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Introduction by Talbot Imlay

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Introduction by Talbot Imlay, Université Laval

Few people would deny the importance of banks and bankers to international politics today. But as Jennifer Siegel shows in her new book on Russian external finance before and during the First World War, the significance of these actors is not a recent development. Based on prodigious multi-national and multi-linguistic research, *For Peace and Money* brings together two historiographies that are often separated: one on international politics dealing with such topics as alliances, arms races, and threat perceptions, etc.; and the other on international finance that focuses on financial flows, the profit calculations of bankers, and the development of transnational cooperation between leading banks. In merging these two historiographies, Siegel shows that negotiations over loans were not simply a side-show to the course of great power politics but were intricately linked to them. More concretely, she advances an intriguing thesis: that Tsarist Russia's increasing indebtedness to French and British banks provided St. Petersburg with considerable leverage in negotiations with Paris and London, as the repercussions of any default would have spread widely and deeply, especially within French society. Having repeatedly approved loans to Russia, the British and especially the French governments found themselves not only committed to but also dependent on the continued health of Russia and of the Tsarist regime.

We are fortunate to have reviews from three leading experts on the period covered by Siegel's book. Martin Horn is the author of a valuable study of Anglo-French finance during the First World War.¹ William Mulligan has written several notable books, including one on the origins of the First World War and, most recently, one on the efforts to construct a peaceful international order during the first three decades of the twentieth century.² The final reviewer, Jack Levy is not only a prominent international relations scholar, but also something that is arguably rarer: a scholar extremely well versed in both IR and history scholarship and who combines the two in his work.³

All three reviewers offer high praise for Siegel's book. Horn remarks that it represents a major advance on the existing historiography and especially Herbert Feis's landmark study, a judgement echoed by Mulligan who notes that it "breaks new ground".⁴ Mulligan in particular notes that *For Peace and Money* goes beyond René Girault's massive thesis on Franco-Russian finance before 1914, which is no small achievement.⁵ Levy fully concurs, describing the book as a "significant new contribution to our understanding of the interrelationship between finance and diplomacy" before 1914. As is expected with an ambitious study, the reviewers also

¹ Martin Horn, *Britain, France and the Financing of the First World War* (Montreal: McGill-Queen's University Press, 2002).

² William Mulligan, *The Origins of the First World War* (Cambridge: Cambridge University Press, 2010); and *The Great War for Peace* (New Haven: Yale University Press, 2014).

³ Jack S. Levy and William R. Thompson, *The Arc of War: Origins, Escalation, and Transformation* (Chicago: University of Chicago Press, 2011); and Jack S. Levy, *War in the Modern Great Power System, 1495-1975* (Lexington: University of Kentucky Press, 1983).

⁴ Herbert Feis, *Europe, the World's Banker, 1870-1914* (New York: Norton, 1965).

⁵ René Girault, *Emprunts russes et investissements français en Russie, 1887-1914* (Paris: A. Colin, 1973).

point to aspects of the subject about which more could be said. Horn thus wishes that Siegel had broadened her discussion to include other types of loans (municipal, railways, etc.) and the years beyond 1909, which saw the last pre-war sovereign loan. Levy also regrets that Siegel did not discuss more fully the post-1909 period, which might have allowed her to make a more direct contribution to ongoing debates about the origins of the First World War. Mulligan, for his part, suggests that Siegel perhaps overstates Russia's strong bargaining position vis-à-vis the French (and British), noting that Russian officials feared the vulnerability that growing indebtedness might bring – and hence their efforts to diversify their sources of finance.

All three reviewers, however, agree that a key issue that emerges from the book concerns the relationship between international politics and finance as well as between national interests and private gain. Interestingly, they disagree on the conclusions to be drawn from Siegel's case study. For Horn, it is clear that money was the "handmaiden of foreign policy, rather than its governess;" while for Mulligan it is more a matter of interdependence. But perhaps it is Levy who comes closest to the truth when he says that scholars have paid insufficient attention to the issue and that more work is needed. If so, we can all be grateful to Jennifer Siegel for pointing us in the right direction with what is a model study.

Participants:

Jennifer Siegel is a Professor of History at The Ohio State University. She received her B.A. and her Ph.D. from Yale University and specializes in modern European diplomatic and military history. She is the author of *Endgame: Britain, Russia and the Final Struggle for Central Asia* (I.B. Tauris, 2002), which won the 2003 AAASS Barbara Jelavich Prize, and *For Peace and Money: French and British Finance in the Service of Tsars and Commissars* (Oxford University Press: 2014). She has published articles on business history and intelligence history, and co-edited *Intelligence and Statecraft: The Use and Limits of Intelligence in International Society* (Praeger, 2005). Before joining the faculty at Ohio State, Dr. Siegel taught at the University of Pennsylvania, Boston University, Yale, and Bennington College. She is currently working on a history of the diplomacy of the First World War.

Talbot Imlay received a Ph.D. in history from Yale University and teaches in the Département des sciences historiques at the Université Laval in Québec, Canada. He is completing a book for Oxford University Press entitled *The Practice of Socialist Internationalism: European Socialists and International Politics, 1914 to 1960*.

Martin Horn is an associate professor of history at McMaster University in Hamilton, Ontario, Canada. He is the author of *Britain, France and the Financing of the First World War* (2002) and with Talbot Imlay of *The Politics of Industrial Collaboration during World War II* (2014). Presently he is working on a study of J.P. Morgan & Co. during the 1930s.

