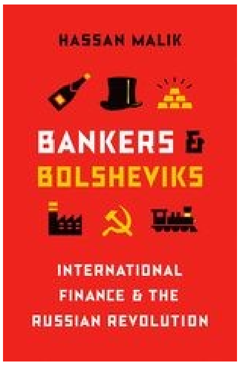

Bankers and Bolsheviks

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CHAPTER

2 The Loan That Saved Russia? Reassessing the 5 Percent Russian Government Loan of 1906

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Abstract

This chapter focuses on the 1905 Revolution, underscoring the price Russia paid for the strategic errors discussed in the previous chapter, and stressing the important financial-historical legacy of this period within the broader story of the revolution. It shows that, given the precarious state in which the Tsarist government found itself at the time and the massive size of the Russian Government Loan of 1906, some began to refer to the deal as "the loan that saved Russia." However, an examination of business and government documents from both the Russian and Western sides suggests that such an interpretation is overly generous. Based on materials in European banking archives as well as Russian sources, there is reason to question the idea that the 1906 loan played a stabilizing role, and to think of it instead as a deal that played a destabilizing role in Russia and even abroad in the long run. The loan did not just fail to resolve domestic political tensions, it in fact exacerbated them, exposed the regime to attacks from its enemies abroad, and likely contributed to the roots of the Panic of 1907—a seminal event in the financial history of the twentieth century.

Keywords: Russian Government Loan of 1906, 1906 loan, domestic tensions, political tensions, 1905 Revolution, strategic errors, Panic of 1907

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ON 15 FEBRUARY 1906, agents of the Okhrana, the Tsar's secret police, collected their charge from the *Nord Express* at the Saint Petersburg train station and rushed off to the safe house where they would be keeping him, careful to avoid attracting any attention. Their guest was neither a spy nor an unfortunate revolutionary-turned-prisoner but an investment banker traveling incognito under his valet's name at the invitation of the chairman of the Russian Council of Ministers—Count Sergei Witte. The party's destination was Tsarskoe Selo—a village on the outskirts of the Russian capital and the site of one of the Tsar's residences. Edouard Noetzlin, the head of the Banque de Paris et des Pays-Bas, colloquially known as Paribas, was on a secret mission to discuss a planned international loan for the Russian Empire.[1] He and his bank had been involved in more than eight months of delicate negotiations with Witte and his various representatives in both Paris and Saint Petersburg.

The secrecy surrounding Noetzlin's latest trip to Saint Petersburg was well warranted: the political climate in Russia was extremely tense following more than a year of popular unrest and violent repression in what would become known to historians as the Revolution of 1905. Elections were slated to be held in just a few weeks' time for the First State Duma—the first ever legislative assembly of its kind in Tsarist Russia—and the Russian capital was tense with anticipation. Relations between the Tsar's government and liberal constitutional as well as radical elements were particularly strained, as just two months earlier Moscow had been gripped by a strike that saw the revolutionaries nearly take the city.[2] In the repressive counterrevolutionary wave between late October 1905 and the opening of the First Duma on 10 May 1906, the Tsarist regime "executed an estimated 15,000 people, shot or wounded at least 20,000, and deported or exiled another 45,000."[3]

p. 56 It was against this backdrop of widespread political violence, and in the aftermath of a crushing Russian humiliation in the Russo-Japanese War, that Witte met with his French banker that February. The two men were the lead architects in what was becoming an increasingly sizeable financial undertaking involving some of the largest and most prominent financial institutions in no fewer than eight countries. In most cases, protocol would have dictated that even a senior banker such as Noetzlin see the finance minister, but Witte—himself the Tsarist finance minister from 1892 to 1903—was the chief initiator of a financial grand strategy that saw Russia aggressively tap international bond markets to fund an ambitious program of industrialization over the past decade and, therefore, he frequently dealt directly with bankers. Given the high stakes at play, Witte simply did not trust his novice finance minister Ivan Shipov, or his former finance minister and senior Tsarist bureaucrat Vladimir Kokovtsov, to handle such delicate negotiations.[4] Indeed, while Witte had invited Shipov to the interview, he had initially not even informed Kokovtsov—a frequent envoy to the French bankers—that Noetzlin was in Saint Petersburg.[5] While Noetzlin would stay in the capital for only five days, and leave before signing a final contract, within just two months the two men would be celebrating the success of what some called the largest international bond issue ever floated by any government in the world up to that point—the 2.25-billion-franc 5 Percent Russian Government Loan of 1906.[6]

Given the precarious state in which the Tsarist government found itself in early 1906 and the massive size of the issue, some began to refer to the deal as "the loan that saved Russia."[7] However, an examination of business and government documents from both the Russian and Western sides suggests that such an interpretation is overly generous. Based on materials in European banking archives as well as Russian sources, there is reason to question the idea that the 1906 loan played a stabilizing role, and to think of it instead as a deal that played a destabilizing role in Russia and even abroad in the long run. The loan did not just fail to resolve domestic political tensions, it in fact exacerbated them, exposed the regime to attacks from its enemies abroad, and likely contributed to the roots of the Panic of 1907—a seminal event in the financial history of the twentieth century.

The Background to and Historiography of the Loan That Saved Russia

Most histories of the Russian Revolution understandably focus on the events of 1917. However, they almost always make at least some reference to the Russo-Japanese War of 1904–5 and the Revolution of 1905 in Russia as p. 57 ↳ precursors to the overthrow of the Tsarist regime in the February Revolution of 1917 and the October Revolution of 1917 in which the Bolsheviks took power. Many participants in the events of 1905 would reappear in various roles in 1917. Lenin himself would refer to the 1905 Revolution as a “dress rehearsal” for the events of 1917.[8]

The Financial Impact of War and Domestic Unrest, 1904–5

When the Japanese Navy struck the Russian fleet at Port Arthur on 8 February 1904 in the infamous surprise attack that launched the Russo-Japanese War, it took up arms against a country that was not only militarily unprepared for war, but also suffering a prolonged economic slump. Due in no small part to a challenging global environment, Russia had witnessed a financial downturn and real economic slowdown from 1901 to 1903.[9] According to Gregory’s estimates, overall net national product (NNP) fell by 5.6 percent in 1903, the last full year before the war.[10] By late 1903 and early 1904, some observers were finding grounds for optimism, and security prices were showing some recovery; but even those inclined to a positive view kept a wary eye on the increasing tensions in the Far East.[11]

The outbreak of war was a major setback for the nascent and fragile recovery. The need to direct resources and troops to the Asian front tested the limits of the Trans-Siberian Railway—an engineering marvel on paper more than in reality.[12] Among other things, the mobilization created a shortage of rolling stock, which brought Russian grain exports to Germany to a standstill, thus closing off a key source of hard currency less than a month into the war.[13] The monopolization of railroad capacity by the military meant that even as the war stimulated demand in the railroad and armaments industries, it disrupted supply chains and cut off Russian industry dependent on domestic consumer demand from internal markets. The production of woolen goods fell by 15 percent in 1904.[14] The mobilization of 1.2 million reservists—among the most productive workers in the economy—only added to the disruptions.[15] Poland witnessed a particularly sharp crisis, with 25 to 30 percent of industrial workers in the Warsaw *guberniia* losing their jobs and those who managed to keep theirs suffering wage cuts of 33 to 50 percent.[16] Local governments struggling to cope with increased demands turned to the central government in vain for financial help.[17]

The central government, of course, saw the war add to already heavy financial burdens. In the years leading up to 1904 during the slump, the Russian government had extended various subsidies to industry via the State Bank. A poor harvest in 1903 also contributed to a rise in arrears on the part of the peasantry.[18] Even before the war it was evident that Russia would not be able p. 58 ↳ to remain current on its debts without further borrowing.[19] While “rolling over” outstanding debt into new loans is a cornerstone of many sovereign debt management policies, and while governments are in ordinary circumstances able to roll over debt, economic shocks can complicate such a strategy. In Russia’s case, the combination of an economic slowdown, which, among other things, hurt tax receipts, and the outbreak of war clearly increased pressures on Russian government finances. Coming as it did on the heels of an economic downturn, the war made contracting a loan an urgent imperative if Russia were to avoid resorting to inflationary policies.

The task of securing a new French loan fell to the novice finance minister, Vladimir Kokovtsov. In spite of some misgivings by the French government—which took umbrage at Kokovtsov’s presuming to act like Witte and approaching French bankers directly, and which was concerned about the impact of yet another loan on the fragile market for Russian loans in Paris—Russia secured a loan of 800 million francs (300 million rubles) on 12 May 1904.[20] The financial injection proved to be short-lived, however, as war expenditures for 1904 and 1905 amounted to nearly 1.65 billion rubles, or 40 percent of budgetary revenues, with proceeds from loans furnishing nearly 20 percent of total government revenues.[21] By October 1904, Kokovtsov was once again testing the water with French bankers about another loan without first informing their government.[22] Kokovtsov intended this new loan to raise 500 million rubles, or 1.335 billion francs, to cover the projected war expenses for 1905.[23] Although he would secure a loan of 231.5 million rubles from German banks in early 1905, Russia would not float another major Paris loan until April 1906, by which time the loan size had ballooned to 2.25 billion francs.[24]

"The Loan That Saved Russia"

Almost since the day of the flotation of the loan, the statements and writings of one of its chief architects—Sergei Witte—have shaped the historical narrative surrounding it. Of particular relevance are his memoirs, published posthumously by his wife in 1921.[25] Witte devotes an entire chapter to the flotation of the loan,[26] recounting that the Russo-Japanese War and domestic unrest scared ordinary Russian savers and drove a substantial outflow of capital over the course of 1904 and 1905.[27] He goes on to note that the government's situation became even more desperate in late 1905, and that by the time he and Noetzlin met in Tsarskoe Selo in February 1906 they had determined they would stabilize Russia's financial situation only through a massive single loan that would allow the government not only to avoid tapping capital markets for several years but also to roll over a series of shorter term bonds floated during the war.[28] In the end, after months of delicate
p. 59 negotiations, Witte clinched ↳ the deal and, in so doing, in his narrative, managed to preserve the financial architecture—including the gold standard—that he had built in Russia and, more broadly, to provide the financial and economic stability necessary for Russia to achieve a return to relative normality from 1906 to 1910.[29] While Witte proceeds to say that it was Kokovtsov who coined the term "the loan that saved Russia" in a speech to the Duma, taking credit for the negotiations, he largely agrees with this characterization of the loan having been a success and ultimately a stabilizing force.[30]

Subsequent generalist and specialist narratives of the loan by a diverse group of historians share certain broad commonalities that reflect an implicit acceptance of the framework laid out by Witte's account nearly a century ago. The first commonality, of course, is a general acceptance of the premise that the 1906 loan was a victory for the regime insofar as it increased its room for maneuver. Thus, according to the conservative historian Richard Pipes, "[the loan] further freed the Crown for some time from the dependence on the Duma, which was due to open shortly."[31]

A second common theme in the literature is that the unprecedented size of the loan was itself an important vote of confidence from the markets for the regime. Thus, Pipes's ideological near-opposite, Sheila Fitzpatrick, agrees with his characterization, stressing the large size of the deal, the international character of the consortium, and the stabilizing effect on the economy. Showing her revisionist instincts, Fitzpatrick goes on to say, "this meant, of course, that the industrial working class also expanded," but ultimately concedes that the loan—when coupled with the government's violent repression of the workers' movement—laid the groundwork for a period of relative calm that lasted till 1910.[32] In this telling, then, the loan not only solved an immediate crisis but laid the foundations for long-term consolidation of the regime's position.

