

This Cagliostro of high finance, with his restless, imaginative brain, was always evolving plans, some quite impracticable and others of real value, and he was hardly likely to cut a good figure in a heavy scientific treatise designed to explain the working of a complex system. He is more aptly described in a novel and, indeed, in 1852 a novel was written around his romantic career.

He was a typical product of the age in which he was born, when, after the industrial stagnation of the Stuart régime, the whole nation returned to work as in Tudor times and began to seek fresh fields for commercial development and new ventures in which to invest the country's greatly increased resources.

Many a capitalist, amongst them the father of Pope, the poet, who had retired from business with a

fortune of twenty thousand pounds, lived on capital since there was no possibility of investing the money suitably.

All sorts of plans and proposals were in the air. In the years immediately after the "glorious revolution" of 1688, any number of new companies were formed, for insurance, pearl fishing, the manufacture of paper and carpets, glass bottles and sword blades; for dealing in alum and mining copper. In fact one educational company was formed, with a capital of twenty thousand one-pound shares which allotted two thousand prizes, the fortunate recipients of which were to be given, at the company's expense, a ready-made education in Latin, Greek, Hebrew, French, Spanish, trigonometry, Heraldry, music and, characteristically, book-keeping.

For years, in fact for nearly half a century, there had been a constant stream of brochures, pamphlets and official essays on the need for the formation of a bank which would act as a sort of *depôt* and clearing house of credit; a Bank similar to those in certain Italian towns or modelled on the lines of the Central Bank in Amsterdam. At that time it was the custom to imitate the system in vogue in Holland to such an extent that, in a novel dealing with the English cloth trade, Defoe made the following significant remark: "The wool is English, but the brains are Flemish."

John Locke, the philosopher; Sir Josiah Child, the Governor of the East India Company; Paterson and Godfrey, another commercial magnate, all wrote in favour of the Bank. So, too, did Sir William Petty, the anatomist, who turned his attention to political economy and anticipated Adam Smith in many of his conclusions on the fundamental laws governing trade and finance.

Another advocate was Hugh Chamberlen, who had assisted at the birth of the then modern London, and who was so struck by Paterson's idea of a bank to issue notes that he forced through Parliament his own crazy scheme of a Land Bank, which was to advance to the landowner the value of his land in notes, on the fallacy that a lease of land for a term of years might be worth many times the fee simple. All these different plans, put forward by men of so many different callings, of opposing political parties and of all classes, clearly resulted from the fact that the commercial and social organisation had developed into a problem which affected the whole people, and was now as important as questions of religion and State, or possibly even of art, had been before.

The requirements of commercial expansion provided a neutral ground on which Whigs and Tories could discuss possible schemes. Their schemes were admittedly by no means identical; indeed it was now for the first time that big capitalist groups became the dominating factors in the various political parties.

The Bank of England became the staunchest supporter of the middle-class democracy, whereas the Tories rallied round the old East India Company, which was finally liquidated in 1708, after a life of one hundred years, and was replaced by a new Company more in keeping with Whig principles. This new Company was originally directed by Liberals and anti-Papists, such as Papillon and Barnardistone. The original Company elected to the Board a genial young man, Josiah Child, who soon got rid of his erstwhile supporters and linked the Company all too closely to the Stuart household, endorsing their politics as well as their commercial schemes, which were anathema to the Whigs, since

they enabled the King to obtain further grants of money without any parliamentary sanction.

The name of Child was the only thing which Sir Josiah had in common with the rich family of goldsmiths and bankers. The firm, of course, still exists to-day and at one time had amongst its clients Cromwell, William III and Marlborough.

In the days of William of Orange there were still people who remembered how Child, then an apprentice of the Company, used to sweep and dust the offices in the morning. And, like many an American millionaire, when he was at the height of his career, he bought the Duke of Beaufort as his son-in-law, with a dowry of £50,000.

Child has been treated with little mercy in all the Liberal histories, because of his change of politics. But it was due to his energy that the English Company, which had shown very poor results for a long time, achieved success, and Child himself rose with it.

From his shareholding alone he had an income of £20,000 a year. He was the Dictator of the Company in England, and his brother was its absolute ruler in Bombay.

His treatise published in 1669, and called: "A new discourse on Trade", contained many new ideas on trading policy. The programme which he enunciated in 1690 was still more enterprising; in it, the trade between India and England and the Company occupied only second place, and an administration was advocated for India which entailed the payment of enormous taxes to the Company, and paved the way for the formal occupation of India by England at a later date.

Child, or the great Goliath, as he was called, possessed such a strong personality as well as such a

large fortune, that it was not until after his death that the original Company made way for the new one.

Admittedly Child was not over-scrupulous in his methods, and offered bribes freely in Parliament. The Duke of Leeds, who was Prime Minister under William III, was ruined by him just as, some years later, the Chancellor of the Exchequer at the time of the South-Sea-Bubble was thrown into the Tower and his fortune, amounting to £400,031, was all taken from him, with the exception of the £31.

In his history of English Commerce, Lujo Brentano says: "To us, to whom all the happenings of those times are clearly revealed, the whole of England after the Restoration, from the time that William of Orange ascended the throne until long after Walpole, appears as an Exchange and Mart where nearly everything and everybody was for sale."

It was a sad state of affairs, but was almost inevitable at a time of commercial, social and political upheaval, when democracy was striving to free itself from the domination of those who attributed their position to divine foresight, and when the principles of the Renaissance were for the first time being permanently established under a form of monarchical government.

The foundation of the Bank of England was symbolical of the change from government by divine right to government by the will of the people. Quite apart from the benefits conferred on industry, which owed its great advance during the next century to the credit facilities provided by the Bank, quite apart from the technical data which were of immense value to other similar organisations, the formation of the Bank had great historical importance, since it signalled the liberation of the trading and financial community from the bonds of governmental despotism.

This importance did not lie in the connexion between the Bank and the State, nor in the ostensible reason for its creation—the provision of funds which would enable England to oppose the expansion of France. Its foundation meant the realisation of democracy and popular government; it was an expression of distrust of the State and its mismanagement; it was a capitulation of the State in the face of a demand for orderly management of money and loans, it was a capitulation to those who, by their own individual efforts, were producers and were making money, and who demanded sovereign rights for a private institution.

Only fifteen years after the Bank was founded, Addison recognised the importance of the position occupied by the Bank in the social and commercial structure of the country, and wrote an allegory. In this, the great hall of the Bank was described, filled with the Governors, the Directors and fifty-four officials, and at one end of the room was the throne on which was sitting Credit, the great Charter on his head, his subjects all grouped round him.

This allegory was more true of the future than of the present. For, in spite of all the dictates of contemporary theoretical literature, the Bank had all the signs of hasty planning and many features characteristic of its founder.

Paterson himself came to London when still a young man. In the course of a roving career he visited the West Indies and in Darien and the Isthmus of Panama he believed he had found the navel, as it were, of the world. He considered it should be the centre of the trade with the East Indies, and that it could be used to avoid the dangerous voyage round the Cape.

In the prospectus which he wrote for his unhappy

Darien Company after he had left the Bank, there appears this passage: "Whoever possesses this gateway to the Sea, this key to the whole world, will give laws to both Hemispheres; and by the arts of peace, without shedding a drop of blood, will found an Empire as glorious as that of Cyrus or Alexander." Nevertheless, at one time, during his first visit to America, he had been quite content with the somewhat less glorious position of an ordinary buccaneer. The hypocrisy of the English, who still refused admittance to the families of those responsible for the execution of Charles I, even in the time of William of Orange, is such, that they attach no stigma to this career of buccaneering. Elizabeth as we know, had had her share in the expeditions of Frobisher, Drake and Cavendish, which often showed a profit of one thousand per cent, and Lancelot Blackburn, who was Archbishop of York from 1724 to 1743, was in his youth a buccaneer, as the founder of the Bank of England had been!

In 1685 he was in Amsterdam, the centre of trade and finance at the time, as well as the rallying-point of the Whigs.

With the arrival of William of Orange in London we find Paterson there too, in a welter of new enterprises. Macaulay said of him, when he founded the Bank: "His whole capital consisted of an inventive mind and a glib tongue." According to other statements he had between 1691 and 1694 interests in many different businesses and particularly in the provision of a water supply to north London, and he had risen to a position of respect and considerable wealth in the City.

This latter version is probably correct: for Paterson was, above all, a man of action, full of plans and schemes, always ready to risk everything he had in a

new venture; a genius who had no technical knowledge, but an uncanny insight into future events; he was half-land-speculator, half-diplomat, a writer of distinction and a gallant old soldier of invincible courage. When the remaining members of his Darien expedition who had not died of malaria or hunger, made their way to the Hudson after two years of indescribable suffering, Paterson himself, then almost dying, had to be lashed to the mast.

As a man he was ready to make any sacrifice and, as a man, therefore, he was loved; he never spared himself, and he never conserved his resources; he ran contrary to the spirit of the times when, according to John Locke, sound common-sense ruled the English people.

As a result of his adventurous life after parting with the Bank, he formed other plans and ideas, destined to affect England's future. He attributed the failure of his Darien expedition to England's indifference to a Scottish undertaking. When he returned, he was poor but still well-loved and respected, and he became the champion of the Union of England and Scotland. Queen Anne made use of his services in the negotiations that took place, and in 1707 he brought them to a successful conclusion.

He showed here the same clear understanding of a problem that he had shown in his pamphlet about the Bank. In this was expressed, most concisely, the views which are still held in England to-day on the subject of the gold standard and the adequate cover of notes by gold, and the pamphlet exhibits no traces of the author's usual wild excursions into the impracticable. Two hundred and fifty years ago, William Paterson described all money, whose real value was not equal to its nominal value, as bad; he wanted all values to be expressed in their relation to gold and

silver, and he considered that credits which were not based on the two precious metals, were misleading and eventually useless.

In his declarations he was not only formulating the necessity for a gold standard, but he was upholding the real values demanded by modern commerce against the arbitrary and, at times, very questionable methods adopted by the State to settle questions of currency and finance.

Paterson enlisted the help of Montague, a Secretary of the Treasury, and Michael Godfrey, one of the richest men in the City, and the Bank was formed in accordance with his plan, but not on the principles he advocated. Just like so many other features in the development of the English constitution, the Bill to found the Bank was only supplementary to a Bill dealing with taxes on beer and brandy. Right at the end of the Bill was a clause authorising the payment of £100,000 a year out of the national income to those persons who would advance before the 1st of August, 1694, the sum of £1,200,000 "to be used towards the successful conclusion of the war with France", and these people were allowed by the King to form a corporation which should hold the title of "The Governor and Company of the Bank of England."

This sum of £1,200,000, divided into £1,000 shares, was subscribed in the amazingly short space of ten days and formed the original capital of the Bank of England.

The whole amount was immediately loaned to the country, and the Bank was authorised to issue notes to a like amount. But where was the gold cover for these notes, which Paterson had stipulated in his pamphlet? Every future loan to the State authorised by Parliament meant an increase of capital, and a

similar increase in the note circulation. It was the simplest form of inflation.

Godfrey, the first Governor of the Bank, was a clever and thoroughly honest man. He was killed, when following the battle before Namur, and when he had gone Paterson was soon forced to resign.

In a pamphlet he wrote, Godfrey preached in rather lofty style that: "It is only the fact that everyone can change his notes into gold whenever he wishes to, that makes the issue of notes permissible"; but in reality the relation of gold to notes was very far from being satisfactory. However, the fact that at this time, when counterfeit coins were abundant, people preferred notes to coin, coupled with the cautious and eminently sound policy of the Bank, initiated by Godfrey and carried on by his successor John Houblon, the son of a Flemish refugee, served to balance the policy of inflation adopted by the State.

And so it was that the breakdown due to inflation was postponed till 1810. It was not, however, until a generation later, in 1844, that Peel's Act made a similar recurrence definitely impossible, and ensured to the Bank of England that unassailable position in the world of finance that it enjoys to this day.

The credit of the Bank was at first entirely dependent on the State, and confidence in the State had been rudely shaken by the financial operations of Charles I and Charles II. The tradesmen and industrialists, the merchants of the City of London, all now regarded the Bank as the token of their newly-won freedom and the means of further development. They guarded it carefully and defended it against all attacks. When there was a run on the Bank, in 1745, eleven hundred and forty London merchants declared their readiness to accept payment of every debt due

to them in Bank of England notes, in order to maintain the credit of the institution.

The activities of the Bank produced not only a revolution in finance but also in methods of trading. Contrary to the custom of all the big Continental Banks (with the single exception of the little Bank of Stockholm), the Bank of England struck out on a new line and made ready to do a big business in the discounting of bills. The Bank advanced money, instead of merely paying out, when the bill matured. This enabled the seller to get his money long before his goods had reached the eventual purchaser and, consequently, led to a great expansion in business. A report written nearly one hundred years later by Büsch, in 1799, in the "*Handlungszeitung*", describing a country far behind England in industrial development, helps one to see what an enormous change had taken place; he says: "Fifty years ago there was very little discounting on the Hamburg Exchange since everyone was afraid that his credit would suffer if it were known that he was discounting bills."

The Bank was a success right from the beginning. Besides the yearly payment of interest by the State of £100,000, it made a profit on the note issue since originally nearly all notes bore interest, and on the discounting of bills. The available working capital was increased enormously by new deposits which received interest at four per cent. The Continental Banks, on the other hand, levied charges on money on deposit.

The price of the shares rose very slowly and not without some set-backs. Whatever the Bank touched turned to gold, as in Addison's allegory, thanks to the energy and trustworthiness of private enterprise.

The short-term loans of the State, which were long

past their redemption date, had gone to a discount of thirty per cent, but were brought back to par by the Bank's readiness to discount them. The very necessary reform of the currency, which had been one of the essentials demanded by Paterson at the time the Bank was founded, now engaged the attention of the best brains of England: Montague, Secretary to the Treasury, John Locke, and Isaac Newton who had been appointed Master of the Mint. Their efforts were successful, largely thanks to the help of the Bank. When, in 1711, the Bank increased its capital by £2,200,000, the whole amount was subscribed in three hours, between nine and twelve o'clock in the morning.

Paterson lived to see this successfully accomplished, and he was also able to see another of his ambitions realised in 1717—the consolidation of the National Debt.

Paterson was essentially a man of ideas but he was unable to finish anything; he was an inventive genius in the field of finance, the first in history, but by no means the last, to finish empty-handed. He lacked concentration to such an extent that it was only in the losses of his unsuccessful enterprises, and not in the prosperity of his successful ones, that he himself retained any shares.

After his unfortunate venture in Panama, he made no attempt to get back into the Bank of England, where for a year he had received the modest salary of two thousand pounds as a Director. Other things attracted him, new and less profitable ideas, such as the Union of Scotland and England, or debt conversion. When times were very bad, he used to address petitions to the King and Parliament, in which he reminded them of his services, and in some of which he complained bitterly of hunger.

When he died, however, in 1718, he left a few thousand pounds, six thousand pounds to his relations and one thousand pounds to his executor, as well as various small legacies. For a beggar such as Paterson had represented himself to be in his last few years, it was quite a nice little fortune, but a mere nothing for the founder of the Bank of England.

JOHN LAW

JOHN LAW was the founder and managing-director of the first note-issuing Bank in France, the founder and managing-director of the Import and Export Company of the Indies, the Commissar of the half Bolshevistic export trade monopoly in the days of Phillip the Regent, the chief tax collector and the Minister of Finance all in one.

John Law was one of the last of the alchemist-mystics, of the astrologers who were dying out in the time of Voltaire, but in his pursuit of the stone of wisdom he invented inflation. In a contemporary cartoon he is depicted blowing up a golden calf with a bellows.

The idea as well as the name of inflation first came into being in the years between Louis XIV and Louis XV, at the same time as the idea and name of millionaire.

John Law idolised money and riches just as everyone else in this, the eighteenth century, idolised gallantry. He was a Casanova of money, a Don Juan of prosperity, a luckless benefactor who was always seeking, as if possessed, new ways of creating new values, all of which eventually turned out to be illusory.

He was no fortune-hunter himself. Born in 1671, in Edinburgh, he came of a rich family of bankers and goldsmiths, from whom he inherited a large fortune. His personal wants were few and he was indifferent to the wealth that surrounded him, keeping for himself only an infinitesimal fraction of it.



He was a Balzac hero in real life, the financial fore-runner of Henrik Ibsen's John Gabriel Borkman, who heard the riches imprisoned in the rocky ore singing to him and mocking at him.

What was it that drove John Law on? Was it the ordinary lust for power and mastery; was it the half-autocratic, half-socialistic desire to make the world happy, tragic in its lack of comprehension; or was it the curiosity of one who sought fresh excitements in the realms of finance, even as his contemporaries sought them in the worship of Venus? He was a gambler; when he discussed cards he spoke with an air of disillusioned and scientific authority which seemed to raise him above considerations of ordinary chance to a sphere of absolute knowledge, unattainable by most mortals.

Law played cards in London, and gambled away half his inheritance and his estate at Lauriston.

A duel in London about a lady, which ended in his rival's death, forced him to fly to his native Scotland. Chased out of his own country after the union with England, he gambled in 1707 in the Salon of the Duclos, the mistress of the Regent, until he was turned out of Paris—because he knew too much about cards—by d'Argenson, a lieutenant of police, who was to become Chancellor and Finance Minister at a later date when Law was on the crest of the wave.

During the next seven years he gambled in Venice, Genoa, Rome, Turin, Florence and Vienna. Whether it were due to the methods of a Riccaut de la Marlinières or the cold concentration of stronger nerves that he brought to bear, we need not inquire—but he won.

This, however, did not satisfy him; his aims were higher. Even as a boy he had shown marked ability

in mathematics and commercial and financial subjects. In London after the "glorious revolution" he was seized, like many others, with the fever for founding banks: so much so that at one time he was ready to enter the service of Paterson as a clerk.

After his flight from Scotland in 1705, he outlined proposals to his countrymen for a mortgage bank; the scheme was admittedly very like one put forward in London by Chamberlen, but it was bold and in many respects very well thought out. Its structure served as a model for a similar French Bank formed seventy-five years later, and the great experiment of the German Rentenmark, which was carried through successfully after the inflation of 1925 shows traces of its influence.

The project, which would have made credit more liquid in Scotland and would have given a fresh impetus to productive activity in that poor country, failed to receive the approval of Parliament in spite of the pleadings of the Duke of Argyll, who was related to Law on his mother's side.

But Law did not give up. The works of Mun and Petty, and John Locke's "Theory of Money" were his constant companions from the time he rose in the morning till he went to bed at night. He wrote his own views on the margins. He brought out his own theory of money, challenging all the supporters of a currency based on precious metals. It was a brilliant piece of work, full of dazzling arguments against the bimetallists and clever observations on the increase of production which would follow a more rapid circulation of money. It discussed the relation existing between the amount of money in circulation and the people's welfare, and the relation between the amount of money in circulation and the population of any country. But in essence the book was based on the

fundamental and tragic misconception that credit is a sort of mystic power, a kind of universal panacea, a thing by itself, and not an expression of something else; credit is, in fact, the discounting of the future and is made possible as a result of work done. Law believed that by the issue of credit notes and paper money he could call forth these results like a conjurer; he was putting the effect before the cause.

In his history of the French revolution, Louis Blanc wrote a whole chapter in praise of John Law and claimed him, not unjustifiably, as a protagonist of socialism, in spite of the protests of Karl Marx, and he concludes by saying: "He began where he ought to have finished."

Law's mistakes were due to the huge price fluctuations taking place in this early capitalist period which he attributed to the fall in the value of silver, and since he expected silver as currency to retain a value above the commercial price—which it did not—he decided to dispense with it altogether and replace it by paper.

However inconclusive this reasoning may have been, it is still the basis of all inflationist theories, including the recent extremely learned theses of Cassel and Keynes, who attribute the world's present misfortunes to the restrictive influences of the gold standard.

John Law wanted to make labour independent of capital, to break the tyranny of capital; he wanted to end the reign of those who held the money-bags and to put in their places the inventor, the enterprising business man and the worker. He maintained that anyone who employed labour, even though the product of that labour were of less value than the wages paid, was a public benefactor.

The same theory, which must obviously lead to

universal bankruptcy, was the programme adopted in the Paris national workshops in 1848.

Writing of banks, Law developed this unscrupulous scheme of universal philanthropy and produced an ideal of inflationist "Live and let live" policy bordering on madness. He writes: "The obvious advantages that would accrue from keeping poor people in employment and from an increase of production by the provision of ample credit, more than outweigh the danger that the Banks might fail every three or four years."

It was a cruel judgment pronounced by inexorable fate that the socialist Apostle of work, even at the height of his career when he had command of all the resources of the country, was quite unable to direct a quickening stream of work and opportunity over the whole land, but instead let loose a flood of paper which produced, not business, but speculators, spend-thrifts and idle profit-snatchers.

John Law was a tragic figure, with feet of clay; one foot in the mystic past when, according to Sombart, the idea of paper money had a romantic flavour, and the printing of notes was regarded by Princes as a new method of manufacturing money; the other foot in a revolutionary future, an uncertain era of "to-morrow come never." He was just the type one would expect to arise in France at that time of governmental, social and moral degeneration; he was only possible in a country where the Renaissance spirit of universal work which had fled for refuge from Italy in the time of Francis I and Henry IV had been transformed into a completely autocratic State structure under the influence of those princes of the Church, Richelieu and Mazarin.

The whole country had been bled white by the wars of Louis XIV and by his mania for building palaces;

it was staggering under a load of debt amounting to three milliards. Confiscation in the form of visas (capital stamp duties) and legal charges on every financial transaction, was the order of the day; industry was paralysed by the fact that the currency became ever more debased and by the continual depreciation, amounting eventually to thirty per cent, in the value of the Billets de Monnaie, akin to our treasury notes. A sort of arterial sclerosis had crippled the whole financial system.

Fénelon, the well-known tutor of Princes and a great preacher on morals, who won eight hundred thousand livres from the Councillor de la Haye in Madame Genlis's gambling hell, wrote: "We are still existing almost by a miracle. The state is an old ruined machine which is still just running in spite of the knocks it has had, but will fall in pieces at the first real blow."

There was no money, so John Law made it. He was the man of the moment; though his schemes had been rejected by Scotland, by the Duke of Savoy and by Louis XIV; he was the man for a country where the State was supreme master in all things.

What a contrast with England or Holland, this country where one man was manufacturer, merchant, exporter, founder of all the big companies whose shares the unfortunate State officials were forced to take up. Why should not the State itself provide credit, represented by paper money? From protectionist autocracy to State socialism and back again, was only a step. John Law was to a certain extent only a reincarnation of Fouquet, who under Mazarin was Procurator General, Finance Minister and State Banker all in one, with the result, as Ranke says, that no one knew "what belonged to the Treasury and what was personal property."

There was, amongst the friends surrounding the Chancellor, the Duke de Noailles, a strong conservative element that was bitterly opposed to this foreigner, this *novus homo*, who was also a Protestant, and it is not surprising that in 1716 it was a private bank and not a State institution that was formed with the following objects: "to increase the circulation of money, to put a stop to usury, to facilitate the flow of currency between Paris and the Provinces, to provide foreigners with a safe deposit for their funds in France and to assist our own people in the sale of their produce and in the payment of their taxes."

In the well-known self-satisfied manner of the inflationists, the bank was given the somewhat pompous title: "The General Bank." Its internal organisation was the result of Law's studies in London, Amsterdam, Genoa and Venice, and was vastly better than that of any other institution of the time; it was so well designed that it served as a model for Peel's Reform Act for the Bank of England one hundred and twenty-five years later, when the original had already broken up long ago and disappeared completely.

To the ratio of gold to notes Law admittedly attached but little importance. Of the capital divided into twelve hundred shares of five thousand livres each, only a quarter was paid up and of that quarter only twenty-five per cent was payable in gold, so that the actual gold which the bank had at its disposal only amounted to three hundred and seventy-five thousand livres. But in spite of approval now given by the Government, the people generally did not take kindly to notes, influenced no doubt by the unfortunate experience they had had with the Billets de Monnaie.

John Law's second venture, the *Compagnie d'Occident*, formed in 1717, did not fare much better than the Bank; nor did the ill-fated Mississippi Company which, it was intended, should exploit the Colony of Louisiana. Nor was he successful with his eventual undertaking which grew to a colossal size and absorbed in May, 1719, the French East India Company and the African Senegal Company; that took over the tobacco monopoly and the Royal Mint in July; that undertook the collection of all indirect taxes in August and, later, of all direct taxes. It was a gigantic trust, three-quarters governmental and one-quarter private, half ultra-capitalistic and half Bolshevistic. The continual issue of new shares in the concern was the main cause of the inflation that followed, and gave rise to the wildest gambling on the Stock Exchange. It was responsible for enriching hundreds and pauperising thousands; it brought about the social, moral and commercial decay of society, as well as a complete breakdown in the system of government, and it paved the way for the upheaval that took place in the great revolution two generations later.

The public were at first very slow to take up the shares, although these were of the very small denomination for that time of five livres each ("in order that everyone can participate according to his means", as it was put in the prospectus). The fact that the Regent himself was on the Board did not help matters, nor that payment for shares could be made in State notes at their face value, although for any other purpose their purchasing power was only sixty per cent of the face value. Nor was confidence inspired when the Company paid its first dividend in State notes contrary to the original provisions in the prospectus, nor when Law arranged that quite small

parcels of shares, two or three hundred, should be bought on option to show a profit and he himself bought twelve thousand shares for the Bank—two manœuvres which he thought might encourage the public.

It was not until July, 1718, that all the shares were taken up. What a contrast to issues made in England and Holland for their biggest undertakings, the Bank of England and the East India Company!

As early as September, however, the Company was faced with a new danger. The old-established and sound financiers presented a united front against the up-start John Law. Amongst them were Samuel Bernard, banker to Louis XIV, Crozat, the richest merchant in France who had held the position of tax collector in Louisiana before John Law's Company, both men worth one hundred million livres; there were the four brothers Paris, sons of an inn-keeper in the Dauphiny, who had supplied the Army in 1702 during the Duke de Vendôme's campaign in Italy and had managed the capital stamp duties under the Duke de Noailles. The brothers Paris now formed a company in 1718 to undertake the collection of taxes in general. It also had a capital of one hundred million livres, which, however, had to be paid up either in gold or good paper and not in Billets de Monnaie, and just because of this wise stipulation there was a rush to invest in it by capitalists, thrifty people and all the poorer classes.

Law and the Regent countered with the psychology of the real gambler who believes that the stronger nerves and the more bulging note-case will always win the pool in a game of Poker. On December 4th, 1718, the Bank, which as a private institution, had been quite sound if somewhat cumbersome in opera-

tion, was transformed into a State Bank; the General Bank from then on became the Royal Bank.

But even then the public still showed no enthusiasm; there was no demand for the notes, no rise in the Company's shares. Indeed, five months later, in May, 1719, the shares were still only ten per cent above par.

It was not until June that the shares suddenly rose one hundred per cent to one thousand livres, then to five thousand livres and then ever upwards.

At the same time the bank-notes reached a premium over gold and silver. The Company's shares rose to giddy heights, thirty-six times the nominal value or eighteen thousand livres a share, when Law was appointed General Controller on the 7th of January, 1720.

Paper had been enthroned in all its majesty; unfortunately the foundations were already rocking ominously. It was only from June, 1719, till January, 1720, that the dream lasted and the phantastic witches' dance was enacted on the rue Quincampoix. There close to what is now the Boulevard Sébastopol was a street market which went on from early morning till late in the evening when the street was closed by iron bars so that the inhabitants might have some rest. It was a dream cut short but nevertheless a dream that alarmed the world, that caused foreign rulers to send their own agents to watch events, that provided Montesquieu, who visited the market every day with much material for his "Lettres Persanes" and that even found a place a hundred years later in Goethe's "Faust". A dream that lasted from June of one year till January of the next: John Law's two hundred days.

But what had made even these two hundred days possible? What was it that changed the public's

cold dislike of bank-notes and the Company's shares into a mad scramble for them and that made Law "drunk amidst the general drunkenness", as Voltaire mildly put it? It was not the few favours bestowed by the State, not the few little incitements to speculation that Law introduced, but something quite new, something unknown in the world, if one excludes the few timid attempts in Holland at newspaper advertising. It was a veritable Barnumesque American publicity campaign coupled with a policy of expansion from week to week.

Within six months in 1719, the Mississippi Company absorbed all other export concerns and formed an almost Bolshevistic monopoly for dealing in export trade, tobacco, coinage and the collection of taxes. The Company was everywhere, talk of the Company was on everybody's lips. The Company opened its own mouth voraciously, and the whole population helped to advertise it.