Jack S. Levy is Board of Governors' Professor of Political Science at Rutgers University, and an Affiliate of the Saltzman Institute of War and Peace Studies at Columbia University. He is past-president of the International Studies Association and of the Peace Science Society. Levy's primary research interests focus on the causes of interstate war, foreign policy decision-making, and qualitative methodology. He is author of *War in the Modern Great Power System, 1495-1975* (1983); co-author (with William R. Thompson) of *Causes of War* (2010) and of *The Arc of War: Origins, Escalation, and Transformation* (2011); and co-editor of *Explaining War and Peace: Case Studies and Necessary Condition Counterfactuals* (with Gary Goertz, 2007), *The Oxford Handbook of Political Psychology*, 2nd ed. (with Leonie Huddy and David O. Sears, 2013), and *The Outbreak of the First World War: Structure, Politics, and Decision-Making* (with John A. Vasquez, 2014).

Dr. **William Mulligan** teaches modern international history at University College Dublin. His research focuses on the history of international politics in the late nineteenth and early twentieth centuries. After completing his PhD at the University of Cambridge he taught at UCD and the University of Glasgow. Dr Mulligan was a Member at the Institute of Advanced Study in Princeton in 2012, and in 2014, a EURIAS Fellow at the Wissenschaftskolleg zu Berlin. He has written *The Creation of the Modern German Army* (Berghahn, 2005) and *The Origins of the First World War* (Cambridge, 2010) and *The Great War for Peace* (Yale, 2014).

Review by Martin Horn, McMaster University

Eighty-five years ago Herbert Feis published *Europe: The World's Banker, 1870-1914*. Trained as an economist, Feis was in the employ of the Council of Foreign Relations when the book appeared in 1930. Feis documented the scope and direction of capital flows while simultaneously advancing an analysis of the relationship between these flows and the making of foreign policy. Assessing one of the most singular features of international finance before 1914, the Franco-Russian link, Feis was insistent both upon the interdependency of the two nations and upon Russian dominance: "Debtor and creditor were firmly bound to each other, but debtor, in this case, was the more exigent and the more aggressive in political plans."¹

As Jennifer Siegel acknowledges in *For Peace and Money*, this argument retains its appeal (10). As she comments, "Russia itself gained clout and external influence as its foreign indebtedness grew" (214). Siegel, however, is not Feis. While Siegel follows Feis historiographically, and is interested in the same sweeping theme – the intersection of international finance and international politics – *For Peace and Money* takes our understanding of Russian borrowing well beyond that of Feis. Feis worked with a limited set of sources; much of the archival foundation that supports Siegel was unavailable to him. Siegel has mined the archives exhaustively, bringing to light material drawn from public and private repositories in multiple languages. This accomplishment, while admirable, is not really what stamps Siegel's book as distinct. Its subtitle: *French and British Finance in the Service of Tsars and Commissars* makes this plain. Siegel is insistent that understanding Russian borrowing requires appreciating its triangular nature. If Paris and St. Petersburg originated the money connection, London played a part in its development. Siegel stresses that it was hopes and desires borne of financial calculation and diplomatic necessity that impelled Paris and London to sanction lending to Russia. Private and public motivations commingled. The anxiety of a Crédit Lyonnais or a Barings to force their way into the Russian market served the Quai d'Orsay and Foreign Office well. For their part, successive Russian ministers understood the power that impecuniousness bestowed. Sharply, notions of Russian dependency are dismissed. This argument does more than simply correct our understanding of the loan arrangements reached before 1914 – for Siegel shows that money not only helped to fashion the Franco-Russian alliance, it was integral to the making of the Triple Entente.

1914 did not sever these ties, for the necessity of aiding the Russian war effort mandated lending even if some in Paris and London balked at the scope of Russian financial requests. Finance ministers in France and Britain as well as the governors of the Bank of France and Bank of England might blanch at St. Petersburg's demands, however they had little choice but to comply. As Siegel demonstrates, the best that could be done with the war in the balance was to try to obtain Russian gold in return for credits, a policy that led to recriminations among the allies. The collapse of the Tsarist regime and its eventual replacement by the Bolshevik dictatorship mattered not a whit. Paris, trapped by the scale of its lending to Russia, held captive by the domestic political power of those whose savings had made possible successive loans, found it impossible to write the loans off when more than 1.6 million claimants expected redress for their lost investments.² London, with less loaned and with the loans concentrated among City firms rather than individuals, had a simpler hand to play after 1918. Siegel shows how adroitly the new Russian rulers played off these differences,

¹ Herbert Feis, *Europe the World's Banker: 1870-1914* (1930, reprint, New York: W.W. Norton, 1965), 223.

² Feis, *Europe the World's Banker*, 218.

contributing to the discord that plagued Franco-British relations to the Genoa Conference in 1922. Her message is that even with Bolshevik repudiation of Tsarist borrowing, money continued to bestow power and influence on Moscow.

Much in this attractive argument is worthy of extended comment but here three issues will be highlighted. The first is the transformation in the institutions that dominated international lending; the second is the shift that Siegel detects from French to British capital in Russian borrowing from 1905 to 1914; and the third is the relationship between finance and the making of foreign policy.