A third theme running through the work of later generalists, as well as through some of the specialized literature, and complicating the aforementioned traditional narrative, is the contested nature of the loan. Thus Orlando Figes, sharing the view that the large loan had a stabilizing influence on public finances, also notes that many at the time "confidently assumed that Russia's dependence on Western finance, renewed in 1906 with the biggest foreign loan in its history, would force [the Tsar] to retain the liberal structure of the state."[33] Figes shows some skepticism for this contemporary view, pointing out that Nicholas II not only looked down on "public opinion" but "had no legal obligation to respect it."[34] Olga Crisp similarly highlights resistance from liberal circles who opposed the loan on the principle that the government would be issuing it without the consent of its people on the very eve of the convocation of an elected legislature.[35] Indeed, Crisp points out that

p. 60 some liberals even threatened to repudiate the debt because ↳ the Duma had not approved the loan, thus marking it as an instance of what legal scholars and political economists call "odious debt," or debt incurred by corrupt or repressive regimes "without the consent of the people" or not for their benefit, for which any legitimate successor regimes should therefore not be liable.[36] This point is underscored by one of the leading French scholars of the Franco-Russian investment relationship.[37] Indeed, Russian liberals, and especially the Constitutional Democrat ("Kadet") Vasilii Maklakov, lobbied the French government and even French public opinion against approving the loan, although ultimately distancing themselves from talk of outright repudiation.[38] Franco-Russian tensions in the 1904 to 1906 period surrounding questions of finance are the focus of the scholarship of James William Long.[39] In his telling, the episode "marked the end of 'easy credit' for the Tsarist government in Paris."[40]

However, while acknowledging the contested nature of the loan, these same scholars see the story ultimately resulting in a definitive victory for the government. Girault thus declares that "the political and economic leaders of the Third Republic had not chosen neutrality vis-à-vis the political regime in Russia, they had opted for tsarism." He concludes that they thereby had set in motion a chain of events that, when combined with the effects of the First World War, would lead to the repudiation of Tsarist debts after the Bolshevik Revolution of 1917—the largest and the longest running default in more than 800 years of financial history.[41] Still, in Girault's view, the loan was ultimately "a French financial success, as well as a diplomatic one," in the face of German opposition and difficult circumstances more generally.[42]

Similarly, even as one of the leading American scholars of the 1905 Revolution points to how the opposition "deeply resented" the government's decision unilaterally to contract the loan, as well as the calls of the Social Democrats and Socialist Revolutionaries to repudiate debts,[43] he concludes that "the loan was unquestionably a tremendous boon to the autocracy, without which it might not have survived."[44] While Long's contention that the resistance to the loan was a signal of future intention by Russian opposition forces is convincing, his pointing to a moratorium on Russian issues in Paris between April 1906 and January 1909 as evidence of the deep impact of the opposition is less so.[45] Indeed, the post-1909 period would see Russia return to Paris for several years as an active issuer. In the immediate sense, the loan allowed the regime to maintain the gold standard and cover expenses incurred during the war and revolution.[46] Crisp writes of stepping back from the "verge of financial bankruptcy" in early 1906 to a manifestation "of the immutability of the Franco-Russian alliance."[47]

The diplomatic implications of the loan have indeed been a focus of much scholarly attention. Crisp, for
p. 61 example, points out that beyond the financial ↳ gains for Russia, the loan also represented a diplomatic blow to Germany, which, far from breaking the Franco-Russian partnership, also pushed Russia and Britain closer, concluding that "when such important issues were at stake, the wishes of the Russian liberals had to take second place."[48] Nevertheless, Long also points to more narrowly pragmatic rather than geopolitical considerations driving official French government policy: "the French financial market simply could not be inexplicably closed to Russia, nor could the French government treat its ally too brusquely," given the exposure of French investors to Russian securities.[49]

In surveying a broad spectrum of narratives about the loan of 1906, and indeed of the 1905 Revolution, then, it is apparent that there is broad agreement that the loan was a stabilizing influence both in Russia and globally in that it not only stabilized Russian government finances but also strengthened the Franco-Russian alliance and contributed to the Anglo-Russian rapprochement of 1907. Contemporary observers like Witte discussed the loan in these terms—although it was Kokovtsov, not, as many historians incorrectly state, Witte, who used the phrase "the loan that saved Russia" to describe the issue. Subsequent specialist historians generally agreed with this characterization, even if they pointed out that the loan was floated in the face of material opposition by liberal forces in Russia. It is thus unsurprising that in more recent narratives of the Russian Revolution historians continue to write more broadly about the 1906 loan as the one that "saved Russia."

However, there is reason to bring this narrative of the 1906 loan and its broader significance into question. An exploration of 18 months of correspondence between leading members of the issuing syndicate and Russian and Western government officials, as well as other primary sources, suggests a much more complex and conflicted legacy. After examining the almost daily correspondence in French and English between leading financiers—such as John Baring, the second Baron Revelstoke, and head of his family's firm; Edouard Noetzlin of Paribas; as well as figures such as Russian finance minister Vladimir Kokovtsov—it is evident that the 1906 loan served as a catalyst for revolution by opening a new, financial front on which the Tsarist regime had to fight its opponents, and by offering its enemies, both foreign and domestic, a channel through which to apply pressure. Specifically, the loan became a lightning rod for opposition by domestic reformists and revolutionaries and the international Jewish community, which was incensed by Tsarist anti-Semitism. At the same time, the need to support the loan in the secondary market created many new burdens and costs for the Tsarist regime. This more conflicted legacy of the loan is less apparent in previous scholarship, which, by focusing on the Russian or Franco-Russian dimension to the question, misses broader connections.

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Starting the Negotiations

Serious discussions of what would eventually become the 5 Percent Russian Government Loan of 1906 can be dated to at least July 1905, when former finance minister Sergei Witte, while en route to Portsmouth, New Hampshire, to lead the Russian delegation in the peace talks that would end the Russo-Japanese War,[50] sounded out French and American bankers about an international loan. By early September, a French consortium, led by Edouard Noetzlin, had approached Revelstoke's Baring Brothers & Co. about joining a syndicate of international banks that would float a large Russian loan simultaneously in Paris, New York, London, and several other Western financial centers.[51] On 15 October, Revelstoke arrived in Russia to represent Barings in discussions with the Russian government and was joined shortly thereafter by a delegation of French bankers, headed by Noetzlin, Arthur Fischel of Mendelssohn & Co., and J. P. "Jack" Morgan, Jr.[52]

Jack Morgan had been sent to Russia by his father to participate in the discussions with the European bankers. Initially, the younger Morgan was skeptical of the entire affair, having been approached by Revelstoke for his thoughts while still in London. He made it clear to his father that he did not think he should get mixed up in existing negotiations, further suggesting a deal was unwise given conditions in the European money markets.[53] His conversations of earlier in the year with Western diplomats and experiences trying to manage Morgan copper interests in the Caucasus in the midst of revolution did not leave him with a favorable impression of the political situation in the empire.[54]

Nevertheless, the senior Morgan smelled opportunity, and enticed by Witte's promises to give his house exclusivity on the American portion of any loan, was even tempted to go to Russia himself.[55] In the end, Morgan decided to dispatch his still-reluctant son to Russia for the experience, sending along his trusted lieutenant, G. W. Perkins, to accompany Jack—no doubt wanting a more seasoned hand by his side.[56] After some delays, Jack Morgan and Perkins set off for Russia from London on the 18th, while Revelstoke departed on the famed—and, to his frustration, fully booked—*Nord Express* from Paris on the 14th, with plans to stay with his friend, the British ambassador to Russia, Charles Hardinge.[57]

The day after Revelstoke's arrival in Saint Petersburg, the city's printers joined a strike movement that Moscow railroad workers had begun days before. Within a few days, the strike had spread and intensified to such an extent that by the time the Union of Unions' considerable membership had joined the striking Moscow railroad workers, much of the city was already cut off from the rest of the country.[58] While Russian cities burned, the
p. 63 bankers in Saint Petersburg bickered in a heated standoff over the division of the ↳ underwriting between the French and German banks, and both groups' proxies in Holland. The dispute was so intense that it left Noetzlin bedridden and caused Fischel to have a heart attack in the middle of an afternoon meeting.[59]

Indeed, the bankers seemed thus far unconcerned about the rapidly deteriorating situation in Russia. If anything, being on the ground whet the appetite of the men on the spot—perhaps especially that of Jack Morgan. Whereas the junior Morgan had been skeptical of the entire affair prior to his arrival, by the 21st he was writing home about his "long and most friendly interview" with Kokovtsov and Witte and about Russia's favorable balance of trade underpinning the country's creditworthiness.[60]

It was instead the senior Morgan who was now desperately trying to pull the reins on the firm's participation. Even before Jack and Perkins set off for Saint Petersburg, Morgan was wiring them from New York indicating second thoughts, citing concerns about conditions in the American market and opposition to the deal in New York from Jewish firms incensed by the Tsarist government's anti-Semitic policies.[61] Having received predeparture acknowledgment of his concerns and a promise from Jack and Perkins to act with restraint, the elder Morgan must have been bemused by the bullish cables he received after their arrival.[62]

The senior Morgan tried again to curtail the enthusiasm of his son, stressing the current fragility of the American market, and saying that forcing what could turn into an unsuccessful New York issue "would have a very injurious effect in future upon what we so much desire … that is, to open [the] American market to Russian loans."[63] Leaving no ambiguity, he stated that the firm should not continue further discussions "unless our position distinctly understood that we can do nothing at present," adding an instruction to "express to Witte and Minister of Finance deep regrets that circumstances absolutely beyond our control make any other decision impossible."[64]

He got no comfort from subsequent cables. In a wire on the 22nd Jack and Perkins cited strong interest from the other syndicate members for American participation, spoke of the "extremely small" chance of losses, and made the case that "temporary difficulty in selling bonds for an American Syndicate absolutely controlled by us, would be outweighed by great value to J. P. Morgan & Co., G. F. Baker, and friends, of an established position with this international group of leading banking houses in the first completely international transaction in history."[65] Their closing claims that a deal would be of value "not only for future Russian business but for possible affairs in other countries, and American affairs on continent" left little doubt that they had been won over by the other syndicate members and Russian bureaucrats.[66]

The next day, Perkins and Jack Morgan wired home to New York recounting a private conversation they had
p. 64 with Witte at his invitation.[67] Witte was ↳ not going to let the House of Morgan off easily, and told the two men to relay to Morgan senior that he had arranged for an international loan largely based on Morgan's advice to the Russian premier regarding the desirability of opening the American market to Russian issues.[68] Witte pleaded with the American financiers to take even a small piece of the deal, citing the symbolic and confidence-boosting effect such a gesture would have on Russian credit internationally.[69]

But Witte also had his pride. As Morgan's emissaries relayed back to him, "If you feel it is utterly impossible[,] he has nothing else to say. [Witte] recommends us [to] go [on] conferences this afternoon and evening on [the] distinct understanding that we shall tomorrow morning be in a position to answer yes or no as to business, and if 'no' advises we should retire entirely from negotiations."[70] Betraying their discomfort at being the dithering bearers of bad news, the men added, "We entirely agree with this as it would be undignified to attempt to continue if we are really going to do nothing."[71] In a last exasperated plug for the deal, they further added, "We cannot overstate [the] kindness and cordiality of our reception by [the] Government and by [the other] groups, nor our unwillingness [to] disappoint them all at present, which certainly would be very prejudicial to our credit all over Europe. Your answer to this cable must definitely settle the matter."[72] To avoid any doubt, they noted, "Our judgment is perfect[ly] clear[:] we ought to join group from [the] standpoint of principle. Witte has told us he would prefer our taking even a very small amount, which [we] suggest we might better lock up ourselves than not go on."[73] Realizing they were pushing hard, they explained, "When the choice is between facing a temporary non-successful issue of [a] small amount and seriously hampering [the] Russian Government in their plan of an international issue undertaken largely because of your advice, we feel your name and credit, and credit of U.S.A., [are] so much involved that we are most unwilling drop [the] business and thereby show ourselves so weak that we disappoint Russian Govt. and [the] strongest financial group ever formed in Europe."[74] Having left no doubt about where they stood on the matter, they promised to "loyally abide by" J. P. Morgan's final decision.[75]