There was a regular race between new bank-notes and shares. Every time the Company tackled any new line of business there was a fresh issue of shares (fifty thousand twice and one hundred thousand three times); every fresh issue of shares meant a further increase in the notes put into circulation. At the end of six months six hundred thousand shares, at the end of twelve months three million shares had been issued in exchange for depreciated bank-notes. When the first big issue was made in May, 1719, payments in notes were given a ten per cent premium over payments in silver. When shortly after that, the brothers Paris bought up all the notes they could find and presented them at the Bank to be exchanged for silver, the Company, which was by that time in control of currency, lowered the value of a Louis d'or from thirty-five to thirty-four livres.

This wholesale "pumping" of notes into circulation as well as the placing and sale of such quantities of shares was only rendered possible by the Company making a loan of at first twelve hundred million livres and later fifteen hundred million livres at three per cent to the State when it took over the collection of taxes. These sums were to be used for the amortisation of all previous government loans.

Altogether a brilliant financial arrangement, that was worked out to the smallest detail but unfortunately possessed no foundation at all. Nevertheless, it was "the System", a system that enabled the Company to grant a Loan to the State in bank-notes to pay off the old loan-holders, and the Company was able to raise this loan by selling shares which again were paid for in bank-notes.

A somewhat vicious circle, but during the two hundred days no one worried about that. Everyone was hypnotised and watched prices without troubling to inquire the real value of the paper they held. The rue Quincampoix or "the Street" as it was eventually called, became "the centre of France and a shrine to draw pilgrims from abroad." Flemish, Swiss, Italians, Dutchmen and Englishmen streamed into it; thousands undertook the journey to Paris from the Provinces as well as from abroad. Seats in the diligences from Lyons, Brussels, Strassbourg and Bordeaux were soon at a premium. Princes and lackeys, officers, bishops and footmen, Dukes and *demi-mondaines*, poets and civil servants crowded in and fought in the street for the bits of paper that rose in value from day to day, even from hour to hour.

The little narrow houses were full of Stock Exchange offices. Thousands were paid in rents, a single room was let for fifty livres a day. But even so there was

not enough room, and business was conducted in the road. A hunchback would offer his back as a desk and would earn half a million in a very short time.

Chameret, a small shopkeeper, came to Paris to fight an action. She gambled in the street, won a hundred million and lived from then on as a "grande dame" in Ivry-sur-Seine. The Duke de Bourbon pocketed sixty million, the Duke d' Antin, twelve.

And what had Law got out of it all when he was at the height of his career? Nineteen estates of a total value of six million, land and buildings in Paris worth two and a quarter million, Bignon's library (when he became a member of the Academy) worth about eighteen hundred thousand livres, about five million in cash and five thousand shares in the Company.

On the other hand the banker, Le Blanc, had made one hundred million; André, the son of an ordinary leather tanner, thirty million; Dupin, the servant of Tourton, the banker, fifty million; Bourdon, a waiter, thirty million, which he wisely changed into sterling at the right moment and so safeguarded himself as did Chameret and many other unimportant people, who, with strange insight, recognised true values and consolidated their fortunes, so contributing to the general social and commercial upheaval that was a prelude to the Revolution.

Such a complete disintegration of the whole process of production, a process which had occupied the attention of the middle-classes since the time of the Renaissance, was only one manifestation of the complete degeneration of a society which already bore the stamp of death.

Another cause, which contributed to the complete abolition of the old feudal nobility, was the attitude adopted towards marriage and love. On all sides one

saw abandon unaccompanied by passion, and license that was not even excusable as the folly of youth. Not only marriage, but even love had lost any appearance of a moral contract and was completely devoid of any decent sentiment. People had "come to grips with reality" and possessed each other without a sigh, without romance and without passion. The mood of the moment, and "a certain mental curiosity" as it was described by the Abbé Galliani, were the only things that mattered.

Just as John Law's enormous financial and trading concern—his whole "system", which was the half-autocratic, half-socialistic masterpiece of the old feudal clique, the Regent, the Prince de Bourbon, and the Duke d' Antin working in conjunction with desperadoes and adventurers—was threatening to ruin the business community, the bankers and manufacturers, so the old nobility was threatened by an influx of new blood from a quarter hardly likely to benefit it. This influx did not come from the lower or lower-middle-classes, but from the very bottom.

From the very dregs of the population there arose a new type of women, who bewitched the age and reigned as "queens of fashion and gallantry." They were the children of the gutter, the children of mothers who did not even know their children's fathers.

In the history of industrial progress, the régime of John Law is only a very short-lived episode but the effect it had on cultural and political developments lasted far beyond the two hundred days of his reign and the three hundred days of his fall. It lasted right on till the Revolution.

In February, 1720, regulations were made to prohibit the acquisition of objects of value in preference

to notes, and dealing in pearls and diamonds was forbidden. Similarly no one was allowed either to make or sell any articles of gold or silver-ware and in the same month it was ordained that no one should hold more than five hundred livres in coin. Similar regulations were introduced by the financial wise-ones in the post-war period of inflation in Germany. A decree of 25th March, which, however, has no modern counterpart, stipulated a fixed price of nine thousand livres for the Company's shares, but no fixed value for bank-notes, with the natural result that the notes immediately started on a headlong career downwards. People were already refusing to accept notes in payment.

At the end of March, payment in coin was officially forbidden and the exchange in the street was closed. It was all of no avail. In the same period the notes in circulation had increased by fourteen hundred and ninety-six million, since the Bank were always ready to buy the Company's shares at the fixed price of nine thousand livres. It was then decided to reduce the value of the shares by degrees to five-ninths and the value of notes to half between May and December. But this drop had already been discounted long before. Further measures adopted in July to bring about deflation were ineffective and a new Government loan that was offered failed completely to absorb the masses of paper.

On 1st November it was announced that paper was no longer to be used for purchases of ordinary commodities, but could only be tendered in payment of Government loan stock.

That was the end. A few weeks later Law fled to his estate in Brie, taking with him five million in notes, eight hundred livres in gold and a ring worth four hundred thousand livres that was often lodged

in the pawnshops of Venice at a later date to provide him with the barest necessities.

At the end of 1720 he left France, travelling with a false passport in the carriage of the Marquise de Brie. She was the mistress of the Duke de Bourbon who came to the assistance of his erstwhile friend just as one hundred and twenty-five years later, but playing opposite rôles, Salomon Rothschild procured the escape of Metternich, the master of another system, by supplying him with gold at the time of the Vienna revolution.

Law went first to Brussels and from there to Venice, where he died in wretched circumstances in 1729. It took a staff of eight hundred officials working under the instructions of the brothers Paris from 15th January till 30th June, 1721, to liquidate the shares and notes. Huge mountains of paper had to be dealt with; there were three hundred registers containing certificates of shares which had been decreased in value, exchanged for Government loans, or in some cases been simply confiscated. Nevertheless, the public retained an interest in shares and in 1724 Paris was able to boast a proper Stock Exchange. Mismanagement of public funds, the corruption of the governing class and wholesale confiscations of the people's money still remained the order of the day. The deer park of Louis XV alone accounted for the crushing burden of one thousand million livres. It sounds like a chapter from the history of John Law when one reads Mercier's brilliant description of Paris in 1781: "People talk of a million now as they used to talk of a thousand Louis d'or a hundred years ago. They only reckon in millions and one hears only of millions when any fresh undertaking is being discussed. *Les millions dansent sous nos regards.*" Millions dance before our eyes—dance headlong to destruction.

RICHARD ARKWRIGHT

IN the history of technical invention, Richard Arkwright figures as the inventor of the first practical spinning machine. But he was really more than that; he was the first manufacturer of the modern type. He was the first man to worry over the technical and commercial problems of capitalistic industry, rationalisation, standardisation, enlargement of markets, creation of demand, etc., which occupied the nineteenth and twentieth centuries, and he was the first man to find any solution of these problems.

If it were merely a question of mechanical inventions, we should have to admit that John Wyatt produced "a machine that worked without hands" thirty years before Arkwright. Lewis Paul, Thomas High and Hargreaves, the weaver, were all before him. Arkwright merely collected all their results together.

At the same time it is not true to say, as Karl Marx has done, "that Arkwright was the biggest thief of other people's inventions." Such an accusation is merely an ebullition of the hatred felt by the creator of modern Socialism for the creator of modern industrialism.

Marx cursed the mechanisation or, as it was called in those days, the automatising of man which was the result of Arkwright's work. It was he who introduced a mechanical system in industry and was responsible for discipline amongst the workers which had hitherto proved an impossibility during the manufacturing era.



RICHARD ARKWRIGHT

Dr. Andrew Ure wrote in his "Philosophy of Manufacturing", about fifty years after Arkwright had founded his mill in Nottingham: "Arkwright produced order"; he compared him at one time to Hercules, at another to Napoleon, because he succeeded in accustoming men to the rhythm of mechanical processes and "because he drew up and brought into use a practical code of factory discipline."

Arkwright appeared just in the middle of that industrial revolution which was providing England with new commercial, financial and political foundations, just when her position was becoming difficult in America, Ireland and India. This revolution in industry produced as great an effect on the future development of Europe as the revolution in France. The textile factories of Arkwright, Strutt and Samuel Oldknow, the engine works of Boulton and Watt and the iron foundries of England and Scotland, were as sign-posts to the British people, and showed them the way to make up for the recent loss of the American colonies.

England determined her future in mobilising the constructive genius of her people, just as Holland had done two hundred years before.

Arkwright realised at once that his discovery would mean a complete upheaval in the commercial life of the country, not as a result of this one invention, but as a result of new methods of production. He considered it, just as Schulze-Gävernitz considered the first mechanical woollen mill, to be the turning point in the whole social and political life of Europe. "It has raised up new classes, on the one hand, the bourgeois, who will soon take the place of the old feudal chiefs and, on the other hand, the workers, always struggling upwards."

As a matter of fact, in Arkwright's time the workers had little or no idea of cultural or political advancement; spinners and weavers were too occupied in getting a bare subsistence. It was hard enough to rouse their ambition, and make them demand better conditions and a little comfort in their lives. According to unanimous reports of the period just before this—in the days of Petty, Temple and Houghton—the spinners and stocking makers were quite content to earn just the mere necessities of existence. If wages were high, they seldom worked on Mondays and Tuesdays, and often not on Wednesdays and Thursdays either. As a result, writers on industrial problems pointed the moral that low commodity prices bred laziness and high wages restricted production, owing to man's innate disinclination to work.

The first man to contradict these theories was Josiah Child, a poor lad who had risen by hard work, brains and admittedly a complete lack of scruples, from the position of messenger-boy to that of Chairman of the East India Company. He maintained, (just as Henry Ford has done in the twentieth century,) that trade could only increase if the capacity for consumption of the great mass of the people were increased as well.

Increased consumption pre-supposed an awakening to a higher standard of living, and this could only be attained by higher wages.

Since the days of the great Queen Elizabeth, who had shared in the piratical booty of Frobisher and Cavendish, English society from top to bottom had been permeated by this great idea. Commercial enterprise, coupled with a desire to probe the secrets of natural science in the world around them, "to investigate" as Francis Bacon said, "the hidden

movements of things and so widen the boundaries of man's dominion"—these were the corner-stones of England's social structure.

Writing of the times of William of Orange, Macaulay said: "It was almost necessary to the character of a fine gentleman to have something to say about air pumps and telescopes; and even fine ladies, now and then, thought it becoming to affect a taste for science, went in coaches and six to visit the Gresham curiosities, and broke forth into cries of delight at finding that a magnet really attracted a needle, and that a microscope really made a fly look as large as a sparrow."

Younger sons of the nobility went into business, and the leaders in industry or finance acquired large estates and were raised to the peerage.

Josiah Tucker, an authority on political economy in the time of George I, compared England with France and remarked how, in England, the calling of a merchant was as good as that of an officer, and that a man who had made his money in business did not have to retire, before he could be considered a gentleman. Lecky, the great historian, who inveighed against the people's complete lack of interest in all intellectual or political issues in the eighteenth century, and upbraided them for their utter indifference as to whether the Hanoverian or the Pretender won, concluded one of his diatribes with the remark: "Nothing but business mattered."

To England must be given the credit for raising the general standard of living and spreading what we call modern civilisation through Europe and America. This she was able to do by reason of her people's readiness to work, and by using her scientific discoveries for promoting the mechanisation of labour. This democratic will to work, coupled with the spirit

of scientific research, was not peculiar to the bourgeois class only, but was evident in all classes of society, including the working population. Inventors were found amongst the poorest and lowest in the land, and included the watchmaker Watt; George Stephenson who had worked in a coal mine as a child; Josias Mason, the son of a weaver, who, to Goethe's delight and amazement, invented the steel-nib and so established a world-wide industry; and Richard Arkwright.

They were poor men and of little account, the pioneers in mass-production. They forced their erstwhile companions to climb with them, onwards and upwards. They might, in their hardly-won new positions, have no democratic feelings for their work-people, but the underlying principles of their productive capacity were democratic in origin.

Arkwright was one of the earliest and most impressive examples of this theory. He was born in Preston in 1732, the thirteenth child of poor parents. When he died, sixty years later, in 1792, he was master of the most important cotton-mills in Lancashire, Devonshire, New Lanark and Cromford, and he was undisputed master of the cotton market. He had been High Sheriff of Devonshire, and was knighted by George III.

His character was simple and straightforward: he was self-taught, but quite illiterate almost to the end of his life; he was hard, dull, misunderstood by those around him and betrayed by his wife; but he was never lonely for his work absorbed him day and night. He was engrossed by the will to produce, and though he continually needed assistance on the mechanical and technical sides, he had a genius for commercial organisation from his earliest days which enabled him to introduce entirely new methods.

The most vital principle of Arkwright's life was the broadening of consumption as opposed to the hitherto accepted fixed price list. "The greatest possible service for the smallest profit." He made his views clear very early in life. He was brought up as a barber's assistant and, when he left home and went to Bolton to start his own business in a cellar, he hung out this sign: "Come to the basement-barber. He shaves you for a penny"—half the price charged by his outraged competitors, who were forced, of course, to lower theirs accordingly. Arkwright immediately brought his down to one half-penny, and was so successful that in a short time he turned to the more lucrative business of dealing in hair. Unfortunately this step cost him a large part of his savings, as wigs went out of fashion.

He then devoted all his energies to the perfecting of a machine for dealing cheaply with those vegetable fibres which were gradually finding their way more freely into England, in spite of the protests of cloth-makers and silk-weavers, in spite of prohibition by Parliament and every sort of obstacle to importation devised by the East India Company. The cotton industry was destined within a few decades to become one of the greatest in the world.

The rest of his savings were lost in experiments and tests, but Arkwright refused to give in. His wife, unlike the wives of many inventors—John Crossley, Bessemer, Henry Ford—broke up his models to force him to take up honest work again! Arkwright drove her away and continued his experiments until, eventually, with the help of his friend Kay, a bell-founder, he produced his first workable machine.

The stocking manufacturer, Strutt, whose career had been similar to Arkwright's, took him into

partnership and, together, they started in Nottingham the first "automatic" cotton-spinning mill.

This "first factory in modern style" was in working order by 1768. But the workers, who had hitherto lived on the spinning done in their own homes, attacked the factory and destroyed it.

The engine factories of Boulton and Watt, in Cornwall, were also attacked by the miners, and Peel's cotton mills were laid in ruins. Throughout the whole country the new mechanical undertakings were threatened, and in great part demolished, by the people who hated them, and feared for their living. As Karl Marx wrote, later: "Time and experience were required before the worker could distinguish between machinery and its capitalistic applications; that is to say before he could learn to transfer his thoughts from the material means of production to the benefits to be derived therefrom by the general community."

Under such circumstances, one can easily understand that the first manufacturers, many of whom had risen from the humblest beginnings, entertained no very kindly feelings for the workers in their factories who so frequently laid destructive hands on all their costly machinery. One can also understand that employers like Arkwright who, from four in the morning till nine at night, knew nothing but work in the factory, guiding and directing the whole concern, often in the machine shop itself, demanded the very utmost from their employes, in what was generally a twenty-hour day.

Arkwright was no more deterred by the wrecking tactics of his workers than by those of his wife. He went on building, and new mills sprang up in Lancashire, Devonshire and New Lanark. Arkwright himself was frequently in the shops, watching the

machines. He knew his material and what to do if a fault appeared in the cotton itself. He invented and applied the rhythm of work, he "made men give up the irregular habits to which they had been accustomed, and brought them into a condition of constant regularity, the regularity of automata." He broke down the prevailing custom of hands stopping off when they pleased and so throwing the whole factory into confusion. For the first time in history he introduced a form of rationalisation in the process of production, which was to serve as a model for all businesses in the future.

Many other factory owners, amongst them Samuel Oldknow, came to ask advice of the man who still spoke his uneducated dialect, who only began to learn grammar and to read and write when he was fifty but who, for all that, had visions of the future.

Arkwright's invention of the carding-machine proved a further step forward in the cheapening of production, and of the product itself. Between 1779 and 1832 the price of one pound of carded cotton sank from sixteen shillings to elevenpence farthing. The export of cotton goods from England rose from 335,000 pounds in 1780 to 33,337,000 pounds in 1822. It was the English manufacturers who forced Napoleon to his knees, and who made the war debt of eight hundred and thirty million pounds possible to bear.

The dictatorship in the factories appeared to be fundamentally opposed to this increasing and more widely-spread consumption. The average wage of ten shillings a week was quite insufficient to supply the necessities of a whole family and, according to Cobbett: "every workman with a family was forced to accept charity." Eventually, when technical processes were still further perfected, and still more

costly machinery was employed, the factories demanded better and more highly paid workers. The hitherto accepted laws regarding wages were upset by industry itself, and not by the workers. In a matter of a hundred years, the workers' lot was improved beyond belief by the adoption of Arkwright's economic principles.

The interest of the worker in his own conditions had been awakened; mass-production was met by mass-demand, for the cheapening of manufacturing processes enabled higher wages to be paid. Arkwright had pointed the way, but the struggle was to last for the next hundred years.

In these battles no one should forget the man who had risen from the people, who nevertheless was not a "man of the people", but who had yet given them their chance to improve their lot.

The democratisation of production had to be met by the democratisation of consumption and of working processes. Aristotle's ancient prophecy was fulfilled, for he had said that slavery would cease when the weavers' shuttle went through the warp without the guidance of a human hand.

THE HOUSE OF ROTHSCHILD

I

“MEYER AMSCHEL was eleven years old—”—this was written in 1755—“when, having lost father and mother, he took the little sum of money derived from his parents’ trading and money-lending business and took an office boy’s job in Oppenheim’s shop in Hanover.”

In 1769, a little more than ten years afterwards, he had a shop of his own on the “Hinterpfann” in the Jewish quarter of Frankfurt which, according to Goethe’s description, was a “pit, hemmed in by ditches on one side and the town wall on the other”; and on the shop he had inscribed proudly under his name:

“By appointment to the Prince of Hessen-Hanau.”

Meyer Amschel had received a recommendation from General Estorff which had enabled him, at first occasionally and, later on, regularly to supply rare coins, gold chains, precious stones and antiques to the Prince of Hessen-Hanau. His patron became in due course Duke of Hessen-Kassel, and was not only the richest Prince but the richest man on the Continent of Europe.

The Prince had very large financial dealings with London, and Meyer Amschel’s services proved invaluable in this connexion. Amongst other things, the Prince was providing mercenaries for the war against the American States.

Shortly after that the war against the Convention started as a prelude to the Napoleonic wars. The scarcity of all commodities on the Continent was only equalled by the appalling under-production.

Meyer Amschel had settled in a new house, "The Green Shield", where he had produced a family of five sons and five daughters, and this soon became a hive of commercial activity. They bought and sold and, under conditions of constant anxiety and danger, they shipped coffee, sugar and manufactured goods from England across the Channel.

In 1798 the third son, Nathan, who was the genius of the family, settled in Manchester, at the age of twenty-three. At the end of the century the six thousand marks, the total capital of the house on the Hinterpfann, had been turned into the first of the Rothschild millions.

Nathan Rothschild—or "the London Rothschild", as he came to be known later—once said that his motto was "What anyone else can do, I can do, too." But that really appeared to be the guiding principle of the whole family.

In 1803 they arranged the first State loan between the Danish Court and the Duke of Hessen-Kassel. In 1810 they lent Denmark 1,200,000 marks out of their own resources. In 1814, after the fall of Napoleon, Louis XVIII came to Paris at the expense of Nathan Rothschild, and with Rothschild money in his pocket. In 1816, Graf Stadion, the Austrian Minister of Finance, secured the assistance of the Rothschilds in balancing the Austrian budget by bestowing on them patents of nobility.

Millions from the Rothschild coffers were used to assist Austria and Prussia, and to rescue little States and great Statesmen.

Two generations after Meyer Amschel had got a

post in Oppenheim's shop, Prince Metternich travelled purposely to Frankfurt to have lunch with the head of the Firm, Amschel Meyer. The leading statesman of Europe, lunching with the leading Banker.

From 1820 onwards the name Rothschild—indeed, the family of Rothschild—was in the very centre of European State finance and their interests were spread in a thousand different directions. Curiosity and ambition, blessings and curses, covetousness and veneration thronged round this name. A Pandora's box of human passions was bound up with it. The Rothschilds, however, refused to disclose the secret of their success and in this differed from some American millionaires, who have claimed hard work, honesty and belief in God as their recipe; some announcing it themselves, others, like Carnegie, leaving it to their biographers to tell. Of the Rothschilds one never heard family scandals; with them, there was no ostentation, there were no eccentricities, nothing of the mania of American parvenus for buying up old castles, armorial bearings and Dukes; in a way they were rather inhuman, yet in another, only too human. It was just because of this that their name became a legend, and for a whole century long was on everybody's lips.

In his book, "The Rise of the House of Rothschild", Egan C. Corti can get no answer from the Rothschilds' own records to the question which, as Herr von Gentz once said, "needs more than a political or business brain to answer, namely, how did the Rothschilds succeed in attempting and bringing to a satisfactory issue all that they did in so short a time."

Another writer at the time of their early successes, with somewhat better insight, maintained that "the

Rothschilds were a development that had to come."

Friedrich Wilhelm II, the King of Prussia, answered the English Ambassador in 1793 in the real feudal spirit: "The nature of the Prussian monarchy is such that the idea of State indebtedness is quite unthinkable." Ouvrard, who provided Napoleon with money against his will, reports that "he accepted no methods of raising money other than taxation or conquest; credit was but an abstract idea to him." But new methods became essential as times changed. The acceleration which, starting from the Renaissance, had taken place in the intellectual, social and political life of the people and had made the State take an active interest in the development and advancement of all human ambitions, was responsible now for the transition from the confusion and misery of the Napoleonic wars to an era when the State and the whole people were ready to mobilise and discount all their reserves for the future.

The great development that took place on the mainland of Europe at this time was, in effect, that "credit" was discovered in forms and amounts hitherto undreamt of even by the Dutch at the end of the seventeenth century, and that in increasing the amount available, it was found that credit possessed certain new and unsuspected uses.

The old Meyer Amschel had made quite a speciality of granting long-term loans on interest which resembled the funded English debt. The effect of the new financial development was to make the effort of a whole country or district subservient to one definite purpose, which was probably of universal benefit.

This passive process entailed its active counter-

part. The State loans, which were one hundred or two hundred times larger than the loans made by individual Princes on the Antwerp and Lyons Exchanges in the sixteenth century, made a call on the available capital of the whole mass of the people, and demanded that the public attention should be attracted and fastened on them. This was done by the Rothschilds who, in fact, appeared as Agents between the Treasury and the anonymous mass of the people, and advanced money for the short but difficult intervening period. They acted in this capacity to such good effect that even the great composer, Ludwig von Beethoven, subscribed for ten shares in the National Bank.

The Rothschilds' great achievement, for which they will be remembered always, was that they mobilised State credits from Copenhagen to Naples, and from Paris to Vienna. Credit was no abstract idea to them; they foresaw the future. They had within them creative faculties which were as yet sleeping and had to be awakened. Such faculties defy immediate recognition and obvious explanation. They are the essential personal mysteries which form the individual character of a man and are practically impenetrable. It was the Jewish philosopher, Baruch Spinoza, who said that money was *Omnium rerum compendium*.

There is no doubt that all the Rothschilds, Meyer Amschel and his five sons, Amschel Meyer; Salomon, who eventually settled in Vienna; Nathan, who went to London; James, who, at the age of nineteen, formed a relay station at Paris between London and Frankfurt; and Karl, the youngest—there is no doubt that each and every one of them had some strange affinity for money, for keeping money and increasing it. George Simmel says, in his "Philosophy

of Money": "A like amount of goods in different hands means many amounts of goods and is the same as one variety of seed sown in many plots of ground."

During the sixteenth and seventeenth centuries Spain had the whole of the world's gold in Mexico, Chile and Peru, but it ran through their fingers very quickly until it disappeared altogether.

The first two generations of Rothschilds, starting with a few hundred marks, built up the biggest fortune in Europe at that time. The talent of a race had developed into genius in one family.

"The number of children in old Meyer Amschel's house, that would have proved a drawback in many cases, was in his case a blessing as there was plenty for them all to do." All the responsible positions were filled by members of the family. Even Eva Hanau, the wife of the oldest son, had to go into the business.

When Meyer Amschel, the father, felt that death was drawing near, he entered into an agreement with his five sons, under which the five daughters were formally disinherited, and in this way the whole fortune of the family was preserved intact and remained, as it were, like a trust fund for the development of the whole family and the firm.

In the flattering biography which Gentz wrote for the original edition of the Brockhaus Encyclopædia, he tells how, after the father's death, Nathan used always to call the brothers together in cases of difficulty, and how he used to settle the differences that arose between them by quoting one of his father's business maxims, and pointing out its significance. The story is prettily told by Gentz but, unfortunately, has no foundation in fact. Yet the brothers' loyalty to each other, their sense of family welfare and common good, became almost proverbial. Moritz Bethmann, their chief competitor in Frankfurt, once wrote:

"The complete absence of discord between the brothers contributes very largely to their success; none of them will hear a word against the other, none of them will tolerate criticism of any other's actions in business, even when the results of such actions have fallen short of their expectations."

Indeed, even the pretty story invented by Gentz might be said on close examination to contain a fundamental truth. For in fact the financial methods pursued by the sons in their gigantic transactions carried out in their banking palaces in London, Paris and Vienna, were all modelled on the business principles evolved by old Meyer Amschel in his little shop on the Hinterpfann.

The Rothschilds' intelligence service was famous at that time. They had their own service of private couriers to avoid the examination and interception of their letters, which had become customary in the post offices in the domain of the Prince of Thurn and Taxis. Nathan Rothschild heard through his own messengers the result of the battle of Waterloo twenty-four hours before the English Government, to which the issue was obviously one of paramount interest. James was the first person in Paris to hear of the murder of the Duke de Berri, the heir-presumptive to the French throne, in 1820. He got the first news from the Verona Congress of the Holy Alliance, brought by a special messenger. This concerned the sending of a French punitive force against the Spanish Liberals, and James sold French Rentes to the value of 15,000,000 francs one day before they slumped in price. Sixty years before, the old dealer in coins and antiques, Meyer Amschel, had succeeded in finding out—probably from the servants—whenever Prince Wilhelm of Hessen-Hanau was coming to Frankfurt. Every chance, every con-

nexion, every proved contact, was pursued by the Rothschilds with unexampled determination, tenacity and energy. When they were created Barons in 1822, they chose as their heraldic motto the three words: *Concordia, integritas industria*. They might equally well have chosen that of Charles V: *Plus ultra*.

From their first important business connexion, the Kurfürst of Kassel, who lent money to members of the English Royal House, without interest if necessary, Meyer Amschel had learnt to make himself useful to the great ones of this world, and had passed on his knowledge to his sons.

When Wilhelm of Hanau moved into residence at Kassel, Meyer Amschel sent a pleasant reminder of himself in the shape of a collection of coins and medallions, gold chains and precious stones, for which he charged next to nothing. No great profit should ever be expected from a first transaction.

The Rothschilds gradually worked their way in, realising English currency for the Kurfürst, or changing English bounty money for the Napoleonic allies. They took up all the big international reconstruction loans by under-bidding their extortionate and often incompetent competitors.

When an examination of the original Frankfurt house was carried out in 1809, at the time of the Napoleonic occupation, the report quite rightly says: "The Rothschilds are very cunning and very clever: they are adepts at making friends everywhere."

In the same year they took into partnership the financial adviser of the Kurfürst of Kassel, Karl Friedrich Buderas von Carlshausen, and by a formal written agreement made him a partner in their firm, which naturally put any other competitor for the Hessen-Kassel business out of the running. A little

later—1818—the all-powerful Hofrat von Gentz came on to their pay-roll.

