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**Gentlemanly Capitalism and the Baghdad Railway, 1888–1914: ‘Cosmopolitanism’  
vs. ‘Patriotism’<sup>1</sup>**

**Centilmen Kapitalizm ve Bağdat Demiryolu, 1888–1914: ‘Kozmopolitanizme’ Karşı  
‘Vatanseverlik’**

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### **Abstract**

According to the interpretation of Cain and Hopkins, British imperialism was driven by a social stratum they dub 'gentlemanly capitalists'. This refers to the financial and service sector based in south-eastern England. This article aims to contribute to the ongoing discussion on Cain's and Hopkins's approach by exploring how far it can shed light upon the stance of British business and political elites towards the German-dominated Baghdad railway project in the Ottoman Empire. Represented by Deutsche Bank, German interests started to construct railway lines in Anatolia from 1888 onwards. In 1903, they secured a concession to build a railway connecting Ankara with the Persian Gulf (the Baghdad railway). For the British, this raised the question of whether it was better to oppose or participate in that project. The latter option was pursued by a group of London-based financial interests. However, a competing group consisting of British railway and shipping interests vociferously opposed the plan of a German-French-British joint venture as inimical to British interests, thereby forcing the British government to reverse its previous support for the project. This was followed by years of abortive British-German-Ottoman negotiations. In 1913-14, a compromise was found: The British traded their acceptance of a German-controlled Baghdad railway against a number of concessions involving the Persian Gulf, railways, shipping and, crucially, oil. On the British side, the main winners of this agreement were the very same railway and shipping interests that had wrecked the previous plan. All the financial, railway and shipping interests involved in this affair can indeed be characterized as 'gentlemanly capitalists' in the vein of Cain and Hopkins. However, the findings of this article also show that the 'gentlemanly capitalists' were not as coherent a group as Cain and Hopkins would have it: There was a deep split between the 'cosmopolitanism' of some financial circles and the more narrow 'patriotism' of the railway and shipping interests.

**Keywords:** British Imperialism, Gentlemanly Capitalism, British-German Relations, British-Ottoman Relations, Baghdad Railway.

## Öz

Cain ve Hopkins’in yorumuna göre İngiliz emperyalizmi, “centilmen kapitalistler” olarak adlandırdıkları bir toplumsal zümre tarafından gerçekleştirilen bir olguydu. Bu ibare Güneydoğu İngiltere merkezli bir mal ve hizmet sektörüne gönderme yapmaktadır. Elinizdeki makale, Cain ve Hopkins’in yaklaşımının Osmanlı İmparatorluğu’nda Almanya’nın yürüttüğü Bağdat demiryolu projesine karşı İngiliz ticari ve siyasi elitlerinin takındığı tutumu ne ölçüde aydınlatılabildiğini irdelemek suretiyle, söz konusu tartışmaya katkıda bulunmayı amaçlamaktadır. Deutsche Bank tarafından temsil edilen Alman girişimi, 1888’den itibaren Anadolu’da demiryolu inşaatına başlamış durumdaydı. 1903’e geldiğindeyse Almanlar, Ankara’yı Basra Körfezi’ne bağlayacak olan Bağdat demiryolu projesi için gereken imtiyazı temin etmişlerdi. Bu durum İngilizler’i bu projeye katılmak ile ona muhalefet etmek arasında bir tercih yapmaya zorladı. Londra merkezli finans çevrelerinin oluşturduğu bir grup, projeye katılabilmenin peşine düştü. Fakat İngiliz demiryolu ve taşımacılığı sektörünün önde gelen temsilcilerinden oluşan rakip bir grup, Alman-Fransız-İngiliz ortak girişimi planına İngiltere’nin çıkarlarına aykırı olduğu gerekçesiyle sert biçimde karşı çıktı ve İngiliz hükümetini projeye verdiği desteği durdurmaya zorladı. Devam eden yıllar, sonuçsuz kalan İngiliz-Alman-Osmanlı görüşmelerine şahitlik etti. Nihayet 1913-1914’te bir uzlaşa sağlandı: İngiltere, Basra Körfezi’nin kontrolü, demiryolları, nakliye ve en önemlisi petrol gibi çeşitli alanlarda aldığı tavizler karşılığında Almanya’nın yürüteceği Bağdat demiryolu projesine rıza gösterdi. İngiltere tarafında bu anlaşmadan asıl kazançlı çıkanlar tam da önceki planı baltalayan demiryolu ve taşımacılık sektörü temsilcileriydi. Bu meseleyi teşkil eden demiryolu, taşımacılık ve finans sektöründeki çıkarların tümü, Cain ve Hopkins’in yaklaşımları zemininde gerçekten de “centilmen kapitalistler” olarak nitelendirilebilir. Gelgelelim bu makalenin ulaştığı sonuçlar, “centilmen kapitalistler”in Cain ve Hopkins’in sandığı kadar insicamlı bir grup olmadığını göstermektedir: Bazı finans çevrelerinin “kozmpolitanizmi” ile demiryolu ve taşımacılık sektörünün daha sınırlı çıkarlarının “vatansızlığı” arasında ciddi bir yarıma vardı.