By 1914 sovereign borrowing on the international markets was in transition. From the days of the Fuggers, European states had drawn credits from private bankers. For much of the nineteenth century, Rothschilds and Barings banks led or sought to lead sovereign lending. What Siegel's account illustrates is how international finance was being reshaped. After 1900, Rothschilds declined to participate in Russian loans. This choice was driven in part by their revulsion at the anti-Semitic character of the Tsarist regime, but they were also facing greater competition from Paribas and Crédit Lyonnais. Was it politic for Rothschilds to marry the former with the reality of the latter and to recuse itself from Russian financing to seek more profitable fields? Probably. As for Barings, despite the energy and assiduity of Lord Revelstoke that had allowed the firm to recover from the near-death experience of the Argentinian crash of 1890, its pre-eminence within the City had passed. Neither firm was as it had been at its nineteenth century apogee, an unofficial Great Power. The two were axiomatic of what was transpiring in international finance. The greater reach of joint-stock banks such as Crédit Lyonnais or Société Générale, with their deeper pockets, crowded out the private Parisian *haute banque*. Though matters were not so clear-cut in the City of London, where merchant banks and joint-stock banks jockeyed for superiority, the unchallenged dominance of the former had ended. The trend was clear: despite the fleeting supremacy of the American bank J.P. Morgan & Co. in the 1920s, the day of the private banker as the fount of credit for the ambitions of states had passed. Siegel's account of Rothschilds, Barings, and Russia drives the point home.

Blended with this incremental change was another: a growing desire by the Tsarist regime to widen the sources of its borrowing beyond France, which fostered an openness to British capital. As Siegel notes, the move from Russian reliance upon French capital to soliciting British capital was a complex phenomenon. Sovereign Russian loan borrowing, which had been dominated by France, was capped by the 1906 state loan that had seen British capital make inroads. Subsequent Russian borrowing down to 1914 was by railway companies, municipalities, and others (114). The famous 1913 loans, raised on the Parisian *bourse* with strategic imperatives at their heart, were not direct state obligations, though the Tsarist government did its bit by guaranteeing the loans. Certainly Siegel shows that British finance sought to bolster its position vis-à-vis Russia. But while this occurred, its limits need to be appreciated. British lending to Russia in 1900 was, to use her phrase, "relatively miniscule" (5). The efforts of Barings, London City, and Midland Bank and others before 1914 to gain a greater share of this business were successful, but only partially so. As Siegel notes, following Feis, in 1914 80% of Russian debt abroad was held in France compared to 14% in Britain (2). Samir Saul has observed that between 1912 and 1914 Paribas alone led five major railway loan syndicates on

the Paris market totalling 510 million francs.³ To the coming of war, France remained the dominant foreign lender to Russia, regardless of the hopes of British interlopers.

What implications did these developments have for the making of foreign policy? If Russia and France could set aside the antipathy implied between a Republican France and an Imperial Russia, it was to some degree due to their shared imperial reality and a mutual sense of vulnerability. France's empire in no way threatened Russia's - Britain's empire, however, was quite different. London had grinding imperial tensions with St. Petersburg and with Paris. Were these ameliorated by money? Siegel's account dismisses *Marxist* explanations in explaining the Triple Entente. Her bankers did not call the tune to which Russia danced. They were neither "money doctors" nor "financial missionaries" as the historiography elsewhere has described the activities of contemporary bankers.⁴

In weighing money and the making of foreign policy, the book is strongest on the years between 1890 and 1907, with its analysis of the Anglo-Russian Convention of 1907 especially notable, weaving together the wishes of the Foreign Office with the ambitions of the City. Across the Channel, the Quai d'Orsay exercised a *de facto* veto over foreign loans, regardless of their provenance, that were mooted on the Parisian market, and in this sense bankers had little control on the making of French foreign policy. Nor does it seem, as Siegel observes, that St. Petersburg favoured private bankers. What Tsarist ministers cared about was the provision of ample capital at rates deemed acceptable. But after her discussion of the Anglo-Russian Convention of 1907, little is said about the role of finance in the principal crises that the Triple Entente weathered: Bosnia-Herzegovina (1908), Second Morocco (1911), the Balkan Wars (1912-1913) and the July Crisis itself. This is a pity, for the reader would have appreciated more from Siegel on the Triple Entente in being, to complement her fine assessment of the Triple Entente in the making. Given the recent remark by Samuel Williamson Jr. and Ernest May lamenting the lack of studies on the "countinghouse" and the origins of the First World War, this is a missed opportunity.⁵ After July 1914, war drove foreign policy from the centre-stage of international politics. Not surprisingly, Siegel does not return to the finance and foreign-policy theme until after 1918.

Paradoxically, what emerges is less a sense of interdependence and more an appreciation of the limits of money in shaping the foreign policy of St. Petersburg, or Paris, or London. Money was the handmaid of foreign policy, rather than its governess. This was so despite, or perhaps because of, the tightening of cords between the worlds of the *hommes des affaires* and the state. As the state embraced bourses and central banks, it is tempting to conclude that other considerations, from *raison d'état* to ideology, mattered more than capital. Siegel's accomplished book invites us to think anew about this relationship, an achievement that Herbert Feis would have applauded.

³ Samir Saul, "Banking Alliances and International Loans on the Paris Capital Market, 1890-1914," in Youssef Cassis and Éric Bussière eds., *London and Paris as International Financial Centres in the Twentieth Century*, (Oxford: Oxford University Press, 2005), 136.

⁴ Marc Flandreau, ed., *Money Doctors: The Experience of International Financial Advising, 1850-2000*, (London: Routledge, 2003); Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930*, (Durham: Duke University Press, 2003).

⁵ Samuel Williamson Jr. and Ernest R. May, "An Identity of Opinion: Historians and July 1914," *Journal of Modern History* 79:2 (June 2007), 341.