The network of connexions and safeguards spread in all directions, and was carefully strengthened. They were the bankers of the restoration and stood on the other side of the Barricades. And yet they kept in communication with the disturbers of Europe's peace as well.

When the Kurfürst of Kassel had to flee to Prague, Meyer Amschel had the dangerous but profitable task of keeping his lines of communication open. At the same time, he ingratiated himself with the Prince-Bishop Karl Theodor von Dalberg, Napoleon's supporter in Germany, who had been living in Frankfurt since 1810, and helped him out of his difficulties in 1811 by lending him 80,000 gulden.

In the same year James, who was only nineteen years of age, but after Nathan the most capable of the sons, went to Paris, "straight into the lion's den", to assist Nathan's smuggling operations, which were difficult owing to the complete stoppage of Continental traffic.

Soon bigger issues were at stake, and the Rothschilds executed their first stroke of genius. England was fighting against the Napoleonic forces in the Peninsula. Money was needed for war—money, and again more money. Wellington had none. Wounded English officers in Salamanca were obliged to exchange their uniforms for food. Nathan Rothschild accordingly advised Gordon Herries, who was first secretary of the English Treasury, that he would send gold direct to James Rothschild in Paris, who would make payments to Wellington through his Spanish agents. The twenty-year-old James persuaded Mollien, the French Minister of Finance who, like most Finance Ministers in other countries, had not

the faintest idea of exchange operations, that this export of gold was most unpopular in England, and would soon effect Napoleon's object—the ruin of the English rate of exchange.

The mosaic of the Rothschilds' international financial supremacy was being built up stone by stone, chip by chip. The old father, Meyer Amschel, had taught them always to limit their efforts to the object next immediately in view, but at the same time, when once a victory had been won, to extract from it every advantage possible, every conceivable profit, even though this were not always in hard cash. The title of Imperial factor (1800), or that of Prussian Councillor of Commerce (which Salomon obtained in 1815), or the goodwill of an influential official, were worth more than money under certain circumstances.

But all their restraint, self-control and industry, all their capacity to follow up an advantage or to ingratiate themselves or get information, or play on both sides at once, which were the principles inculcated by Meyer Amschel, and the foundations of his business, were after all only psychological and technical steps to the real lasting objective which they pursued—the mastery of exchange transactions. At the time, these were not understood; they were, however, a necessary development of the time and, if one might say so, they did in fact receive their baptism from the Rothschilds.

The payment of subsidies by England to her Continental allies presented a problem that had no easy solution, for at that time there was no known method of transferring large sums of money from one country to another. Moreover, at the end of the Napoleonic wars huge sums had to be placed at the disposal of those European countries which had been ruined, for the purpose of restoring the value of their cur-

rency and for general reconstruction work. In the face of both these difficulties, the private and official masters of finance found themselves absolutely powerless.

The firm of Bethmann, which still ranked as the first in Frankfurt, was frequently unable in 1805 and 1806 to raise a loan of any sort. As a result, the subsidies paid by England were either shipped by sea, a dangerous expedient—in 1799 the frigate *Lutin* sank with bullion to the value of £1,000,000—or otherwise bills were drawn on London at unheard of rates of interest, amounting in many cases to thirty per cent.

After the Reichenbacher agreement the money-market had apparently reached saturation point, and the officials in the Prussian Ministry of Finance had no idea how to distribute to its lawful recipients the £650,000 sterling paid out from London.

This was where the genius of Nathan Rothschild proved itself. Between 1811 and 1816 a matter of some forty-two and a half million sterling had been paid by England to her Continental allies.

Nathan Rothschild solved the problem of this transfer—a problem very similar, although on a different scale, to that which is breaking the hearts of the big international financiers to-day. He worked out a most ingenious plan, which enabled these huge operations to be carried out without affecting materially the rate of exchange. His task was accomplished with such skill and honesty that Herries, who became Chancellor of the Exchequer for a short time afterwards, publicly announced that: “the firm of Mr. Rothschild and his brothers was chiefly instrumental in enabling me to carry out these exchange transactions. These gentlemen deserve the thanks of the nation for their efforts, which have

been devoted entirely to the public good. Any advantage they may themselves derive will have been earned fairly and honourably."

At the end of the war, when the question of transferring the French indemnity arose, and the Vienna banks again failed the Austrian Treasury, the Rothschilds came to the fore with a clever innovation, and made use of a system of internal clearing. They actually forwarded no money, but held ready to pay out in Frankfurt what they had received in Paris. They thus gained the full one-and-a-quarter per cent of interest by making two book entries.

At that time they had no regular financial transactions with Austria, although it would appear that they sought them, and although Nathan, with his inherited gift for seizing opportunities, had exercised mild but ineffectual pressure on Austria, through Herries. Soon, however, the most important change in the Rothschilds' position was due to take place.

For fifty-five years the Rothschilds had had to offer their services to all, from the selling of coins to the Prince of Hanau, the Danish loans, the English subsidies, right up to the time of the French indemnities. Now for the first time others began to come to them. In 1817, after long and fruitless negotiations, Christian Rother, the Prussian Chancellor, who had risen from being a regimental clerk, turned to the Frankfurt Rothschilds to help him with a Prussian loan of five million pounds. Two years later, in 1819, the Austrian ambassador started negotiations for a loan in Frankfurt. On 7th April, 1820, the first issue of a twenty million gulden lottery loan was put on the market, under conditions that were most unfavourable for the State.

Four months later a second issue of fifty-five million gulden, which had been kept a complete

secret, was brought out. This caused a tremendous drop in the price of the first issue, which the Rothschilds had unloaded in the meantime. But it soon recovered. And thus was ushered in a new era, when Governments took a hand in industry and finance—the era when the credit of the whole people was mobilised.

The Rothschilds now completed one big deal after another; they made a loan of sixteen million ducats to Naples; in 1822 they arranged the second Prussian loan for three and a half million pounds. In 1823 they under-wrote a loan of twenty-three million francs in France at the very favourable rate, even for them, of 89.5 per cent. Such, however, was their skill and influence on the exchanges in England, France, Germany and Italy that only a few months afterwards, on 12th February, 1824, this particular loan stood at par. In the same year, in conjunction with three other firms, they brought out the new Austrian loan of thirty-six million gulden.

At this time the influence of Salomon was the deciding factor in the financial fate of the Habsburg régime. There arose two parties on the Danube, forty years before Franz Deak, not indeed, between Cis and Trans-Danubians, but between the house of Austria and the house of Rothschild. In a letter he wrote recommending James for the rank of Austrian Consul General Stadion actually stated: "The existence of the Austrian Monarchy is closely bound up with the house of Rothschild." In a letter to Metternich, he speaks of "my friend, Salomon Rothschild".

In a letter written by a diplomat in Frankfurt, the following passage occurs: "The Rothschilds have got possession of the money-market to such an extent that they can check or advance the plans and opera-

tions of the potentates, and even the biggest European Powers, just as they please. Austria needs the help of the Rothschilds in the demonstration she is now making against Naples, and Prussia would have been forced to give up her present constitution long ago if the Rothschilds had not prevented it."

In 1823 James supported the French campaign against the Spanish Liberals, just as Charles had previously helped the Austrians against Naples. But in 1825, in view of Nathan's position in a Liberal England, the Spanish reactionaries were refused funds for their fight to get back the Colonies that had seceded in Latin America.

They had some unsuccessful transactions, such as the French Rentes conversion, into which they were drawn against their will. There were dark days, when the firm of Fries went bankrupt, or when their partner in many a big deal, the Freiherr David von Parish, committed suicide.

They made an appalling loss of about seventeen million gulden during the frightful slump in the revolution of 1830. But their financial strength remained unshaken and their reputation unblemished.

THE HOUSE OF ROTHSCHILD

II

IN the first half of the nineteenth century, millionaires were no longer rarities but it was before the Rothschilds who seemed to wave a magic wand and to have the power, even under the most unfavourable circumstances, of mobilising the millions of the people, the savings of a nation, that many a leader in the political and intellectual life of the times stood with hat in hand.

Wilhelm von Humboldt, a man of profoundest learning and a statesman, praised their reliability, honesty and independence. On one occasion during a crisis on the Vienna Exchange, Salomon Rothschild was away on a visit in Frankfurt. Metternich sent a special messenger to call back Salomon, who was head of the firm in Austria, or any other member of the family, since he considered it essential in the interests of the country that one member of the Rothschild family should always be available for consultation in Vienna.

Bismarck, who was the Prussian representative in the Federal Council, was originally very unfavourably impressed by the servile manner of old Meyer Amschel that smacked too much of the Ghetto, but was later convinced of their command of capital and made every endeavour to help them.

Benjamin Disraeli was an intimate friend of Lionel Rothschild, the head of the London house in the third generation, and at one time made the remarkable

statement: "It has always been my opinion that there cannot be too many Rothschilds."

Richard Ehrenberg described in his book the early days of capitalism as "the era of the Fuggers"; in the same way one could call the first years of large capital transactions—the period from 1801 to 1868—"the Rothschild era".

Their actions were destined on more than one occasion to influence the path of history. Egan C. Corti, in his previously mentioned history of the Rothschilds, speaks of "the almost legendary part which the family played in the events of the nineteenth century."

The Rothschilds have been labelled by some people "The Bankers of the Restoration". Were they really that?

Times had changed, and the wind of freedom that swept over Europe for a second time in 1830, overthrowing the arrangements of the Congress of Vienna and of the Peace of Paris in France, Belgium and Italy, might be heard too in the tone the brothers Rothschild took in their dealings with the great and the mighty.

Their requests to the different Chancelleries were no longer for orders, distinctions and feudal titles; instead they demanded the right to own freehold lands, to buy mines and industrial areas; they demanded the right to become Members of Parliament—impossible in the case of Lionel Rothschild in London, owing to the necessary oath being based on the New Testament. In fact, they demanded the rights of free and equal citizenship.

Seventy years before, old Meyer Amschel had had to find out from the servants when the Prince of Hessen-Hanau was coming to Frankfurt so that he might sell him coins and precious stones. Now the

waiting-rooms of their palatial banks were filled with ruling princes, ministers, diplomats, generals and deputies.

Their connexions brought them new business, their business new connexions. Louis Phillipe's Premier, after the fall of Guizot, the former banker Casimir Périer, was a business friend of James Rothschild. James, anxious to assist his friend and the new régime, which was threatened with war by the Holy Alliance, offered him the support of his brothers in London and Vienna and wrote: "And now, my dear Salomon, I have been seeing Périer almost every day for the last six months, and to-day he said to me: 'You are not working for France alone but for the good of the whole of Europe and you can count on me never to tell you anything but the truth.'" James Rothschild sent "the speeches of the present Minister intended for Metternich" through the hands of his brother in Vienna; Count Apponyi, the Austrian ambassador in Paris, possibly with a view to excusing himself for being late with his information, once reported that Périer announced the King's speeches to Rothschild the day before they were delivered.

When France was again in the throes of revolution eighteen years later, the man of the moment, other than Cavaignac, was General Changarnier, and he was one of Betty Rothschild's admirers.

Louis Napoleon, who could not forgive the Rothschilds for providing Louis XVIII with money to enable him to return to Paris, appointed their most dangerous competitor on the Paris Bourse, Achille Fould—who was afterwards responsible for the formation of the *Crédit Mobilier*—as his Minister of Finance. But one day there appeared in the bank on the Rue Lafitte a certain Countess Montijo, who was always in need of money and who was quite

unknown in any society in Paris. She was treated with the greatest respect by James Rothschild. A short time afterwards, during one of the big festivities at the Tuileries, he led this lady's daughter into the Hall of the Marshals, a privilege reserved for only the most distinguished guests. One of the minister's wives, less well-informed than James Rothschild, was on the point of advising Mademoiselle de Montijo to leave, when the Emperor Napoleon came up to the group and received his bride [the Empress Eugenie] from the arm of James Rothschild.

In the first scientific treatise ever written on exchange transactions, the "*Dialogos Curiosos*" which appeared in 1688, about the time of Amsterdam's predominance, the author, Don José de la Vega, advises the financier "to have spies and agents everywhere." Thanks to their position in the world and to their connexions, the Rothschilds were generally very much better informed about future events than many a statesman in Europe. Although later on it would merely have been treated as an unimportant incident, there was a time when Herr von Gentz, Metternich's all-powerful Councillor, received a settled salary of ten thousand gulden a year from Salomon Rothschild and, in addition, received from him advances on his State salary and indeed, if times were very hard, pledged his silver plate with him. The irresistible process which in every country in Europe was transferring the power from the dignitaries of a feudal world into the hands of the democracy, was bringing about a reversal of authority and a complete rearrangement of rulers and ruled.

It was no longer a case of the Rothschilds begging someone to arrange an interview for them with a Minister, but of statesmen imploring the Rothschilds

to use their influence with the rulers of other countries.

During the Belgian crisis, when France was doing everything possible to keep the peace, Sebastiani, the Foreign Minister, said to James Rothschild: "Do try and stop Austria arming so effectively and so obviously." And at about the same time when Metternich was considering making a *démarche* in Poland in favour of Russia, the extremely able Freiherr von Kübeck made the following bitter comment in his diary: "The Prince is a regular pendulum and swings between Tatitscheff and war on one side and Salomon Rothschild and peace on the other."

About 1840 France was anxious to be friendly with Espartero, the upstart dictator of Spain, and attempted to achieve this object with the help of the Rothschild connexions. The Rothschilds not only owned the quicksilver mines at Almaden, as the Fuggers had done three hundred years before, and made a profit of about 1,250,000 francs a year out of them, but Espartero was also the banking correspondent of their own branch in Madrid. That all their knowledge concerning the most secret or even the prospective actions of any country would be turned to account in their operations in the financial market, was obvious. This was the simple explanation of their continued success. When a panic broke out on the Vienna Exchange at the death of the Emperor Franz, and everyone was afraid of a general slump, Salomon Rothschild bought in all the shares that had depreciated since he had heard from Metternich that the Emperor in his will had formally appointed him Dictator.

Sometimes their method of obtaining information was positively uncanny as when, for instance on March the 9th, 1848, they told the guests assembled

at an evening party at Lady Palmerston's that Metternich was about to retire. They were always clear about eventualities that were bound to occur and, consequently, in 1847 the loans made by the Rothschilds' branches in Paris and Vienna to France and Austria were not repayable at a certain date, but by instalments spread over a long period. Twenty-five years later, when industrial developments together with the influence of the Rothschilds had made relations between States and Bankers easier and more congenial, Napoleon sent a message on the eve of the Franco-Prussian War to Gladstone, concerning the aspirations of the Hohenzollern in Spain. This all-important message was transmitted by Alfons Rothschild in Paris and Lionel in London. Gladstone took the head of the firm in London with him to the Queen, and there made known to him the course that England would follow, and the news of this was naturally circulated immediately to all branches of the firm.

In point of fact, however, the direct influence exercised by the Rothschilds on world happenings had grown very much smaller. This was not due to any lessened respect for the firm or to the passing away of the different absolutist régimes of the restoration period, but to a reason for which the Rothschilds themselves were largely responsible.

They had been transferring their holdings in State loans—particularly in France and Austria—more and more into industrial enterprises.

But between the years 1830 and 1848, their influence in European politics had been enormous, and had affected the eventual issue in France; Belgium, Italy, Spain, Poland and, finally even in Egypt. After the blood-letting of the Napoleonic wars, which was not yet properly checked, the statesmen

of Vienna, Berlin and Paris found themselves in exactly the same position with the Rothschilds. According to the diary of Prokesch-Ostern, in 1830: "they had no intention of providing money for more wars", and so put a stop to the reactionary desires of the Allies.

The documents published by Corti afford conclusive proof that the Rothschilds, the self-appointed bankers of the Restoration, made every endeavour to protect the Liberal movements in France, Spain, Belgium and Italy against the attacks of the old Conservatives, even though the latter were beholden to them for loans in the past. •

In new loans, for instance the Austrian loan of 1831, the Rothschilds inserted a clause stipulating the maintenance of peace, and this was only waived in 1841 because Metternich expressly stated that "he would not allow decisions regarding peace and war to be dependent on the whims of a brokerage house."

Belgium was refused a loan of four million francs in Paris when she wanted to attack Holland over the question of Limburg and Luxemburg. When the head of the Belgian branch was in a state of great agitation and reported the Cabinet's anger at this decision to Salomon Rothschild, he replied quite calmly: "We are not at all worried by the fact that the Government is annoyed at our decision. It is not at all a bad thing that these gentlemen should realise once and for all that they can only count on our support as long as they pursue a policy of wisdom and moderation."

The Rothschilds—far more than the Great Powers—forced Belgium to accept the proposals of the London Conference, and peace.

They were no longer running after every available bit of business. Occasionally, they still used their

original plan of out-bidding any competitor as they did in 1855 for the Sardinian loan against the *Crédit Mobilier*. They were well able to offer better terms, because of their unique facilities for placing these issues, and because the public preferred anything that had passed their scrutiny. But they did not open their coffers to everyone.

The financial crisis that arose in Europe in 1830 resulted, as we have seen, in a loss of seventeen million gulden to the Rothschilds. This made them doubt the advisability of having all their money invested in Government securities, and convinced at any rate the brothers in Vienna and Paris that a change of policy was desirable.

There is documentary evidence of this change of plans in the request addressed to Metternich by Salomon Rothschild on the 21st June, 1831. In this, he asked for leave to acquire real estate, which had hitherto been forbidden to Jews. The request begins with the following words: "We believe that we can indulge the hope of a favourable reply with all the more certainty since, far from any hankering after display and grandeur, we have no other object than to invest a part of the fortune with which Providence has thought fit to endow us in a manner that will defy all upheavals in the future and that will ensure at least this part remaining secure for our descendants, no matter what Fate may have in store for the rest of our possessions."

It was a moment of immense significance in the development of industry, and one's thoughts turn back to a day three hundred years before, when the Fuggers sold their stocks of goods, liquidated all their trading and commercial interests and decided to devote all their energies in the future to the "more profitable business" of financial and loan transactions

only. The Rothschilds pursued an exactly opposite course, and therein lay the secret of their success during the next century, therein lay the importance of the position they assumed in the realm of high finance. They passed from purely financial to industrial transactions, from speculation to production; from official business with countries and statesmen, systems and Governments, they turned to individual constructive effort.

Salomon Rothschild's plans to invest a portion of his fortune in real estate were, however, altered and his thoughts turned to quite a different and far more significant development. The inspiration came from London, from Nathan, who was by far the most able of the brothers. It is true that he himself missed his chance of taking part in the epoch-making discovery of the time—Stephenson's railways—but his enthusiasm forced his brothers, particularly Salomon, and James, to interest themselves in this new development. In spite of the unfavourable technical reports and the failure of the first few attempts, he was fully alive as early as 1825 to the enormous possibilities of success in the future. He showed a degree of determination which was contrary to his otherwise hesitating and rather dilettante methods. He turned over innumerable plans in his mind, and gave visible proof of his future intentions by appointing as his technical adviser on railway construction, a certain Franz Riepel, who had at one time been in charge of the iron works at Witkowitz, and was then a professor at the Polytechnic.

Some time before the crisis in 1830, he had sent Riepel and his head clerk, Wertheimstein, to England to study the subject. The financial chaos caused by the February revolution and the Emperor's dislike of any innovations, delayed the beginnings of work on

a large scale, and Salomon was forced to appease his own ambition to contribute to the commercial activity of the nineteenth century for the time being by taking over a small line of horse-trams running between Gmünden and Linz. This he rescued from the state of bankruptcy which had been brought about by its founder, an engineer, Zola, whose son was later to become the poet-dramatist of modern industrialism and all its tragedies.

On the 15th April, 1835, six weeks after the death of the Emperor Franz, Salomon Rothschild applied for power to build a railway between Bochnia and Vienna. Contrary to the usual custom of the Rothschilds, of refusing to co-operate with any strangers, which had led them in the past to view with disfavour any participation in the enormous State loans by even the other big Vienna bankers, Eskeles, Sina and Geymüller, he now proposed, in keeping with the spirit of the time, to raise the capital by a joint-stock company.

Seven months later he received authority to proceed. It was a portentous moment. In his letter of thanks to the Secretary of State Salomon used expressions of joy without any reserve: "Long live the Monarch who, in his wisdom, has granted this request, which will react to the benefit of his subjects!" Within a year, on the 4th March, 1836, the charter containing the powers granted was published and the company was formed.

Although, according to the researches carried out by Jakob Strieder, Austria had possessed public companies of this type in the General Iron Company of Leob in 1415 and the General Iron Company of Steyr in 1582, which were hundreds of years before their English and Dutch counterparts, and were the earliest known examples in history, this was the first

modern joint-stock Company in Austria and heralded the dawn of a new era.

The original capital was 12,000,000 gulden, divided into 12,000 shares, of which Rothschild took 8,000. The remaining shares, which were offered to the public, were over-subscribed nearly seven times. Unfortunately, Salomon Rothschild's early enthusiasm was damped by a concerted attack of misunderstanding, jealousy, intrigue and slander. The Sinas, Arnsteins, Eskeles and Pereiras considered they had been robbed of their opportunity of making an under-writing profit, although Rothschild had offered them some of his own shares, and the attack was led by them. Rothschild, however, who in addition to having several very able collaborators, such as Riepel and Karl von Ghega, enjoyed the patronage of the Emperor—after whom the line was to be called "The Emperor William Northern Railway"—held out against them. Under the protection of Metternich, Kolowrat and Mittkowsky, he was able to bring in locomotives free of duty. In 1839 the line between Vienna and Brünn was opened, and the event was celebrated in a wonderful essay by the poet, Adalbert Stifter.

Rothschild's difficulties were, however, by no means ended: the shares, which had stood below par, went to 228 per cent in 1845, but operating costs also rose alarmingly, and the work could only be completed with the aid of yearly contributions from the Rothschilds.

In France, James was building railways, too. His old opponent, Thiers, whom he had once called the "most arrogant of all parvenus", criticising his railway, said: "It will make a good plaything for the Parisians, but it will never carry a single passenger or a single parcel." Nevertheless, in 1837, the local

line between Paris and St. Germain was opened. Two years later, the line between Paris and Versailles also came into operation as the result of a bet; as Rothschild had built his on the right bank of the Seine, Fould, his old rival, had to have his on the left bank. In the end, however, his puny efforts were dwarfed by James, who conceived the gigantic plan of the French "Nord" line, which still has a Rothschild as President.

In the meantime, the Rothschilds were active in other directions.

The Austrian-Lloyd Steamship Company was formed in 1835, but soon got into such difficulties that Salomon Rothschild begged for State assistance in a letter indicating almost a condition of panic. "The days of the Lloyd Company are numbered, and unless the Board of Directors may hope that His Majesty, during his most gracious sojourn in Venice, will consent to guarantee payment of the necessary subsidies, the whole concern will be irretrievably wrecked within a few weeks. But until then every effort and every sacrifice will be made to carry on the business in the hope of a favourable decision from his Majesty." Eventually it was not the State but Rothschild himself who came to the rescue and advanced money against a debenture on all the Company's ships.

The loss was soon retrieved by more fortunate speculations. At one time Salomon Rothschild bought ten million genuine Havana cigars at thirty-three gulden per thousand. These were taken by the Treasury at seventy gulden per thousand, and sold so well that they decided to have a further seventeen and a half million shortly afterwards.

More important, however, than this little deal was the purchase of the Witkowitz Iron Works, which

marked a further change in the Rothschild's commercial policy. Rothschild had been impressed by the assistance he had derived from the Company as the credit granted had been most welcome in the building of the first Austrian Railway. The purchase of the Company in conjunction with the railway was the first deliberate commercial concentration.

The works at Witkowitz gave employment to one thousand five hundred men, a colossal number for those times, and paid out over half a million gulden a year in wages. Rothschild not only reorganised the business, but built a school for the workmen's children, a fact which told immensely in his favour when he sought permission to buy freehold land and property. The Governor of Mähren, in declaring the building open, referred to "the consideration, so seldom shown in business, to the cultural and intellectual needs of employes tied by their work to a certain district."

Permission was granted to him to buy the estates of Oderberg and Hultschin and thus completed, with Schillersdorf, and Ludziczowitz in Prussia, which he already owned, his holding of real estate. There seems little doubt that these purchases of property enabled him, just as those made by James in France, to withstand the disastrous year of 1848 very much better than the much less severe upheaval in 1830.

Now that the financial power of the Rothschilds, like that of many others before them, was freed from the service of the State and could be devoted to the development of individual enterprise—a process which, as they were working on continental soil, was a good deal longer delayed than in England—they could now go much further ahead. States found other means of satisfying their financial needs, now that the Rothschilds had introduced the mass-

mobilising of small-savings and their laying out upon public securities—a method which they not only introduced and popularised, but in a large part themselves discovered.

Alone among the capitalists, the Rothschilds retained their commercial position in all the upheavals of the nineteenth and twentieth centuries. This was due possibly to the fact that their interests were spread over many countries, and many spheres of commerce, possibly to the fact that, in their family, power was not given to the eldest son automatically, but even now, in the fifth generation, the direction of the family's business is entrusted to the most able member of the family, whether in London, or Paris or Vienna.

They have succeeded because they have not willed to do what they could not do and have treated business as the "art of the possible".

DAVID HANSEMAN

IN 1864 David Hanseman died at the age of seventy-four in his villa, Number Seven, Tiergartenstrasse, in the centre of the new aristocratic quarter of Berlin. He had been the author of many new ideas. His name is written on page one of the history of insurance, railway and big bank finance, and it also stands on page one of the history of German freedom and constitutional Government.

In the peaceful period between 1814 and 1848, between the fall of Bonaparte and the revolution, the middle-classes were beginning to make a stand against the "divine ordinances" of their self-appointed rulers. The fundamental principle of democracy—that leadership belongs, not to those born in high positions but to those who have won them by their own endeavours—was beginning to be recognised at long last in Germany.

The merchant, the manufacturer and the banker of those days relied on a somewhat paradoxical maxim: "We must make for the front rank if we want to get on."

The career of David Hanseman is the most impressive example of the strivings of the bourgeois both before and after 1848. In Hanseman the desire for political power was as strong as the will to succeed in business.

He was born in 1790, the son of a poor country parson in Hanover, and was a typical product of that German Protestantism which had kept alive the Renaissance principle that man only attained his

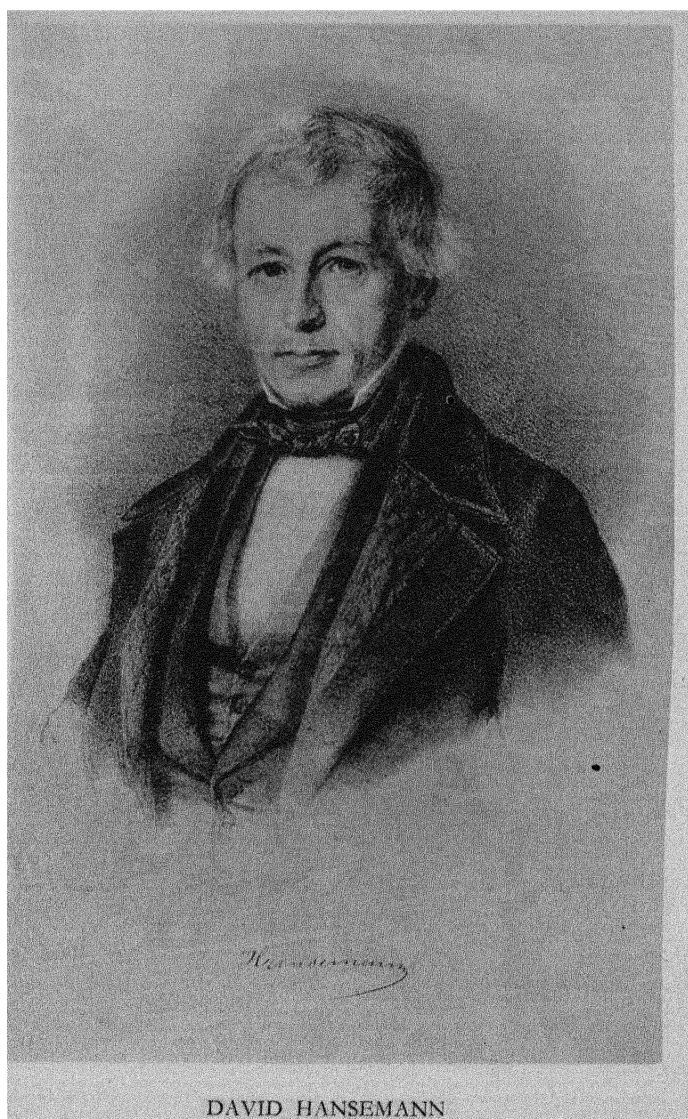
fullest development by ceaseless endeavour. He became a commercial magnate in Aix, leader of a party in the period before March, and Finance Minister in 1848. In that period after March, when the reactionaries had triumphed over the middle-classes because they were not commercially strong enough, David Hansemann led the way again and succeeded in establishing finally the third estate in the social structure by the formation of banks which acted as reservoirs for the commercial strength of the bourgeoisie.