In the face of such a forceful message, J. P. Morgan relented in a cable the next day. He reminded his ambassadors that his objections were rooted not in any problem with Russia, but rather in weak market conditions in the United States that threatened to undermine any Russian bond issue in New York, and thereby the market's perception of Russia's creditworthiness in the future.[76] Saying that he shared the desire to deepen ties with the other banks in the consortium, as well as with the Russian government, and recognizing the substantial risks involved, he authorized the men to partake in the deal for 100 million francs, adding that "we
p. 65 would not for one moment think of a less ↳ amount than" the 100 million.[77] The relief of the two American bankers in Petrograd and of Witte and the Russians was evident in the reply thanking Morgan for finally giving in.[78]

By 25 October, as the railways in Saint Petersburg ground to a halt, the Morgan representatives had convinced their boss and the European bankers had sufficiently resolved their differences to offer a provisional term sheet to Vladimir Kokovtsov, the soon to be ex–Russian finance minister, while the headquarters of Barings and Paribas traded cables testifying to the bullish sentiment in their local markets over prospective Russian loans.[79]

As the bankers haggled with the finance minister over the terms of the prospective loan, the strike movement gained strength. On 26 October, the first session of the body that would eventually name itself the Saint Petersburg Soviet took place in the city's Technological Institute.[80] The creation of the Soviet, which would serve as an organizational hub for the strike movement, marked a further escalation of the movement nationwide. As the domestic situation reached new lows, the confidence of the bankers and the government waned. Both sides agreed to finalize a contract, but decided to defer execution of the agreement until such time as the domestic unrest had subsided.

On 30 October, the embattled Tsar finally relented to what liberals had been demanding for months, signing the October Manifesto, laying out a roadmap for a de facto constitutional monarchy in Russia. Reflecting the degree to which financial power had already shifted to the other side of the Atlantic, Perkins had cabled Morgan in New York as early as the 27th with intelligence confirming the imminent proclamation of the manifesto, noting that while rumors were rife, none of the other syndicate members were privy to this inside information.[81]

On the day following the publication of the October Manifesto, Perkins and Jack Morgan left little doubt as to what they thought of the latest developments, cabling New York, "We have seen death of old and birth of new Russia."[82] The same day, Revelstoke set sail for London via Lübeck, followed shortly thereafter by the other syndicate representatives, Perkins and Morgan included.[83]

On his way back, an exhilarated Jack Morgan wrote to his father thanking him for the chance to embark on such a "thrilling and most interesting experience."[84] His letter gushed over the fatherly and solicitous attitude Witte showed toward the younger Morgan, and the obvious importance the Russian premier attached to deepening Russia's financial ties with the United States.[85] Writing to his companion Perkins, he expressed relief that "in view of the general condition in Russia" they were "very fortunate in the way the whole matter worked out," sure "that the Senior will feel the same way."[86] Closing on a note of qualified optimism, he
p. 66 remarked, "At the moment everything seems to be ↳ going just as we expected that it would do, and Witte appears to be holding his own, though how long that can last I do not quite see in view of the strains on his health."[87]

Domestic Opposition

As the bankers headed home, having put their talks with the Russian government on ice, the loan only gained prominence as an issue of domestic politics. By mid-November 1906, government crackdowns in Poland and against a mutiny at the Kronstadt naval base near Saint Petersburg revived the strike movement. This second stage of strikes saw an evolution of tactics that combined earlier violence with a newer focus on financial attacks against the state. In a letter to Revelstoke in early December, Cecil Spring Rice—the chargé d'affaires at the British embassy in Saint Petersburg, a former commissioner of the public debt in Egypt, the future ambassador to Washington, and one of the most perceptive Western observers of the Russian scene at the time—noted that the Social Democrats were engaged in a serious financial boycott of the state that involved everything from the nonpurchase of liquor, the sale of which was a lucrative government monopoly, to the nonpayment of taxes. He went on to report that the revolutionaries were openly declaring—most recently in the Peasants' Congress—that the people would not tolerate the further issuance of loans and would refuse to pay interest on any loans the government issued, and were making these declarations in an effort to deliberately ruin Russian credit internationally.[88]

After the head of the Saint Petersburg Soviet, Nosar, was arrested on 9 December, a troika of leaders, including Lev Bronshtein—better known in revolutionary circles as Leon Trotsky—took over. One of the last and only acts of the new leadership was to formally issue a Financial Manifesto on 14 December. The document was a scathing critique of the government's financial position and policies. It began by declaring, "The government is on the brink of bankruptcy," and went on to point out, "The government's struggle against revolution is causing uninterrupted unrest. No one is any longer sure what the morrow will bring. Foreign capital is going home. 'Purely Russian' capital is also flowing into foreign banks. The rich are selling their property and going abroad in search of safety. The birds of prey are fleeing the country and taking the people's property with them."[89]

The manifesto went on to critique the government's policy of borrowing from the international bond market, pointing out that loan proceeds were being spent on railroads and the military, but that "there are no schools. Roads have been neglected."[90] The manifesto continued, saying that even the military outlay had been of
p. 67 dubious utility, since, in spite of all the spending on ↳ the army and navy, the Tsar's soldiers were remarkably poorly equipped—something reflected not only in revolts within the military but also in the broader defeat at the hands of the Japanese.[91]

The manifesto next shifted to a much more specific critique of government finances and financial policies. First, it attacked government support of private banks linked to industrialists, arguing that the government was in effect engaging in financial repression that saw small savers' capital rerouted to bailouts of private banks and industrial conglomerates. Next, it questioned the State Bank's monetary discipline, claiming that commitments had far outstripped the bank's gold reserves, and suggesting that the government's ability to maintain the gold standard—one of the linchpins of Russia's industrial boom since its adoption in 1897—was questionable.[92] The manifesto went on to mount yet another critique of the government's policy of borrowing on the international bond market—this time focusing less on the use of the proceeds, and concentrating instead on the increasing nominal burden, claiming that new loans were being floated merely to cover interest payments.[93] It continued its critique, alleging that "the government prepares false estimates of revenues and expenditures, showing both to be less than they are in reality and fleecing indiscriminately so as to show a surplus instead of an annual deficit."[94]

Up to this point, the manifesto, if at times shrill, hardly struck a revolutionary stance. In its calls for fiscal and monetary discipline, for more equitable treatment of small savers' capital, and for an end to bailouts of crony capitalist industrialists and financiers, it can indeed be read as a fairly conservative tract, and one that reflected the concerns of the property-owning bourgeoisie as much as, if not more than, those of workers or peasants.

Moreover, many of the assessments and critiques of the government's financial position and policies were arguably legitimate.

Given the rapid increase in the circulation of paper money (see Figure 2.1) starting in 1904, questions as to the sustainability of gold convertibility were not unreasonable. Moreover, after having steadily fallen from a peak of more than 70 percent in 1895 to a prewar trough of slightly more than 50 percent in 1904, the ratio of government debt to NNP was nearly 60 percent by the time the manifesto was issued.[95] The bond market, where Russian spreads relative to benchmark British consols exploded during the war and revolution (see Figure 2.2) to more than twice prewar levels, reflected these financial strains. The banking system was becoming increasingly concentrated, with the major Saint Petersburg private joint-stock commercial banks enjoying an increasingly large market share—their share of Russian banking system assets grew from 13.7 percent in 1900 to nearly 30 percent in 1908 (see Figure 2.3).[96] Moreover, concerns about Russian fiscal
p. 68 accounting were widespread in the investing community. The *Economist*, for example, ↳

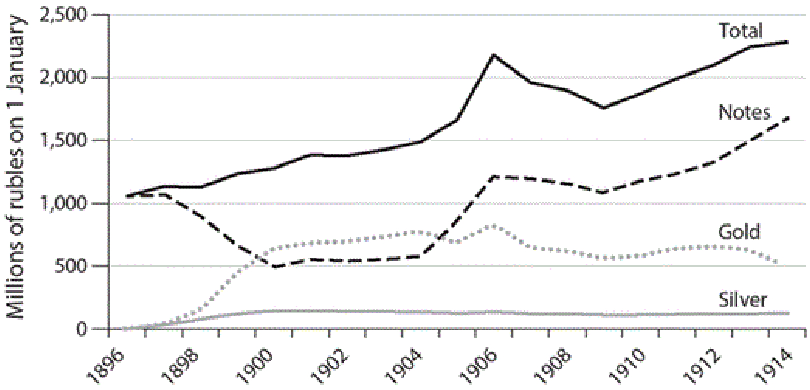

Figure 2.1. Money and specie in circulation in Russia.

Source: Crisp, *Studies in the Russian Economy*, 138–39.

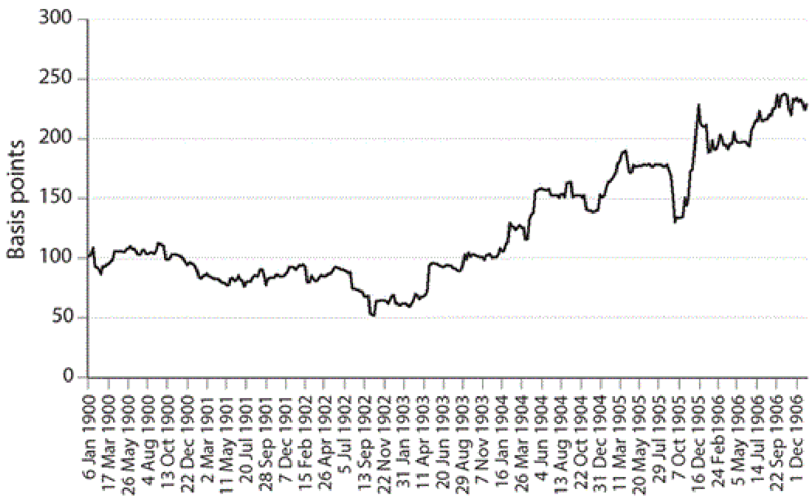

Figure 2.2. Spread of the 5 Percent Imperial Russian Government 1822 Bond over British 2.5 percent consols.

Source: "GFD Database" (2012), www.globalfinancialdata.com.