Review by Jack S. Levy, Rutgers University

After a century of research on every conceivable topic relating to the First World War, and after an enormous number of new books and articles on the occasion of its centenary, we have accumulated a great deal of knowledge about many aspects of the war.¹ Our understanding of the role of finance, debt, and financial diplomacy is more limited. Into this void steps Jennifer Siegel and her wonderful new book *For Peace and Money*. Siegel, author of an earlier, award-winning book on the last stages of the Anglo-Russian rivalry,² draws on evidence from her extensive explorations of public and private archives in the West and in Russia and weaves it into a highly readable and persuasive narrative. Siegel makes significant new contributions to our understanding of the interrelationship between finance and diplomacy in the processes leading to the outbreak of the Great War and to the Russian Revolution, in the conduct of the war by the Western allies, in their negotiations over the termination of the war, and in the economic and social recovery from the war in Europe.

For Peace and Money also adds immensely to our understanding of the political economy of the first era of globalization, and of the complex relationships between states, their domestic societies, and other states. In part for this reason, *For Peace and Money* will be of great interest to international-relations scholars as well as to financial and diplomatic historians. The subfield of the political economy of peace, war, and security is currently one of the most vibrant areas of research in the field of International Relations. Siegel touches on a number of themes that are central to that research community, beginning with her argument about the reciprocal and inseparable connection between wealth and power. This is clear in her assessment of the long-standing debate over “the primacy of politics and security versus the primacy of economics and finance” (4) in the emergence and continuation of the Franco-Russian alliance.³ Siegel makes a strong argument that both governmental security concerns and the profit-seeking behavior of private groups and individuals played an important role in the making and maintaining of the alliance, and that it is difficult to unconditionally privilege one over the other.

Another case in which Siegel emphasizes the role of both national security interests and private economic interests is Russian expansionist behavior leading to the Russo-Japanese War of 1904-1905. In her brief discussion of this case, Siegel emphasizes Russian strategic concerns about Japanese influence in Korea, which might have given Japan the ability to threaten the Russian fleet and its positions at Vladivostok and Port Arthur. Siegel also argues that a prominent Russian investment group, the East Asian Development Company (also known as the “Bezobrazov clique”) had acquired valuable timber concessions on the Yalu River

¹ For reviews of some recent work on the outbreak of the war, see Talbot C. Imlay, “The Origins of the First World War,” *The Historical Journal* 49:4 (December 2006), 1253-1271; Samuel R. Williamson Jr. and Ernest R. May, “An Identity of Opinion: Historians and July 1914,” *Journal of Modern History* 79:2 (June 2007), 335-387; William Mulligan, “The Trial Continues: New Directions in the Study of the Origins of the First World War,” *English Historical Review* 129:538 (June 2014), 639-666; and John A. Vasquez, “The First World War and International Relations Theory: A Review of Books on the 100th Anniversary,” *International Studies Review* 16:4 (December 2014), 624-627.

² Jennifer Siegel, *Endgame: Britain, Russia and the Final Struggle for Central Asia* (London: I.B. Tauris, 2002).

³ For a similar argument for an earlier, mercantilist period, see Jacob Viner, “Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries,” *World Politics* 1:1 (October 1948): 1-29.

bordering Manchuria and Korea, and had put pressure on the Tsar for economic expansion into northern Korea (52).

Siegel's emphasis on the complex interrelationships between national security and profit motivations fits the case of Russia and Japan even better than her brief discussion suggests. While some argue that pressure for political and military expansion to serve private economic interests was the primary cause of the war,⁴ others argue that the causal arrow was basically reversed: the Russian government had actually encouraged and subsidized the timber concessions in order to serve its pre-existing interests in strategic expansion into Korea, and to provide an easy way to manufacture an incident that might rationalize the deliberate escalation of a crisis should that be advantageous. Eugene Staley, for example, argues that the purposes of Russian expansionist activity across the Yalu "were not the promotion and protection of private investments made in the pursuit of commercial gain, but that the famous timber enterprises themselves were simply screens for political and military ambitions."⁵ This more complex relationship between the Russian government and domestic interests parallels some aspects of the relationship between French government and financial interests a decade later.

International-relations scholars have given inadequate attention to the potentially reciprocal relationships between state security interests and private economic interests in the formulation of foreign economic and security policy. The Russo-Japanese War is one of many historical cases in which these relationships need further scholarly attention. This is not to say, however, that these factors were the primary causes of the Russo-Japanese War. Russia's expansion into Manchuria and Korea took place in the context of Russia's rising power. The growing strength of Russia, to be extended further by the impending completion of the Trans-Siberian railroad, was perceived as a major threat by Japanese leaders. They responded by adopting a strategy of preventive war once it became clear that Russian leaders were not willing to negotiate seriously to achieve a negotiated settlement. Russian intransigence was the product of culturally and racially driven misperceptions of the dyadic balance of military power.⁶

There is another interesting aspect to the run-up to the Russo-Japanese War that Sigel highlights.

The sharply increasing fears of a Russo-Japanese war in 1903 had little impact on the Bourse in Paris or on French bankers. Despite the economic interdependence that characterized the first era of globalization, those bankers did not believe that foreign developments would have much of an impact on the French economy (52). Siegel notes that this behavior runs contrary to the argument of Jonathan Kirshner and other political

⁴ Henry Noel Brailsford, *The War of Steel and Gold* (New York: Macmillan, 1915).