Citizenship, Industry, Trade and High Finance as they were understood in England, France, Holland and Belgium at this time, were in Germany the abstract conceptions of advanced thinkers rather than realities. The "bourgeoisie" only existed in the *Neue Rheinische Zeitung* edited by Marx and Engels.

The west of Germany was certainly in advance of the rest. During the period of Napoleon's occupation, Chambers of Commerce and special courts for commercial cases were introduced into the Rhineland, and though there was no advance in the formation of any German national policy there, a very distinct step forward was made in culture and industrial organisation.

It was not by chance only that the first middle-class leaders of industry and politics came from the West, which was permeated by the influence of England, France and Belgium. It produced men such as Friedrich Harkort from Westphalia, the banker Beckerath from Crefeld, Ludolph Camphausen, a merchant of Cologne and David Hansemann from Aix.

In 1848 Hansemann, by a real stroke of genius, converted the bankrupt firm of Abraham Schaffhausen into the first big German bank, under the title of the



DAVID HANSEMAN

"Schaffhausen Bankverein". In 1848 the average capital per head of the population was 720 marks in Prussia; in England at the same time it was about 2,860 marks. In the towns there were still barns and haystacks, and open mines were being worked. Bankers acted as forwarding agents and the manufacturer handled his own retail sales. Everything was small and circumscribed, and poverty oppressed the whole country.

When he was fourteen years of age, David Hanse-
mann left his home and entered the small retail
business of the brothers Schwenger, in Rheda, a
little town that even to-day has only three thousand
inhabitants. He exchanged the vicarage for the shop.
For five years he got a salary of ninety marks a year
from his employer, and a further allowance of the
same amount from home. But by some process
which his biographer, Alexander Bergengrün, fails
to explain in eight hundred pages, the picture of the
big world outside grew in the mind of the poor little
apprentice. He set out to make it his by studying
French and English, and by forming a little private
business of his own. This consisted in the sale of steel
nibs, the very latest novelty imported from England.

Like everything else that Hanse-
mann touched, he got in at the very beginning of a development that
was bound to have a big future.

From the shop in Rheda he went on to one of the
oldest trades in the world—the cloth and wool
business—and became a traveller for the firm of H.
Elbers in Montjoie. At last, when he had succeeded
in saving three thousand marks, he set up as an
independent commission agent in Aix.

In the following year, 1818, thanks to his keen
business sense and tireless industry, he had a turn-
over of a million francs and, five years later, he

had a fortune amounting to one hundred thousand francs.

But for him, as for Richard Cobden, his business was to be only the foundation for a career in quite a different direction. The change was brought about by the realisation, which had come too early for Prussia and Germany, that industry could only be successfully carried on if the forces of almost feudal bureaucracy which held absolute power were swept aside and the middle-classes were enabled to exercise the political power to which they were entitled. He strove to loosen the yoke of the "officials" who, as he wrote to the Berlin banker, Mendelssohn, in 1846: "have not the ability either to investigate critically new commercial undertakings or to give them a lead." Hansemann was transferring his energies from his own business to public affairs.

Hansemann's first public action was socialistic in character. It was prompted by his sympathy with the industrial workers and from his fear of dangerous political developments amongst them. Any sort of welfare work was as unknown in Prussia at that time as steel ribs had been a short time before.

In 1825 Hansemann founded the Aix Fire Insurance Company, the fifth of its kind in the whole of Germany. Half the profits of this Company were definitely allocated to the general relief of the unemployed, and particularly to a scheme for training and educating the lower classes. That he was able to get together a capital of three million marks for this Company, although the dividends to shareholders were limited, was a remarkable achievement. It was a proof of Hansemann's reputation in the business world and it urged him on to seek further influence and power in the sphere of public affairs. These he obtained, owing to the impression caused by the July

revolution and the formation, against the wishes of the Holy Alliance, of the kingdom of Belgium and the consequent fear of invasion in the Rhineland. Then for the first time since the days of the Fuggers, a representative of the bourgeoisie, David Hansemann, appealed direct to the Sovereign in an address in which he had the temerity to say that "the country's strength no longer rested on feudal principles, the military autocracy and an unfettered monarchical system", and went on to demand that the King "should turn from his officials and rely on the whole nation for support".

The King read this address with interest, in fact, as the historians assert, with very earnest consideration. But he evidently read it to no purpose as we can see from remarks made by Hansemann twenty years later, when he was a Deputy in the Rhineland Parliament and said: "The Crown relied solely on advice from the official civil servants. Now is the time to do away with this system of domination. The sense of independence permeates the people more and more."

In the meantime, Hansemann had given up all his original business activities in favour of politics and the problem of railways which, like everything else destined to have important developments, had completely fascinated him. In 1844 he entrusted his wool business in Aix to his partner, Stoltenhoff. The greater part of his fortune, 210,000 marks, he left in the firm in return for forty per cent of the profits; he put 150,000 marks into his son's wool mill at Eupen and only kept for himself, beside his beautiful house in Aix, a comparatively small interest in railways, sixty 750-mark shares in the Rhenish railway, twenty 300-mark shares in the Rhine-Weser railway, and five 1,000-franc shares in one of the French companies. Altogether he had a sum of about half-a-

million marks—a comfortable fortune for a bourgeois, but not much more even in those more modest times.

The insurance company at Aix was flourishing and the Rhenish railway, which was his main pre-occupation in the period before March, 1848, was developing successfully. Hansemann made very little out of it. He writes rather proudly: "I am taking a part in these public undertakings for the interest I derive from them and not with any idea of making money."

If he had cared to weigh up what he had already achieved he would have admitted that his own fortune could have been doubled if he had not devoted all his time, energy and thoughts to outside matters. He made this sacrifice of his own private interests willingly and after due consideration, and not in any momentary blaze of enthusiasm for German industry or the furtherance of the middle-classes. His sacrifice was justified for, when considering what his public work had brought him and cost him, he was able to claim on the assets side that "he had in fact in Prussia a position such as no one else occupied."

He was the type of man one meets but rarely, who at the age of forty was universally respected, and at sixty years of age—he was sixty when he formed the Discount Company—still possessed enough youthful energy and optimism to launch an enormous new business without any previous example to imitate. He was forceful and enthusiastic, but cautious in his daring. He persuaded you but did not drive you. He was a man of intellect rather than a man of passion and temperament, as is apparent if one studies his fine intelligent head. He believed in the theory he had himself so often expressed, that strong conservative forces were essential if freedom were to have any permanence, an eventuality that seemed more problematical if one studied the life history

and characteristics of the leading men in Prussia in 1848.

At the same time, Hansemann, who was deliberate rather than impulsive, more apt to restrain than to push forward—undoubtedly had a genius for estimating the value of any new technical inventions, or commercial improvements.

When from 1831 onwards, six years after the epoch-making discovery of Stephenson, a year after the opening of the Liverpool-Manchester Railway, again and again, in his letters, pamphlets and speeches, he described the railway as “the chief means of communication”, and “the greatest force towards civilisation”, it has quite a different emphasis from that of Werner Sombart, when, a century later, he called it “the greatest productive factor not only of the nineteenth century, but of all time.”

The subsequent development of railways which proceeded, not only without any help from the State but for decades in face of its opposition, was a triumph for those concerned, the great creative spirits of the middle-classes, a victory for science. It provided the means for lowering production costs and, above all, it opened possibilities to the people at large that had never been dreamt of before.

In the days of Goethe's youth, a journey from Frankfurt to Leipzig cost four hundred and twenty marks. It was a luxury only to be enjoyed by a few and not, as to-day, a matter of practical convenience available for all. Like Harkort and Friederich List, Hansemann recognised the enormous impetus that would be given to commercial, social and cultural life by the cheapening—one might almost say to a negligible amount—of the cost of transport.

As leader in the municipal and business life of Aix,

Hansemann was engaged in 1833, first in opposition to, and later in partnership with Camphausen and the people of Cologne, in the construction of the line, Cologne-Aix to the Belgian frontier. He was responsible for surmounting the original difficulty of excessive costs, for dealing with slumps in the shares, for settling disputes with the biggest shareholders.

He laid lines to Minden and the North Sea ports, he wrote endless letters, he spoke incessantly, he worked with such intense application, that he became one of the first specialists in this sphere of industry, and eventually travelled to England in 1842 to study railway construction. There he gained a lasting impression of the complicated structure of British industry, and reached the conclusion, which was to stimulate development in his own country as well as occupy his own thoughts until the very end of his busy life, that the proper use of capital, money and credit was the real basis of England's productive capacity.

It was between the period of his interest in railways and the third period when he again turned to banking, that he was most actively engaged in politics, and more particularly in the months from March to September, 1848. For nine months he was a Cabinet Minister and was a witness of the first attempt to establish democratic Government on German soil. The attempt failed, not because of old Wrangel and other generals and a few army divisions, but for the much more important reason that as yet there was no industrial democracy of sufficient size and strength to serve as a foundation for the development of political citizenship. The year 1848 was a political hysteron-proteron.

Hansemann's greatest services were still given to industry at this time, although he produced a con-

stitution for Prussia modelled on that of Belgium and although he fought against the form of Government proposed for Germany in Frankfurt. He put a stop to the sudden crisis in money and credit by mobilising the country's gold reserves, that amounted to forty-five million marks, and by arranging for State guarantees.

He invited subscriptions to a loan for the formation of discount houses and loan banks; he came to the rescue of firms that were in difficulties, such as Oppenheim and Herstatt in Cologne; he turned the firm of Abraham Schaffhausen, that was practically bankrupt, into a public company, and so gave Prussia its first big joint stock bank and preserved it from monetary fluctuations of any lasting import, down to the present day.

Hansemann himself lost 225,000 marks when Stoltenhoff's firm went bankrupt, but he soon regained this amount from the profits of his son's very successful business at Eupen.

The financial measures he adopted as a Minister enabled Prussia to live through the year 1848 without any serious losses. Hansemann, as Minister of Finance, was preserving and preparing the ground for David Hansemann, the originator of the big banking corporations and the discounting houses. The shortage that had arisen so suddenly in 1848 changed as suddenly into a superfluity of money in 1857. The senior State-controlled Bank of Prussia, which had been in the care of Hansemann for the last two years, had to refuse money on deposit because it had no use for it.

The middle classes, deprived of any political interests, concentrated their energies on business, just as they had done previously in England, France and the Netherlands, so that a historian of the time was

quite justified in writing: "The joint stock company was like a young giant that governments vainly tried to hold in check, while the middle-classes, reduced now to political impotence, got themselves ready for a fresh attempt to heave the Junkers and Bureaucrats out of the saddle."

Between 1853 and 1857, the paid-up capital of the railway companies rose to the figure of four hundred and twenty million marks, that of Banks to six hundred million. In the same four years, one hundred and thirty new Companies were formed, mining and steamship companies, machinery factories, sugar and textile mills.

The dream which the young wool merchant of Aix had had in his youth in 1827 was realised in the evening of his life, and he was able to see his country making full use of its powers with the aid of banks and the mobilisation of credit, which he had first seen in England.

In spite of official opposition, Hansemann founded his first discounting company in 1851 with the intention originally of providing an institution that would give credit to the small shopkeepers and manufacturers who formed the principal shareholders. Official restrictions made any wider scope impossible. And so the second big German Bank came into being in the West—the Bank for Trade and Industry in Darmstadt, better known as the Darmstädter Bank. Its constitution was modelled on that of the "Schaffhausen Bankverein", which Hansemann had formed in 1848, rather than on the "Crédit Mobilier", which had been formed in Paris the year before.

The founders of the Darmstädter Bank offered Hansemann the position of President with a salary of sixty thousand marks and five per cent of the profits. But he remained faithful to his discounting

company, and in 1856 gave it the same constitution as one of the big banks, making it not a joint stock company, for this was forbidden by the Government, but a limited liability company with a capital of thirty million marks.

The purpose for which it was formed was stated to be the discounting of bills and provision of credit facilities for all legitimate commercial enterprises.

In the previous year Hansemann's Bank had already underwritten part of an issue of debentures by the Moscow-Rjäsan Bank; in 1856 it placed all the notes of the Upper Schleswig railway; in 1857 it took up the shares in the Cosel line, and in 1859 the shares in the Rhine-Nahe line.

Hansemann the Banker was still the railway constructor that he had been while engaged in business in Aix. In fact, without the capital which the Banks had for disposal at that time, the enormous amount of railway construction would have been impossible. This work dwarfs the Egyptian Pyramids, and it is hardly possible to convey any idea of its magnitude in a few lines.

In 1850, six hundred thousand workmen were employed on railway construction; before the war regular employment was given every year to five million men throughout the world. Up to 1857, Germany had spent a thousand million marks on railways; up to 1900, fifty thousand million marks, or six thousand million working days.

In the evening of his life, Hansemann stood at the height of his career. He was universally respected and he commanded a large fortune made late in life. One of the best men in the Austrian Administration after March, 1848, the Minister for Finance, Freiherr von Brück, always turned to him for advice. He collected round him artists, poets, musicians and

journalists in his house in the Tiergartenstrasse; and found time to develop the Tiergarten district, in spite of his many preoccupations as director of banks, insurance and railway companies.

During his time at Aix, Hansemann rescued for Germany an invaluable artistic treasure in the shape of Beethoven's manuscripts, which were offered to England by one of his pupils, Schindler. These pages are now safely housed in the State library in Berlin.

The Berlin which Frederick the Great had filled with soldiers and officials, and which up till now had retained its original character, gradually changed. The powers of the past had won their victories by fomenting political dissensions between industrialists and agriculturists, Liberals and Conservatives, Germans west and east of the Elbe. The new spirit of co-operative construction changed all that and made of Berlin, Prussia and Germany a community of peaceful, hard-working citizens.

RICHARD COBDEN

FROM the grey damp atmosphere of Bradford, full of soot, steam and the glow of many furnaces, there goes out a message to the rest of the world from the base of Cobden's statue, a message of Peace and Friendship, Free Trade amongst all peoples. If you mentioned Cobden's name thirty years after his death, every English workman would say: "That is the man who brought down the price of bread for us." After the revolution in 1918, when Vienna got a majority of social-democrats on the town council, a street right in the centre of the town quite close to the Ring, was called after the great English leader, who first made use of modern mass-agitation and brought the influence of economic forces into the field of politics, and who, against all Marxist theory, brought about, with the rise of the bourgeois employing class, that of the proletarian workmen too.

But in the tremendous struggle of the Liberal (and purely Liberal) calico-printer, Richard Cobden, with the three-fold power of the landed aristocracy in England and Scotland, based upon historic, social and material conditions and fastening on to the land and its produce, the working classes also stood in opposition. It was just at this time, 1845, that Frederick Engels wrote his tragic record ("The Condition of the Working Classes in England") of the sufferings of these same spinners and weavers, miners and foundry-workers, who twenty-six years before had marched to the monster meetings at Manchester and to the massacre at Peterloo, under banners inscribed:

"Down with the Corn Laws" and "Equal Representation or Death." But then what good could come out of Nazareth?

It seemed that the chasm between employers and workers was unbridgeable. An agitation carried out by means of meetings, itinerant speakers, newspapers and mountains of pamphlet literature, and costing the manufacturers half a million pounds, could only bring evil to the factory-hands, whose leaders, as ill-equipped in theory then as to-day, only discovered the formula, which Engels repeated: "High cost of living means high wages. Repeal of the Corn Laws means lower wages."

That sounded simple, clear, convincing. Cobden was, however—quite otherwise than as his whole nature and being appears to our cliché-ridden minds to-day—no crystal-clear, no hard and fast abstraction. He was a man with his own failings, defects and contradictions.

At the end of the Napoleonic era there was a period of appalling confusion. Prosperity and bankruptcy, immense advances in development and disastrous setbacks trod in one another's footsteps and jostled one another. From the Pandora's box of early industrialism, forces had been released that seemed stronger than men themselves. Undreamt-of possibilities—two hundred plans for new railways in one year alone (1845)—and mass meetings, riots and hunger; wealth descending on whole classes in the working population on the one side and on the other, destitution, so that, according to the report of a Parliamentary Commission, parents put their five, four and even three year old children to work—such were the contrasts existing, with no apparent origin and no obvious connexion with each other.

The feeling of fear that turns men's minds to



RICHARD COBDEN

religion in moments of great stress seemed to settle on the land. The most stiff-necked Protestants were converted to the mystical appeal of catholicism. A new way of salvation found a response among the masses, in the Methodist Church, established a generation or so before by John Wesley. And so Cobden, whom we commonly think of as the most strenuous exponent of a nationalist system of *laissez-faire*, made no strict science out of financial and commercial statesmanship; like Gladstone and Disraeli, he made out of politics a religion.

He lacked the necessary educational qualifications for developing his theories on proper scientific lines. Richard Cobden was born in 1807, in Sussex, the son of poor peasants, who both died young in conditions of poverty and misery. Like many another who has achieved wealth and position, he sprang from very humble beginnings. He worked himself up from nothing, through the phases of middle-class tedium and suppression, to forming a group of his own. He himself, however, so far outranged all others in it that towards the end of his all too short life, even his opponents were able to assert, without exaggeration, that England's policy was not dictated by Palmerston's Government, but by Cobden and Bright.

As a child, he was employed as a shepherd on the Duke of Richmond's estate. From his tenth to fifteenth year, he was taken daily by a brother-in-law of his mother's to the village school, a typical school of the period, as depicted by Dickens in his "Dotheboys Hall"—a reformatory rather than an educational establishment. He was then taken by his uncle into his shop to serve at the counter. The uncle was good-natured but stupid and narrow-minded. His favourite motto was "Education is no good for a tradesman." He looked askance at his nephew, who

read in any of his spare moments and studied Lord Brougham's writings on the education of the people, and the "Childe Harold" of Lord Byron, who had just addressed a memorial to the House of Lords on the appalling misery of the lower classes in England. He pored over the essays of Benjamin Franklin, who appeared as a perfect example of the good citizen, in spite of his rather tedious and didactic manner. In a short time the uncle was only too glad to take advantage of the superior attainments of his nephew, who had also acquired a knowledge of foreign languages.

When he was twenty-two, he became a commercial traveller, an achievement that gave him more satisfaction than any other success of his life. Two years later, with two other young friends, he formed his own business, dealing in printed cotton goods on a capital of £500 of their own, and £500 which they borrowed. A little later they set up their own factory in Lancashire. The firm enjoyed almost unlimited credit. Turnover and net profits went up by leaps and bounds, chiefly owing to Cobden's energy. He remained a commercial traveller, and in the next few years travelled all over England, most of the continent, and even the United States.

When he was thirty years old, he had an income of £20,000 a year. Cobden, who was addicted all his life to fits of melancholy, the result, no doubt, of his sad childhood and school-days, coupled with the feverish activity of his existence, was nevertheless a confirmed enthusiast and optimist, and he speaks of his "star" having attained "Bonapartish dimensions." A little later, when he was clearly hungering for still greater things, he says: "My business ambitions are founded on firm ground for the time being and, better still, they are opening up for me an

almost unlimited vista of hopes and plans. If I ask myself what I am hoping for, I can hardly find a satisfactory answer. It certainly is not money. I have the greatest contempt for it."

Even in two pamphlets which he wrote at the time, his life ambition is not clearly stated. These two pamphlets, "Russia" and "England, Ireland and the United States", were very highly thought of at the time, more so than they deserved, for they are full of fallacies and contradictions. It would appear that the object he had in mind was that the country, the class to which he belonged, the whole age, should strive to clear away all impediments, all feudal ideas, and provide opportunity for the working people to develop their ideal of democracy and ultimately reach a position in which they could exercise political power.

All current political and social movements influenced Cobden profoundly, and every political cry found in him a responsive echo. In the end, he believed that he had found a sovereign remedy in the repeal of the Corn Laws, which handicapped business and condemned the worker to death by hunger.

In actual fact, this fight to reduce the price of foodstuffs was only a cloak behind which was hidden the struggle of the industrial and trading community to govern themselves instead of being governed and driven this way and that, a struggle which was of a far greater historical importance than was realised by Cobden and his party. The fight, which ended in victory in 1846, when the Corn Laws were repealed and the price of bread was reduced, was only a small part of the general effort towards a solution of the social question. The tearing down of the Tariff walls admittedly meant the first step towards the acquisition of political power by the bourgeoisie,

but for the masses of the people it was only the foundation and not by any means the realisation of their ambitions.

Cobden failed to see this, as we can see clearly from the report of an interview he had with his noble-minded friend, John Bright, one of the richest manufacturers in England. Like Cobden and Robert Owen, he had risen from indigence to great affluence. John Bright tells us:

"I was in Leamington, and Mr. Cobden called on me. I was then in the depths of grief—I may almost say of despair, for the light and sunshine of my house had been extinguished. All that was left on earth of my young wife, except the memory of a sainted life and a too brief happiness, was lying still and cold in the chamber above us. Mr. Cobden called on me as his friend and addressed me, as you may suppose, with words of condolence. After a time he looked up and said: 'There are thousands and thousands of homes in England at this moment where wives and mothers and children are dying of hunger. Now, ~~when~~ the first paroxysm of your grief is passed, I would advise you to come with me, and we will never rest until the Corn Laws are repealed.'"

In Cobden's mind was the turmoil, the chaos, out of which a cosmos is born. In the fight for Free Trade that lasted from 1839 to 1846, that had as its forerunner Huskisson's removal of four hundred duties in 1823, and as its successor the repeal of the Navigation Acts, real power in the country was acquired by the working democracy, which had forced its way into local government just before in the time of Arkwright. It was a memorable period in history. The fate was sealed of the old tumble-down political structure "of monopolies, corruption, sinecures, heraldic rubbish, entails and ceremonial"

which was responsible for making Cobden prefer Prussian absolutism to English methods during a journey through Germany in 1838.

The first beginnings of government by the middle-classes could be traced far back, right into Elizabethan times. Sir Robert Peel, Cobden's chief opponent, came from a manufacturing family, and his father, who was a partner in the firm, Yates, Peel and Company, was to calico printing what Arkwright was to wool spinning. But the leaders of industry and finance, who had grown rich, always returned to feudal ideas in the matter of titles of honour and in their style of living. On the other hand, William Gladstone, who came of a Liverpool family of corn and coffee merchants, refused a barony with pride, and said in his election address in 1872: "I am proud to say that my son is in business as my father was and as my brother still is."

By his agitation for the removal of the Corn Laws, which even Robert Peel could no longer justify, Cobden won a great victory for the middle-classes but for the great mass of the people he achieved very little.

His attitude towards the workers always remained somewhat of a problem, for, in lowering the price of bread, he thought he had done enough, and, indeed, everything that could be done for them. Like Henry Ford half a century later, though under quite different conditions, he would have nothing to do with legislation to protect the workers, or with social services, because these merely pandered to them and robbed them of their sense of responsibility and self-reliance. He was so hostile to trade unionism of any sort that he would rather have been ruled by the Dey of Algiers than by a works committee, as he wrote in a letter to his brother.

Nevertheless, thanks to the wonderful unanimity of public opinion which had found expression in the time of Gresham and again in that of Arkwright, measures for the relief of conditions in the lower-classes were cordially advocated by all manufacturers; by Robert Peel and his father; John Fielden; the great organiser, Robert Owen, who had risen from apprentice to millionaire; the poet, Lord Byron; Ashley, the leader of the extreme Tories, by writers on political economy, and by the heads of the Church.

Two movements were taking place at the same time, which would have been quite impossible in any other country except England. On the one hand, the old noble families were being gradually displaced by the industrial magnates, and the principle of Free Trade was being universally accepted; on the other hand, measures were taken by the Government, with the active concurrence of the aristocracy, to protect the workers against exploitation. It was these two movements, apparently opposed to each other, that guaranteed a peaceful process of development and the co-operation of all parties, and enabled England, the first and greatest of all industrial countries, to eliminate class warfare to a greater degree than was possible in any other country in Europe. "In spite of the fanatical opposition of the Free-traders with Cobden and Bright at their head," says Karl Marx, "the ten-hour Bill, after a fierce struggle, was passed by Parliament."

The credit which Cobden earned for having made this measure possible by reducing the cost of living, remained undiminished. He himself had paid dearly enough, since the business, which he handed over to his brother on his election to Parliament, went to pieces. Cobden could not meet his liabilities. Bright

came to the rescue and started a collection amongst his friends, which realised £80,000. His independence in matters material was at least assured. When Peel went out of office, and again when Lord John Russell was dismissed, he refused any office in the Government.

Cobden followed up the ideal of Free Trade with that of Universal Peace with a strict logic that was not otherwise usual with him. This combination of ideas was originally the product of a conservative brain, that of Sir Dudley North, the chief Customs Officer of William III, who wrote in 1691: "As far as trade is concerned, the whole world is as one country or one people, and each nation as a single individual."

Cobden has it to his credit that he was the first man in any European Parliament to extol the noble ideas of pacificism and international arbitration. In 1849 he asked the Minister for Foreign Affairs to begin negotiations for the conclusion of arbitration agreements. His eloquence was so persuasive that on one occasion during the fight on the Corn Laws, Sir Robert Peel whispered to one of his colleagues: "You answer him, I can say no more." So now he stirred the whole House with his cry: "An armed truce instead of real peace: two million men under arms, two million pounds spent every year on this delusion, must eventually plunge Europe into an orgy of death and destruction."

His motion, which was fifty years ahead of its time, was only defeated by 176 votes to 97, and is proof of the esteem which Cobden was winning at home and in even greater measure abroad. In 1861, although he held no public or ministerial office, he was sent by the Government to Paris to negotiate a trade agreement. In just the same way, Queen Anne had failed to find anyone more suitable and competent

to negotiate the union of England and Scotland than a private citizen, William Paterson, the founder of the Bank of England. It was one step further along the path of international co-operation, as Cobden conceived it, one step further in the fulfilment of an essentially English programme which was to enable England to import food and raw materials duty free from abroad in return for an unrestricted export of manufactured articles.

Although by this arrangement, known generally as the Cobden Agreement, the French manufacturers came off second-best, and Napoleon's position was undermined, Cobden himself enjoyed high favour with the Emperor. Disraeli wrote about that time to King Leopold of Belgium that Napoleon appeared to be harbouring ideas of expansion again, "and Mr. Cobden is encouraging him, and we must not forget that in the Emperor's eyes, Mr. Cobden is Her Britannic Majesty's Plenipotentiary."

John Bright remained more constant and more devoted to the restricted programme of an attack on the feudal land monopoly and ground rents. John Bright's reiterated refrain was: "Do you know that the land of England is possessed by 150 people?"

Conditions changed but slowly. At the height of the Victorian era, capital was in its heyday. The London Rothschilds were supposed to be worth £40,000,000. After them came the Duke of Westminster, who owned a quarter of London, with an estimated £16,000,000, the Duke of Sutherland with £6,000,000, the Duke of Northumberland with £5,000,000, and others whose holdings of land were worth only slightly less than these.

Cobden, in obedience to atavistic impulses, retired to the country. At Dunford, where his forbears had tilled, sown and reaped since the seventeenth century,

he built himself a country house out of the proceeds of a second contribution of £40,000 from his friends. The original sum collected for him had been dissipated in speculation in American railway shares. It was not the only contradiction, but one of the strangest in the protagonist in the struggle for middle-class industrialism that he had cherished all along a love of life in the country. "If it were possible for us to choose the actors to appear on the world's stage, it is probable that we should never allot space for a single cotton mill or factory," were the words that he used shortly before his death, which took place in 1865, after a journey from his place in the country to attend Parliament.

ANDRÉ BOUCICAUT

DENISE, the heroine of Zola's novel, the poor little starving consumptive orphan, burdened with the care of her two little brothers, comes from her sleepy village in the country to the City of Light, and is fascinated by the shining shop-windows, the multitudinous luxuries, the shimmering silks and satins of that huge emporium "Le Bonheur des Dames". From it there spreads a wave of temptation into the houses of the bourgeoisie, the attics of the kitchen-maids and the stately halls of the *nouveaux riches* and the old nobility. All succumb willingly to the charm of crêpe-georgettes and velvets, laces and furs, whose glories are sung not only by a few initiated priestesses, but are universally extolled by a wondering multitude. Denise is swallowed by this Moloch of a shop, entranced and spewed out again on the street, there to become not only one of the gaping crowd but a high-priestess who recognises in the shop the home of mass enjoyment, the magic fountain at which beauteous colours and shapes are renewed a thousand-fold, the joy and the beauty of life, the people's path to luxury.

