

CHAPTER X

THE DEUTSCHE BANK AND FINANCIAL IMPERIALISM

International banking and a marvellous machinery of credit was the second agency of German imperialism. Germany had developed banking as a means of conquest, political as well as economic. None of the other Powers approached her in the thoroughness of international banking agencies.

There are seven or eight great financial institutions in Germany that are far more than banks. They are primarily exploiting concerns. They are also political agencies. Their purpose is to advance the fatherland. They have branches all over the world, through which they secure concessions and underwrite foreign loans. They sell munitions. Through interlocking directorates these banks control hundreds of corporations in other countries. They operate in Turkey, Asia, Africa, South America, and Mexico. They have connections in Rus-

sia, France, Italy, Switzerland, Norway, and Sweden. They are the chief agencies of German imperialism and economic penetration. Branch banks operating in other countries with headquarters in Berlin are the diplomatic agents of the government as well as of the big industrials and financiers. They know everything possible about the countries in which they operate. German eyes look out from bank windows in almost every country in the world.

The Deutsche Bank is the most powerful of all these exploiting institutions. It was the advance agent of the railway. It secured the concessions not only for the Bagdad Railway, but for harbors, docks, warehouses, oil, and resources of all kinds. It financed the building of the road. It placed the contracts with German iron and steel manufacturers. It enjoyed colossal profits. It negotiated sales of munitions. It was the representative of the trading classes. It reported to the Foreign Office on political conditions.

The Deutsche Bank is a semiofficial institution, closely integrated into the empire. It is organized much as is the army. It commands

the best thought of Germany. It is interlocked with agencies of science and intelligence as is the General Staff. It is also interlocked with the big iron, steel, munition, and other concerns. Its director, and one of the prime movers of the Bagdad Railway, was Doctor Helfferich, late imperial finance minister of Germany.

The Deutsche Bank undermined the economic life of Turkey. Doctor David Starr Jordan says of the Deutsche Bank that it is "a nation within a nation, which replaces the Sultan as master of the rest of his domain." He quotes from a Turkish writer who says: "This bank draws for itself the riches of the land, exhausting not the working class alone, but a whole nation which is dying from its operations."¹

The profits from the promotion and building of the Bagdad Railway were colossal. The bank and those associated with the bank in the underwriting, are said to have earned \$25,000,000 as commissions, and besides to have "saved" \$45,000,000 on the cost of construction. These sums were not "saved" to Turkey which guaranteed the loans. They were "saved" to the bankers and contractors.

¹ *World's Work*, July, 1913.

These are the estimates of British commentators. The German estimates of the "savings" are somewhat less, but the commissions alone are given as \$34,000,000 or \$9,000,000 more than the British estimate.

No such profits are to be made at home. That is why capital ventures out to undeveloped countries. And the profits to the promoters and underwriters was one of the reasons for German insistence on control of the railway and a free hand in the exploitation of Turkey. For the profits were estimated at as high as 40 per cent.

The Deutsche Bank and influences identified with the bank absorbed to themselves the richest opportunities in Turkey and Asia Minor. They secured contracts for development work. They aided German business men in every possible way.¹ Through control of credit they could encourage one native industry and destroy another. They could discriminate in favor of German firms and against the firms of other countries. They could put competing industry out of business.

¹For further discussion of methods employed by Germany in her economic penetration of other countries, see Chapters XI and XII.

This has been the German practice not only in Turkey, but in Italy, Greece, Roumania, and France as well. For the foreign bank is not interested in the welfare of the country in which it operates. It is interested in profits for the stockholders and the imperialistic designs of the fatherland.

The Bagdad Railway was closely interlocked with the Deutsche Bank through common directors. It was really controlled by the bank. It was one of its many offspring. And as a result of this merger, together with the concessions for other undertakings, the economic life of Turkey was rapidly passing under German control. There was little chance for development by the Turkish people. Official posts and important positions were given to Germans. The natives were not permitted to rise. For that would endanger foreign control. The dominant nation is then able to point to the country and say: "See, the natives are not fit for self-government." This is what the imperialistic Powers are all saying about their dependencies.

Yet the control of all avenues of advancement by an outside Power makes it impossible

for a people ever to become fit for self-government. They remain hewers of wood and drawers of water, especially when it is to the interest of their masters to prevent any progress on the part of the native races. After forty years of Diaz and the control of Mexico by foreign concessionaires the population of that country was in poverty and ignorance. The Mexicans were peons. They owned less than one-fifth as much property, according to United States Consul Marion Letcher, as that claimed by Americans alone. Financial exploitation had not benefited the Mexican people, however greatly the country's exports have grown. It has enriched American, British, German, and French mine-owners, railway-promoters, oil companies, and plantation-owners. But it left 15,000,000 people in abject poverty and dense ignorance. The beneficence of foreign assistance to weak nations is largely a fiction of the exploiting classes.

Financial or economic imperialism is much the same the world over. There is no humanitarianism in its methods, whatever its professions may be. Far from foreign penetration being a blessing to a weak country, it means

the loss of political liberty, the confiscation of lands and mines, often ruthless taxes, extortion of all kinds, and actual servitude, or the equivalent of it, to the natives.¹

¹ For exhaustive studies of the effect of imperialism and foreign capital in weak states see the following authorities: *Egypt's Ruin*, by Theodore Rothstein; "Capitalism and Imperialism in South Africa," *Contemporary Review*, 1900, by John A. Hobson; *The War in South Africa*, by the same author; *Blood and Gold in South Africa*, by G. H. Ferris; *The Crime of the Congo*, by Conan Doyle; *Great Portuguese Nyassaland*, by W. B. Worsfeld; a series of articles by Ray Stannard Baker on Hawaii in the *American Magazine*, 1911 and 1912; *Ten Years of Secret Diplomacy*, by E. D. Morrel; and other treatises on India, South Africa, and Mexico.