**Anahtar Kelimeler:** İngiliz Emperyalizmi, Centilmen Kapitalistler, İngiliz-Alman İlişkileri, İngiliz-Osmanlı İlişkileri, Bağdat Demiryolu.

## Introduction: Gentlemanly Capitalism

In their two landmark volumes on *British Imperialism* (1993), Peter J. Cain and Antony G. Hopkins link the dynamics of Britain's domestic level with those of her formal and informal overseas dependencies. They assert that the British Empire really started to come into its own from the mid-19th century onwards. Far from being a defensive reaction to the activities of Continental European powers or local political crises, the subsequent expansion of this empire was a symptom of the City of London's finance/service nexus's global dynamism. London was the most prominent one among the financial centres of the world economy during the 19th century. This meant that, even as Great Britain's industries started to lose the competitive edge against Germany and the USA, its global power position remained intact. Britain finally lost her financial pre-eminence to the Americans due to World War I. Still, the British made valiant and not unsuccessful efforts to maintain or even expand their power in different parts of the non-European world during the interwar period. It was only World War II that finally cut Britain down to size. Subsequently, decolonization was the result of changing geographical priorities on the part of the City-based investors.

The core of Cain's and Hopkins's argument is that in terms of political influence and social esteem Great Britain's provincial manufacturers generally took a backseat compared to an elite based upon Southeast England and especially the City of London: the gentlemanly capitalists. This stratum was composed of the financial sector together with other services, namely trade, shipping and insurance. While being capitalist in the sense of pursuing a never-ending quest for profit through the handling of money and goods, this group simultaneously cultivated a gentlemanly status ethos. The British Empire was thus run on lines that represented the values and economic interests of the City's finance-cum-service complex. Whether as colonies or as parts of the informal empire, Britain's dependencies were primarily valuable as outlets for investments by the gentlemanly elite. Besides banking, such investments went into infrastructure and mining. The export of industrial goods to the Empire followed on the coat-tails of these investments but the interests of British industrial and gentlemanly capitalists did not always coincide.

The gentlemen of the City were closely tied to their fellow gentlemen of Whitehall. Cain and Hopkins argue that Great Britain's bureaucratic and military elites shared the same social background, education and values with the gentlemanly capitalists. Sound monetary and frugal fiscal policies were given pride of place; whatever smelled of industrial mass society was kept at arm's length. There was a close collaboration between the Foreign, India and Colonial Offices together with their local representatives on the one hand and City-related financial interests on the other hand (Cain and Hopkins, 1993a; Cain and Hopkins, 1993b). The Middle East was somewhat of a special case in being at the bottom of the City investors' priorities list. In contrast, Whitehall was keen on a British presence in the region due to its strategic importance of lying astride the road to India. Thus, the Foreign Office tried, not always successfully, to encourage a rather unenthusiastic financial sector to invest in the region (Cain and Hopkins, 1993a, pp. 397-421).

No general account of Britain's position within the Middle East during the quarter-century before World War I can ignore the Anatolian and Baghdad railways. As these railway ventures went together with the strengthening of Germany's political and economic influence in the Ottoman Empire, they inevitably

touched British imperial interests there as well. In the following, we will discuss British policies towards the Baghdad railway from the perspective of Cain’s and Hopkins’s work. Particular attention will be paid to the following issues: Was Great Britain still an expanding power on the eve of the war? Did the major British economic actors involved with the Baghdad railway belong to the gentlemanly capitalism stratum? What was the relationship between the economic actors and the responsible British officials over the Baghdad railway issue?