Denise, who ended by marrying the owner of the shop and becoming the mistress of this "Paradise for Ladies", is of the same stock as the little shopwalker, Jules Jaluzot, who founded "Le Printemps", the buyer, August Hériot, who founded the "Louvre", of the same stock as Cognacq, Chauchard, and Boucicaut, who left his counter one day in the junk-shop "Petit Saint Thomas", and migrated to another

not much bigger or better at the end of the Rue du Bac, where within ten years he had a turnover of seven million francs, and within a quarter of a century had made the name "Bon Marché" known throughout the world.

In this period of the Second Empire, that in all too many respects recalled the days of the Regent and of Louis XV, there went forward with incredible rapidity, along with the rise of France to dizzy heights as a world power, the growth of Paris as a cosmopolitan capital, where Baron Haussmann with a staff of architects, Hittorf, Duc, Ballet, was altering the whole appearance of the city, tearing down 20,000 houses, building 45,000 new ones, and erecting markets, slaughter-houses, the Opera, the Exchange, Churches and Schools, Avenues and Gardens. It was a time when industry and railway development, wealth, luxury, speculation, gambling, the spirit of enterprise and swindling all flourished.

As a hundred years before, there was a reign of intellect which made events of the new truths of materialism, the works of Taine, Renan's "Life of Jesus" and the Darwinian theory introduced from England; in all political and social questions there ruled a frivolous levity which, in order to show how far one might go and yet be allowed, called Prince Napoleon, the lover of the naked dancer Cora Pearl, to the tribune of the Chamber as a wild Republican. It was a conscious anti-bourgeois libertinism that reigned. There were whole brigades of adventurers and favourites who despite their total ignorance of business became rich overnight.

Woman reigned supreme. Eugénie was Queen of Fashion and dictator of policy. But this luxury, this spurious wealth, these grandiose swindles were all estimated at their true value by the French people,

who, with their wonderful practical genius, have always succeeded in extracting some permanent benefit from every bubble, even those blown by John Law. Even so this time, when the bubble burst, there remained to the good an enormous drapery business and the only wholesale production of fashions in the world.

It is true that there were big shops before the "Bon Marché" and the "Louvre", and before the Second Empire. Indeed, the whole idea of a general store for the sale of luxury goods to the public came from England. But the "Paradise for Ladies" only reached its final form in the town of woman in the era of woman; at a time when woman's influence was strongly felt in politics—in Flaubert's art, in Sardou's plays, in Baudry's scene painting—even more than in the eighteenth century, in the city of Paris whose citizens lived on pleasure and from time immemorial had reaped a rich harvest from tax-farmers, courtiers, princes of the Church and bankers.

In his book "Les Grands Magasins", Valmy-Baisse makes the old doorkeeper of the "Petit Saint Thomas" say: "One Sunday we were having our eighteen sous meal at Flicottaux when my colleague Boucicaut suddenly said to me: 'I have a shop of my own in view. If you can find five thousand francs, you can come in as my partner.'" Unfortunately the doorkeeper did not possess this sum, so remained outside the gates of Paradise while Boucicaut went in.

Boucicaut was of very humble origin. His father was a little hat-maker in Bellême. As clerk in the Petit Saint Thomas, he had acquired a sound business-training, but as a son of the people, even as Arkwright had been, he had a far more valuable asset—an invaluable fund of the sort of practical knowledge that cannot be taught. He understood

the psychology of the people, their privations and their struggles to overcome them, their longing to have, even if only once, the good things reserved for the wealthy and again their helpless anger each time they were "had" and bought goods that were cheap indeed but not worth the price they had paid for them.

Boucicaut fulfilled their wishes and satisfied their longings. In 1854 he went into partnership with Videau, in his shop at the end of the Rue du Bac, the Bon Marché, when he was already forty-two years of age. It was a cheap little shop in a very poor district, but the district was altered by the new town plans of Baron Haussmann, and the shop was altered by Boucicaut's reforms, which he had conceived as a result of his previous experience and the need for which he appreciated owing to his own early sufferings. Boucicaut sold cloth and cashmere, linen and muslin at very small profit. He sold high-class wares at prices such as one had previously only expected from pedlars. His goods were all plainly priced, whereas up till then prices in all the better Paris shops were fixed according to the apparent ability of the customer to pay. He offered cheap honest bargains, such as his customers could afford and such as he himself had longed to obtain in his early days when, dressed in an ill-fitting suit of shoddy, he had watched the wealthy disappearing through the doors of the most expensive shops.

Boucicaut did not theorise about business. His ideas had that stamp of innate originality which has led to the making of millions more than once in the history of industry. Contrary to the trend of opinion at the time, which was in favour of specialisation, Boucicaut believed in concentrating shopping for the buying public, a policy which has been but little

adopted even to the present day, and is mostly seen only amongst wholesale houses. In this he was about fifty years in advance of a similar movement in industry, which resulted in amalgamations and the formation of all kinds of trusts.

Bulk purchasing, variety of stock and rapidity of turnover, all helped to reduce prices and increase his clientele. The old-established and accepted laws were completely upset by the new methods, and goods were turned over once every twenty-five days against the previously accepted sixty days in a general store, seven hundred days in a luxury shop, three hundred and forty-eight days in household equipment, and one hundred and eighty days in boots and shoes.

Boucicaut knew the right charms and incantations with which to lure the public; he discovered the right Open Sesame for their purses; he still used the persuasive oratory of the kerbstone merchant but brought his customers instead into his ever open emporium. Naturally enough, he had competitors, and three years after he had started, two small men, Hériot and Chauchard, opened a shop in the Rue de Rivoli, the most fashionable street in the rejuvenated Paris of that time. Pereire, the head of the *Crédit Mobilier*, the favourite financial magnate of the Emperor, gave his blessing to the foundation of the "Louvre". Even Napoleon was anxious to appear as "the man who preferred a war against poverty to a war of conquest", and publicly expressed his satisfaction at the excellent value obtainable at Boucicaut's "Bon Marché".

At first this good value was of benefit not so much to the masses whom Napoleon professed to love, as to the bourgeois and middle-class citizens, the real heirs of 1789, whom he hated but who were, nevertheless, building up the solid future of France behind

the façade of wild-cat schemes promoted by his favourites.

In 1865, ten years after the "Louvre", the "Printemps" and the "Samaritaine" were founded, both of them direct descendants of the "Bon Marché". Jules Jaluzot, the founder of the "Printemps", had been head buyer at the "Bon Marché", and Mademoiselle Jay, the head woman buyer, was the wife of the owner of the "Samaritaine".

Boucicaut fought hard against all this competition. He doubled his efforts and busied himself in every department—in the counting-house, in the sales-rooms, in the yards where goods were unloaded, in the basement where parcels were packed and dispatched. He forced hundreds, thousands, tens of thousands, into his shop.

People were impressed by the three principles which he introduced and which were adopted by every similar business in future; he had fixed prices, there was no compulsion to buy, and he took back goods that had been purchased but were not wanted.

The crowd was increased by those who came out of curiosity only and returned the goods they had ordered. Those who came merely to pass the time brought with them genuine buyers. The variety of things for sale was so great that it increased the number of customers, since no two people want the same things. All this meant movement, and movement was the key to success.

Boucicaut reached out to bring in the public. He had advertisements of the "Bon Marché" on hoardings and in the newspapers. He sent thousands of catalogues out to the citizens of Paris and the provinces, and even abroad.

In the newspapers, the big shops kept up with their advertisements a regular price-cutting war. The old

canons of shopkeeping which held the pricing of any article to be bad form and price-cutting quite indecent, were swept away. Sometimes goods were sold at a loss if only to keep on selling and to fulfil the new law which insisted on movement of the buying public, movement of stock, and movement in the business generally.

Boucicaut was not the triumphant, dazzling conqueror that Zola made of his Mouret in the "Paradise for Ladies". He did not "gather all into one embrace to charm them and make them all the more useful to him"; he was almost the typical petty French tradesman, busy, officious, narrow-minded, who yet possesses that clarity of vision that enables him to make a permanent structure out of what appears to be confusion over-reaching and sharp practice, and whose pettiness is yet forgotten in the presence of his natural charm.

All the startling ideas of the new type of shopkeeping, the window-dressing, the different sales departments, the clever draping of silks and satins, were all the result of long and wearisome thought on the part of Boucicaut. It was, indeed, the mind of the plain little shopkeeper that never deserted Boucicaut even at the height of his fame, that made his success and eventually made his name famous; for as Victor Böhrnert says in his first book on the social question: "The 'Bon Marché' is a concern which is unique both in its origin and in its organisation."

The shop grew apace as a result of the rebuilding of Paris and the increase of wealth of its citizens. In 1852 the turnover was half a million francs, and ten years later seven million. Boucicaut bought up a whole block of houses bounded by the streets, Sèvres, Valpenu, du Bac and de Babylone. The "Bon Marché" was given a new home made of steel and

glass, full of light and air. It became one vast show-window, and the turnover rose in 1869 to twenty-one million francs.

Boucicaut introduced free delivery in Paris and the provinces. He retained the interest of his own employés in the firm by the amenities he provided; "as a proof of the unity between the employés and the firm," as is stated in the Articles of Association, and established a sickness and pension fund.

In 1877 Boucicaut died, and in that year the turnover had reached seventy million francs. In twenty-five years the turnover was multiplied one hundred and forty times. A world-wide business had been made, a remarkable example of community of goodwill and co-operation in industry. Vicomte d'Avenel very aptly describes the "Bon Marché", in his book "Le Mécanisme de la vie moderne", as a "republic of work."

Videau, into whose junk-shop Boucicaut had gone in 1852, was a small-minded man, and was afraid to go the whole way. The time came in 1865 when he thought it best to safeguard what he had won and not risk it in further ventures. He became anxious when the turnover increased so enormously and profits did not follow suit. He sold his share of the business for 1,520,000 francs to Boucicaut who had not the money himself, but borrowed it from Maillard, a Parisian who had made a fortune out of restaurants in New York.

In 1863 the "Bon Marché" was worth three million francs. In 1880, long after Maillard had been bought out, the business was worth sixty million.

This amazing success was the result not only of the industry and originality of the man, or of his policy of providing articles of luxury for the masses, but is due in large measure to the interest he showed in his

employés and his system of sharing profits with them. He had in fact created a democracy of work. In a business in which every hand and head helped to win customers, in a business in which little separate shops were all combined in one huge organisation, the final impetus was given by the "Industrial partnership" between the owner and his profit-sharing employés.

Boucicaut was not the first to adopt this principle. It had been tried in England and in Paris, especially by the house-painter and decorator, Leclaire, who had been a cow-herd in his youth. He not only became a millionaire by considering his workers' interests, but also an author of some importance on social questions. Long before Henry Ford, he wrote a book on the folly of low wages.

Madame Boucicaut outlived her husband and son. She went even further than her husband, and made over half the interest in the business during her lifetime to the employés and the whole concern at her death.

The good woman, who as Marguerite Guérin had been an ordinary employé, will possibly be remembered better by her gift of one million francs to Pasteur, who was collecting money for his world-famous institute.

The biographer of the "Bon Marché" refers to this gift, with true national pride, as having been bestowed long before American millionaires had accustomed us to princely public benefactions of the same kind.

WERNER VON SIEMENS

IN the course of the last five hundred years, many men have established their mastery over circumstances and have incidentally won fortunes for themselves. All of them are worth notice, but amongst them all Werner von Siemens stands out as a giant. He is a pioneer in science and a leader of industry at the same time. He was foremost in the use of the telegraph; electrical engineering^{*} was hardly known before him; he invented the dynamo; and was the founder of a world-famous firm.

His work has left very visible marks on the face of the earth. When Siemens was elected to the Academy of Science, Du Bois-Raymond, a former school-friend of his, referred to him as "the James Watt of Electro-magnetism". He undoubtedly brought the world one stage forward from an era of iron and steam to one of electric cables, light and power.

Siemens's face shows very clearly his own origin. It is typical of the times in which he was born, when in Germany outside of Weimar* the social structure, in contrast to England, Holland and France, had not developed beyond a military caste, the squirearchy and the handworkers.

Werner von Siemens began life in the Army and remained an officer until he was thirty-three, but his portrait, which is in the Technical High School at Berlin, shows us a face, ornamented with a very worthy pair of spectacles, the chin surrounded by a

^{*}Weimar, capital of the grand-duchy of Saxe-Weimar-Eisenach, and long the home of Goethe, was the centre of a cosmopolitan culture in Germany at this period.

rather straggling beard and moustache—the face of a typical homely provincial worker.

His features are typical of a time when the people of Germany had passed through the struggle for freedom and were starving themselves upwards rather than working themselves upwards. The spirit of capitalism had begun its senseless struggle with democracy between the time of Napoleon I and 1848, and the average citizen, as in the days of the Medici, was winning, as the result of his own labour, a spiritual commercial and political life of his own. At that time, and for seventy years afterwards, the foundations were laid of that new Germany which was only fully revealed to the world after the second and much bigger revolution of 1918.

Werner von Siemens as an officer had bitterly criticised the repressive effects of economy on naval policy, and rejoiced at the March rising. In 1866 he gave up his mandate as a deputy, and from that time on took no further part in politics. It was in his laboratories and workshops, at his desk from which he directed, or, at any rate, influenced the firm's policy in Berlin, Petersburg and London, that he contributed to the making of that other Germany, which took its place half-way between the only two alternatives that appeared possible at the time of Bismarck and the Emperor Wilhelm—namely, Potsdam or Weimar.

Werner von Siemens, officer, scientist and industrialist, seems to contain the three elements which went to make up modern Germany—the past represented by Potsdam, the future by industry, and all time by Weimar.

Von Siemens represents a new type of scientific business man, not far removed from the inventive geniuses produced by England about the end of the



WERNER VON SIEMENS

eighteenth century, men like Arkwright and Watt. But the discipline inherent in the German character, which is no doubt learnt on the parade ground, brought a greater measure of method and rationalisation into the adoption of scientific discoveries for commercial exploitation. The discoverers of new machinery were more finders than inventors, finders who had a stroke of luck with some experiment. Werner von Siemens, however, made a thorough study of electricity and its uses for long-distance transmission, power and light.

He was big enough to master both realms, the scientific, where fresh fields opened up ever before him, and the commercial, where he foresaw always what would next be in demand—submarine cables followed land lines and were in turn followed by the electric dynamo and motor. In the Siemens factories, scientific research, with a view to commercial development, was carried out for the first time. There was a research department, such as we find in every big undertaking to-day, in which trained engineers, chemists and physicists are engaged in discovering new outlets for the factory's energy, the only difference being that the modern research department is a physical entity, whereas in the firm of Siemens and Halske, it was a corner of von Siemens's brain.

When he was made a member of the Prussian Academy, he commented on the two-fold character of his task. "It is not only to the benefit of science to keep in close touch with the practical adaptations of its discoveries, for in that way science gets back what it gives, but it is also a solemn duty, for science only fulfils its highest purpose, only deserves the recognition and love of the masses, when it works, not for its own ends, but to raise the knowledge and capacity of the whole human race and to bring the race to a

higher plane of civilisation." But these self-consoling doctrines counter each other out in the systems of Kant and Hegel, and failing to express the real purpose of science, did not even satisfy their author.

In letters written to his brother Karl, who was in charge of the business in St. Petersburg, and in his *Reminiscences*, von Siemens complained repeatedly that he was so occupied with business that he could not pay sufficient attention to scientific research. When the firm had been in existence for ten years and was making considerable profits, largely owing to the construction of telegraph lines in Russia, from St. Petersburg to Moscow and Oranienbaum, from Kief to Odessa and from St. Petersburg to Helsingfors, Siemens wearied of it all and wrote: "This telegraph business has become very boring. It's like a barrel organ of which I am condemned to turn the handle for ever."

At the same time, he ground away at his daily work of supervision, which he never allowed to become mere routine, with far more keenness than he would have us believe in his hours of moralising. Profits were not coming in fast enough.

Halske, a craftsman of the old stamp, wanted to make each bit of telegraphic apparatus a masterpiece of craftsmanship and was regarded as a hindrance. Von Siemens complained that the work was being done by artists and that artists were very often dilatory. It was not till Halske retired in 1866, that the three factories in Germany, England and Russia really achieved their status of big financial undertakings and made a profit running into millions—in 1868, 940,800 marks; 1869, 1,170,675, and 1870, 1,881,261 marks.

It was the clash between von Siemens's spiritual and material aspirations that first made his life

interesting and exposed the finer traits and individual values in his character; it was the conflict between his love of science and his love of profit that provides the real *problematik* of the man and yet reveals his great personality, unique in the comprehensiveness of its grasp.

Du Bois-Raymond calls him "a scientist born, not made"; he was a self-taught man, like Alfred Nobel. As an officer he barely succeeded in mastering the rudiments of natural science, in spite of private tuition and evening classes. On the other hand, he was filled with the desire for power and wealth, the desire to make his mark as a man of science and a man of business, which is typical of the progress of European civilisation ever since the Renaissance. His anxiety to make money sprang from the poverty in which von Siemens had been brought up. Most men would probably have given up the struggle against it, but he did not, even when his father died and he was left to look after his brothers and sisters. But his life was responsible not only for a considerable chapter in the history of electricity, but also for the fairy-tale of how a man, left with 540 marks, turned them into 105,000,000 marks in forty-five years.

Necessity, poverty and existing obligations, as well as ambition and business sense, were responsible for driving him in those evil days "on to the uncharted seas of speculative invention", like Boettger, like Law and many other Englishmen. It was his inborn love of science and not the discipline gained in the army, that drove him from haphazard experimenting to methodical investigation of any phenomenon and set him on the straight path of deliberate research. His attitude is very clearly expressed in a letter he wrote to his brother Wilhelm, who had gone to London a few years previously with one of

Werner's electro-metallurgical inventions and who was then proposing to go on to California. "I believe you will be better advised to stick to the idea of making money rather than looking for it." And whereas in the 1850 period an industrial regeneration, the first since the days of the Fuggers, was taking place in Germany and opportunists were busy in all directions, were opening up mines, building railways and factories on most unsatisfactory financial bases, von Siemens had made up his mind four years before, and with prophetic insight had decided on the industry of the future. In 1846 he wrote: "I am pretty well determined now to make the telegraph my career. Telegraphy is bound to become a specialised branch of science, and I feel compelled to step in now and help to develop it, because in my opinion it is only in its earliest infancy."

He had made the Wheatstone dial-telegraph practically useful. The following year, 1847, he associated himself with the mechanician Halske in a small workshop for making telegraphic apparatus on a capital of 18,000 marks provided by a more well-to-do-cousin, Georg von Siemens, who became in after years a Director of the Deutsche Bank. A few months afterwards, in the year of the Revolution, when Frankfurt-on-Main had become the focus of interest in Germany, a telegraph line was laid to connect Berlin to the town where the National Assembly was being held. This was made possible because von Siemens had discovered that telegraph lines, which were then laid underground, could be insulated by gutta-percha. On 28th March, 1849, the unbelievable technical feat was accomplished of publishing in Berlin the result of the election of the Emperor within an hour of the actual occurrence in Frankfurt. This long-distance connexion of Berlin

and Frankfurt, which seemed such a magnificent piece of work at the time, produced a profit of 15,000 marks. From then on the firm prospered, but it was not till then that von Siemens who, in spite of all pressure and persuasion, liked to feel firm ground beneath his feet, resigned his commission in the Army.

Orders were received from other German States, amongst them Hanover and Brunswick. There were, of course, set-backs as, for instance, in 1852, when von Siemens injudiciously criticised the lines laid by the Prussian Government. They had been laid in great haste and were consequently quite useless, but the Government could do no wrong, would not listen to any criticism, and boycotted the firm. In 1853, Werner appealed to his brother in London for help. "Money, we must have money, at least £1,500 by 15th May, at the latest, otherwise our credit will suffer." At that time orders were pouring in from all sides. The railways wanted telegraphs; a system of telegraphic fire alarms was introduced in Berlin; the police wanted this lightning method of communication. A large part of our present civilisation, our technical improvements, our safety and comfort, and our mastery of the earth, can be ascribed to the work done by von Siemens in those years and the next few decades.

For some time Werner had been represented in London by his brother Wilhelm, just as Nathan Rothschild had been the representative of the Frankfurt bank in London. In 1851, Karl, the youngest of the three brothers and Werner's favourite of the whole of his family, was sent to St. Petersburg. Werner felt, just as Alfred Nobel did later, and as the Rothschilds had done before, that a firm with big aspirations must not be hedged in by arbitrary

national limits—that an industry useful to the whole world cannot function properly if it is contained within the boundaries of one country—but that every effort should be made to give it an international radius of action at the first possible opportunity.

After the small workshops in Berlin, interest was transferred to Canada and Chile. The big contracts in Russia were the first to show big returns; in 1860 the St. Petersburg branch alone made a profit of 900,000 roubles. A year later the little mechanic, Halske, and von Siemens, who had complained in 1846, when he decided to concentrate on telegraphy: "If only this damned lack of money didn't keep one down," were each worth one-and-a-half million marks.

But von Siemens's work had barely begun. Each commercial success only served to drive him on to fresh scientific investigation. His knowledge of the world's needs enabled him to direct his studies to the provision of whatever was most in demand at the moment. The electric telegraph was already working in every civilised country, and it was now a question of bridging the seas and connecting the different continents with each other. The problem was being carefully studied in England, but it was von Siemens who found the first practical solution. The English branch, after many years of hard competition, now took the lead as a money-maker, going ahead of the Russian.

In 1863, a special cable factory was set up at Charlton. Halske took no part in this venture, having become nervous at the loss of 150,000 marks which were wasted on the unsuccessful cable laid from Cartagena to Oran in Algiers. Five years later the firm Siemens Brothers built the Trans-Continental cable from London to Calcutta; in 1870, the two distant capitals of the British Empire could com-

municate with each other in twenty-eight minutes. Orders followed from Egypt, Spain and South Africa. The world-wide fame of the business was finally established when a cable was laid direct between England and the United States. It was the final victory over all competitors. In 1865, the English branch made a net profit of £13,000, in 1866, £12,000, and in the following year £22,000, or nearly half a million marks.

Werner von Siemens acted as chief engineer himself on all the most important contracts, and was at one moment in Russia, the next in London, the Red Sea or the Mediterranean. His was the brain and hand of the whole concern; he acted as chemist, banker, technical foreman and research engineer. It was his extraordinary capacity in every department that was his chief characteristic and was the reason for his amazing success.

His personal energy was enormous. At the summit of his career when he was fifty years of age, he imagined he was tired and worn out. "I seem to be lacking in energy. Wealth and honour have lost their old attraction for me, and science appears to be my only interest. But even for that, the old incentive has gone." This cry of an overtaxed nervous system was contained in a letter written to his brother Karl in 1866, the very year in which he established the principle of the electric dynamo, and so reached the highest point in his own scientific and commercial development. This invention provided colossal and hitherto undreamt of power for the use of mankind. It heralded the dawn of a new era, to quote the words used by Goethe to describe the Battle of Valmy.

In 1879 the firm exhibited the first electric railway at the Commercial Exhibition in Berlin. A periodical

(*Die Technik*) found it "interesting, although we can see no particular future for it." Old photographs show an elliptical track about three hundred yards long, a somewhat primitive locomotive, and three open trucks to carry eighteen passengers each. Yet this diminutive ancestor of all long-distance elevated and underground electric trains carried eighty-six thousand people during the Exhibition. In spite of the popular verdict so expressed, von Siemens met with difficulties, and was unable to follow his natural bent and develop his scientific discoveries for the benefit of the community. He was opposed by the Kaiser, who would not sanction the construction of an electric elevated railway in Berlin. It is true that a very few years afterwards Berlin-Lichterfelde had an electric tramway, and soon afterwards Charlottenburg and Spandau were similarly connected, but it was not till 1896, four years after von Siemens, the originator of the idea, was dead, that Berlin had its first electric railway.

Just as in 1852, so again in 1879, the higher powers in the State opposed the plans of the workers and thinkers amongst the bourgeoisie, of whom Werner von Siemens was certainly one of the greatest. The conflict went on for all that behind the façade of the Junkers' bureaucracy and militarism, whether the means of political power which were hammered out of Germany's economic strength, no less than by the Army and Navy, might not remain in the hands of the men who had created them. Upon a confined field and for a short space there was played out once more the striking spectacle of a politically defeated bourgeoisie concentrating all its powers in the economic sphere. Just as between the time of the Renaissance and the eventual revolution that took place in almost every country in Europe, the middle-

classes formed the nucleus of the new state, so, between 1848 and 1918, the same elements in Germany were building a foundation which, once the cataclysm was passed, would afford an unshakable foundation for the present and the future.

ALFRED NOBEL.

WHEN Alfred Nobel was eighteen years old he wrote a poem, a rhapsody of more than four hundred lines, in which he debated the growth of man, the riddle of life, of the soul, of cities, of God and godlessness. It was a thoughtful subjective poem and contains some beautiful lines on the subject of a love that was over. "Why did she love me then? Because love was as natural to her as scent to a rose." When he was thirty years old he discovered the use of nitroglycerine as an explosive basis, and twenty-three years after that he formed and became the principal shareholder in one of the first world-wide Trusts, the Nobel-Dynamite Trust Company in London and the Société Centrale de Dynamit in Paris. Subsidiaries were formed in Sweden, Norway and Finland, France, Spain and Italy, Germany, Austria, Hungary, Portugal, Switzerland and the United States. Nobel became almost "Dictator of peace or war", a position that his somewhat mad and bloodthirsty father had pictured for himself thirty years before. He acquired a fortune of untold millions by sheer scientific and commercial skill. And then, "grey-haired and worn out", as he describes himself before his early death, he made over his whole fortune amounting to some £1,700,000 to a Trust for the promotion of Science, Art and Peace. That was the last bomb he threw in his life, and out of it came not the shattering force of an explosion but the white dove of Peace. Dynamite and the Nobel peace prize do not sound



ALFRED NOBEL

ALFRED NOBEL

very well together: at first sight indeed they appear¹⁹³ to be poles asunder.

We feel constrained to ask not so much what was the rift in this man's inner being, but what was the hidden tragic cause of these stupendous contradictions?

Was it really his ambition to benefit mankind as he could do by a single gesture, a single stroke of the pen, or was he paying conscience money, or was he simply one more example of the old proverb "In youth, a harlot, in old age, a nun"? One could admittedly refuse to discuss the psychology of Alfred Nobel at all and accept the fact that millions can be made out of dynamite just as well as they can be made out of oil, rubber, automobiles, cash-registers, soya beans or any other natural, physical or chemical commodity. There is, however, no doubt that the Nobel endowment was the logical outcome of the inward struggle that was being carried on in his tragic suffering soul throughout his life. Alfred Nobel was pursued incessantly by a relentless fate in the shape of his family—and Russia.

Look at the family history of the Nobels. The father was Immanuel Nobel, schoolmaster and building contractor; the two eldest sons were Robert and Ludwig. It is most extraordinary how all three of them were infected in the same way by contact with Russia, that land of Tsarist and Nihilist violence, of imperialistic war-lust and chaotic confusion, a land in which the individual is nothing and only numbers count. All three seemed literally to be hounded on by the powers of darkness to feverish activity in the production of all mechanical and chemical means of destruction. At the outbreak of the Crimean War in 1854, Immanuel, although he had no technical knowledge of sea or land mines, joined T.N. Putiloff

ing that they drew back in fear after the first few steps. Nobel went ahead with his usual energy, displaying that unholy contempt of danger which was common to all his family: he shared with his father and brothers the ruthless characteristics of their Viking ancestry. Thinking of the Nobel family calls up mental pictures such as Strindberg has given us or brings to mind the Norwegian painter Edward Munch and his creatures of horror—we are reminded of the words of Jonas Lie: "There still sit on the dark, wintry, ice-bound sea, those Gods of antiquity, who have been driven to the ends of the earth, those high priests of darkness with whom the Ases fight."

He was, however, no Titan; physically he was weak, sickly and delicate. In the family account books which were so carefully kept by the brothers and which form one of the main sources for Nobel's biography, there are so many entries for doctors and medicine that one would almost think the family derived from a degenerate stock, and were not of healthy Swedish origin. Perhaps, however, men who are highly strung and nervous acquire, in sleepless nights of illness, a strength of will in face of the fear of death, which the physically strong and muscular do not possess.

The appalling explosion of 1864 which blew Emil and four others to pieces was nothing more than a shock in both senses of the word. Nitro-glycerine had gone through the ordeal by fire. A few weeks afterwards, the millionaire J. W. Smitt and Wennerström, a capable business man, formed the first Nitro-glycerine Company in conjunction with Nobel. He received 100,000 thalers partly in cash and partly in shares. Hardly was the company going, than he went away to Germany, France, England and the United States and for twenty years led a life of travel

and restlessness, advancing from success to success and flying each time from his success.