⁵ Eugene Staley, *War and the Private Investor: A Study in the Relations of International Politics and International Private Investment* (New York: Howard Fertig, [1935] 1967), 56-62.

⁶ See Philip Streich and Jack S. Levy, "Information, Commitment, and the Russo-Japanese War of 1904-1905," *Foreign Policy Analysis*, "Early View," 12 May 2014, DOI: 10.1111/fpa.12058, <http://dx.doi.org/10.1111/fpa.12058>. For a more general interpretation of the war see Ian Nish, *The Origins of the Russo-Japanese War* (New York: Longman, 1985).

scientists that bankers are highly averse to war and to policies that they believe increase the probability of war (232, fn 8).⁷

For Peace and Money also makes a distinctive contribution to the literature on the outbreak of the First World War, in a way that goes beyond some of the specific evidence and lines of argument in the book. Few would question the argument that the formation of the Franco-Russian alliance of 1894 and the subsequent formation and tightening of the Triple Entente beginning in 1907 played a central role in the path to war in 1914. Similarly, few would question the argument that the transformation of Russia into a modern industrial and military power, and particularly the recovery of Russian power after the humiliating defeat at the hands of Japan in 1904-1905, played a critical role in the origins of the Great War. The world of 1914 would have looked very different in the absence of either of these structural changes, and it is hard to imagine a continental war in their absence, certainly a war anything like the one that actually occurred.⁸ One of Siegel's important new contributions is to demonstrate the role of financial diplomacy in the causal chain leading to this pattern of alliances and to the growth of Russian power.

From the perspective of explaining how financial diplomacy contributed through these intervening variables to the processes leading to the First World War (which admittedly was not Siegel's primary aim in a book subtitled *French and British Finance in the Service of Tsars and Commissars*), Siegel neglects a critical link in the causal chain: the strategic consequences of the abovementioned factors, in terms of their impact on Germany. The combination of the Franco-Russian alliance and the growth of Russian power were the primary sources of German insecurity. They led German military and political decision-makers to respond with actions that triggered and then accelerated the conflict spiral.⁹

More specifically, what the growth of Russian power did was to gradually erode the conditions perceived to be necessary for the effective operation of the Schlieffen Plan. That plan, which was developed in response to the Franco-Russian alliance, required the defeat of French armies in the west in six weeks before the Russian "steamroller" could be fully mobilized in the east.¹⁰ A particularly serious threat emerged with the expansion of the Russian railroads, financed by French loans, into western Poland. This railroad network would further project Russia's power, reduce its mobilization times, and further erode the assumptions upon which the

⁷ Jonathan Kirschner, *Appeasing Bankers: Financial Caution on the Road to War* (Princeton: Princeton University Press, 2007). For broader debates about financial dimensions of the "capitalist peace," which is now the leading rival to a strictly political version of democratic peace theory as an explanation for the near-absence of war between democracies, see Erik Gartzke, "The Capitalist Peace," *American Journal of Political Science* 51:1 (January 2007), 166-191; and Patrick J. McDonald, *The Invisible Hand of Peace: Capitalism, The War Machine, and International Relations Theory* (Cambridge: Cambridge University Press, 2009).

⁸ On the difficulties involved in validating these kinds of historical counterfactuals, see Jack S. Levy, "Counterfactuals, Causal Inference, and Historical Analysis," *Security Studies* 24:3 (September 2015), 378-402.

⁹ Of course, German actions also contributed significantly to the formation and tightening of the Triple Entente, in a classic security dilemma.

¹⁰ Annika Mombauer, *Helmuth von Moltke and the Origins of the First World War* (Cambridge: Cambridge, 2001).

Schlieffen Plan was based.¹¹ As German Chancellor Theobald von Bethmann-Hollweg remarked, “After the completion of their strategic railroads in Poland our position [will be] untenable.”¹²

The diminishing viability of the Schlieffen Plan in the context of the Franco-Russian alliance and the growth of Russian power led German political and especially military leaders to adopt preventive, better-now-than-later logic. They perceived strong incentives to deal with the security threat before the continued growth of Russian power eliminated Germany’s military options.¹³ Thus financial diplomacy and French loans to Russia, which facilitated the growth of Russian power and the continuation of the Franco-Russian alliance, played an important role in the processes leading to the outbreak of the First World War.

Of course, states confronted with rising adversaries have other options besides a strategy of preventive war. Alternative strategies include the acquisition of allies and the offsetting of the adversary’s growing strength with their own military build-up. In 1914, however, there were no more major-power allies to be had. As for a military build-up, some analysts have argued, persuasively in my opinion, that German leaders believed that they could not win an arms race against Russia and concluded they had no option left besides preventive war against Russia. Niall Ferguson, for example, argues that “The decisive factor in 1914 which pushed the German Reich over the brink into war was the conviction of both military and civilian leaders that Germany could not win the arms race against its continental neighbours.”¹⁴ Similarly, Patrick McDonald concludes that “Germany launched a preventive war in July 1914 because it could not keep pace with an accelerating arms race that was rapidly shifting the balance of military power on the continent to its detriment.”¹⁵

¹¹ William C. Fuller, Jr., *Strategy and Power in Russia, 1600-1914*. (New York: Free Press, 1992), 423-433; David Stevenson, *Armaments and the Coming of War: Europe, 1904-1914* (Oxford: Oxford University Press, 1996), 159-163.