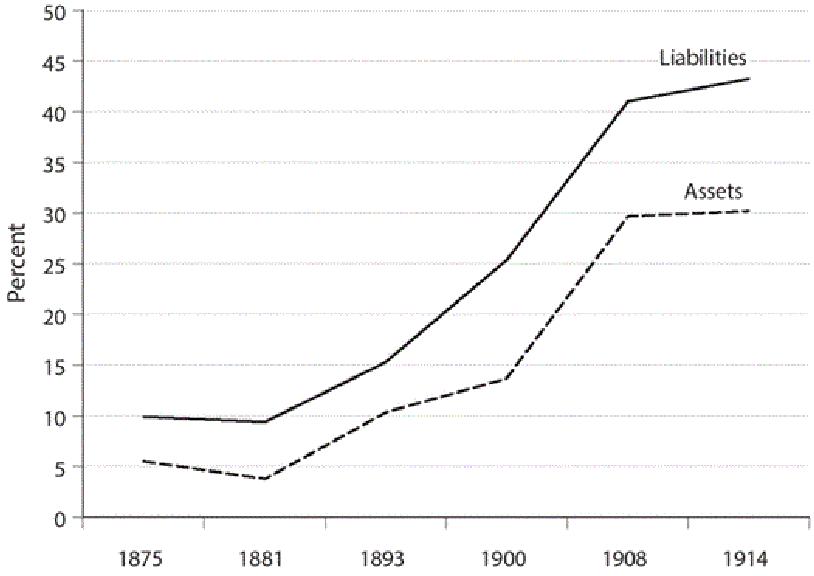

Figure 2.3. Share of Saint Petersburg joint-stock commercial banks in the total assets and liabilities of the commercial credit system, 1875–1914.

Source: Crisp, *Studies in the Russian Economy*, 119.

was a frequent critic of Russian budgetary accounting conventions, such as the arbitrarily drawn division between "ordinary" and "extraordinary" expenditures, but also frequently flagged what it thought were cases of data missing from budgetary reports altogether, or instances of provisioning and estimates being totally unrealistic.[97] Where the Financial Manifesto was critical of the Tsarist government's policies, questioning their p. 69 equity and effectiveness, it thus reflected a mainstream, even bourgeois, consensus shared by many investors. ↳

The manifesto marked a sharp departure from the political center, however, in what amounted to its declaration of financial war on the government. Having laid out its critique of the government's finances and financial policy, the manifesto claimed, "In order to safeguard its rapacious activities the government forces the people to engage in a deadly struggle with it. Hundreds of thousands of citizens are perishing and are ruined in this fight." It went on to declare, "There is only one way out—to overthrow the government, to deprive it of its last forces. It is necessary to cut the government off from the last source of its existence: financial revenue. This is necessary not only for the country's political and economic liberation but also, more particularly, to restore order in government finances."[98]

Having thereby declared war on the government within the realm of finances, the revolutionaries articulated their strategy in the manifesto. Specifically, they would refuse "to make redemption payments and all other payments to the Treasury," would require payment in gold for all transactions, including in the payment of wages and salaries, and would withdraw all deposits from the state savings banks and State Bank, again demanding payment in gold.[99] In doing so, they would seek to drive the government off the gold standard. Moreover, the manifesto ended by explicitly stating, "We have … decided not to permit the repayment of loans p. 70 which the Tsarist government ↳ contracted while it was clearly and openly waging war against the entire people."[100] Within two days, the papers that published the manifesto were shut down and all of their leaders arrested.

The Impact of the Financial Manifesto

The manifesto has received little scholarly attention, and to the degree that it has, there is controversy as to how much effect it actually had in both the financial markets and government circles. George Garvy, an émigré economist at the US Federal Reserve, was skeptical about the ultimate influence of the manifesto, arguing, "under the circumstances prevailing at the time, it is well-nigh impossible to assign the rise of [bank deposit] withdrawals to any single factor." He further noted that immediately after the 1905 Revolution, Russian socialists abroad downplayed the influence of the manifesto, as did later official Soviet historiography, which characterized it as only a "preparatory step"—one that Lenin described as merely a partial and nascent instance of cooperation between the proletariat and peasantry.[101]

Ascher, citing Garvy's account, added that the ability of the revolutionaries to spread the manifesto's message was limited.[102] The breakdown in telegraphic and postal communications for much of December due to strikes ironically worked against the revolutionaries' attempts to spread the word from Saint Petersburg to other major cities.[103] Government attempts to muzzle the press also saw divisions emerge between various newspapers over both their attitudes toward the manifesto and reaction to government actions, in what could be seen as a victory for the government.[104]

There are, however, several flaws in this view that the manifesto was of little real consequence at the time. First, it is not surprising that Soviet writers, and Lenin in particular, would attempt to downplay an instance where Trotsky was in a very visible role, while the father of Bolshevism was in comparative obscurity. Moreover, the tactics advocated by the manifesto, although extreme in essentially seeking to bring down the regime by creating a financial crisis with wide-ranging consequences, fell short of calls for the violent methods —notably including bank robberies—that Lenin was already advocating at the time.[105] In this sense, the critiques of Soviet historians must be heavily discounted due to ideological considerations.

Second, contemporary sources very clearly testify to the alarm that the Saint Petersburg Soviet, and the Financial Manifesto in particular, generated in official circles. The unabridged Russian edition of Witte's memoirs contains one such instance. Early in his chapter on the 1906 loan, Witte specifically notes that "revolutionary-anarchists," whom he distinguishes from Kadets, actively sought to turn opinion both in Russia
p. 71 and France against the loan. He ↳ notes that the Russian press's publication of the manifesto dealt a serious blow to the government's efforts to float the loan, not least since it further eroded foreign investors' confidence in the project. Indeed, he was sufficiently worried about the negative impact of news of the manifesto spreading that he called the editor of *Novoe Vremia*—a generally conservative paper that distanced itself from the government in December 1905[106]—at 2 am, threatening him with the newspaper's closure to prevent its publication.[107] Foreign papers of record also picked up on the manifesto and even published it in full.[108]

Moreover, a 5/18 December 1905 report to Tsar Nicholas II from the government's Committee of Finance highlights accelerated depletion of the state gold reserves in December and points to a panicked discussion at the highest levels about withdrawals from the banking system (see Figures 2.4 and 2.5) and a possible devaluation.[109] The next report, dated 14/27 December 1905, stated that the State Bank was reaching its legal limits in terms of currency issuance, and that the government would need to amend the State Bank statute if it were to continue printing money. The report goes on to discuss the pros and cons of suspending convertibility to preserve rapidly dwindling reserves.[110] The panic in government financial policymaking circles is most clearly reflected in the State Bank refinancing rate (see Figure 2.6), which the bank increased by 250 basis points in just a few weeks in late 1905 and early 1906 to 8 percent—the highest level since at least 1892, and
p. 72 indeed through 1917—in an attempt to stem the capital outflow.[111] ↳

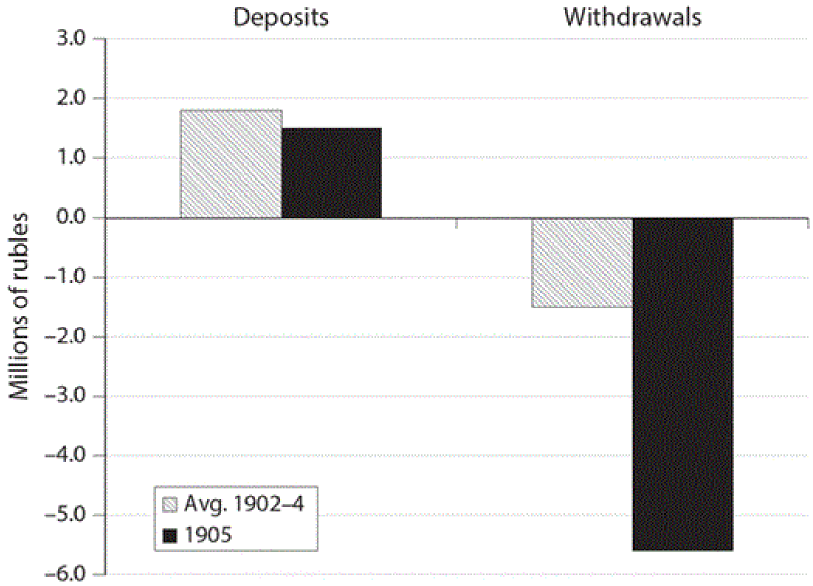

Figure 2.4. Changes in deposits in Russian government savings banks *in* Saint Petersburg during the month of December.

Source: Garvy, "Financial Manifesto," 26.

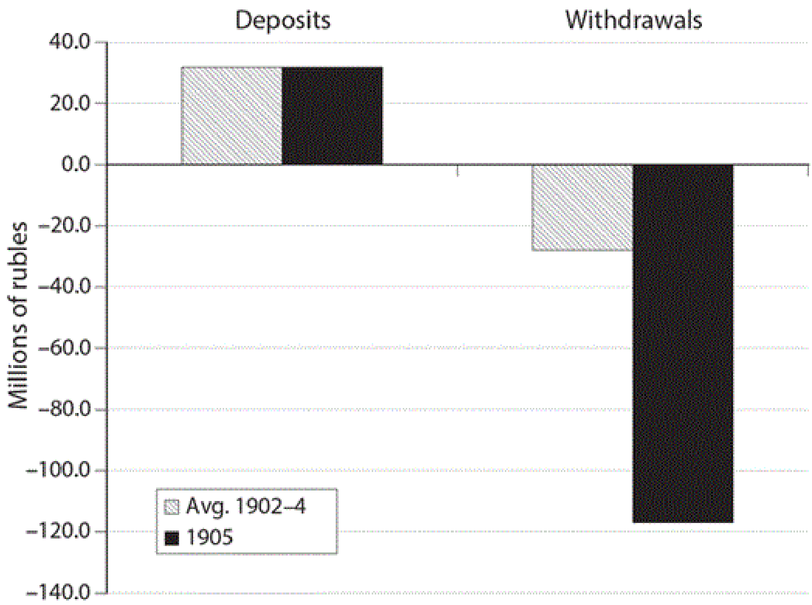

Figure 2.5. Changes in deposits in government savings banks *outside* Saint Petersburg during the month of December.

Source: Garvy, "Financial Manifesto," 26.

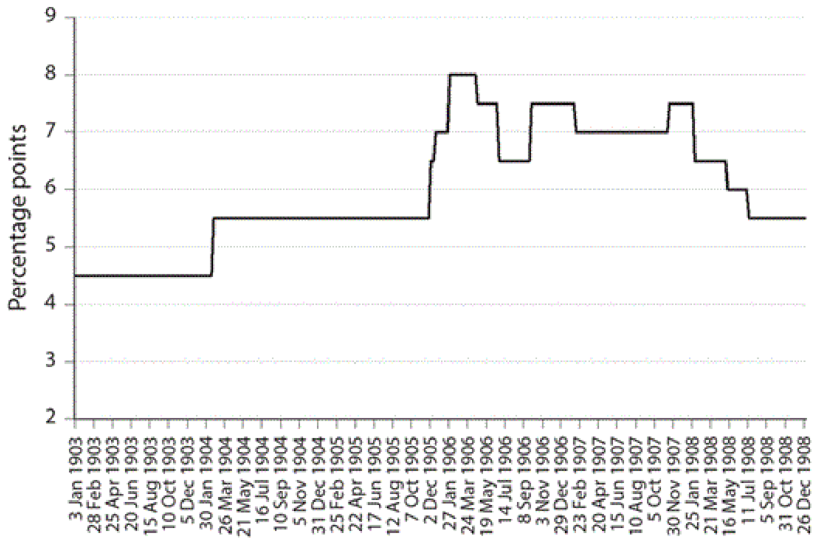

Figure 2.6. State Bank of Russian Empire refinancing rate.

Source: “GFD Database” (2012), www.globalfinancialdata.com.

p. 73 The speed with which the Soviet was closed after the manifesto’s issuance gives credence to the view that the arrests were motivated by the government’s fear of being driven to bankruptcy by the financial boycott. Witte’s account of having called the editor of a major newspaper in the middle of the night to pressure him into refusing to publish the document underscores the alarm the document generated in official circles.[112] The evidence from financial market data, as well as from internal reports drawn up by Russian government financial policymakers, further supports the view that the manifesto—whether directly or indirectly—did increase the financial strain on the government.