Nobel took out patents in every country in the world. He set up factories at Krümmel near Hamburg, in Norway, at Zamky near Prague, in the United States of America, in Glasgow, South Africa, Canada, Japan and Australia. He was one of those commercially-minded scientists such as Edison, Marconi and to a certain extent Henry Ford, who have all succeeded in making a profit for themselves out of their inventions. As regards technique and industrial organisation, over whose importance for and relation to the newest phase of industrial development the theorists are in conflict, all find in him a representative equally strong on both sides.

While he was engaged in ordinary business routine, he never neglected his scientific activities. From nitro-glycerine which detonates, he evolved the much less dangerous and slower burning dynamite, "Nobel's safety powder"; from that again an explosive gelatine composed of nitro-glycerine and collodion which was far less costly in labour and material to produce, and finally his ballistite, an almost smokeless nitro-glycerine powder. In 1870, France, who had previously banned the production of these dangerous explosives, began to entertain serious misgivings, for the Germans had gained a great advantage over them by the introduction of the breech-loading rifle in 1866 and later on by the use of more modern explosives. As a result of the war, the factory at Paulilles was built in 1871.

In an address which he wrote for use in England, Alfred Nobel says: "One cannot expect that an explosive can come into general use without some loss of human life." Much later he persuaded himself that his inventions were destined primarily for in-

dustrial purposes, that wide tracts of country were made productive by the use of explosives and that colossal undertakings such as the St. Gothard tunnel would never have been possible without dynamite. The use of dynamite to blow men and not rocks into the air . . . E sara mia colpa se cosi è? The polyglot Nobel, who spoke and wrote Swedish, Russian, German, English and French perfectly, must at least have understood even if he could not speak fluently this language in which Machiavelli says: "If it is so, am I to blame?"

In 1866 his work was rounded off by the formation of the two Trusts, in London and Paris. As in the past, the ensuing years were filled with actions relating to infringements of his patents, and financial worries about one or other of his concerns. The French Company, for instance, was dragged into the orgy of the Panama Canal speculation by Paul Barbes and was only just saved from bankruptcy; in England he suffered bitter disappointments, particularly the loss of a great legal action in 1895.

His nerves that had always been stretched to breaking point, refused to stand the strain any longer; his head, so full of plans, had grown grey and was tired of the work that had obsessed it for thirty-odd years.

Now at last he had time to look around and to take stock of himself and his work. Everything that he had suppressed within himself since his youth came to life. He longed for a home and in 1894 bought the estate of Björkborn. He started writing again. In 1895 he produced a satirical comedy dealing with the lawsuit he had lost; in 1896 a deeper and more spiritual work, "Nemesis", in which he described the fate of Beatrice Cenci. In it a philosopher, who is drawn from himself, says: "The so-called Christian

world is still little more than a battlefield," and later on: "It was Columbus, Galileo, Leonardo, Bruno, it was our philosophers and poets and artists who first taught the world that there were nobler objects in life than killing men and battering out their brains."

Nobel, the free thinker, with an absolute horror of religion, was completely enthralled by the Renaissance, by its wide compass embracing all the beauty and terror of life—Raffaello Santi and the white powder of the Borgias. The inventor of dynamite and the originator of the Nobel endowment had in him something of the contradictions of a man of the Renaissance. But with him there was no relief in the shape of artistic creation. Alfred Nobel did not live his life; he suffered it—"drifting, without compass or rudder, like a purposeless wreck, broken by fate, with no lovely memories of the past, no false but welcome illusions of the future, without imagination to make a rough but ready diagnosis of my nature, without a family, the only possible form of life after death, without friends to quicken my affections or enemies to sharpen my dislikes." In these words he described himself to his sister-in-law, Edla Nobel.

Such disintegrating criticism, biting as the acids in which he worked, speaks out of these words, bordering almost on a cynicism which will only recognise the most intimate functions of heart and soul, friendship or enmity as biological changes in the blood and gall!

Alfred Nobel is the Gregers Werle among successful men, never satisfied with himself or his work. This irritation increases sometimes to a hatred of life as we see in the letter which he, an atheist, wrote to the chaplain of the Swedish community in Paris: "I am filled with loathing of myself," he says, and the dreadful significance of the remark is enhanced

when one considers by whom and to whom it was said.

At forty-three years of age he describes himself as "an old gentleman", in an advertisement for a secretary which he inserted in the paper. A certain Countess Bertha Kinsky seems to have fulfilled most nearly all his requirements. He gave her the position but she never took up the work because she became engaged. Her new name was to be world-famous thirteen years later as the author of a much discussed book; she was Bertha, Freifrau von Suttner.

At the same time the documents of the Nobel endowment provide quite conclusive proof that Alfred Nobel was not Bertha Suttner's Paul. The letter in which he replied to "Die Waffen nieder" is full of delightful irony and quite excludes any possibility of his having been converted. In 1891 he wrote a long criticism of the Suttner programme which was a masterpiece of clear thinking.

In 1892 he spent two hours at the first Peace Congress at Berne and in conversation with Bertha Suttner again gave voice to his own self-deception: "My factories are more likely to make an end of war than your congresses. On the day when two Army Corps facing each other can be annihilated in one second, all civilised nations will recoil in horror from war and disband their armies."

At last he comes to the end of his path of suffering; the mingled fascination and repulsion which bound him in self-torture to his work. He projected a peace programme of his own which contains two provisions (time for mediation between declaration and outbreak of war, and help for the defendant against the aggressor) which are the essentials of Articles 11, 12 and 16 of the League of Nations Covenant. Whether it was consciously or by chance that they

were adopted by the framers of the Covenant we do not know.

And then he wrote his will and left the whole of his fortune as an endowment for the furtherance of Science, Art and Peace. It is written in a bare forty lines and its interpretation has given rise to a whole library. It was not done as a penance but was the expression of the real man who had found himself after a life of struggling and suffering. The trumpet call of his life's work was destruction; the dying note of that call, the destruction of that work.

CECIL RHODES

CECIL RHODES was the son of an English country parson. When he was seventeen years old he had a weak heart and weak lungs, and sailed for South Africa with £170 in his pocket. Starting as a cotton planter and miner, he became within thirty years diamond king and gold mine owner, Prime Minister of Cape Colony and founder of a huge new British Colony on the Zambesi. Rhodes, the coldly-calculating and absolutely unscrupulous adventurer, was possessed of a powerful and dominating personality. He appeared at the end of the nineteenth and beginning of the twentieth century like some Condottiere or Conquistador. But he was not a reversion to any historic type. He was no reincarnation of an Albrecht Wallenstein, who gained his millions by providing the Habsburgs with armies and supplies; he was neither a Cortez nor a Pizarro; nor was he a Crusader carrying out the commands of a catholic monarch. Cecil Rhodes subordinated himself to no political schemes; he dictated them.

His weapons were not the sword, the cross and the standard of a holy war, but railways, telegraphs, dredgers and boring machines.

The towns which he cut out of the African veldt, almost overnight, as you might say, and which he equipped with gardens, hotels and hospitals were grouped round the Stock Exchange and not round the Church, as was the case in Spain's old colonies.

The whole of Matabeleland and Mashonaland, a territory twice as big as Germany which is called

Rhodesia after its original colonisation, was nothing but a vast counter for speculation, divided into shares in railways only dimly visualised by Rhodes, shares in mines that were not yet opened up and farms that still waited for farmers to work them.

Cecil Rhodes was not a soldier, not a Conquistador, not a statesman; he was simply a commercial pioneer who opened up spheres of activity embracing Kimberley, Johannesburg, Bechuanaland and Rhodesia, and so enabled European traders and financiers to penetrate there.

When he was twenty-nine years old it was said that he had already acquired a fortune of some millions. This he had won from the oldest source of wealth, mining, just like the Fuggers, but they, partly from ambition and partly from necessity, had lost theirs again by neglecting business for affairs of State. Cecil Rhodes was not to be diverted from his path so easily—he was a magnificent example of the business man imposing his will on the government of a country. Werner Sombart was not far wrong when he included Cecil Rhodes amongst the Renaissance men. His mental development differentiates him from men like Cortez, Almagro and Wallerstein, and sets him amongst the Greshams, the Dutchmen of the Indies, the Arkwrights and the Cobdens, the type that is represented in our own time by the leaders of business and politics, men like Sir Robert Horne and Baldwin, Rathenau and Ebert, Henderson and Loucheur.

Like Otto von Corvin, the soldier of fortune, world historian and traveller, Cecil Rhodes might well have written his own biography and called it "A life of adventure." Children would have read it with flushed cheeks. But he wrote no romantic story; he just lived his life, a child of the age in tune with the age.

drew him like a magnet and in 1871 he set out for Kimberley with a spade, pick and sieve—and a collection of the classics and a Greek lexicon in his pack.

With the uncanny instinct possessed by all successful men, he made contact with people, ideas and things whose influence cleared all side-issues from his mind, and enabled him eventually to go straight as an arrow to his objective.

What was the meaning of the Greek books in his pack?—He intended to save up and go to Oxford, where Seeley the historian was preaching the imperialistic gospel that England's history, her future and her triumph rested solely on her ability to expand.

In the meantime, the man who was to spread England's dominion in eighteen years from the Cape to Central Africa, was carving out his imperial destiny with pick and shovel in the diamond fields. The sun blazed down, the air was rarefied by heat, and crystal clear. Clumps of grass on a rock two to three thousand feet away could be seen distinctly. All idea of distance was lost. Any moment a diamond of forty, fifty, sixty carats might turn up shining in the sieve. There was no time for food or drink, no time for sleep in the tents which were pitched on the arid ground in a forest of poles and staves that marked out the squares of a hundred yards constituting a digger's claim.

In that harsh light, life became a fitful, consuming fever. Men's eyes blazed restlessly. Fifteen years later the same scenes were enacted when Johannesburg, the gold-mining town, was invaded by a swarm of English, Americans and Germans, Japanese, Chinese, Arabs, Malays, Hindus and Niggers and became the modern Babel, a town of adventurers and felons, knaves and fools. Unsteady hands

This was the time when a Disraeli "the adventurer" hit on the plan of securing the Suez Canal for England at a midnight conference attended only by the Prime Minister, the London Rothschild and the bankrupt Khedive of Egypt. This was the time when the English imperialists Charles Dilke and Seeley wrote "Greater Britain" and "The Expansion of England" and when Rudyard Kipling sang hymns celebrating the country's predatory Imperialism; a time of ferment and unrest and mutterings of revolution, when men tried to still the cry of unemployment, the voice of social unrest and the pleadings of Tom Mann and John Burns for the Dockers of London by lauding the policy of colonial expansion.

It seems almost more than a coincidence that the son of the vicar of Bishop's Stortford, who justified the annexation of a new Colony in Central Africa for Great Britain in the same terms as the Governors of the East India Company had used before, was born at the time that England dissolved the East India Company (1853) and began to govern India directly herself.

One scheme of expansion was complete. New ones were set on foot, in Egypt, Natal, West Queensland and the Transvaal. The name of Africa was on the lips of statesmen, politicians and stockbrokers, of ne'er-do-wells and adventurers.

In 1867 a Dutchman, Van Niekerk, sold in London a forty-two and a half carat diamond, "The Star of Africa", which had been found by a native chief in South-West Africa. In 1867 gold was discovered at Tati and Lydenburg, in the middle of all the excitement of the gold rush in California.

One son of the Rev. F. W. Rhodes was already in Africa, and he was followed in 1870 by Cecil, who started as a cotton planter in Natal. But diamonds

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tossed down glasses of Cape brandy and turned again to dig before it was too late, before every resource in physical strength, in money and food, failed. Men worked without clothes, completely naked, and spent their nights in the wildest orgies in saloons and brothels. In mad haste Kimberley and Johannesburg grew up round these settlements. Twelve years after gold was discovered at Johannesburg, there was a modern town with every luxury, hospitals, trams and palatial hotels. Every week one hundred and fifty to one hundred and seventy houses were finished. So quickly had the population grown.

And still men dug and, when fortune smiled, they came to the town, drowned themselves in champagne and paid hundreds of pounds for a few nights of debauchery. Then back to the tents again where they could hear beside them in the bush the howling of the hyena and jackal, and the yelling laughter of the baboon.

Fate plays cynical tricks. In the 'seventies many were lucky and turned up in the first spadeful diamonds worth a large fortune. For many others, hundreds and thousands, there was nothing but the revolver bullet. Thousands died of typhus, of sunstroke and malaria. One little tradesman from Whitechapel joined a circus, went out with it to the Cape, and from there to the diamond fields. At night he juggled in the arena and by day on the Stock Exchange. His luck held and the risks he took grew bigger. In a few years he was the principal shareholder in the Kimberley Central Mining Company, and a few years after that again he sold the Company's title deeds for five and a half million pounds. That clown was Barney Barnato.

Little Jew pedlars, carrying their wares round the

Boer villages, became kings on the Stock Exchange or owners of gold mines. Between the years 1875—1905 a dealer in precious stones, Alfred Beit, amassed a fortune of fifty million pounds. For a generation the country was in a fever. Uncertainty kept men at breaking point; women and wine did the rest. A census taken in Johannesburg in 1896 shows that out of twenty thousand men between the ages of fifteen and thirty, only three hundred were legally married.

Debauchery and the lust for gold, the climate and the general conditions, strained men's nerves and turned their heads. Many went mad, Barney Barnato amongst them. Coming back from a flying visit to Europe in 1897, the erstwhile clown jumped overboard and ended his own life.

Only one man remained sober amidst the general delirium, only one remained cool in the feverish atmosphere of hectic striving, naked bodies, blistering heat and fiery brandy. This was his advantage over all the others, the reason for his colossal victory over all competitors.

Cecil Rhodes, the consumptive, needed no artificial fire; his brain provided all the stimulus he required. Cecil Rhodes, with his heart disease, had to be sparing of effort; he lived within himself, thought and planned, then finally sprang to action with a swiftness and sureness that confounded both his rivals and those who had halted, doubting.

When he was only eighteen, there occurred to him a better way of making money than the mere chance of a "find", and he started buying and selling digging-rights in Kimberley. Very soon wealth came to him through his magic touch for the pulse of the Stock Exchanges whose master he became twenty years later, not only in South Africa but also in

London, Berlin and Hamburg, as he soon was in Natal and Kimberley.

He was now able to attain the first object he had always had in mind. He went up to Oxford in 1873, surely one of the strangest freshmen that ever entered his name at that school so rich in great, extraordinary, eccentric personalities; an undergraduate of twenty years of age, who had his pockets full of unpolished diamonds and entered his dealings on the Natal Stock Exchange in his lecture notebooks.

For seven years Rhodes led this double life of undergraduate and money-maker, spending part of his time in Oxford, part in Kimberley, the Transvaal, Durban or Bechuanaland, until he took the degree of B.A.

Long before this, in 1874, when he was only twenty-one, he had risked his whole fortune of a million pounds, and put it into the diamond fields of the old Boer, de Beer. The same year, during a sea voyage, he had become firm friends with the most powerful mine owner of the time, Barney Barnato, who owned Central Kimberley and, a little later, he made friends with Alfred Beit. From that time on, he fought for the formation of a combine to include not only the shareholders in the de Beer's field, but all owners of diamond-bearing land. He proposed to set up a production and sales organisation for all that would act as a safeguard against a sudden fall in prices, which, he felt, was bound to come in view of the increasing number of claims being worked. He was trying, in fact, to create a monopoly in diamonds. The combine eventually was formed, thanks to Rhodes's tactful handling of the various interests concerned. The Kimberley Central Mining Company came in as well as the de Beers. The trust then

bought up all the newly discovered claims and, by leaving them lying fallow in many cases, and so holding back the supply of precious stones, was able to control absolutely the whole diamond market of the world for the next twenty-five years.

At this time Cecil Rhodes had an income of about £250,000 a year. What would have been for most men the summit of their careers was only a beginning, a foundation, for Rhodes. There is a story told of him in the year 1881 when he had taken his degree at Oxford, was President of the de Beers Company in Kimberley and a member of the Cape Town legislature. One day he was looking at a map of Africa and he laid his great work-roughened hand on it and said: "I want to see all this 'red'!" and he then went on in the tone of Professor Seeley giving a lecture:

"Expansion is everything, as the history of other countries teaches us, and since the earth's surface is limited, it is our first duty to take as much of it as we can, however we can."

Was his wealth only a means to an end, as one of his biographers says, a lever for his political aspirations? Perhaps the converse was true, and he used his position in Parliament and as Premier of Cape Town and worked for the occupation of Bechuanaland, Matabele, Mashonaland in order to make available fresh fields for commercial development, fresh sources of wealth.

Whichever conjecture is right, there is no doubt that this thirty-year-old diamond king and speculator went a long way to prove the theory of the present business world, "that it is not the State that gives the lead to business, but vice versa!"

On every page of South African history we see how expansion and speculation, political security for

England, the interests of the mine owners, love of power and love of wealth are inextricably bound up together. We see it in the occupation of West Griqualand after the Kimberley diamond mines were opened in 1876, in the declaration of a Protectorate over Bechuanaland after the discovery of gold in 1884 at Tati, in the notorious Jameson raid in 1895 and, finally, in the second Boer War.

In the determined and persistent efforts to circumscribe and throttle the Boer Republics, which were undertaken at Rhodes's instigation, his formation of the Consolidated Gold Fields of South Africa, which had had since 1886 a big interest in the most important mines in Johannesburg, was a mere incident. Two years before, Cecil Rhodes had forced the English Government and the hesitating Lord Derby to declare Bechuanaland a British Protectorate. Two years later Rhodes's nominees, the millionaires, Rudd, Rochfort and Thompson, obtained from a chief of the Matabeles a concession for the whole country south of the Zambesi. In 1888 Rhodes received from Lord Salisbury's Government a royal charter for this bit of country and the rest of Central Africa, just as the East India merchants had done two hundred and fifty years before.

He was now the acknowledged lord and master, the exploiter of the whole territory.

Yet just at this climax in his career of conquest, the true nature of Cecil Rhodes—whom one so mistakenly calls the Napoleon of South Africa—returns to its original bent; the Napoleonic veneer cracks and Rhodes makes the whole of Matabeleland and Mashonaland into one joint stock Company, the British South Africa Company, by which, for a pound, one can go shares with Napoleon.

Rhodes kept all the mining rights in Matabeleland

for himself. The Stock Exchanges in Europe valued, bought and raised the prices of shares in mines that were quite unproved, loans to towns that consisted of a hundred inhabitants, a tram and a Stock Exchange, and shares of railways that were not even traced on the map. The shares of the South Africa Company, generally called the Chartered Company, were pushed up to eight hundred per cent, although Carl Peters, with his intimate knowledge of South Africa, said in 1895 that their real value was only about sixpence.

In the same way, following on the colossal production of gold in the Witwatersrand (two million ounces in 1894), the shares of the many Rand companies rose to dizzy heights at times, although Cecil Rhodes was not always behind them. New companies were being formed continually, the capital of the old ones was always being watered, until finally, in 1895, there was a check. Very few of the Companies were able to pay any dividend. Part of the blame for this state of affairs must be attributed to the policy adopted by the Boers. They were stupid enough to regard the industrial magnates as their bitter enemies, and they set about to hinder their operations by creating a monopoly in dynamite and pushing the price up to unreasonable heights, by putting a heavy tax on maize, by arbitrary freights and by deliberately obstructing mining regulations.

To frustrate their plans Jameson, who was Rhodes's representative in Matabeleland and Mashonaland, undertook his ill-fated raid into Boer territory.

At first sight, it looked like the *coup de grâce* to the whole of Rhodes's carefully conceived plans of development, speculation and colonisation. There

was general consternation. Cecil Rhodes alone remained calm, and contented himself with the exclamation: "Jameson appears to have upset my little apple-cart!" Such was his contempt for power, homage and position. The Premiership of the Cape Parliament which he had held from 1889 to 1896 and the almost sovereign position occupied by him as President of the Chartered Company both rolled into the gutter; but Rhodes's cart went on.

During the remaining six years of his life, he occupied himself with the development of the de Beers concern and the establishment of roads, railways, telegraphs, mines and farms in Rhodesia. His income from the diamond company alone was £500,000 a year, and his investments in Rhodesia until 1899, the year of the second Boer War, were worth a further £7,000,000.

Whether he was responsible for this war or not is a matter of opinion, but it hardly seems probable. The shrewd, fastidious money-maker had an odd liking for the robust, thick-headed Boer farmers, even as he had for the savagery and good nature of the Matabele who repaid him with love. At one time when there was a Matabele rising which no one seemed able to quell, Rhodes was called in and, going into the enemy's camp with only two companions, forced them by sheer will power to give in.

It would almost seem as if Cecil Rhodes, devoted from his youth to the evangel of "Greater Britain", and one of the first at the beginning of the twentieth century to forsake the Central-European point of view and to strive for a recognition of the peoples, the cultures, the opinions, the civilisations of a larger world—as if, having absorbed the latest European culture at Oxford just to despise it, he, Prime Minister of an English dominion, statesman of

unparalleled influence in the foreign policy of the British Empire, had but to taste the idolising and flattery of Europe to spurn it from him with his foot.

He died in March, 1902, three months before the death of the Boers' freedom.

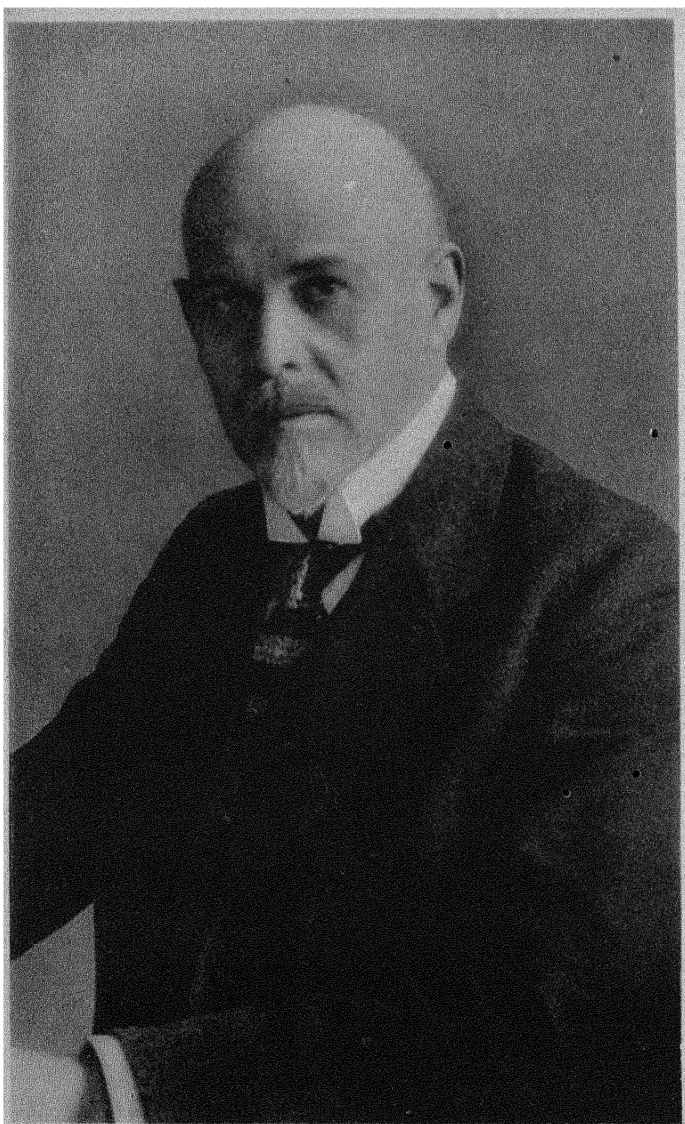
Far away from all civilisation, with his back to Europe, Cecil Rhodes lies in his grave on the top of a mountain in Matabeleland. The gravestone is inscribed with the words: "Here lie the remains of Cecil John Rhodes."

WALTHER RATHENAU

WALTHER RATHENAU's character appeared to be a glittering diamond; it scintillated in every direction, but it was neither hard nor transparent. In few cases have a man's deeds lagged so far behind his spoken word. He philosophised on social and commercial problems, he was a writer of many parts. Indeed, since the days of Lorenzo di Medici there has never been a great financier who could speak so well—on painting and poetry, on modern town-planning, the cinema and the theatre and the people and country of Spain—and could express himself elegantly, wittily, ingeniously, sometimes with profundity and always with originality, as he sought to establish a new *Weltanschauung*.

Besides all this he was founder of the first electro-chemical factory in Germany at Bitterfeld (1893), and he became Managing Director of the A.E.G. [Allgemeine Elektrizitäts Gesellschaft.] He formed an amalgamation of this Company with the U.E.G. (1903) and brought in later (1910) the Lahmeyer and Felten Works. He became Chairman of the Board and later President of this combine. In Germany's darkest hour after the War, he was Minister of Reconstruction and of Foreign Affairs. A whole library, fifty books or more of descriptive, critical and lyrical commentaries, has been written about the five volumes he published entitled "Gesammelte Schriften"—scarcely as many pages have been written about his commercial achievement.

That, however, is hardly a criterion by which to



WALTER RATHENAU

judge the respective values of his writing and his work. It is far more attractive to write about hybrid, problematical unfinished ideas and fantasies than it is to write about some well-ordered, organically perfect fact. The A.E.G. is just such a fact. While its founder and eventual Chairman, in his castle at Freienwald or his villa in Grunewald, was struggling with the problems of modern labour management, guilds, state socialism, and half-hearted or full-blooded communism, and was painfully trying to evolve a new world for the workers in which poverty and disputes should disappear and be replaced by joyful service and self-reliance, Marquis, Ford, Hoover and others interested in the American Management Association had laid down once and for all the fundamental law of the community of interest of all men engaged in productive work.

Walther Rathenau was murdered on the 24th June, 1922 by a political fanatic, driven mad by nationalistic propaganda. But his ideas on working conditions, conciliation and European peace, have lived after him and have come to be more clearly understood and appreciated. He was a man born out of due season, and history will portray him as a prophet crying in the wilderness. He had no forceful personality, no ringing word of command, but he created and left behind a suggestion and atmosphere of change, a feeling of comradeship and charity.

It was driving power and not the knowledge of human nature that was missing from his make-up. He lacked the real creative force which seems to be the distinctive characteristic of the moderns, whether they are dealing with social, commercial or any other problems. His contribution to the A.E.G. affords an interesting example. He absorbed other concerns of similar nature and played a giant's game with pro-

duction, stock, output, credit and debit as pawns; he juggled with the duties to be performed by the different factories and sales departments within the existing structure of the combine and reduced the whole process of manufacture to an abstract problem where there were no bricks and mortar, no machine shop, no revolving wheels and no men but only a disembodied collection of figures, an algebraical formula.

Similarly his contribution to the study of social and working conditions is only a rearrangement of existing opinions with the covering motto: "The fulfilment of the individual is the goal of all human endeavour." His proposals only amounted to a hazy system of State socialism; they were a collection of borrowed ideas starting with Saint-Simon and ending with the present limited liability company.

Both as a business man and an author, Rathenau fails to give any impression of self-controlled creative genius, and appears rather to have organised or, better still, to have brought together a number of objects or ideas already in existence. He was, in fact, a painter.

Oddly enough it was this career which had appealed above everything else to Rathenau. He was related to Max Liebermann as well as his life-long friend. But he never became more than a gifted amateur and his father Emil Rathenau forced him to go to the University at Berlin and the technical high school at Munich. He went straight from there to Neuhausen to the Aluminium Industries Co., which was a subsidiary of the A.E.G., then for seven years to Bitterfeld and finally into the A.E.G. All his life he was an industrialist against his will. From Neuhausen he wrote: "I will not remain in business, even if my life depends on it."

Although he was made a Director at Bitterfeld, he wanted at the age of thirty-two to devote himself entirely to literary work. And even in 1915 when he was Chairman of the A.E.G. just before Emil Rathenau's death, he made manifest to a friend in one of his letters his preference for a literary life. "There is very little left that I still want. I should like to be able to finish my series of books and if it were possible as well to help carry on my father's work, through these difficult times, though this is of course only a temporary task." He felt in duty bound to his father to carry out this task and looked upon it as a solemn trust although it is clear from his writings that he regarded it as an irksome and onerous imposition.

The man who had made millions wrote at the end of his book "About the Future": "We are not here to gather great possessions, to achieve power or to seek the maximum of pleasure; we are here to prove that God is present in human nature." He cursed mechanical work as a most evil thing; he loathed the process of mechanisation "as evil in itself". Yet it is that process that within the last four hundred years has raised the standard of living for all mankind and more particularly for the working classes. It has raised the peasant from his condition of dull monotony, the townsman from his listless apathy, to mental and spiritual activity.