¹² Quoted in Konrad H. Jarausch, “The Illusion of Limited War: Chancellor Bethmann Hollweg’s Calculated Risk, July 1914,” *Central European History* 2:1 (March 1969), 57.

¹³ One does not have to fully accept the views of Fritz Fischer – that German leaders had decided on a preventive war against Russia at the December 1912 ‘War Council’ meeting and that Germany bears primary responsibility for the war – to believe that preventive logic played an important role in the calculations of some German leaders and consequently a significant role, along with other factors, in the outbreak of the war. See Fritz Fischer, *Germany’s Aims in the First World War* (New York: W.W. Norton, [1961] 1967). For a range of views on the causal importance of preventive war thinking in Germany in 1914, see the chapters by William Mulligan, Jack S. Levy, Dale C. Copeland, and John A. Vasquez in Levy and Vasquez (eds.), *The Outbreak of the First World War: Structure, Politics, and Decision-Making* (Cambridge: Cambridge University Press, 2014), part III. My own view is that the ultimate aim of most German leaders was not necessarily to fight a preventive war but instead to break up the Entente, by diplomacy, coercive threats, and/or a localized war in the Balkans if possible and through a continental war if necessary.

¹⁴ Niall Ferguson, “Public Finance and National Security: The Domestic Origins of the First World War Revisited,” *Past and Present* 142:1 (1994), 143.

¹⁵ McDonald, *The Invisible Hand of Peace*, 232. See also Patrick J. McDonald, “Complicating Commitment: Free Resources, Power Shifts, and the Fiscal Politics of Preventive War,” *International Studies Quarterly* 55:4 (December 2011), 1095-1120.

There were many factors contributing to the view in Berlin that Germany could not win an arms race against Russia.¹⁶ Demographic, economic, institutional, political, and social factors were all important. The central problem, however, was that Germany could not match Russia's ability to finance an arms build-up, for both domestic and diplomatic reasons. Ferguson concludes that "the domestically determined financial constraint on Germany's military capability was a – perhaps *the* – crucial factor in the calculations of the German General Staff in 1914."¹⁷ Germany could not win the arms race because, in Ferguson's words, it was "Unable to borrow as much as the Russian or French states, unable to raise as much in direct taxation as the British, and unable to reduce the large shares of the states and local government in total public revenue...."¹⁸ Central to this line of argument is the contrast with Russia's ability to borrow on international capital markets, something that Sigel documents in great detail.

German concerns about financial constraints on Germany's ability to match Russia in the arms race went back a number of years. In 1909 Kaiser Wilhelm II stated that Germany could not improve the readiness of the fleet because of the "inexorable constraints of the tightness of funds."¹⁹ When he argued for war at the December 1912 'War Council,' Helmuth von Moltke, Chief of the German General Staff, argued that "the army would get into an increasingly unfavourable position, for the enemies are arming more strongly than we, as our money is very tied up." An article in a September 1913 General Staff journal focused on "Russia's growing financial strength after 1906."²⁰ These concerns continued until the very end of the July crisis. Some suggest that German War Minister Falkenhayn's rejection of Moltke's request for additional troops in July 1914, largely on financial grounds, was the final straw for Moltke. He became convinced that the army would receive no further increases for some time, that Germany's position could only deteriorate while Russian and French armies continued to grow, and that Germany had run out of alternatives to war.²¹ For the Chief of the General Staff and for others, the logic of preventive war thinking in Germany incorporated an important financial component.

By describing in detail the processes through which Russia secured the foreign capital to finance the expansion of its railroads and its modernization of industry and of the military, Sigel has made a significant contribution to our understanding of one key causal path leading to the First World War. The importance of her argument and evidence, however, go beyond her masterful analysis of the interrelationships between France, Britain, Russia, and their respective societies, and of the financial underpinnings of the Franco-Russian alliance, the Triple Entente, and the growth of Russian power. The importance of these developments was magnified by their strategic consequences – the insecurity and fear of the future that they induced in Germany, the

¹⁶ This discussion builds on Jack S. Levy, "The Sources Preventive Logic in German Decision-Making in 1914," in Levy and Vasquez (eds.), *The Outbreak of the First World War: Structure, Politics, and Decision-Making* (Cambridge University Press, 2014), 139-166, especially 152-156.

¹⁷ Niall Ferguson, *The Pity of War* (New York: Basic Books, 1999), 140.

¹⁸ *Ibid.*, 164.

¹⁹ *Ibid.*, 83.

²⁰ Cited in Fischer, *War of Illusions*, 162, 371.

²¹ Mombauer, *von Moltke*, p. 181; Levy, "Sources of Preventive Logic in German Decision-Making," 154-155.

emergence of preventive logic among German civilian and especially military leaders, and their aggressive behavior. In this way, *For Peace and Money* makes an even greater contribution to the literature on the First World War than Siegel acknowledges.

Review by William Mulligan, University College Dublin

In late February 1906, Wilhelm von Schoen, German ambassador in St Petersburg, spoke to Sergei Witte, the Russian Premier, about the Moroccan question, then under discussion between European powers at the Algeiras conference. Witte agreed that German claims to equal treatment in Morocco were justified and that French conduct had been “incorrect,” but he also emphasised that Russia needed foreign loans. Budgetary concerns trumped other considerations. Schoen concluded that Russia was in a “Zwangslage” (predicament).¹ The money for the 1906 loan came in large part from French investors, enabling the French government to press Russia for support over the Moroccan question. Contemporaries and later historians have emphasised the importance of finance as a lever of French foreign policy. “The financial prosperity of France is, perhaps, the principal cause of its moral situation and its prestige in Europe,” the president of the Budget Commission, Edouard Lockroy, noted in 1895.² Russia was the destination for most French foreign investment. The Russian government needed loans to modernise its financial system and economy, but this dependency has also led historians to question to what extent Russian foreign policy was determined by Paris.