The reports of the foreign press offer some of the clearest evidence that the manifesto did have a material impact. The local Russian press is problematic as a source because so many papers were shut down before or because they printed the manifesto, with the government further removing from newsstands copies of the papers that printed or covered it.[113] Thus, a certain degree of self-censorship must be assumed. The *Times* of London, however, clearly indicated the manifesto’s impact in its coverage of Russia. In its lead Russia-related story of 4 January 1906, the paper reported that the government was clinging to Witte above all else because it was “most vulnerable” in financial matters since “the vast majority” of the population was unable to pay taxes because of the economic downturn associated with the revolution, or unwilling to pay because of “the revolutionary propaganda.”[114] Just over a week later, the same paper noted, “it is notorious that the peasants refuse to pay taxes,” and that there were “good ground[s] for the contention of the Liberals that financial difficulties are inevitable and that the Government will thus be compelled in the end to make further concessions.”[115]

The clearest indication in the foreign press of the manifesto’s impact came from the government itself. Reporting on a statement about public finances by Shipov, the finance minister, the *Times* commented that the minister’s report referred to “panic induced by the seditious propaganda” of the revolutionaries having “led to realizations and a transfer abroad and the conversion of paper into gold, as well as withdrawals from the savings banks.”[116] Shipov made his statement in the context of the latest State Bank reports, for the weeks ended 21 and 29 December 1905.[117] The *Economist* flagged the former as proof of the government having violated the legal minimum of reserves and justification for having declared in December that Russia had moved off the gold standard.[118]

Looking back on events, the Saint Petersburg correspondent of the *Times* commented on 20 January 1906: “During the last two months, influenced by the efforts of the revolutionaries to bring about the economic ruin of the country and thus incite the people to desperate acts, many private persons and Russian commercial firms have been taking their capital abroad. This movement p. 74 ↳ has been taken advantage of for speculation on the Bourse for a fall in funds and in the rouble exchange."[119] Even as Ministry of Finance officials expected and hoped that stabilization in the domestic situation would lead to a short squeeze driving a rebound in prices, the correspondent clearly saw the revolutionaries as having succeeded in applying financial pressure on the regime.[120] Indeed, as some argue, it would not be until 1907 that the domestic situation stabilized.[121] In the meantime, the refusal to pay taxes would continue to be a major instrument of dissent, not least among the peasantry.[122] Moreover, the aftershocks of the manifesto would continue to echo in the political realm as well. The sentencing of Aleksei Suvorin—the editor of the newspaper *Rus'* who had been jailed for publishing the manifesto—unified opposition voices just as the initial government response had divided various papers.[123] Thus the Kadets seized on the sentencing to issue a resolution condemning the government's sentence and its strong-armed response to the Moscow uprising.[124]

Ultimately, the closure of the Saint Petersburg Soviet, the surrender of the Moscow Soviet in late December, and Mendelssohn & Co.'s liquidity injection to the government through a crucially timed rollover of existing debt all dealt a blow to the revolutionary movement, and bought the government time. However, the events of 1905 clearly marked Tsarist debts as a key focus of revolutionary anger.

Furthermore, over time, the anger tied to the financial question would only increase. On 22 July 1906, the day of the closure of the First Duma, 178 former deputies—approximately one-third of the Duma—gathered in the Finnish town of Vyborg, an hour and a half by train from Saint Petersburg, at the initiative of the Kadets.[125] The next day, the remaining 152 deputies adopted what became known as the Vyborg Manifesto.[126] The manifesto appears in various narratives of 1905 in the context of the closure of the First Duma but, until more recent work by Shmuel Galai, had been poorly studied—some scholars even incorrectly identify the date of its adoption as 22 July 1906, rather than 23 July.[127]

The manifesto was a striking document in that it marked a sharply radical turn in the Kadets' position—indeed one that Galai argues doomed this otherwise viable constitutional alternative to Tsarism in Russia.[128] Most controversial was the manifesto's closing call to action:

> The government does not have the right either to collect taxes from the people or to call the people to military service without the consent of the people's representation. And so now, when the government has dissolved the State Duma, you have the right to give neither soldiers nor money. If the government, in order to get means for itself, begins to borrow money, these loans, concluded without the consent of the people's representation, p. 75 ↳ are henceforth not valid, and the Russian people will never recognize or pay them. And so, before the people's representation is convened, don't give a kopeck to the treasury or a soldier to the army.[129]

The parallels with the Financial Manifesto are striking, as was the identity of the author: the historian and Kadet leader Paul Miliukov.[130] The Kadets, who had previously shied away from talk of repudiation, were now leading the call for it. Signatories included Vladimir Nabokov's father, who would later spend three months in jail for his participation in the affair.[131] Long and Ascher are quick to note that the Kadets' Fourth Party Congress renounced the Vyborg Manifesto in September 1906.[132] Subsequent attempts by the Kadets to downplay the event no doubt contributed to this narrative.[133] Nevertheless, the act itself was a sign of radicalization. Moreover, the debates within the party's Central Committee after the Vyborg declaration showed trends toward even more, not less, radicalization in a financial vein. Thus, on 30 July 1906 the Central Committee decided to add a provision to the manifesto calling on the population to withdraw deposits from the banking system.[134]

The committee subsequently reversed this decision, but the Kadets' actions during the summer of 1906 nevertheless show that the Financial Manifesto and associated strategy of financial war against the government continued to resonate long after the closure of the Saint Petersburg Soviet, and that the flotation of the 1906 loan had only aggravated and radicalized the opposition. Indeed, as Spring Rice warned in a memo forwarded to Revelstoke before the loan was issued, "It should … be borne in mind that the parties in Russia who are opposed to the present Govt. would bitterly resent any active foreign assistance and they have declared that no further loan will be allowed. Should a loan be issued without the previous consent of the representatives of the people, it will be repudiated."[135] His words were to prove all too prescient in 1918.

International Opposition

By early 1906, officials in the Russian government were breathing a collective sigh of relief, having overcome the revolts in Saint Petersburg, Moscow, and elsewhere. Although the situation in Russia was still precarious, the government's bankers were sufficiently confident to contemplate a small short-term loan in January as a "prelude" to a bigger operation later in the year.[136] However, having achieved a modicum of improvement in its domestic affairs, the government now faced new external obstacles to its attempts to secure a loan and, through it, financial and political stability.

The new delays stemmed from the First Moroccan Crisis, sparked by the visit of Kaiser Wilhelm II of Germany
p. 76 to Tangier—seen at the time as ↳ a challenge to French predominance in the country. A diplomatic conference convened at Algeciras in January 1906 to resolve the dispute, and the French government had made their approval of a Russian loan being floated by French banks in the Paris market contingent on a favorable outcome at the conference.[137] Witte had for a long time sought to broaden the Franco-Russian alliance to include Germany, and still held out hope that Algeciras might in some way actually represent a step toward the establishment of such a partnership.[138]

However, formation of a triple alliance required cooperation from both the French and Germans, and neither was forthcoming in offering it. Witte's diplomatic hopes were dashed by two factors. First, continued mutual hostility between the French and Germans hindered progress. Second, as Witte himself grew to appreciate, the Germans were aware of Russia's troubled financial position and the Morocco-related conditions the French attached to the Russian loan. Even if Germany had wanted to step in and take France's place as Russia's financial patron, the sums the country now required after two tumultuous years were so large it was doubtful the German banks would be able to meet this demand, especially in light of considerable demand for credit domestically.[139] Indeed, the average three-month discount rates on the German money market had risen from 2.43 percent in the third quarter of 1905 to 4.51 percent in the fourth quarter.[140] As Witte began to notice, German financial diplomacy was starting to shift into the role of a spoiler with respect to the Franco-Russian alliance. Algeciras served this purpose, as Germany began to play for time, realizing that the longer it delayed, the longer Russia would have to wait for French approval of the loan, straining ties between the two.[141] It was during this time that Witte requested Noetzlin to visit Saint Petersburg so that the two could agree on the general terms of the loan, pending a final settlement at Algeciras.

During their meeting, Noetzlin questioned the legality of contracting a loan before the convocation of the Duma. Witte brushed this concern off, saying that the legalistic arguments about needing Duma approval were a smokescreen for attempts by the liberals to hold the current government hostage over previous decisions and failures like the Russo-Japanese War, and that waiting for the Duma would mean further disastrous delays for all involved.[142] In the face of later French government pressure, Witte would commission Russian international jurist F. F. Martens to issue a legal opinion supporting the Russian government's position.[143]

While both the French government and Noetzlin yielded in early 1906 on the point of Duma approval, they did so with minimal resistance and with no effort to secure guarantees—what financiers today refer to as
p. 77 "conditionality"—from the regime that it would adopt a more reformist, conciliatory posture ↳ vis-à-vis at least those liberals who were of a moderate persuasion. In doing so, the French did more than just—in Girault's

characterization—side with Tsarism and thus help float an "odious debt." They missed an important moment, when they could have pushed for a change of direction in regime policy. Of course, after the bloodshed of 1905, the prospects for reconciliation between the regime and even moderate liberals had narrowed, and given their existing exposure to Russian debt, French threats to walk away from Russia entirely would not have been credible.

On the other hand, the French use of conditionality on issues like Russian military orders and the Moroccan Crisis showed that they were willing to push the Russians when motivated to do so. In this sense, by caving in so quickly to Witte's position on the Duma, the French missed a real opportunity to change the course of Russian policy and indeed history.

Having resolved the outstanding major issues to their mutual satisfaction, Witte and Noetzlin proceeded to agree on the outlines of a deal. The syndicate would raise a loan for a nominal amount of 2.25 billion French francs at 6 percent net, which would not be callable for at least ten years.[144] The syndicate would agree to underwrite half of the loan on a firm basis. According to custom at the time, the loan proceeds would be disbursed to the Russian government in installments. While on deposit at the issuing banks, the funds would earn interest at a rate of 1.25 percent.[145] With a final settlement at Algeciras that was acceptable to the French in sight, the French government finally gave Noetzlin approval to enter into final negotiations with the Russian government on 31 March 1906.[146]

No sooner had Russia and its French bankers secured the blessing of the French government than the German government indicated that it would not allow its banks to engage in Russian business in a thinly veiled punishment for Russia's support of the French during the Moroccan Crisis. The withdrawal of Germany was a blow to Russian designs, in that the experience of French vacillations and delays over questions of loans during the war and revolution highlighted the importance of a diverse funding base for Russia.