Machinery does not necessarily mechanise: it is an aid to intellectual development. True, it will not make a Goethe, but it will make many thousands of Goethe readers. And these are its methods—it makes books cheaper, it enables the worker to be a better worker, it raises him from being a manual labourer to being an engineer in charge of a machine, it increases and cheapens all commodities and so

shortens the hours of work and allows the worker more leisure in which to live his own life.

Rathenau's hatred of machinery and mechanical work is pre-Marxian in its conception, a heresy, a lasting throw-back to the subjective experience of his confinement at Neuhausen. In the last book he wrote on the social question in 1919, "The New Society", he expresses his feelings in these words: "Whoever has had personal experience of tending a machine will know the feelings inspired by watching the hand of the clock creeping round, and will understand why the shortening of the working day has become the goal of all engaged in mechanical work."

Rathenau tried in his own way to rid society of class warfare and to do away with the accursed system of industrial servitude, which is the basis of our civilisation. The American leaders of industry, who had far less knowledge of social history and were far less intellectual, tackled the question on quite different and far more successful lines and tried, as in the days of the Renaissance, to stress the community of interest amongst all workers, to enhance a man's sense of his own worth, and so to persuade him to rely on himself and to show himself independent of outside help.

Rathenau was seeking the truth but was wandering on the winding paths and through the thick undergrowth of mental confusion. He had recognised the great shining truth that all those who work have a common interest but the way was not plain before him. His was the tragic fate of John the Baptist.

More and more he followed up wrong paths. They cut across each other or blocked each other's way until they became unrecognisable. Will-o'-the-wisps led him on and sudden mystical gleams out of late Greek philosophy, or out of the teaching from which

Christianity sprang, or out of Buddhism's abnegation of the world; or flared up in the obscure common-places of "The Soul without utmost Aim or Purpose", by which "the growing soul goes over to the collective spirit, in which through the experience of love the soul finds itself";—or appeared again in the settlement of a programme: "The transcendental problem is: The growth of the soul; but what is the problem in practice? Certainly it is not: Raising of the standard of life." Only "The New Economic System", which goes a bit too far since it would transcend both Socialism and Capitalism, insists upon a general improvement in the standard of living, rationalisation, standardisation and the largest possible increase in production and consumption. But in "The New Society" he finds the last word of wisdom in replacing mechanical work by an incredibly unreal and wasteful "equal division of labour", in which every brain worker would do some manual labour and every hand-worker some brain work.

That type of conscription is in direct opposition to the cry, Freedom, Responsibility and Partnership, which Rathenau preferred to the old Liberty, Equality and Fraternity. With the systematic absorption of individual trades, freedom will be taken from the few who possess it, without the attainment by the many of the highest benefits of rationalisation.

Contradictions are apparent everywhere in Rathenau's arguments. One of the subjective doctrines that inspire all his general theories is also responsible for his plan to do away with class warfare by abolishing the possibility of inheritance. He proudly asserts that he himself inherited nothing. In "Apologia", one of his last books, he writes: "Everything I possess I have got by my own work, a far more important factor in my success than most people

believe. It was my father's intention that I should renounce my inheritance." In his youth, both at the high school and in business, he turned to electro-chemistry, "because it was the only thing not yet handled by my father's concerns." At the annual general meeting of the A.E.G. in 1902, someone spoke of the "Rathenau Dynasty". He immediately resigned his seat on the Board of the A.E.G. until 1912 and went over to the Fürstenberg Company, retaining however his position as technical adviser to the former.

At the same time Walther Rathenau was heir to his father not only in his commercial progress but also, what one would least expect, in his opinions. He was moulded and influenced by his father's will. Without his father, he might have painted dozens of pictures, or become one of the best pamphleteers in Germany, but he would never have been a leader of industry. When the German Edison Company was formed in 1883, Emil Rathenau's son was sixteen; when it was separated from the American Parent Company and absorbed by the A.E.G., he was twenty. Without the material help of the A.E.G. and the glamour of the name Rathenau, the twenty-seven-year-old Walther would never have been able to start the electro-chemical factory at Bitterfeld. He would never have been able, when he was barely thirty, to be at the head of "The Electric Bank" in Zürich which had a sphere of influence comprising Genoa, Milan, Naples, Barcelona, Madrid, Bilbao, Santiago and Buenos Aires, in the North Copenhagen and in the East Cracow. Nor could he have obtained a seat on the Board of the A.E.G. so early since the works at Bitterfeld contributed very little at first to the income of the parent concern.

The truth is, one does not inherit money only, but,

what is often far more important, a career and sometimes, quite unconsciously, a point of view and a collection of settled opinions. Rathenau's theoretical preference for a business comprised of varied interests was the outcome of the policy of the A.E.G. In choosing the limited liability Company as the middle point between State and private enterprise, he paid a silent tribute to his father, who in the words of A. Riedler "earned untold millions for others but bothered very little either about increasing or keeping his own money." In a limited liability Company, the leading men are "those who put fame and the will to succeed above mere personal gain."

All the amalgamations and formations of trusts which Rathenau celebrates as the first steps towards State control, quite in accordance with the accumulation theory of the otherwise detested Marx, were in direct contradiction to the stand he always took up against monopolies. In 1910 the A.E.G. had a capital of 100,000,000 marks and had absorbed the U.E.G., the Körting, Lahmeyer, Rhenish Felten, and the Guillaume Works. This grouping, for which Walther Rathenau had been largely responsible, gave the Company a virtual monopoly in certain directions and this was further strengthened by agreements made with Siemens and Halske in the matter of wireless telegraphy.

Ford and Marquis, the men in the Management Association, and dozens of other American business men, were in earnest when they said that even the lowest workman in the business could grasp all the best in life by increasing his output, and, when they said that a common interest in the work to be done and the article to be produced brought about better personal relations between employer and employé, they meant it.

Rathenau's dreams, stretching into a boundless socialistic Utopia, were "kept outside the office and workshop doors in the concerns he controlled" and never once materialised from the time when he stepped into his father's place in 1915 until 1921 when he finally left the A.E.G. and became Minister of Reconstruction. They were so contrary to all the developments of the past and the needs of the future that they were quite unrealisable. In one of the first remarks he made as Minister of Reconstruction, he drew back from the work of reformation. "I would not dare, at any rate at present, to consider any general reform of industrial conditions in Germany as one of my duties."

Reality had proved itself stronger than theory—was Rathenau to bow before it? Hardly, for on three occasions of appalling difficulty, once during the crisis in the electrical industry at the beginning of this century, again when he had to get raw materials through the blockade during the War and again, at the end of the War, when he had to meet the French statesman, Loucheur, at Wiesbaden and enter into relations with the whole hostile world; on these three occasions he was successful in solving practical problems of life, even though he had never succeeded in probing its inner mysteries.

He sought Truth, far from his own or, indeed, any reality. She hid away from him and frightened him on his way to the depths, into mysticism and confusion of thought, lost in the tracks. Before the altar of the deeper law of life and growth, of freedom in work as of peace among nations, before the altar of Truth, he remained an ardently aspiring, ardently struggling believer; but in the world of immediate actuality he was a master spirit.

AUGUST THYSSEN

THE pictures taken of August Thyssen in his old age show us the face of a Moltke; fine hard features, small tightly-compressed lips and piercing eyes that scintillate like polished steel. Is this physical resemblance simply a coincidence, or does it denote a similar character, or conscious imitation?

At the age of twenty-four August Thyssen took part in the campaign of 1866. In the year of the Treaty of Frankfurt he founded the firm of Thyssen and Co.; in the year the German Empire came into being he laid the foundations of his own empire, the steel rolling mills near Mülheim. Within thirty or forty years Thyssen made of it the biggest industrial firm in Germany, without any outside advice or financial assistance. Ruthless with himself and impatient with others, he brooked no interference. He was almost mediaeval in his driving, dominating ways. He was the Field Marshal of the German heavy industry.

The word "impossible" was not in his dictionary. He wrote but little for public consumption, but in an essay he contributed to the Jubilee number of the *Eschweiler Zeitung*, he describes how he failed four times with the building of a shaft in the "Deutscher Kaiser" mine and finally succeeded by making use of an entirely new process of freezing.

Thyssen's success can be attributed in part to circumstances. At the beginning of the nineteenth century the capital employed in the mining industry amounted to about fifty million marks; at the end it

had grown to four thousand million. But it was due to Thyssen's hard work and skill that he owned about one fifteenth of this enormous sum. At first he had small annoyances: plans went wrong: he made losses and suffered setbacks; but after 1873 he had no big misfortunes.

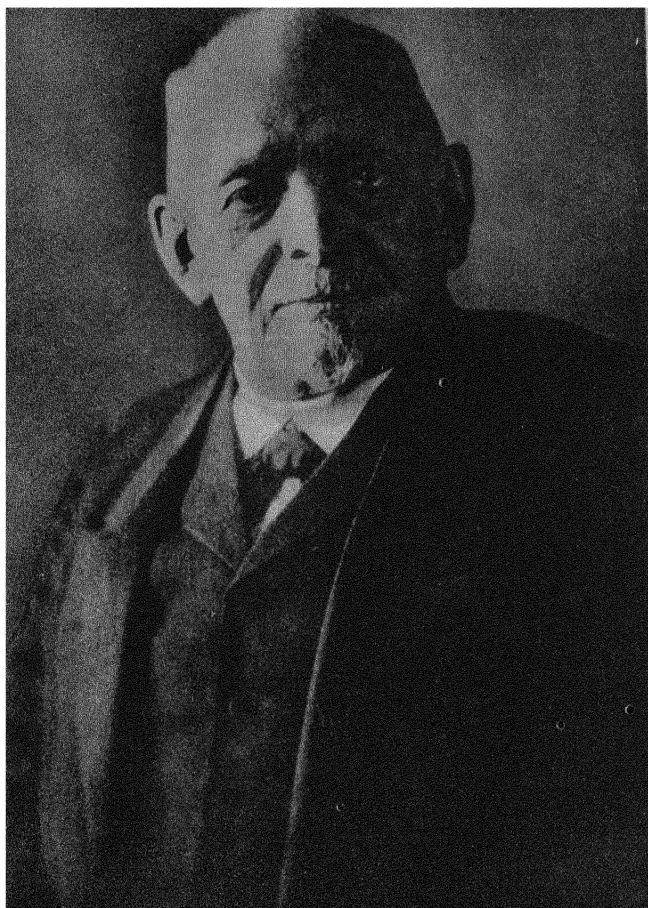
By his genius for finance and his attention to detail he not only guarded against loss in any department of his business, but was able to profit by his rivals' slackness. He laid out factories in such a way that he was always ready to profit from circumstances when they arose. From the very beginning August Thyssen had had big ideas. He was not interested in trifling technical questions, but was absorbed in continual development schemes.

German industry undoubtedly learnt a great deal from him concerning the centralised control of business and the grouping of mutually complementary productive units under that control.

He was born at Eschweiler near Aachen on 7th May, 1842. His father managed the first steel wire rolling mill in Germany.

Thyssen was not satisfied with the excellent education that could be got at that time at the Polytechnic in Karlsruhe, but went on afterwards to the High School at Antwerp, where he studied subjects more important and more interesting to the business man, namely, business organisation and management. It appeared to him that he would not be absolute master of his own destiny until he acquired and mastered this branch of knowledge completely.

August Thyssen would not tolerate criticism. It was for that reason that he left the steel mills that he had started with his brother-in-law Bicheroux and with Fossoul, when he was only twenty-five years old, but he had conducted the business there with



AUGUST THYSSEN

such success that the Company's original capital had been quadrupled when he left.

Thyssen now had personally thirty-five thousand thaler. His father who, by this time, had become proprietor of a bank, offered to buy shares in any new venture he started to a similar amount. The way was clear. The future looked hopeful. He made up his mind, therefore, and started his own steel rolling mills on what had been a farm near Mülheim.

The office, from which Germany's biggest steel firm emerged in the next fifty years, was a stall in the original farm-yard. Thyssen set to. He did more than that; he gave himself up wholly to his work: for it he sacrificed marriage, domestic peace and the happiness of his family. The *Kölnische Zeitung* in the edition published on the day of the Ironmasters' annual celebration in 1930, included an article written by Thyssen, looking back on his early life. In it he says: "I can truthfully say that I have been through times when not even the poorest and simplest of my workmen would have changed places with me."

Objectively one might be tempted to smile at this confession from a domineering personality, who had no idea of the psychology or mentality of the employé and who had no smallest conception of their longings and aspirations. Subjectively these words may well express the feelings and the tragedy of a man whose motto was "If I rest, I rust", the cry of a soul always seeking for power and more power.

Thyssen had no interest in the scientific side of his business; he was quite unlike Siemens, who desired to demonstrate the scientific nature of the phenomenon, electricity, in his work. All technical considerations were left to Thyssen's brother, Joseph. Stinnes was still another type. He was in many ways a very

human person and if he was asked why he sacrificed his private life entirely to his business would reply quite frankly, "for the sake of my children."

Thyssen felt none of these ties. In 1886 he obtained a divorce from his wife, who was considerably younger than he. His daughter and youngest son both turned from him. He fought about an inheritance with his second son, August, from 1906 till just before his death. At one time he handed him over to mental specialists and in 1911 he forced him into bankruptcy with liabilities of eleven million marks. Men with whom he had been friends for years, such as Hugo Stinnes and Emil Kirdorff, suddenly, became his enemies whom he attacked bitterly. Only his eldest son, Fritz, who understudied him, was flesh of his flesh, keen, ambitious, hard and unyielding, a chip of the old block who recognised only one god, August Thyssen.

He was obsessed and driven onwards by the desire for power. His business was merely the instrument by which he hoped to obtain mastery, mastery over money and men, over their business and social life. It must be admitted that the instrument was perfect and far superior to any other of its kind.

So he built furnaces of greatest capacity and the biggest steel works—in 1897, the most modern rolling mills, Thomas and Block in Bruckhausen, and a little later at Dinslaken, the most extensive cold forging plant in Europe.

Profits were ruthlessly sacrificed to future prospects. Money meant nothing to him. At times he used his whole fortune to make alterations, improvements and complete transformations in works that had only just been completed simply in order to beat his competitors, to retain the lead, both now and in the future. August Thyssen was the king of the

industry, and however much he gave to it, he exacted no light contribution from it, since it had to live up to his standard and compete with his various organisations, which in the year of his death he formed into the United Steel Trust.

Thyssen concentrated on obtaining control of the whole manufacturing process from raw material to the finished article. Of the latter he produced a number invented by himself. This was comparatively easy for him, as his steel rolling mills in Mülheim were about half-way through the whole series of necessary operations. Step by step he advanced towards the production of more finished articles; tubes in 1878, fittings in 1879, the purchase of an engineering works in 1884. Then when the pressure of the Gelsenkirchen mine-owners became too strong, he turned right back to the provision of his own raw material and in 1885 bought the mine, the "Deutscher Kaiser", which he extended enormously by acquiring all the neighbouring pits and the surrounding land. By making use of every penny of his capital and by taking every bit of credit he could get he laid down in the next few years the Bruckhausen Iron and Steel Mills, which were the link between his coal mine and his manufacturing plant at Mülheim and completed the whole picture by purchasing a heavy engineering works in 1905.

It was an epoch-making moment, not only in August Thyssen's history, but in the history of the commercial development of Germany and the whole world. Thyssen had no doubt acquired the idea of expansion from the United States whither he sent his observers at frequent intervals. That he did not expand in a horizontal direction, as did the American oil, sugar and spirit trusts, but vertically, was in keeping with his own mentality. It was a formation

that suited him better, for he wanted to be independent, to be an absolute monarch, allowing neither advice nor interference.

Thyssen's works produced coal and steel, rolled steel, bar steel, sheets and wires, machine tools and gas engines, blowers for blast furnaces and steel works, steam turbines and winches. The individual concerns were always regulated to keep pace with the whole. Any surplus of raw material or of semi-finished products was taken up and utilized by a new factory set up at Dinslaken; the Shalker Mining Company, which had come under Thyssen's control in the 'seventies, was amalgamated with the Vulcan Company. Installations for distilling Benzol and treating the blast furnace gases were built so that no by-products might be wasted.

In 1911 Thyssen's firm had over 180 miles of private railway track, eighty locomotives, two thousand five hundred goods waggons and had had, since 1907, two harbours worth together about thirty million marks. It had its own selling organisation with branches in Antwerp, Cardiff, Naples, Algiers and Buenos Aires. There were, of course, occasional set-backs. Plans went wrong, regrettable delays took place, opportunities were missed and losses incurred. In the crisis after 1900 the mining Company had to be sacrificed. The Rheinische Bank which he formed in conjunction with Hugo Stinnes lost six million marks. In 1902 the Gladbeck Mining Company had to be sold to the State for thirty-two million marks, owing to a lack of liquid assets. The steel works in Duisburg Meidrich, which were previously amalgamated with it, he managed to retain as a separate concern.

His most serious difficulty was always the lack of an ore-producing district of his own. The start

gained by de Wendel and Stumm in Lorraine was barely neutralised by purchases in German Lorraine in 1901 and in French Lorraine in 1902. In 1909 he settled down on the district of Caën, where enormous deposits, unsuspected up till then, were discovered. In spite of that, Thyssen, who was from 1904 onwards the biggest exporter of iron in Germany and the biggest steel producer of Europe, always found difficulty in maintaining an adequate supply of iron ore.

His works were soon producing sixty per cent more than de Wendel and Stumm. It was a complete surprise when Thyssen attended the meeting of the Steel Makers' Federation and had to disclose his production figures, which he had hitherto guarded jealously. At that time it seemed that Thyssen's grandiose schemes were about to reach fruition. It is still not clear whether he was striving for political power in Germany through the influence he could exert with his business or whether he was pursuing political aims within the industry itself. Whether he wanted to form a mining trust which could dictate to the State by amalgamating his Schalker Company with the Gelsenkirchen and the Aachen Roter Erde Mining Companies, or whether he wished to render his only remaining rival, Emil Kirdorff, less dangerous by making him his partner, will never be known. It seems probable that he had the second alternative in view. For just at the time that Gross Gelsenkirchen was being established, from 1904 to 1908, Thyssen pushed his other concerns to their highest pitch of production. In 1904 he spent twenty-four million marks on improvements and extensions in the Deutscher Kaiser mine and a further twenty-one millions in 1906 in alterations, and bought a half share in The Oberbilker Company (iron works and iron ore mines).

While he disapproved of Kirdorff's plans in Lorraine, he himself came to the momentous decision to open up a mine in Hagendingen situated in that very French Lorraine which appeared to him such an unsuitable location for Gross Gelsenkirchen in the event of war.

The colossal figure of August Thyssen throws long shadows. Upon the founding of Hagendingen depends in double measure, not only the decision as to the suitability of an establishment in Lorraine for Gelsenkirchen and itself, but also that regarding the much discussed acquisition of the Ars Company on the Moselle. Nevertheless, the whole industry had nothing but praise and admiration for the mine at Hagendingen. It was his final word in scientific business organisation, a technical masterpiece, a brilliant example of a concern comprising a number of interlocking units. Just like Cecil Rhodes, Thyssen built up there an enormous undertaking on almost virgin soil, erecting workmen's dwellings, houses for his officials, churches, schools and tramways; in fact a veritable town.

The 'social and racial issues involved by these industrial amalgamations were matters of considerable moment in an age which was already occupied by questions of density in working-class population. Towns were brought into being by masters of industry and not by Kings and Princes, as in former days.

Hagendingen had no equal in size, technical perfection and business organisation. One of the big German newspapers described Thyssen as "the first German multi-millionaire, if one takes into account the capital and assets that he controls." Just before the War, when he had reached the highest point of his career, there was a tendency to exaggeration. There

is no doubt, however, that even in 1910 Thyssen had a yearly income of three million marks.

In actual fact, Thyssen's income was more than it appeared to be. The mine, the Deutscher Kaiser, never paid a dividend because all its profits were used for improvements, additions and alterations, and Thyssen had to fight the Inland Revenue authorities as well as everyone else. In 1900 even the Haniels were accounted richer than Thyssen, but in 1914 his fortune was said to amount to four hundred millions, exceeding the estate of Frau Bertha Krupp by a third.

Everyone was amazed at the speed with which his wealth had been amassed, and still more by the fact that it had been done by the unaided effort of one individual. With his passionate love of independence he had not sought the assistance of any outside capitalist, nor was the public allowed any financial interest in any of his companies. He had other methods of getting the money he needed. He used his current profits, he raised money by mortgages, by loans, by the issue of debentures, and by giving personal guarantees to banks, private capitalists and Catholic foundations. He may have used these methods because, like Henry Ford, he wanted to be master in his own house, or he may have objected on principle to shareholders, who at any rate after the War were at the mercy of the directors far more than the directors were at the mercy of a general meeting.

Thyssen, in obtaining his capital without recourse to shareholders, anticipated future developments. When he laid his plans for a Trust in 1900, he foresaw amalgamations on a gigantic scale in the future—his own concern was a good example.

As a result of the Treaty of Versailles, Hagedingen was lost, although a sum of fifty million gold

marks was paid as compensation. In 1923 Fritz Thyssen, who was the leading spirit of the business community's resistance, was arrested. But in spite of the War and the subsequent debacle, Thyssen's business presented the picture of a living organic whole, quite unlike many other German concerns which indulged in an orgy of speculative buying, and in 1925 his estate was still valued at four hundred million marks.

The following year, exactly a month and a day after Thyssen's death, the United Steel Works was formed and absorbed his business, the Gelsenkirchen Mines Company, the Bochumer Verein for mining and cast steel,* the German Luxemburg Mining Company, the Phoenix, the United Steelworks v.d. Zypen and the Rhenish Steelworks, Duisburg Meidrich. The capital was eight hundred million marks, of which the Thyssen family received a quarter.

Are we to believe that in this huge Trust, Thyssen's plans for rationalisation were realised, or are we to see in it rather the bending of his independent spirit to movements which had proved too strong for him?

At the zenith of his career Thyssen would never have given way. He was an autocrat in business, the antithesis of Rathenau. He would have nothing to do with altruistic ideas of social equality for the workers. He took no interest in the Court, and never went there, unlike some members of the extreme Left. Many of the biggest industrialists sought the favour of Kaiser Wilhelm, but August Thyssen repelled his advances. This man, who was in many respects Germany's most enlightened business chief, might be called an industrial yeoman.

His final conception of German industrial development was a number of self-governing industrial

dictatorships, with either the Kaiser or a President at the head of affairs.

Even in the days of the Monarchy, he expressed quite forcibly his opinion that the country's policy should be taken out of the hands of the civil servants and entrusted to business men. It would appear that he envisaged, long before its time, the possible formation of a Ministry of Commerce, admittedly on somewhat radical lines.

He regarded the old régime with cold disfavour, yet was no friend of the new. He was one of the greatest contributors to the evolution of the new Germany and in no uncertain terms he voiced his preference for the homes of industry—Mülheim, Duisberg and Dusseldorf—to the seat of power, Potsdam.

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MENTION the name Henry Ford to any European you meet, and he will react promptly and reply: "Ah, yes—richest man in the world—Automobile King—introduced the endless band——"

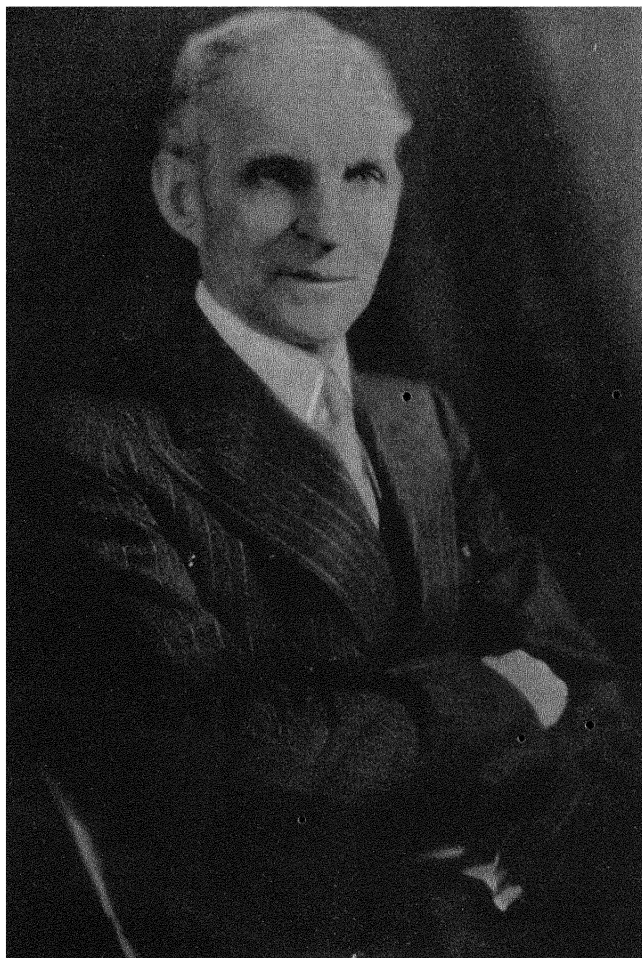
As a matter of fact, both the elder Rockefeller and Andrew W. Mellon, the United States Secretary of the Treasury and later Ambassador in London, vie with Ford for the title of the richest man in the world.

In 1926 the Ford Motor Company stood fifth on the list of dividend-earning concerns, with a profit of eighty million dollars, and came below General Motors, the Standard Oil Company, United Steel and the Telephone and Telegraph Company of New York.

As far as the history of mankind is concerned, it is of little moment whether a man makes his money out of oil, as Rockefeller did, or out of steel, as Carnegie and the elder Morgan did, or by designing the newest model in motor cars; there will always be new ways of making money, whether it be in rubber or aeroplanes or anything else. Even the endless band which Ford introduced as the first step in the process of rationalisation throughout his factories is only a technical improvement, of which there had been many before.

Henry Ford's importance lies in the effect he has had on the history of the world, its culture and social amenities.

One of his early colleagues, Samuel Simpson Marquis, Dean of St. Paul's Cathedral, Detroit,



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speaks of the work that Ford has done in his factories, mines and steamships and calls it, not quite correctly, "that great attempt to introduce practical Christianity into industry." In the vast undertakings in Michigan, Ford not only insisted on a degree of technical efficiency and elimination of waste which have come to be regarded as classical examples in America and the whole world, but he also created a personal relationship between employer and employed which has had immense social and economic consequences, and has induced all ranks to co-operate towards the common welfare of the firm.

The very necessary "Reconciliation between Capital and Labour" which is the subject of discussion in every capitalistic country was first sought after and to a large extent realised by Henry Ford in the years from 1914 onwards. It was this ideal, too, that was chiefly responsible for the formation in 1922 of the American Management Committee, under the ægis of the younger Rockefeller.

At the same time, Ford is no socialistic visionary proclaiming equality and fraternity. He reigns at the head of his own business, and the business is organised on the principle that ability is of more value than position. Machiavelli once said of Lorenzo di Medici, the great democrat: "He is scintillating with youth and vitality, and thinks of everything himself and would like everybody else to leave everything to him"—and this remark could very well be applied to Ford, in spite of his almost snow-white hair. His idea that capitalists, directors, technical advisers and workers are all bound together in the business, springs from his almost religious conception of work. When he says in his books: "My gospel is work," he attaches a deeper significance to the words than most people.

Ford's writings and his work are both convincing proof that in these four short words he is making his own confession of faith, and he would have us believe that during the last five hundred years culture and modern life, social and human intercourse have been built up on work. At the beginning of that period work and personal achievement produced a new man and a new civilisation in the Italian States, and both were democratic in origin. A man's status and rank depended entirely on what he made of himself and what he produced.

Political events since then have tended to obscure, even to obliterate the real meaning of that development. Now, however, it is reasserting itself, and men are striving to raise an altar to "work" with almost religious fervour. In the days of Germany's tribulation, a sentence, "Property entails obligations," was written in the Weimar constitution under the rights and duties of property owners. Walther Rathenau expressed the needs of our age when he said: "Our object should not be a division of income or a calculation of our possessions. Our object should not be equality, or less work or more pleasure, but it should be the reversal of the system under which there are two strata in human society, the abolition of that hateful servitude of the working classes which is the basis of our civilisation, even as slavery was the basis of the ancient civilisation. Not freedom, equality and fraternity but freedom, responsibility and partnership are the guiding stars of the future."

Six years before, Henry Ford had said the same thing more concisely. "We don't want only to make automobiles in this factory, we want to make men." The great secret is work. It is work that leads men out from the shadows of oppression, poverty, needy old age and sickness, into the light.

It is work that not only ensures a man a minimum wage of six dollars a day and so renders him materially independent, but enfranchises him spiritually and intellectually, so ensuring for him the retention of his self-respect.