### **The Saga of the Baghdad Railway**

The railway age in the Ottoman Empire started in 1866 with the opening of a line connecting İzmir with Aydın. This pattern of connecting a port town with its immediate hinterland also characterized all additional railways operating in the Empire’s Anatolian provinces during the following two-and-a-half decades. In the meanwhile, railway lines were also built in the Balkans and a connection between İstanbul and Vienna opened in 1888.

It was in that year that the Germans entered the fray in the shape of Deutsche Bank. It led a group of investors setting up the Anatolian Railway Company (ARC), which built a line connecting İstanbul with Ankara in 1893 and Konya in 1896. Next emerged the Baghdad railway project, which was to extend the İstanbul-Konya line through Mosul and Baghdad to the Persian Gulf. In contrast to the earlier, port town-oriented lines, the Anatolian and Baghdad railways were to link the capital city with the Ottoman Empire’s Anatolian, Syrian and Iraqi provinces.

In 1899, Deutsche Bank teamed up with the French-dominated Imperial Ottoman Bank (IOB) to found the Baghdad Railway Company (BRC). Four years later, the Ottoman government granted the BRC as concession including a profit guarantee per kilometre built and mining rights on both sides of the railtrack. Not everyone was happy with the new venture. Already in 1900, Russia had forced upon the Ottomans an agreement reserving railway rights in northern Anatolia for herself. In 1903, opponents in France prevented the BRC, despite being partially French, to raise capital at the Paris stock exchange. Likewise, negotiations about British capital entering the BRC were cut short by a hostile press campaign.

After the BRC had extended the railway links from Konya to the gate of the Taurus Mountains in south-eastern Anatolia in 1904, technical and financial issues brought the construction to a grinding halt. There also emerged a new competitor in the shape of U.S. business interests represented by Admiral Chester and backed by the American Department of State. Launched in 1908, Chester’s application for a railway construction concession in Eastern Anatolia fell foul of German obstruction and was effectively shelved three years later. Construction of the Baghdad railway resumed full speed once the original contract was revised in 1911, with the BRC renouncing construction rights beyond Baghdad and some financial guarantees. Furthermore, international competition over Ottoman railtracks was lessened by a number of agreements: In 1910-11, Russia gave up its opposition to the Baghdad railway against a German promise not to do any infrastructural construction in northern Persia. Likewise, a German-French deal led to the withdrawal of French capital from the BRC and a mutual agreement on respective spheres of railway construction in the Asiatic regions of the Ottoman Empire in 1913-14. During the same two years, the British traded their acceptance of the Baghdad railway for a recognition of their dominant position in the Persian Gulf and

additional railway, navigation and oil concessions through a number of agreements with the Ottomans and the Germans.

Once the construction of railtracks crossing the Taurus and Amanus mountains had finally been completed, Aleppo was connected by train with İstanbul in 1918. But the end of World War I also meant the expropriation of the ARC and the BRC. Their railtracks were partly taken over by the new nationalist government in Turkey and partly by the French and British (Earle, 1924; McMurray, 2001; Ortyalı, 1984; Özyüksel, 2013; Özyüksel, 2016; Soy, 2004; Wolf, 1973). Between the 1930s and 1950s, Turkey, Syria and Iraq step by step nationalized the remaining foreign-owned parts of the Baghdad railway. In the meantime, with the last gaps in the tracks having been closed, the first train from İstanbul reached Baghdad in 1940 (Bickel, 2003, pp. 161-162).

### **From the Anatolian to the Baghdad Railway**

Under Sultan Abdülhamit II (r. 1876-1909), the previously warm British-Ottoman relations entered a more difficult phase. Their main strategic interests being secured through the occupation of Egypt and discontented by the Sultan's autocratic rule and especially his handling of the Armenian troubles, the British lost their enthusiasm for preserving the Ottoman Empire. By the mid-1890s, Prime Minister Salisbury seriously considered a partition of the Ottoman realms. In turn, Abdülhamit did not value the British much as a potential support against Russia, resented their occupation of Egypt, and believed that they were supporting oppositional and separatist movements in his empire (Hanioglu, 2008, pp. 131-132; Heller, 2014, pp. 1-2; Özyüksel, 2016, pp. 18-19; Wilson, 2003, pp. 127-129, 139-140, 141-142, 145-146). Cain's and Hopkins's claim that Whitehall was for geostrategic reasons keen on a British presence in the Ottoman Empire thus need to be qualified as far as this period is concerned.