Yet the most painful blow was to come from the House of Morgan. Witte had cabled Morgan in early April saying he hoped the old man would show the "same goodwill" he had extended during the 1905 talks, adding that he had sent "a friend" of Jack's to London to discuss matters in detail with the younger Morgan.[147] The latter's views had markedly soured, largely due to conditions in the British money market. As he wrote to his father from London:

> Hope very much Russian business will be turned down again for present, as under present circumstances here it would be most impolitic and very injurious to us to offer any foreign bonds, and
> p. 78 we do not believe it would ↳ be possible to form syndicate to carry them at present as proposed last autumn. Bond market is absolutely dead and everyone is carrying their full quota or more of first class securities. The investment demand does not seem to improve in the least, and everyone is in state of mind to refuse everything in the way of new business or participations no matter how good. Bank statement with reserves under 25% limit not calculated to help, and loss of cash this week 7,900,000 is serious.[148]

Still, the elder Morgan, already in Europe, felt obliged to go to Paris to meet with the syndicate for talks.[149] In an almost comic twist, it was now the father who seemed to have been seduced by the syndicate members and Russian representatives. Acknowledging that "it has been difficult [to] make [the Russians] understand their credit in open market much greater than it is in reality" and adding that "I have given them no encouragement," he nevertheless felt "in view of what has already transpired, as well as our future relations with Russia and with the financiers we have been in associate with, make it desirable we should at least give nominal support."[150] Still, perhaps reflecting memories of trying to restrain his men on the spot in 1905, he concluded, "I am not willing [to] act unless you all approve."[151]

Perkins and Jack Morgan cabled back in no uncertain terms that “the business proposed would be absolutely unwise at present.”[152] They repeated Jack’s earlier concerns over market conditions, noting that since the start of the year they had already bought a great number of bonds that they had been unable to unload on a saturated market.[153] They were also mindful of the “unpopular” nature of the business, and relayed Morgan associate G. F. Baker’s strong opposition and warning that if the Morgan firm were to take a portion of the Russian deal, Baker would be unwilling to publicly partake on his own or on his bank’s account in any portion of the deal.[154] In closing, they remarked, “We are all greatly distressed at declining business, especially after your consideration last October, but we know we do not exaggerate difficulties, dangers. It is not [a] question of money but of public hostility which we ought not provoke.”[155]

Having received the counsel of his son and partner, Morgan delivered the bad news to the syndicate and Russians on 11 April, “as kindly as possible,” relaying the Russians’ disappointment to his partners.[156] Whatever his reasons, J. P. Morgan’s cancellation of his firm’s participation was a serious blow, to which Witte took personal offense after the two men had reached what Witte thought was a firm agreement during his visit to the United States to negotiate the Portsmouth Peace Treaty.[157]

In seeking to make the 1906 loan a truly international issue that would be traded actively in a number of p. 79 international financial centers outside Paris, the ↳ Russian government was deliberately trying to establish itself in new markets to avoid future overreliance on the French.[158]

Witte highlighted the importance of this issue to Joseph Dillon, the *Daily Telegraph* correspondent in Russia, who had “gone native” and served as a public relations consultant of sorts for the Russian prime minister.[159] Dillon in turn frequently spoke with Spring Rice, who recounted an early January 1906 conversation between the two men about Witte’s desires to British foreign secretary Sir Edward Grey:

> During the war what Russia had needed was a strong military friend on her border. This Germany had supplied. But now what Russia needed was not so much the support of a military power as that of a great liberal and commercial power. England’s sympathy if afforded in some open and evident form would be of the very greatest service to the party of order… . Germany could give a finger’s length of help and England an arm’s length. France was so deeply implicated in Russia’s financial situation that her opinion was discounted. But England was entirely independent of these considerations.[160]

Although Dillon and Spring Rice spoke of Witte’s attempt to win the favor of England, the comments about “a great liberal and commercial power” show how American support—even if not explicitly mentioned—was equally valuable. Prodded by Spring Rice about the form in which Witte desired this stamp of approval, Dillon indicated that the Russian premier sought British participation in a loan.[161]

The tragedy, of course, was that Witte sought to internationalize the market for Russian loans in the worst circumstances: when Russia was on its knees, and without having established an Anglo-American investor base in good times. As Spring Rice reminded Dillon, “a loan depended not on the will of our government but on the disposition of the City.”[162] Earning the trust of the City and Wall Street—markets Witte had largely ignored for much of his tenure as finance minister—would be challenging in the midst of a revolution. In this sense, his failure to engage with the Anglo-American financial markets in the late 1890s, documented in Chapter 1, proved to be a costly oversight.

At the same time, by seeking to engage in new markets, the Russian government increased its exposure to active resistance from Jewish financial houses that vocally protested the Tsarist regime’s anti-Semitic policies and support of pogroms. Apart from some warnings from Spring Rice in Saint Petersburg, this Jewish opposition in the new target markets did not initially attract much attention in syndicate correspondence.[163] In 1905, Witte had sent the Russian financial agent in Paris, Raffalovich, to London to meet with the English p. 80 Rothschilds, who said their participation in any Russian loan would be ↳ contingent upon the undertaking of concrete steps to improve the condition of Jews in Russia—something Witte refused to entertain at the time.[164] When Wilhelm II later told the Tsar that the Jewish issue would be an impediment to the success of the loan, Witte again dismissed such claims as a German red herring, saying that Jewish financiers would not publicly participate but would, in the end, buy into a successful deal secretly through the secondary market. Having thus convinced themselves that all was in order, and having cleared the Algeciras hurdle, the Russian government and the syndicate moved quickly to sign a loan contract for 2.25 billion francs on 16 April 1906.[165]

Following what at first glance was a highly successful initial offering, however, the performance of the bonds in the secondary market began to falter within days of their issuance. Although the syndicate decided to proceed with the loan in spite of the California earthquake of 18 April 1906, the disaster did have a depressive effect on the market and on Russian bonds in London.[166] Contrary to Witte's expectations, the London Rothschilds did not participate in the loan even secretly, thinking it far too richly priced, and predicting difficulty for it in the near future. Indeed, a generally tight money market soon combined with renewed political fears over the opening of the new Duma on 10 May to depress the market for Russian bonds.[167] By late May, the tensions between Tsar and Duma had affected Russian bonds enough to weigh on the broader Paris market, which in turn pushed London lower, according to the Rothschilds' internal reading of events.[168] Amid the turmoil, one of the American managers of a Morgan-affiliated business in the Caucasus, who was also serving as a US consul, was murdered in Batumi—a grim reminder to the New York house of the wisdom of having limited their Russian involvement.[169]

By mid-June—less than two months after what had initially seemed to be a successful offering—the Russian financial cancer appeared to be spreading. The London Rothschilds wrote to their cousins in Paris, "the Russian loan, which was written for more than 100 times, and supposed to be the greatest financial success in the world is 2 to 1 3/4 discount. This is undoubtedly a disturbing element in international finance, and this Russian unrest may produce events in other countries which it is difficult at present to gauge."[170] Revelstoke and Noetzlin, as the lead bankers for the deal in their respective markets, went into crisis management mode.

Kokovtsov, having been reappointed finance minister in April, wrote to Revelstoke on 17 June, saying that he was aware of weakness in Russian bonds and asking for advice. Revelstoke replied, suggesting they support the bonds by making purchases in the secondary market with a fund of £2 to 3 million to be spent on an opportunistic, discretionary basis by Barings. In Revelstoke's estimation, buying £500,000 worth of bonds in nominal terms would suffice to stabilize the market.[171]

p. 81 As the markets continued to fall, strains began to show in the usually collegial correspondence between Noetzlin and Revelstoke. The placement of significant portions of the Russian issue in the English market naturally heightened the attention of the financial and broader press to Russian affairs in a manner that was not always as flattering as that of the French press, which was notoriously susceptible to outright bribery.[172] This difference became a source of some tension between the British and French syndicate members, with Noetzlin, on 18 June, writing a lengthy complaint to Revelstoke about an article in the *Times* on Russia, asserting that the article was full of "tendentious" and baseless claims, before going on to say how shocked he was that "your premier newspaper engages in such fanciful and malicious assessments." Noetzlin went on to complain that the *Times* articles were doubly damaging because they were reprinted by Parisian papers, suggesting that Revelstoke try to "end the campaign" in the London press against the Russian bonds.[173] Revelstoke replied by pointedly reminding Noetzlin that negative stories about Russia in the British press were reflective of events in Russia rather than bad journalism.[174]

By 20 June, Revelstoke and Noetzlin had convinced Kokovtsov to create a Russian government-backed fund to actively support the loan in the secondary market. The fund in the London market alone was initially £300,000, eventually growing to £400,000 as the situation worsened.[175] In spite of the support funds in the British and French markets, however, the souring political situation in Russia and the broader context of the California earthquake aftermath combined to drive Russian bond prices lower. On the eve of the dissolution of the First Duma on 21 July, the situation in Russia dominated global markets with heavy bear activity in Russian securities driving down the broader market in both London and Paris.[176]

Significantly, the London Rothschilds attributed the general depression in the market more to the "heavy cloud" of Russian bonds than to selling by insurers to help pay for claims from the California earthquake.[177] This is a particularly interesting remark, given that some, including Robert F. Bruner and Sean D. Carr, cite a lack of liquidity in global credit markets as a root cause of the Panic of 1907—one of the most significant financial crises in modern history, which, among other things, led to the creation of the US Federal Reserve in 1913.[178] Bruner and Carr attribute the global liquidity crunch in 1906 to the California earthquake, which struck just two days after the contracts for the Russian loan had been signed. Given the close temporal proximity of both events, disaggregating the effects of the two to any exact degree is impossible. Nevertheless, the observations of the Rothschilds and other well-connected contemporary observers suggest that the liquidity crunch was at least in part—and possibly largely—due to the failure of the Russian loan, which in turn implies that the global panic was rooted partly in events in Russia.

p. 82 By mid-1906, Jewish opposition to the Russian loan gained prominence as a source of weakness in Russian securities. While Jacob Schiff of Kuhn, Loeb famously went out of his way to aid Japanese war finance during the Russo-Japanese War as a form of fighting Russian anti-Semitism, there is in fact little evidence in the files of the Rothschild bank's London archive to suggest an active manipulation by that house of the 1906 Russian loan.[179] However, the syndicate members, such as Barings, as well as diplomats, such as Spring Rice, attributed much of the negative press coverage of Russian financial and political affairs to Jewish figures opposed to official Russian anti-Semitism. The sentiment was confirmed to a degree by the heated exchange between Rutkovskii, who was the Russian government's financial agent, and Lord Rothschild in November 1906 over the appearance of an article in the *Times* quoting the *Jewish Chronicle* as saying that the Russian government was spreading false rumors about the Rothschilds ending their financial boycott of Russia. The acerbic correspondence between Rutkovskii and Rothschild in the aftermath of the publication of the articles suggests that the Rothschilds were not averse to and likely complicit in the embarrassing coverage the Russian government received.[180] Of course, there is little doubt that the Russian government would have encouraged rumors that the Rothschilds were abandoning their boycott—such an event would have almost certainly helped Russian security prices; and indeed the government had for some time been trying to woo the Rothschilds to do this, without making any tangible concessions on official anti-Semitism.[181]

In pushing for a truly international issue, the Russian government did diversify its funding base, reduce its dependence on what had proven to be fickle French markets, and even planted the seeds for the 1907 Anglo-Russian diplomatic rapprochement.[182] The urgent attempt by the government to internationalize the issue in 1906 only highlights Witte's failure, discussed in Chapter 1, in the late 1890s to invest in developing Russia's ties with the Anglo-American markets. Moreover, as its experience in the British markets—which it reentered through the 1906 loan—showed, the international character of the loan came at a cost. In hastily reentering the British market, the Russian government was engaging a market that was arguably harder to manipulate and created—in the form of the 1906 loan—an easy site of attack against the regime. At the same time, the loan proved to be a destabilizing influence in global markets, possibly contributing to one of the greatest financial crises of the twentieth century.

Of course proponents of the narrative that the loan saved Russia would argue that the proximate impact of the loan was to extend a financial lifeline to the Tsarist regime. In a similar vein, it could be argued that heightened p. 83 vulnerabilities are inherent in the act of taking on a loan. While both points ↳ are to some extent true, such arguments miss the context in which the loan was floated. They also grossly understate the degree to which key players in the loan saga took actions and made clear choices that resulted in the loan raising vulnerabilities and risks beyond those that would have been inherent in a loan raised in a different context.