Ferdinand Tönnies, who was profoundly interested in sociology, always maintained that "the history of Europe would be bound up with the ever increasing domination of the machine." This assertion would not be so universally endorsed to-day. Ford, speaking purely from motives of utility and not for any humanitarian reasons, says: "We don't want to burden a man with anything that can be done by machinery. There is a big difference between a man who works hard and hard labour." Ford, who is perhaps little versed in history, is convinced that machinery is the symbol of man's victory over his environment and probably does not realise that the men of the Renaissance held the very similar view that man, in the exercise of his powers, could conquer the forces of nature. It would be easy to argue that an organisation responsible for the 7,882 operations entailed in the construction of a motor car, could hardly be said to have banished the treadmill from modern labour. But even if it were possible in one isolated instance to do this, would not Ford's "ideas" still be of greater value? Ideas go on for ever, ideas will continue to leaven men's minds.

Consistency, strangely enough, is not one of Ford's characteristics. One of his best friends and colleagues tells us, in fact, that the very man who wages such war on waste and dirt and who stands for the utmost resolution in business, is himself even to-day frequently in a state of mental chaos, a mass of contradictions and uncertainties. Marquis shows us the man who was practically the originator

of industrial rationalisation, as impulsive in his decisions and unreliable in his conclusions. He is a dreamer and not an instrument of precision. Perhaps it is the Irish blood still coursing in his veins that is responsible for such eccentricities as the Peace ship during the War and his occasional anti-Semitic outbursts.

Ford's career differs from that of other American multi-millionaires—Clark, the Copper King, Carnegie, who made his money out of Bessemer's steel process, Patterson, whose business is founded on James Ritty's cash register—in that they grew great either by chance or by developing some proposition brought to them, whereas Ford conceived his own project and himself brought it to fruition.

Ford is the son of a well-to-do farmer and was born at Dearborn, Michigan, in 1863. When he was twelve years old he went on a journey with his parents, and it was his first sight of a railway engine which determined his career. When he was eighteen years old, he became obsessed with plans for a horseless carriage driven by petrol. From then on he thought of it incessantly. In his spare time while he was a mechanic, a farmer, an employé in the Edison Company at Detroit, he worked at it, on the drawing-board and in the shed which served him as a workshop, making one experiment after another.

At last, on a spring night in 1893, he set out from his home in a motor car of his own construction. It worked. But it was nearly another ten years before the Ford company was formed and manufacture began. In 1903 he sold one hundred and seventy-five cars, in ten years, a hundred times and in 1916 one thousand times that number. In 1921 the output exceeded a million cars, and in 1925 two and a quarter millions. Up to the end of 1926 Ford had turned out

fifteen million cars; in April, 1930, the output was nine thousand a day and in June, 1930, he was responsible for more than fifty per cent of the total American production. In the Ford factories employment is given to about 200,000 people, about the same number are employed in the sales and service organisations and another 200,000 make their livings in other factories engaged on work for Ford.

Directly and indirectly, Ford is responsible for the payment of a thousand million dollars a year in wages.

This is the pride, the purpose, the creed of his life—the creation of opportunities of work for others. It is of very minor interest that in the short space of twenty-six years he has acquired a personal fortune which may be the biggest in the world and has been estimated at a thousand million dollars, and no affectation on his part when he attaches little importance to the fact of his enormous wealth. For him his machines are something more than machines; they are so many proofs of his theory of business which, again, embraces something more than business and has as its object a world made more desirable to live in.

He tries with rather doubtful logic to deprecate his enormous fortune, and he maintains that in business one's object should be, not to make money, but to contribute something to the common good, to give the best article to the public at the lowest possible price, and to provide for as many as possible the opportunity of honourable labour.

It would be an easy thing to point out the flaws in the theory that every improvement in manufacture should be passed on, in the shape of a price reduction, to the consumer. Ford and his son Edsel, who are the sole proprietors of the Company, are said to make an average profit of forty dollars on every car sold.

These profits have, in course of time, been used to acquire blast furnaces, rolling mills, foundries, paper factories, coal mines, railways and fleets of steamers.

It is of comparatively little interest to study the business theories underlying Ford's financial success; it is of little interest to speculate whether his car is really the best car at the lowest price, but what is of vital interest is to know that he has instilled into his people a desire to work; that, apart from any communistic ideas of equality, he has established a bond between employer and employed, and that he has succeeded in introducing a genuine form of partnership. In fact, the theory that work is the only sure foundation of a true democracy has been turned by him from a dream to a reality.

Henry Ford is firmly convinced that a man's value and a man's dignity are only maintained by work, and acting on this theory, he has succeeded in inspiring his workpeople with a new outlook on life. He insists that welfare work shall not be undertaken by those in authority, but must remain the workers' responsibility. Consequently, his contribution to the social services consists in the payment of high wages. In 1926 the minimum was six dollars a day, in 1929, seven dollars.

Ford maintains that class warfare will never provide the worker with the comforts and social rights to which he is entitled, but that they are his to demand in return for his own productive capacity. It is by taking thought for the future that a man increases his self-respect. Charity of any sort, either from his employer or from outside agencies, merely increases his class consciousness. Ford's plan is the only one calculated to bring about a true democracy and to do away with the "hateful servitude of our fellow men." Ford likes to be able to consider his

employés as equals and as free men, and he deals with them accordingly.

He has a hospital in Detroit that is world-famous, but it has to be self-supporting "so that the patients do not lose their self-respect." The firm will advance money in a case of need or sickness, but it has to be repaid.

Ford has set up food stores in his factories where provisions are thirty-three and a third per cent cheaper than in the ordinary stores in the town, with the sole purpose of preventing an undue share of the high wages paid to his employés flowing into the pockets of shop-keepers.

Old age pensions are provided for in the sense that the members of a whole family are employed at higher wages. The halt and the maimed, even the blind, are cared for in that they are given positions in which their disability is no hindrance.

In order to carry out all these plans, the Ford factory has its own labour department, and one of its chief functions is to humanise as far as possible the conditions of work. It is a laboratory in which men strive to discover the solution of the social question. The originator of the Labour Department was John R. Lee.

Ford writes: "We consider it to be our duty as employers to help people to help themselves. Charity so-called is only a form of vanity and merely produces idleness."

The idea that work and man's individual effort is the basis of our civilisation, has been proclaimed as the religion of the Ford factories. It has succeeded in welding all those who are employed there into a happy company of free and contented human beings.

The factories of Highland Park and Fordson, with their four enormous chimneys as landmarks, are not

merely a collection of blast furnaces, foundries, machine shops, warehouses, thousands of machines and 200,000 men; they were for a long time and probably still are to-day spiritual entities, possessing a human soul that is always striving after something better, something higher. When Ford speaks of them, he adopts almost the tone of a missionary, and it is therefore not surprising that from 1915 to 1921 he had a clergyman, Dean Marquis, as his most trusted colleague.

In 1920 Marquis left the firm, as all the other leading men have left it from time to time. The first to go were the brothers John and Horace Dodge. It was with them, and Alexander Malcolmson and James Couzens as partners, that Ford formed the Company in 1902.

The Dodge Brothers were largely responsible for the design of the Ford car and a man who knows the history of the Company intimately says "they were the brains of the concern." In 1914 came the rupture, partly caused no doubt by the fact that they opposed the cheapening of the car. Malcolmson went soon after them, and Couzens in 1915. Couzens was "too great a genius at finance for Ford to put up with him for any length of time". In 1918 Norval A. Hawkins, who was responsible for the sales policy, left; in 1920 Ch. A. Brownwell, who had been in charge of advertising, together with John R. Lee, the apostle of high wages, and F. L. Klingensmith, who looked after the financial side of the business, all left.

It is certainly the worst feature of Ford's social system and the least attractive side of his character—that he cannot stand any other gods near him.

The doctrine of high wages exhibits a serious flaw; to the gospel of maximum pay for maximum production marginal notes must be added. Ford has written

a sentence about his 200,000 employés: "It is not customary to consider an employé as a partner, yet he is nothing else." This should be qualified with a question-mark when it refers to the men in high positions.

However, we need not weigh the fate of this dozen or half-dozen men, whose material welfare was in any event ensured, against the epoch-making example that Ford has given the world. He has proved that work will keep the working classes contented; he has succeeded in producing an era of peace and in abolishing class warfare; he has founded a real community of workers and has shown up as absolute nonsense the theory that capital and labour must regard each other as enemies.

There has never been a strike in the Ford factories. This is not due to the big money earned by the workers since 1909, nor to the introduction of the eight hour day in 1914, nor to the five dollar minimum wage paid them, nor the seven dollars a few years later, nor anything of a similar nature. It is due to the fact that men are taught to recognise their own value and the dignity of their own work, and so are enabled to regard everything they possess as the expression of their own endeavours. This is really the great result achieved by high wages, a result very different from that which the English engineers, Austin and Lloyd, have stressed in their famous book, "The Secret of High Wages". They can only see that high wages are followed by a reduction in prices due to increased purchasing power, stocks and production.

Ford is therefore no Pharisee, no seeker of cheap sympathy when he writes in his second book ("To-day—and To-morrow"): "There is something sacred about a big business."

IVAR KREUGER

(This Chapter was written before Ivar Kreuger's death, by his own hand, on the 12th of March of this year.)

UNDER a sun-bright steely-blue northern sky in one of the most beautiful parts of Stockholm, where the Maeler Lake and Salt Lake flow together, lies the gigantic baroque Palace; immediately facing it in the Vestra Trädgårdsgåtan is one of those broad-surfaced monumental Swedish office blocks. Its very shape would appear symbolical of the comprehensive and wide-spreading business sense of the Swedes.

The aged King Gustaf V reigns in the Palace. The big sandstone building opposite is dominated by Ivar Kreuger who, in spite of his fifty years, retains all the enthusiasm of youth. He has spread his tentacles over all the world and, with the speed usually associated with American enterprise, has built up a business within the last ten years that is a characteristic example of the Swedish capacity for organisation.

Ivar Kreuger is the Managing Director of the Holding and Finance Company known as Kreuger and Toll. This Company controls the Swedish Match Company, the Graengesberg business, the biggest ore producing concern in the world, the Swedish Cellulose Company and half a dozen banks in Stockholm, Paris, Warsaw, Bucharest and Berlin. He is the Managing Director of the Swedish Match Company which controls, in addition to various machine-tool and electrical factories and chemical Works, about



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one hundred and fifty match making factories in thirty-five different countries. He is Managing Director of the International Match Corporation in the United States, of the Swedish American Investment Company and of the N.V. Financiële Maatschappij Kreuger and Toll situated in Amsterdam.

Kreuger controls more than seventy-five per cent of the world's match output. He has succeeded in creating the only world monopoly of our time in a rather unexpected direction, and has turned the thoughts of the big financial men to fresh possibilities by his method of granting loans against monopolies.

In spite of all these titles, Kreuger remains a simple, attractive and courteous individual, absolutely devoid of ostentation. He speaks very little and very softly, he does not make speeches; he does not write his reminiscences and does not philosophise about God or the world—will not tell you that one becomes rich by saving or by hard work, or by putting your trust in God. He is in fact what one would call in common parlance, a good fellow.

Physically, he is tall and his face is big and clean-shaven. His eyes are deep-set under a heavily domed forehead, and the lines around them testify to many long hours spent at his desk, many hours of toil by night which even the long walks he takes in the beautiful northern air, and the frequent aeroplane journeys to Paris, Berlin, Amsterdam or London have failed to smooth out.

Ivar Kreuger, whose family had been engaged in the match industry for three generations, was born at Kalmar, and was educated at the Polytechnic High School in Stockholm, where his chief study was building. ●

He is a typical son of the country which erects but

few statues in its public places to Kings and Field-M Marshals but, on the other hand, delights to honour natural historians, physicists and chemists, Linné, Berzelius and Ericsson. He is a son of that country which alone has succeeded in evolving a new and monumental style of architecture.

Kreuger is almost absolute master of a concern whose stocks and shares are valued on the Stock Exchange at about three thousand million Swedish crowns [A Swedish crown= $1/1\frac{1}{2}$] but he calls himself an engineer and not Managing Director. Even to-day he prefers to think of himself as a pioneer, an architect or a builder. The medium in which he works is admittedly no longer blocks of stone and steel girders, but millions, which he moves from one end of the world to the other, forming gigantic undertakings and giving employment to tens of thousands of human beings.

Perhaps an architectural education was necessary to enable Kreuger to build up his concern as he has done. The sub-divisions and interlocking of his financial arrangements make those of Rathenau look like the work of an amateur. The whole business has been built up on a logical sequence and has grown on such ordered lines that it presents a proper biological picture. The arms that gather in funds from all over the world are the Swedish American Investment Corporation, the Financiële Maatschappij Kreuger and Toll, and the affiliated banks and brokerage houses; the head is the Holding and Finance Company of Kreuger and Toll in Stockholm, and the heart of the whole concern is the Swedish Match Company.

This Swedish Match Company is indeed the basis and origin of all the others, although it has not financial control. This is held by Kreuger and Toll,

to which Company the majority of the "A" shares of the Match Company belong. But all Kreuger's financial operations are directed to increasing its business and enabling it to create a world monopoly—in the same way all his dealings in mines, real estate, wood, cellulose and paper-making are designed to enlarge the basis of credit on which it stands. The American journalist Marcossou, who was a guest of Kreuger's for a long time, speaks of the "religion of the match" and of a "match fetishism" which permeates not only Kreuger and his partners von Krister, Littorin and Ahlstroem, but even the youngest typist on his staff, which only numbers about one hundred and fifty. • •

Kreuger has used matches to give him the *entrée* to all the money-markets of the world, and they have served as the medium in which he has exercised his own talent for organisation and his genius for constructive finance.

Ivar Kreuger went from building to chemistry, like his grandfather, Peter Kreuger, before him. The grandfather handed down to his son the match factory at Kalmar, and to his grandson the pioneering spirit and the relentless determination to make a name for himself in the world. At twenty years of age he decided to see the world; he travelled all over America, Africa, India and the industrial districts of Europe. He was at one time a land agent in Chicago, where he earned his first fifty dollars in three weeks; he was employed in the building of the Illinois Central Railway, he was a bridge-builder in Vera Cruz where he and one other were the only two engineers who escaped yellow fever. He put up hotels and office buildings for a firm in New York. He was sent by a London Company to supervise the construction of the Carlton Hotel at Johannesburg.

In 1905 he was back again in New York, this time, however, as a partner and not as an employé, in a building firm.

Kreuger had seen the vast enterprises of the United States, he had met Cecil Rhodes in South Africa, he was a native of Sweden whose landscapes are planned on a colossal scale. It is not, therefore, surprising that he, too, developed big ideas and determined to increase, by any means in his power, his own sphere of operations. He came back to his own town imbued with American ideas, and very soon introduced to Stockholm his own peculiar type of architecture.

In 1911 he formed the Company, Kreuger and Toll, with his friend, Paul Toll and, within a very short time, his financial operations had become the talk of the town.

By one single stroke of business he earned nearly a third of his total capital of 1,000,000 crowns. He was putting up a warehouse for a Stockholm merchant, who inserted the usual penalty clause in the contract demanding a forfeit of 5,000 crowns for each day's delay. Kreuger accepted that, but stipulated that for every day gained on the contract he should similarly receive a premium of 5,000 crowns. As it was winter, he put up canvas shields round the site, arranged for heating and, by working three shifts in the twenty-four hours, had completed the building two months before the agreed date, and so won a bonus of 300,000 crowns.

Kreuger realised that to succeed in business one must organise, rationalise and adopt the very latest technical appliances. In 1913, two years after the formation of Kreuger and Toll, he saw that there were vast possibilities for improvement in the Swedish match industry and that the family business, amongst

others, was working under conditions that were by no means ideal. Ten years before, there had been an amalgamation of the factories of Jonköping, Tidaholm and four others. Kreuger now brought about a combination of the firms in Kalmar, Moensteras and other places, and so formed a somewhat smaller group. But his business acumen and technical knowledge soon put the output of the Foerenade Svenska Match Company above that of his rivals, the Jonköping-Vulcan group. His turnover went up from four million crowns in 1913 to twenty-four million in 1916, out of a total for the whole of Sweden of forty-four million.

As a result of the blockade and restrictions on trade during the War, it was impossible to get wood from Russia or chemicals from Germany and, consequently, Kreuger laid out machine shops, built electrolytic plants and acquired his own tracts of forest. He soon built up an organisation of such overwhelming strength that the Vulcan group had either to plead for amalgamation or go out of business. In 1917 he formed the Swedish Match Company, which absorbed both these groups and so had the whole industry under unified control. The majority of the shares were held by Kreuger and Toll. It was at this time that the building department was detached, under the management of Paul Toll, and Kreuger and Toll became a purely holding Company, whose only assets were shares.

Grouping of similar concerns, centralised control and the virtual creation of a trust, were the methods adopted by Kreuger for dealing with the Swedish match industry. Later, the same process was applied to building up his world-wide organisation which, however, dealt in money and not in any material commodity. In 1919 he formed in the United States

the financial company which was to be the foundation for all further developments. The American Kreuger and Toll started with a capital of a million dollars. Ostensibly its main object was to speculate in land and house property, and it proposed to use American money for purchasing real estate in the inflationist countries, particularly France and Germany. In actual fact, it wormed its way into the American match business, buying now here, now there, under all sorts of aliases for the parent concern, the Swedish Match Company.

In 1923 the Company had reached such a position that it could openly approach the American-Canadian Match King, Percy A. Rockefeller, and suggest to him that they should work together. Rockefeller willingly agreed and, indeed, approved the constitution of the International Match Corporation, in which the Swedish Match Company and Kreuger himself obtained control. Except for the rivalry of the Diamond Match Company—which eventually fell into Kreuger's hands in the spring of 1930—the field was clear. Not only were the American and Canadian markets completely dominated, but the Company also had a base from which they could sally forth into South America, China and even Europe. For such far-flung operations, the capital of the American Kreuger and Toll proved insufficient, and it was eventually absorbed in 1925 by the Swedish American Investment Corporation. The formation of this Company provides a good example of Kreuger's methods developed this time to their full capacity with, it must be admitted, a daring that appeared to contain the elements of danger.

In the Company, in which there were financial magnates such as P. A. Rockefeller, James Perkins and K. Poor, Kreuger was able to acquire a majority

of the shares personally, in exchange for shares in the old Kreuger and Toll Companies. Of the capital, consisting of forty-five million one-dollar shares, fifteen million shares had no voting power. Kreuger was able to acquire a majority of the balance, which carried a vote, by handing over one hundred and twenty thousand shares in the Swedish Match Company, one hundred thousand shares in his Swedish Land Company, Hufvustaden, and by assigning the whole of the capital of the American Kreuger and Toll, which it was agreed was worth twenty million crowns.

It will be seen that Kreuger obtained control here, as he always did, over enormous sums of capital, although his own holding was a comparatively small proportion of the total. The Swedish Match Company has a share capital divided into ninety million "A" shares and one hundred and eighty million "B" shares, but only one vote is allotted to every thousand "B" shares. Kreuger and Toll and the Investment Corporation between them only hold two hundred and eighty thousand of the "A" shares, of a nominal value of twenty-eight million crowns, although certain of the leading figures in the concern individually hold fairly big quantities.

The capital requirements of Kreuger and Toll, which finances the whole Trust, arranges match monopolies and usually issues the State loans, are met by the issue of debentures.

In 1929 the holders of ten million "A" shares were able to exercise control over a nominal capital of about two hundred million crowns, (ten million one-crown "A" shares, sixty-six million "B" shares and one hundred and twenty-two million, nine hundred and twenty thousand one-crown debentures).

Kreuger's method consists in complete decen-

tralisation of the productive units, coupled with the most rigid centralisation in the matter of direction, finance and utilisation of reserves. The two original examples, the Vulcan and Foerenade concerns, retained full control of their own productive organisation and were not managed by the Swedish Match Company. The Trust allowed complete freedom of action on the production side to all its factories in Norway and Finland, Esthonia, Latvia and Lithuania, in Belgium, Italy and Germany, in Switzerland and Czecho-Slovakia, in North and South America, in Australia, Japan, Algiers and even in the Phillipine Islands, but all these concerns were connected by almost invisible but none the less vital lines of communication to the quiet room in the sandstone office in Stockholm.

There sits Ivar Kreuger, unless he has flown to Paris, Berlin, Amsterdam or London, or sailed to New York without letting his name appear on the passenger list. He sits there, surrounded by batteries of telephones, and talks daily to New York, London, Berlin and Paris. Every day he has a report by telephone or cable from the factory-managers all over the world. He speaks German, French, English and Russian as easily as his native Swedish. But he listens far more than he speaks; listens for advice, suggestions and ideas which he weighs up carefully, and some of which he eventually incorporates in another new scheme.

Kreuger considers that secrecy is essential if his plans are to be successful. He travels most unpretentiously, without any following or personal staff, such as other international financiers are wont to affect. He takes with him a small notebook in which he carefully notes down the details of transactions running into millions, and relies otherwise on his

own amazing memory. Usually he has a selection of books chosen from his library, in which in the course of years he has collected all the classical poets and the best writers of modern fiction, particularly the Americans.

In Stockholm he lives in a bachelor flat in a Kreuger and Toll house of his own design and, in order to avoid his movements being reported, has his own flats in Berlin, New York and Paris, which are always kept ready for immediate occupation.

Newspaper reporters and photographers have a hard time with him. Publicity he avoids, from an innate shrinking or diffidence, and because he considers it good business. His plans for the commercial exploitation of the Swedish and Baltic forests remain a secret to-day, as does also the design of his new match making machine which is being built by Siefert and Fornander, and which can produce a hundred different kinds of matches, whereas the machines used by his opponents can only produce ten. In America he is called the mystery man of Europe. After he had most unexpectedly formed the Swedish Cellulose Company for dealing in cellulose and timber, so obtaining control of more than a third of Sweden's entire output, he was credited with trying to get a world monopoly of iron ore by using the Graengesberg Company as a starting-point, and it was also confidently asserted that he was about to take over ball-bearings and telephone materials, the other two chief manufactures of Sweden.

Secretiveness and mystery-mongering colour the whole of Kreuger's proceedings. The plan on which his great concern is built up is transparent enough, but the individual accounts, the allotments of shares and the big transactions are never easy to elucidate. Whole blocks of securities are transferred from one

Trust to another for purposes of taxation or credit, in a manner that is quite incomprehensible to the uninitiated. In 1929 the real estate held in Germany by the Investment Corporation, to the value of twelve million eight hundred thousand dollars, was transferred bodily to the Swedish Kreuger and Toll Company. But it was the Dutch Financiële Maatschappij that provided the hundred and twenty-five million dollars for the match loan to Germany. Certain concerns are made to disappear completely, only to re-appear shortly in a different guise. Wilhelm Grotkopp, who wrote a history of the Trust, says: "When the International Match Corporation was formed, it was obviously intended to make the whole constitution quite unintelligible to the outside public." In the same way, the critics of its finances, particularly in the Swiss Press, complain that new issues of capital and all other transactions, are so involved as to make any proper grasp of the Trust's position impossible. Is such procedure beneficial to the firm's credit in the long run?

The firm has had need of almost unlimited credit since it entered on the last phase of its development and began to grant loans to different countries in return for a monopoly in matches, their manufacture and sale, import and export. In the period of inflation, factories were bought up in a most secretive manner, and opposing firms were reduced to a state of impotence. The period of deflation, with its consequent rise in the value of the investments, required different treatment. Kreuger met these changing conditions with amazing skill.

Deflation had the effect of restricting all State enterprise and consequently most countries were seeking further credits. These Kreuger gave them in exchange for match monopolies. In this, the latest

rôle adopted by Capitalism, Kreuger has produced an idea, which is epoch making, which is entirely his own and which yet, unknown probably to him, has its counterpart in some of the earlier recorded financial transactions. Just as Ivar Kreuger to-day advances money to some American or European State in order to secure the exclusive right to sell or manufacture there, so four hundred years ago the Fuggers and the Welsers made loans to the Kings of Hungary or the Austrian or Spanish Habsburgs in exchange for the right to work the mines in Neusohl, Idria or Almeden and the chance to establish a world monopoly in copper or quicksilver.

Kreuger began with the small weak States, such as Ecuador, Esthonia and Greece; it was a matter then of three million dollars, seven million crowns, a million pounds. The market was ripe for this latest development. Kreuger and Toll was able to provide the loans promised by the Swedish Match Company or the International Match Corporation, without enlisting the help of the financial magnates by the issue of new shares in the Swedish American Investment Corporation and, later on, in the Financieële Maatschappij, and by appealing direct to the public in England and America, Germany and Switzerland, France and Holland through its own banks or its London agents.

The first attempts were followed by more ambitious transactions, notably the £15,000,000 loan to France, which was not a complete success from the commercial point of view. Nevertheless, the repayment of the loan in June, 1930, produced a profit of £1,500,000 for Kreuger and Toll, owing to the difference in the rate of exchange at the date of issue and the date of repayment.

In the years 1927 to 1929 Ivar Kreuger worked his

way into the financial and commercial life of France, Jugó Slavia, Poland, Roumania, Hungary and Latvia almost in the capacity of a State banker. The loans accorded to these six countries reach the enormous total of 699,640,000 crowns. In 1930 he concluded the biggest single transaction of his career when he made a loan of £25,000,000 to Germany in return for a partial selling monopoly.

Do these enormous credit transactions—which are incidentally the biggest of our time, and quite unique in form—only fulfil their avowed object, or do they emanate from the brain of a dreamer who is not interested in the mere making of money? Up till now, at any rate, Krøuger has not maintained, as Henry Ford does, that he is as much interested in the creation of opportunities for employment as in the products and profits of industry. Nor does he indulge in politics, as the Fuggers, the Rothschilds and Hugo Stinnes have done. He works for the sheer joy of achievement.

When the Russians entered into unfair competition with him at the time of the German loan, and again when the Swedish Timber Company was formed, he inveighed bitterly against them on material grounds and not from any political bias, but there is little doubt that the views he then expressed greatly enhanced his chances of raising money in the United States.

His capital requirements are always increasing. In 1929 he made new issues amounting to six hundred million crowns, in order to finance the Roumanian and Latvian loans, and to form the Swedish Cellulose Company. These were absorbed by the market. Krøuger, like Henry Ford, will have nothing to do with financial middle-men, but makes his appeal to the smallest and most unknown investor in Sweden,

America, England and Germany, through the agency of his own firms there. One wonders whether this rather high-handed method may not fail at a time when money is tight and he needs fresh funds for some new loan. One wonders still more when it is realised that in 1929 the Swedish Match, International Match and Kreuger and Toll Companies only earned an average of three and a half per cent. In 1928, in order to pay even this dividend, eighty-nine million crowns had to be transferred from reserve. The Wall Street collapse in the autumn of 1929 had serious consequences for all the Kreuger shares on the American and European exchanges, and many hundred million crowns had to be written off their book value. Shares and debentures were thrown back at Sweden in large parcels, but Stockholm was able to absorb them, by reason of the depreciated exchanges. The storm clouds had gathered, but they passed over again. There was no sign of panic, and the optimism which was the watchword of the Kreuger concerns seemed to be justified when they could point to the fact that during the first nine months of 1929, the price of all their shares and debentures was sixty-seven per cent of the nominal value, and that this figure had risen to seventy-two per cent by the end of the year.

The Kreuger plan was working. Its creator was breaking down the tariff, protectionist, post-war ideas of the different Governments. He was not only a partner with the State but a provider of funds with the aid of which new industries were started.

This provision of funds was all the more significant because after the Financiële Maatschappij had largely superseded the American Investment Corporation, Kreuger was able to operate without the assistance of the American capitalists, and so eased

the world's burden of indebtedness to that country.

He had reached another rung on the ladder of success. Many of the countries to which his loans meant financial salvation, would never have been able to get credit through the usual international sources—they were rescued by private enterprise. Such assistance, however, can only be given without risk when a country has gone through a prolonged period of political education, and no longer thinks, as in the days of Fugger, that its new rulers can come in *cum beneficio inventarii* and at the same time write off their outstanding liabilities.

Ivar Kreuger does not merely present the picture of a man grown rich in a few years (in 1928 he paid tax on a personal income of two million crowns), he represents a new type of commercial genius, a far more interesting thing. He and Henry Ford differ essentially from each other, but they are both sign-posts pointing the way to possible developments in the future.

They both give the lie to all the funeral orations held over high finance and over-capitalisation, such as we have heard from Schmalenbach and, with certain reservations, from Werner Sombart, because capital to them represents more than a mere money-grubbing commercialism.

The spirit that was evolved five hundred years ago, more as a result of fortuitous historical happenings than as a conscious creation of the Medici banking firm, can only attain its fullest development in a world of individual freedom and democratic equality. It is that spirit which makes men lords of the earth and will ensure for the poorest of them "the material and spiritual benefits of human dignity."