Despite cool political relations, the miniscule railway system in the Asian provinces of the Ottoman Empire was yet dominated by British capital when the Germans arrived on the stage in 1888. There was the İzmir-Aydın railway; the İzmir-Kasaba line; the short railway connecting İstanbul with İzmit; and the Mersin-Adana line, which had just started operating as a British-French joint venture. Now, however, Britain's predominance was challenged not only by Deutsche Bank but also by French interests starting to gain railway concessions in the Syrian provinces. Furthermore, the company leasing the İstanbul-İzmit line was due to lack of capital unable to comply with the Ottoman desire to extend it to Ankara and ultimately to Baghdad. Its lease was cancelled and the railtracks handed over to the ARC (Earle, 1924, pp. 29-31; Özyüksel, 2016, pp. 9-10, 25-26, 78).

A railway scheme that initially competed with that of Deutsche Bank was advanced by Sir Vincent Caillard (1856-1930), who served as British representative on the Ottoman Public Debt Administration (PDA) between 1883 and 1898. In the estimation of Cain and Hopkins, even though Caillard can be characterized as a representative of the financial and service class, his inclination for intrigues and speculation prevented him from being accepted at the highest level of the gentlemanly stratum (Cain and Hopkins, 1993a, pp. 406-407, 406 n. 38, 419-420). In 1888, Caillard attempted to set up an Anglo-Italian or Anglo-American venture to build a railway between İstanbul and Baghdad. This was a move directed against the IOB, which also applied for a concession. He then scuttled these plans as result of a deal with Deutsche Bank, through



which he joined the ARC's board of directors. Caillard however desisted from any investment into the ARC once it was clear that the IOB was out of the picture. Besides taking a British citizen on its board, the ARC was also permeated by British capital: the latter covered no less than one quarter of the first loan raised by the company (Earle, 1924, pp. 31-32; Özyüksel, 2016, pp. 11, 27; Wolf, 1973, pp. 12-13, 15).

But already in 1890, the British shares were bought by the Germans within the context of credit shortages in the City, probably related to the Barings Crisis (Cottrell, 2016, p. 82; McMeekin, 2011, p. 39). The only British investor who did not withdraw was Ernest Cassel (Wolf, 1973, pp. 14-15), a rich City financier. Around 1892, he declined an offer by Deutsche Bank to invest further into its railways (Allfrey, 2013, p. 246; Grunwald, 1969, pp. 142-143). In 1893, there were abortive negotiations between the Smyrna Aidin Railway Company (i.e. the İzmir-Aydın line) and Deutsche Bank concerning the former's participation in the Baghdad railway venture. Once the ARC had started construction, the first attempt by British officials to reassert Britain's position in the Ottoman railway sector was the ambassador's support for the project of an entrepreneur to link Ankara and Baghdad by rail in 1891. And in 1892-93, backed by Foreign Secretary Rosebery the British ambassador protested against the Ottomans giving the concession to Konya to the ARC and even threatened to send in the Royal Navy. These threats were neutralized by German diplomats raising the counter-threat of creating troubles for the British with respect to the public debt issue of Egypt. In the meantime, a French group acquired a majority of the previously British-controlled İzmir-Kasaba railway in 1893 (Özyüksel, 2016, pp. 29-30, 35-37, 59; Wolf, 1973, pp. 16-17, 21).

These diplomatic disharmonies occurred in the years after the 1890 Anglo-German agreement on Heligoland and Zanzibar. Despite that agreement, German hopes for an alliance with the British faded and a number of minor conflicts over colonial issues in Africa and the Pacific emerged. Indeed, the temporary British resistance to the Konya railway together with issues related to Cameroon and New Guinea provoked the Germans into a more confrontational attitude towards colonial matters affecting the British (Kennedy, 1987, pp. 205-222). The latter, in turn, also became assertive: in 1899, Kuwait was put under British 'protection', even though it remained nominally a part of the Ottoman Empire (Earle, 1924, pp. 197-198; Kumar, 1962, p. 71; Özyüksel, 2016, p. 73). Originally, that move happened in response to assumed French and Russian rather than German activities. However, the Germans backed unsuccessful Ottoman attempts to make the British give up their foothold at Kuwait (Wolf, 1973, pp. 36-37, 36-37 n. 5).