The decision to first close the Duma and then proceed with the loan without any attempt to involve opposition forces in the planning, for example, was a choice the Tsarist regime made. It was part of a policy course that even relatively liberal figures such as Kokovtsov and Witte helped execute. Foreign participants in the loan saga, too, made decisions pregnant with consequences in the loan discussions. The failure of both the French government and French bankers to make approval of the loan conditional on a more inclusive domestic political path was a missed opportunity to float the loan in a less contentious manner. That the French did force conditionality on the Russians vis-à-vis the Moroccan Crisis only underscores the degree to which such a path was open—but not taken—by the French financial community. The decision by potentially new entrants into the Russian sovereign lending business, such as J. P. Morgan, to ultimately decline participation in the loan further highlights the leverage the French had but failed to exercise over Russia.[183] It would thus be a mistake to see the increased vulnerabilities of the Tsarist regime to financial attack after the 1906 loan as inherent in the act of borrowing. While some degree of heightened vulnerability was indeed inevitable, the manner in which the loan was floated served to materially exacerbate it.

Conclusion

In writing the story of the Russian Revolution, historians frequently adopt—implicitly or explicitly—the triumphalist Witte-Kokovtsov narrative of the 1906 Russian Government Loan as the loan that saved Russia. While the loan was certainly large and required a great deal of coordination and cooperation among the various issuing houses and governments, it was far from the unqualified success and stabilizing influence it is often assumed to have been, and is better seen as a Pyrrhic victory. Correspondence between key business and government leaders involved in the deal suggests a far more complex and conflicted legacy.

Domestically, the loan served as a lightning rod of opposition for opponents of the regime, ranging from moderate constitutionalist forces to the radical Social Democrats. The notion that the Tsarist regime would try to push through a loan without the prior approval of the Duma angered large segments of the political spectrum and reinvigorated the opposition, as evidenced not only in the Financial Manifesto of the Saint
p. 84 Petersburg Soviet but also in the ↳ Vyborg Manifesto of 1906, which was signed in July by members of the just-dissolved First Duma in a conscious echo of the Financial Manifesto. Indeed, the fury of the Duma deputies vis-à-vis the 1906 loan is palpable in the calls of the Vyborg Manifesto for the citizenry to withhold taxes and the threat to repudiate any and all loans contracted without the approval of the Russian population.

From an international perspective, the loan showed that the Russian government was able to diversify its funding base beyond France, which had proved to be a less than ideal ally in its reluctance to lend to Russia during the difficult periods of 1904 and 1905. At the same time, the sudden move to internationalize the market for Russian debt highlights the failure of Witte to engage the Anglo-American financial markets in the late 1890s as a major strategic error. Moreover, in reaching out to the British market, the Russian government also exposed itself to attacks in the financial markets through devastating press coverage generated by its opponents. At a time when global markets were already reeling from the impact of the California earthquake—cited by some as the root cause of the Panic of 1907 in the United States—the decision to issue a massive loan created an easy opportunity for the regime's opponents to talk down a benchmark loan, damaging Russian credibility in the markets and thus dealing a financial blow to the regime.

As 1906 drew to a close, the Russian government's problems were far from over, and while the loan had relieved some of them, it had created and exacerbated others—both within Russia and abroad. Even as the barricades were being torn down, and the fires of peasant revolt extinguished, the financial front remained open.

Notes

1. Witte, *Vospominaniia*, 2:202.
2. Figes, *People's Tragedy*, 200.
3. Ibid., 202.
4. Witte, *Vospominaniia*, 2:201.
5. Ibid., 2:202.
6. Pipes, *Russian Revolution*, 50. See also Witte, *Vospominaniia*, 2:217.
7. Witte, *Memoirs of Count Witte*, trans. and ed. Abraham Yarmolinsky, esp. chap 11; Harcave, *Count Sergei Witte*, chap. 19.
8. Vladimir Il'ich Lenin, *"Left-Wing" Communism—An Infantile Disorder (1920)*, in *V. I. Lenin: Collected Works*, 31:27.
9. Girault, *Emprunts Russes*, 347.
10. Gregory, *Russian National Income*, 56–58.
11. "Uncertainty in Russia: General Trend of Affairs Favorable, but Many Elements in the Political Situation May Affect Business," *New York Times*, 3 January 1904.
12. Abraham Ascher, *The Revolution of 1905: Russia in Disarray* (Stanford: Stanford University Press, 1988).
13. "Russia Shows War's Effect: She Exports No More Grain into Germany," *New York Times*, 20 February 1904.
14. Ascher, *Revolution of 1905: Russia in Disarray*, 52–53.
15. Ibid., 1:53.
16. Ibid.
17. Ibid.
18. "The Industrial Crisis in Russia," *New York Times*, 24 January 1904; James Long, "Franco-Russian Relations during the Russo-Japanese War," *Slavonic and East European Review* 52, no. 127 (April 1974): 213–33, doi:10.2307/4206868. 10.2307/4206868
19. "The Finances of Russia," *Economist*, 23 January 1904.
20. Long, "Franco-Russian Relations," 215–18.
21. Ibid., 222 10.2307/4206868 .
22. Ibid. 10.2307/4206868
23. Ibid. 10.2307/4206868 Kokovtsov's plan was to raise 800 million francs in Paris, with the remainder in Berlin, Amsterdam, and Saint Petersburg.
24. Ibid., 224 10.2307/4206868 .
25. Witte died in 1915.
26. Whereas the original Russian edition of Witte's memoirs simply titles the chapter in question "The Loan," the abridged and edited English edition, published contemporaneously, uses the more elaborate "The Loan That Saved Russia." Girault and others, using translated versions of the memoirs or a 1913 pamphlet by Witte on the loan, have incorrectly attributed the expression to Witte, who in the original full-length Russian version of his memoirs attributes the expression to Kokovtsov, who first used it in a speech in the First Duma shortly after the loan was floated. See Witte, *Vospominaniia*, 2:219.
27. Ibid., 2:192.
28. Ibid., 2:198, 202.
29. Ibid., 2:217–18.
30. Ibid., 2:219. Witte did use the term in his 1913 pamphlet, but only after Kokovtsov introduced it.
31. Pipes, *Russian Revolution*, 50.
32. Fitzpatrick, *Russian Revolution*, 36.
33. Figes, *People's Tragedy*, 216.
34. Ibid., 217.
35. Olga Crisp, "The Russian Liberals and the 1906 Anglo-French Loan to Russia," *Slavonic and East European Review* 39, no. 93 (June 1961): 497.
36. Ibid.; Seema Jayachandran and Michael Kremer, "Odious Debt," *American Economic Review* 96, no. 1 (March 2006): 82, doi:10.2307/30034355. 10.2307/30034355
37. Girault, *Emprunts Russes*, 447.
38. See in particular the reprinted memorandum addressed to the French government by Maklakov, dated 18 April 1906—two days after the loan contract was signed at the Russian embassy in Crisp, "Russian Liberals," 508–11. On Kadet distancing from repudiation, see Abraham Ascher, *The Revolution of 1905: Authority Restored* (Stanford: Stanford University Press, 1992), 2:58.
39. Long, "Franco-Russian Relations"; James W. Long, "French Attempts at Constitutional Reform in Russia," *Jahrbücher Für Geschichte Osteuropas* 23, no. 4 (January 1975): 496–503, doi:10.2307/41045104 10.2307/41045104 ; James W. Long, "Organized Protest Against the 1906 Russian Loan," *Cahiers Du Monde Russe et Soviéti que* 13, no. 1 (January 1972): 24–39. For a more recent account, focused more on the French perspective, see Suzanne Berger, "Puzzles from the First

Globalization," in *Politics in the New Hard Times*, ed. Miles Kahler and David Lake (Ithaca: Cornell University Press, 2013), http://dspace.mit.edu/handle/1721.1/71702.

40. Long, "Organized Protest," 39.
41. Ibid.; James Macdonald, *A Free Nation Deep in Debt: The Financial Roots of Democracy* (Princeton: Princeton University Press, 2006), 430; Carmen M. Reinhart and Kenneth S. Rogoff, *This Time Is Different: Eight Centuries of Financial Folly*, reprint ed. (Princeton University Press, 2009), 12.
42. Girault, *Emprunts Russes*, 430.
43. Ascher, *Revolution of 1905: Authority Restored*, 58.
44. Ibid., 58.
45. Long, "Organized Protest," 39.
46. James W. Long, "Russian Manipulation of the French Press, 1904–1906," *Slavic Review* 31, no. 2 (June 1972): 354, doi:10.2307/2494338. 10.2307/2494338
47. Crisp, "Russian Liberals," 498, 508.
48. Ibid., 508.
49. Long, "Franco-Russian Relations," 233.
50. Sergei Witte, "Spravka o tom, kak byl Zakliuchen Vneshnii Zaem 1906 g., Spashii Finansovoe Polozhenie Rossii," in Witte, *S. Iu. Vitte*, 2.2:436.
51. BAR/200164, Revelstoke to Landsdowne, 11 September 1905.
52. BAR/200164, Revelstoke to Baring Brothers & Co., 15 October 1905, 21 October 1905.
53. ML ARC 1214 Box 10 J. P. Morgan, Jr. to J. P. Morgan, 4 and 5 October 1905.
54. ML ARC 1216 (003) Box 4, J. P. Morgan, Jr. to Walter and E.C. Grenfell, 3 February 1905; J. P. Morgan, Jr. to E. C. Grenfell, 24 February 1905; J. P. Morgan, Jr. to Vivian Smith, 7 April 1905.
55. ML ARC 1214 Box 10, J. P. Morgan to J. P. Morgan, Jr., 5 October 1905.
56. ML ARC 1214 Box 10, J. P. Morgan Jr., to J. P. Morgan, 7 and 10 October 1905.
57. ML ARC 1214 Box 10, G. W. Perkins and J. P. Morgan, Jr. to J. P. Morgan, 12 October 1905, J. P. Morgan, Jr. to J. P. M., 17 October 1905 and BAR 200164, Revelstoke to Hardinge and Revelstoke to Noetzlin, 12 October 1905.
58. Pipes, *Russian Revolution*, 37.
59. BAR/200164, Revelstoke to Baring Brothers & Co., 21 October 1905.
60. ML ARC 1216 (017) Box 31, J. P. Morgan Jr. and G. W. Perkins to J. P. M., 21 October 1905 and ARC 1214 Box 10, Memorandum on Russia, 21 October 1905.
61. ML ARC 1216 (017) Box 31, J. P. Morgan to G. W. Perkins and J. P. Morgan, Jr., 17 October 1905.
62. ML ARC 1216 (017) Box 31, J. P. Morgan, Jr. and G. W. Perkins to J. P. Morgan, 18 October 1905.
63. ML ARC 1216 (017) Box 31, J. P. Morgan to G. W. Perkins and J. P. Morgan, Jr., 22 October 1905.
64. Ibid.
65. ML ARC 1216 (017) Box 31, G. W. Perkins and J. P. Morgan, Jr. to J. P. M., 22 October 1905.
66. Ibid.
67. ML ARC 1216 (017) Box 31, Perkins and Jack Morgan to J. P. M. in NY, 23 October 1905.
68. Ibid.
69. Ibid.
70. Ibid.
71. Ibid.
72. Ibid.
73. Ibid.
74. Ibid.
75. Ibid.
76. ML ARC 1216 (017) Box 31, J. P. Morgan to Perkins and Jack Morgan, 24 October 1905.
77. Ibid.
78. Ibid.
79. BAR/200164, Noetzlin to Kokovtsov; Kokovtsov to Noetzlin; Baring Brothers & Co. (London) to Paribas (Paris) 25 October 1905.
80. Pipes, *Russian Revolution*, 40.
81. ML ARC 1216 (017) Box 31, Perkins to J. P. Morgan, 27 October 1905.
82. ML ARC 1216 (002) Box 3, Perkins and Jack Morgan to J. P. Morgan, 31 October 1905.
83. BAR/200164, Revelstoke to Baring Brothers & Co., 31 October 1905.
84. ML ARC 1216 (002) Box 3, Jack Morgan to J. P. Morgan, 10 November 1905.
85. Ibid.