Jennifer Siegel’s study breaks new ground, examining the story of foreign loans from multiple perspectives. She excavates the competing, sometimes overlapping interests of politicians, bankers, journalists, generals, and small investors in Russia, France, and Britain. This is a truly international study, drawing on archival collections in four countries. By adopting this range of perspectives, she greatly advances on the important work of René Girault on French investment in Russia before 1914.³ By bringing in the role of British banks and politicians after 1906, she shows how financial considerations consolidated the Triple Entente, as security and financial interests became ‘intertwined.’ The study also goes beyond 1914, demonstrating the increasingly dominant role of British state finance in the Triple Entente during the First World War and the repercussions of Soviet Russia’s repudiation of the Tsarist Empire’s debts on international politics between the Russian Revolution in 1917 and the treaty of Rapallo in 1922.

Most significantly, Siegel argues that Russia’s dependency on French and British loans was a “source of international political strength” (10). By the eve of the war, the scale of the Tsarist regime’s borrowing meant that “Russia, without question the weakest member of the Triple Entente, arguably held the greatest power over its partners” (124). She concludes that Russia “gained clout and influence as its foreign indebtedness rose” (214). Russian economic weakness was a financial, political, and security problem for its entente partners, especially France. If Russia collapsed, investors would lose money. Given the importance of small investors in French society, any Russian bankruptcy had the potential to cause political and social upheaval in the Third Republic. More importantly, a bankrupt Russia would leave France facing Germany without the threat of the Russian steamroller on Germany’s eastern border.

This provocative argument offers a much-needed corrective to conventional views about the relationship between political and financial dependency. The power of the debtor over the creditor, however, remains open to interpretation. First, Russian leaders were wary of dependency on French banks and did not always

¹ Schoen to Auswärtiges Amt, 24 February 1906, PAAA, R10288.

² Pierre Guillen, *L’expansion, 1881–1898* (Paris, 1984), 53–60.

³ René Girault, *Emprunts russes et investissements français en Russie, 1887–1914* (Paris, 1973).

recognise the leverage they might have held. They sought to broaden their international borrowing to escape the risks of dependency. In 1905, Vladimir Kokovtsov, the Finance Minister, told J. P. Morgan, the leading New York financier of the time, that a broader range of foreign financial partners enabled the state to be “more stable and independent” and “less subordinate ... to casual conjectures by different money markets” (75). Throughout the early twentieth century, Witte and Kokovtsov sought to open up new financial markets for Russian borrowing. Although they were not oblivious to the mutual interests of creditor and debtor, they feared that financial dependency could entail political dependency.

Second, Russian military power was more important than its indebtedness as a lever over its French ally and British entente partner. The collapse of Russian financial credit in 1905, as *Russkie Vedomosti* noted, was due to “our military and naval failures, and more so by our internal troubles” (64). French loans before 1914 were linked to promises of Russian armaments programmes. French leaders were more concerned about potential gaps between the rival military strength of the Dual Alliance and Germany than they were by the risky concentration of French foreign investment in Russia.

It is also worth considering how financial power shaped relations between the great powers and small European states. In this context Russia’s lack of capital hampered its foreign policy in the Ottoman empire and the Balkans. In 1913 and 1914, the French and British governments refused to support Russian requests that Russia acquire representation on the Ottoman Debt Council on the grounds that Russian banks had not invested in the Ottoman empire. On the eve of the war, French banks refused to participate in a loan to Bulgaria, allowing German banks to secure the influence of the Kaiserreich and the Habsburg empire there.⁴ Of course, French banks lent considerable sums to Serbia before 1914, but this underwrote French and alliance security interests, rather than specific Russian political interests, in the region. The relationship between the foreign economic and financial relations of the Balkan states and Ottoman empire and their decisions to enter the war between 1914 and 1916 awaits further analysis. Economic considerations were subordinate to political and military calculations, but there is a pattern of entangled economic, political, and security interests.

In highlighting the ‘intertwined’ relationship between financial and political relations, Siegel compels us to rethink our understanding of power in international politics before 1914. While historians have never ignored the economic dimensions of power, they have often privileged the economy as a resource for military power, rather than as a field in which political and security, as well as financial, relationships could be negotiated. Siegel reminds us that financial power was not simply a resource, but also a lever. She shows that power was fungible across different fields, that financial power determined outcomes in diplomatic relations. Moreover, to understand the operation of power, historians need to look at both sides of the relationship. It is easy to assume that the projection of power by one particular decision, independent of the power exerted by another state. Siegel masters this challenge by examining Russian, French, and British perspectives and decisions.