Among the projects competing with Deutsche Bank, one was proposed by Ernest Rechnitzer, the London-based son of a Hungarian businessman who had grown rich through road construction („Rechnitzer Family Tree“, 2020). In 1899, he represented a group of British financiers - including the London branch of the Rothschilds - which proposed to construct a railway connecting Iskenderun through Baghdad with the Persian Gulf. However, even though it included the option of adding a connection with Konya later on, Rechnitzer's scheme did not meet the Sultan's desire to link the Arab-speaking provinces with İstanbul. Furthermore, it seems that it did not convince enough investors and was considered to be more 'Austrian' than British (Earle, 1924, pp. 60, 62-63, 85 n. 7, 86 n. 9, 86-87 n. 12; Özyüksel, 2016, p. 61; Wolf, 1973, p. 24). However, one alleged member of Rechnitzer's would-be consortium, i.e. the British Rothschilds, was an important merchant banker with investments all over the world and especially prominent in doing business with Brazil and Chile (Cain and Hopkins, 1993a, pp. 120, 150, 157, 295, 299, 300, 303, 305, 310, 357, 366,

375-379, 401, 434, 435; Cain and Hopkins 1993b, pp. 162-166). Rechnitzer duly emphasized the benefits of his project for British political and economic interests in the Persian Gulf. Initially, he was backed by the British ambassador in İstanbul, who advised his German counterpart that Deutsche Bank and the IOB should make a deal with the Rechnitzer group. According to Rechnitzer's own account, this support was subsequently withdrawn by the British government, which dropped his scheme in order to buy German non-interference at the outbreak of the Boer War. He particularly blamed Colonial Secretary Chamberlain, who indeed then expressed his preference for a German presence in Anatolia over a French or Russian one (Earle, 1924, pp. 60-61, 67, 86 n. 9, 87 n. 12; Özyüksel, 2016, pp. 61, 72; Wolf, 1973, p. 24).

It is true that, due to their relative isolation during the Boer War, the British saw the need to be on good terms with Germany. And even though Germany had made the decision to expand her navy, there were some tentative but ultimately futile talks about an Anglo-German alliance in the years around the turn of the century. Some British statesmen, foremost among them Chamberlain, openly favoured this option (Kennedy, 1987, pp. 223-250; Rose, 2011, pp. 145-155). But in view of all the other hindrance his scheme faced, Rechnitzer's charge that he was sacrificed on the altar of British-German relations seems to be somewhat overblown.

There was another political issue connected with the Rechnitzer application. In 1899, the Sultan's brother-in-law Damat Mahmut Paşa went into exile in Paris. He asked the British for support in overthrowing the Sultan and promised to help them getting economic concessions in return. Shortly before taking this dramatic step, Damat Mahmut had spoken in favour of the Rechnitzer venture. Consequently, there were allegations that the latter was behind the Paşa's escape. Be that as it may, the British officials refused to become involved (Earle, 1924, p. 60; McMeekin, 2011, pp. 57-58, 58 n.; Özyüksel, 2016, pp. 61, 71-72).

In 1900-01, Deutsche Bank advanced the proposal of British capital joining the venture. Being prodded by Caillard, it approached the London Rothschilds, who declined as they considered the project to have an overtly political character. The financier Cassel proposed a 20% participation of London-based capital in the project or, alternatively, its merger with the British-owned İzmir-Aydın railway. Both schemes failed due to the lack of backers. Contacts with Barings, J.S. Morgan as well as bankers dealing with Persia likewise failed to bring results while the Foreign Office (FO) maintained a friendly but reserved attitude (Allfrey, 2013, p. 247; Francis, 1973, p. 169; Grunwald, 1969, p. 143; Wolf, 1973, pp. 29-30).