86. ML ARC 1216 (002) Box 3, Jack Morgan to G. W. Perkins, 13 November 1906.
87. Ibid.
88. BAR/200164, Spring Rice to Revelstoke, 2 December 1905.
89. George Garvy, "The Financial Manifesto of the St Petersburg Soviet, 1905," *International Review of Social History* 20, no. 1 (1975): 30, doi:10.1017/S0020859000004818. 10.1017/S0020859000004818
90. Ibid., 30 10.1017/S0020859000004818 .
91. Ibid. 10.1017/S0020859000004818
92. Ibid. 10.1017/S0020859000004818
93. Ibid., 30–31 10.1017/S0020859000004818 .
94. Ibid., 31 10.1017/S0020859000004818 .
95. G. M. Dempster, "The Fiscal Background of the Russian Revolution," *European Review of Economic History* 10, no. 1 (2006): 39.
96. Olga Crisp, *Studies in the Russian Economy before 1914* (London: Macmillan, 1976), 119.
97. See, for example, "The Russian Budget," *Economist*, 20 January 1906; "Russia's Financial Position," *Economist*, 16 December 1905; "The Finances of Russia," *Economist*, 23 January 1904.
98. Garvy, "Financial Manifesto," 31.
99. Redemption payments were made by peasants for the land they received as part of the 1861 emancipation of the serfs. They were used to compensate the landowners.
100. Garvy, "Financial Manifesto," 31.
101. Ibid., 25–26 10.1017/S0020859000004818 .
102. Ascher, *Revolution of 1905: Russia in Disarray*, 299–300.
103. See, for example, "Russia: Count Witte and the Strikers," *Times*, 6 December 1905; "Russia: The Moscow Revolt," *Times*, 29 December 1905.
104. "Attitude of the Press," *Times*, 19 December 1905.
105. Robert Service, *Lenin: A Biography* (Cambridge, MA: Harvard University Press, 2000), 176–77.
106. "Russia: Count Witte and the Strikers," *Times*, 6 December 1905. The paper, with a circulation of some 200,000, had long been a reliably ultranationalist, Judeophobic publication read by the Tsar and, among other things, an instigator of the infamous Kishinev pogrom of 1903. See Daniel Balmuth, "Novoe Vremia's War Against the Jews," *East European Jewish Affairs* 35, no. 1 (2005): 33–54, doi:10.1080/13501670500191645 10.1080/13501670500191645 ; Thomas Riha, "Riech': A Portrait of a Russian Newspaper," *Slavic Review* 22, no. 4 (December 1963): 663–82, doi:10.2307/2492564. 10.2307/2492564
107. Witte, *Vospominaniia*, 2:196–97.
108. "The State of Russia," *Times*, 18 December 1905.
109. A. L. Sidorov, ed., "Finansovoe Polozhenie Tsarskogo Samoderzhaviia v Period Russko-Iaponskoi Voiny i Pervoi Russkoi Revoliutsii," *Istoricheskii Arkhiv* 1955, no. 2 (January–February): 125–27.
110. Ibid., 127–28.
111. Global Financial Data database.
112. Witte, *Vospominaniia*, 2:196–97.
113. "Measures Against the Press," *Times*, 18 December 1905. The government could not remove all printed copies, however; the same story reported more than a thousand copies of a Polish paper having escaped the censor's grasp.
114. "Russia: Task of the Government," *Times*, 4 January 1906.
115. "The State of Russia: Signs of Reaction," *Times*, 12 January 1906.
116. "Russia: Budget and Financial Report," *Times*, 15 January 1906.
117. Ibid.
118. "Russia's Financial Position," *Economist*, 13 January 1906; see also "The Breakdown of the Gold Standard in Russia," *Economist*, 6 January 1906; "The Russian Currency," *Economist*, 3 February 1906.
119. "Russian Finance," *Times*, 20 January 1906.
120. Ibid.
121. Ascher, *Revolution of 1905: Authority Restored*, 7.
122. "The State of Russia: The Political Unrest," *Times*, 24 January 1906.
123. "Sentence on a Newspaper Editor," *Times*, 22 January 1906.
124. Ibid. For an example of how the newspaper and Kadets were later opposed under Stolypin, see Ascher, *Revolution of 1905: Authority Restored*, 350.
125. Shmuel Galai, "The Impact of the Vyborg Manifesto on the Fortunes of the Kadet Party," *Revolutionary Russia* 20, no. 2 (2007): 200, doi:10.1080/09546540701633486. 10.1080/09546540701633486

126. Ibid., 201–2 10.1080/09546540701633486 .
127. See ibid., 198 10.1080/09546540701633486 . Long, for instance, gives an incorrect date and claims there were more than 200 participants at the first meeting; Long, “Organized Protest,” 36. E. H. Carr offers a particularly erroneous account in that he confuses the Financial Manifesto of the Saint Petersburg Soviet with the Vyborg Manifesto. In his narrative, the Soviet issued the Vyborg Manifesto in 1905. This is incorrect: the Soviet issued the Financial Manifesto in December 1905, and the members of the dissolved Duma signed the Vyborg Manifesto several months later, in July 1906. See Edward Hallett Carr, *The Bolshevik Revolution 1917–1923*, 3 vols. (New York: Macmillan, 1952), 2:138.
128. Galai, “Impact of the Vyborg Manifesto,” 217.
129. Ascher, *Revolution of 1905: Authority Restored*, 205–6.
130. Ibid., 2:203.
131. Vladimir Nabokov, *Speak, Memory: An Autobiography Revisited* (New York: Vintage, 1989), 163.
132. Long, “Organized Protest,” 37; Ascher, *Revolution of 1905: Authority Restored*, 209.
133. Ascher, *Revolution of 1905: Authority Restored*, 206.
134. Galai, “Impact of the Vyborg Manifesto,” 204.
135. BAR/200169, Cecil Spring Rice, “Notes on the Russian Financial Situation,” 2 January 1906. Spring Rice maintained an active dialogue with the Morgans as well. His conversations with Jack Morgan contributed to the latter’s bearish outlook on Russian affairs in early 1905. See ML ARC 1216 (003) Box 4, J. P. Morgan, Jr. to Walter and E.C. Grenfell, 3 February 1905.
136. BAR/200169, Noetzlin to Revelstoke, 9 January 1906.
137. Harcave, *Count Sergei Witte*, 215; Witte, *Vospominaniia*, 2:200.
138. Harcave, *Count Sergei Witte*, 218.
139. Girault, *Emprunts Russes*, 419.
140. Ibid., 424. The discount rate was the annualized rate at which the central bank would lend funds to financial institutions. In this sense, it can be seen as a baseline rate against which banks and other lenders priced their own loans to third parties.
141. Witte, *Vospominaniia*, 2:200, 205.
142. Ibid., 2:202.
143. Ibid., 2:211.
144. The nominal yield was 5 percent. A callable bond is one that includes an embedded option allowing the issuer to redeem or “call” the bond prematurely. In the case of the 1906 loan, given that the loan was priced at a time when Russia was in distressed circumstances, the government had an interest in refinancing the loan at a lower rate if and when the situation stabilized. Bondholders, by contrast, would see a reduction in their total return if the bond were prematurely paid off or exchanged for a lower yielding bond. The restriction on callability served to protect the bondholders’ interests.
145. Witte, *Vospominaniia*, 2:202.
146. Witte, “Spravka o tom”; BAR/200169, Noetzlin to Revelstoke, 31 March 1906.
147. ML ARC 1216 (017) Box 31, J. P. Morgan to Jack Morgan, 2 April 1906.
148. ML ARC 1216 (017) Box 31, Jack Morgan to J. P. Morgan, 7 April 1906.
149. ML ARC 1216 (017) Box 31, J. P. Morgan to Jack Morgan, 7 April 1906.
150. ML ARC 1216 (017) Box 31, J. P. Morgan in Paris to Jack Morgan, 7 April 1906.
151. Ibid.
152. ML ARC 1216 (017) Box 31, Perkins and Jack Morgan to JPM, 11 April 1906.
153. Ibid.
154. Ibid.
155. Ibid.
156. ML ARC 1216 (017) Box 31, J. P. Morgan Paris to C. S. Morgan, 11 April 1906.
157. Witte, *Vospominaniia*, 2:212–13.
158. BAR/200165, Revelstoke to Sir Edward Grey, 6 April 1906.
159. Harcave, *Count Sergei Witte*, 106.
160. NA/FO/800/72/0/2/16, Spring Rice to Grey, 3 January 1906.
161. Ibid.
162. Ibid.
163. BAR/200165, Spring Rice to Revelstoke, 3 April 1906.
164. Witte, *Vospominaniia*, 2:194.
165. BAR/200165, Contract for 5 Percent Russian State Loan of 1906; Noetzlin to Revelstoke, 16 April 1906.
166. Even though the key members of the syndicate signed the main documents on 16 April, the completion of the paperwork, the solicitation of orders, and the decision to actually exercise the additional allotment option did not take place until several days later—well after the California earthquake.

167. RAL/XI/130A/19060419, London to Paris, 19 April 1906.
168. RAL/XI/130A/19060528, London to Paris, 28 May 1906.
169. ML ARC 1216 (017) Box 31, Vivian H. Smith to Jack Morgan, 23 May 1906.
170. RAL/XI/130A/19060615, London to Paris, 15 June 1906.
171. BAR/200166, Kokovtsov to Revelstoke; Revelstoke to Kokovtsov, 17–18 June 1906.
172. See Chapter 1 and Bignon and Flandreau, "Economics of Badmouthing."
173. BAR/201166, Noetzlin to Revelstoke, 18 June 1906.
174. BAR/200166, Noetzlin to Revelstoke; Revelstoke to Noetzlin, 20–21 June 1906.
175. BAR/200166, Kokovtsov to Revelstoke, 20 June 1906.
176. RAL/XI/130A/0A/19060720, London to Paris, 20 July 1906.
177. Ibid.
178. Robert F. Bruner and Sean D. Carr, *The Panic of 1907: Lessons Learned from the Market's Perfect Storm* (Hoboken, NJ: John Wiley, 2007), 13–17.
179. Harcave, *Count Sergei Witte*, 149; see also RAL/XI/130A/0/19060105, London to Paris, 5 January 1906.
180. BAR/200166, Rutkovskii to Lord Rothschild, 3 November 1906; Lord Rothschild to Rutkovskii, 5 November 1906.
181. See, for example, RAL/XI/130A/0/19060123, London to Paris, 23 January 1906.
182. For a detailed discussion of the diplomatic dimensions of the Russo-French financial relationship, see Jennifer Siegel, *For Peace and Money: French and British Finance in the Service of Tsars and Commissars* (Oxford: Oxford University Press, 2014).
183. The case of Tsarist Russia in 1905–6 is distinct from that described in Mauricio Drelichman and Hans-Joachim Voth, *Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II* (Princeton: Princeton University Press, 2014), 3. Beyond the French reluctance to impose conditionality on the Tsarist regime, there was no "risk transfer mechanism" along the lines the authors describe in Philip II's Spain.