Since the turn towards the ‘global’ and ‘transnational,’ historians have been aware of the layers of interdependency across European societies. Scholarly attention has shifted attention from the ‘container’ of national histories towards the entanglements between various bureaucracies, transnational networks, and interest groups. And yet, leaders made decisions in the name of the state, decisions which recast these

⁴ Sawiaski to Sazonov, 16 July 1914, *Internationale Beziehungen im Zeitalter des Imperialismus*, Series I, vol. 4 (Berlin, 1932), 239.

interdependencies. Given the persistent interest of international historians in the decisions for war and peace, in the “diplomatic twitch,” to use David Reynolds’ phrase, it is challenging to accommodate these moments within a new appreciation of the complexity of interdependence.⁵ Siegel’s account offers a model of how to integrate the moment of decision-making with this interdependent environment. Political leaders made decisions on loans, alliances, war and peace, fully aware of these financial, social, and political entanglements. These decisions could, of course, alter the character of interdependence, as happened with the decisions for war in July 1914 or the repudiation of debts by the Bolsheviks in 1917. Interdependence, Siegel argues persuasively, did not simply determine decisions; it was also the product of and contingent upon political decisions.

Siegel’s work greatly enriches our understanding of international relations before and during the First World War, marrying the virtues of diplomatic history with new perspectives on interdependence. In so doing, her work challenges other historians to refine our conception of power and interdependence in the era of the First World War.

⁵ David Reynolds, “International History, the Cultural Turn, and the Diplomatic Twitch,” *Cultural & Social History*, 3:1 (2006): 75-91.

Author's Response by Jennifer Siegel, The Ohio State University

It is with tremendous appreciation that I write to thank the editors of H-Diplo for commissioning the numerous reviews that comprise this roundtable on my book, *For Peace and Money*. Similarly, I am greatly obliged to Talbot Imlay for his willingness to introduce the roundtable. And my gratitude towards the three scholars, Martin Horn, Jack Levy, and William Mulligan, who took the care and time to so generously evaluate and engage with my work, is incalculable. As is so often the case when one reads thoughtful, theoretically sophisticated discussions of one's work, I wish I had solicited their feedback while I was in the weeds with the manuscript rather than *ex post facto*.

While I am appreciative of the praise that the reviewers offer the book, I am equally appreciative of their suggestions of areas where I did not ask or answer the questions that would, in their opinions, have strengthened the arguments I was trying to make or reinforced significant themes I was not sufficiently bold to suggest.

William Mulligan's discussion correctly stresses the 'Zwangslage' in which Russia found itself in 1906, while highlighting the manner in which minor alterations to the conditions that placed Russia in such a predicament flipped the balance between Russia and its entente partners by the onset of the Great War. However, Mulligan sees Russia's turn to expand its funding base from one focused primarily on France to one with a much more international foundation—with Britain and, ideally, the United States in the mix—as a sign that Russia did not recognize the potential influence that its debt provided. It is a minor but not irrelevant distinction, but I see the expansion beyond France as indicative of two different trends: 1) the 1905-1906 loan negotiations to which he refers came at a point before the power of Russia's debt became clear; and 2) the inclusion of Britain in the list of Russia's major creditors ultimately added Russia's eventual entente partner to the list of countries for whom Russia would be too big to fail, increasing its international influence in the process. Therefore, I see this move for internationalization by Russia's Chairman of the Council of Ministers Sergei Iulevich Witte and Minister of Finance Vladimir Nikolaevich Kokovtsov less as an unmitigated indication of acknowledged weakness than Mulligan suggests. Mulligan also raises an excellent point vis-à-vis the manner in which financial power could and could not impact the relationship between great powers and small states. In doing so, he underscores a key area that my book might have explored, but did not, i.e., the inclusion of nations not in the Great-Power ranks in the discussion of the financial and diplomatic balance of pre-War Europe. This provocative suggestion engenders research questions for future projects, which are much appreciated.

For Martin Horn, the distinctive elements of the pre-war financial balance were its tripartite composition and commingled public and private inputs. I am grateful for his emphasis on the contribution made by financial considerations to the making and unmaking of the Triple Entente. Furthermore, I particularly appreciate his attention to the transitional transference of power away from the *haute banques* and private bankers who had dominated financial markets and the funding of state ambitions up until the early years of the twentieth century. Where my book falls short for Horn is in its relatively paltry treatment of the various crises that Europe weathered in the decade before the war: the Bosnian Annexation Crisis, the Agadir Crisis, the Balkan Wars, and the July Crisis, which finally produced the major military conflict the previous crises had failed to produce and for which all of Europe had been waiting. Certainly he is correct that the short shrift given to these key crises is not ideal. However, while the Bosnian Crisis did have an impact on the 1908-1909 loan negotiations (and, to a lesser extent, vice versa), a topic on which I did touch, the last three crises did not coincide with Russian sovereign loan negotiations. Therefore, in those critical moments, lines between

international finance and foreign policy of the same nature as those that had existed, for example, during the First Morocco Crisis simply were not apparent in the archival record, at least as far as I was able to discern. I wish I had been able to provide the reader with more indisputable evidence pertaining to, as Horn terms it, “the Triple Entente in being.”

Despite the lack of detailed focus on the July Crisis, the book, according to Jack Levy, does contribute to our understanding of the processes that led to the outbreak of the First World. I am most appreciative of Levy’s argument that *For Peace and Money*’s potential to illuminate the strategic consequences of the Franco-Russo-British financial relationship allows it to make an even greater contribution to the copious literature on the First World War than I have acknowledged. That said, he, like his colleagues, points to a rather large topic only tangentially considered in this book; in Levy’s case, he makes a convincing argument that the book would have been improved by a direct consideration of the manner in which German political and military policy was affected by the financial relationships driving Franco-Russo-British cooperation. In his extended discussion, Levy brings Germany and German strategy to the fore, building on the themes of my book to explore ground I have not covered, enriching my work in the process.

In conclusion, I would like to thank, once again, all those who have made this roundtable possible.