### **The Talks on a British Participation in the Baghdad Railway**

By 1902-03, Foreign Minister Lansdowne and the new Prime Minister Balfour had come round to the conclusion that, as the railway would be built anyway, it was in Great Britain's best interest to participate in the project. Such a participation was hoped to improve relations with Germany and to contribute to checking Russian designs upon the Persian Gulf (Earle, 1924, pp. 93, 181-182; Francis, 1973, pp. 169, 175; Kumar, 1962, pp. 71-72; Mejcher, 1975, p. 458; Rose, 2011, pp. 301-302; Wolf, 1973, pp. 39-40, 40 n. 22, 42). The stage was now set for serious negotiation between Deutsche Bank, represented by its chairman Arthur von Gwinner, and a trio of British financiers: Lord Revelstoke from Barings, Clinton Dawkins from Morgan, and Ernest Cassel.



Baring Bros. was one of the oldest and most prestigious merchant banking houses of the City. Having come to London as German-origin traders in the 1760s, Barings increasingly focused upon financial services, namely dealing with bills of exchange as well as issuing bonds and stocks. During the second half of the 19th century, the house was particularly involved with investments into Canada, the USA, Argentine and Russia, among which railways loomed large. Being saddled with unsound loans to Argentine, the bank faced the threat of insolvency in 1890. As Barings’s fall might have pulled down the whole City, it was rescued by other financial houses under the guidance of the Bank of England. Under its new head John Baring aka Lord Revelstoke (1863-1929), Barings soon recovered its former prestige, if not its market share. From the interwar period onwards, it redirected much of its business into British industries (Ziegler, 1988). For Cain and Hopkins, Barings and especially the operation saving it is a showcase for gentlemanly capitalism and its informal networks (Cain and Hopkins, 1993a, pp. 120, 126, 150, 153-158, 174-175, 263-264, 268-269, 289, 292-296, 408, 435, 439, 443; Cain and Hopkins, 1993b, pp. 16, 42, 45, 65, 156, 159, 160, 163).

The second component of the 1902-03 trio was J.S. Morgan. Having been founded by an American merchant in 1838, J.S. Morgan joined Barings as one of the City’s most reputable merchant banking houses. Its core business became the management of government loans (to Continental Europe, the USA and Latin America) and of corporate loans (especially in the US railway sector). After WWI, it pioneered the increasing involvement of merchant banks with domestic industry. What set J.S. Morgan aside was its Anglo-American character (Burk, 1990). In the negotiations with Deutsche Bank, J.S. Morgan was represented by Sir Clinton Dawkins (1859-1905) (Earle, 1924, pp. 186, 209 n. 11; Francis, 1973, pp. 170, 174, 176, 177-178), who was an example of a former civil servant joining the financial sector: Before becoming partner at the bank, Dawkins had been an official in charge of the financial affairs of British-occupied Egypt and then British India (Burk, 1990, pp. 57-58; Cassis, 1994, pp. 39-40). Morgan is another of the City institution that frequently appear in Cain’s and Hopkins’s narrative. They emphasize that its ability to do much business while having limited capital resources on its own was typical for gentlemanly capitalism (Cain and Hopkins, 1993a, pp. 126, 129, 129 n. 95, 464; Cain and Hopkins 1993b, p. 17).

The third within the trio was Sir Ernest Cassel (1852-1921). Of German (and Jewish) origins, Cassel was a self-made City financier, whose activities included organizing investments in Great Britain (banking, armaments, underground line), Austria (banking), Sweden (iron and steel, railways), the USA (railways, copper), Mexico (railways, government loans), South America (government loans), Morocco (banking), Egypt (the first Asswan dam, sugar, banking, government loan), the Ottoman Empire (banking, oil), Russia (government loans) and China (government loan). He was friends with the Prince of Wales and later King Edward VII, whose financial affairs he managed, and also acted as an informal advisor to the Treasury. While being neither partner nor director in any bank, Cassel formed around himself an informal group of business associates representing his interests (Allfrey, 2013, pp. 139-152, 160-166, 169-170, 173-179, 183-204, 212, 214-219, 221-227, 232-237, 240-241, 243-269, 271-272, 275-318; Cassis, 1994, pp. 38-39, 181; Grunwald, 1969; Thane, 1986). For Cain and Hopkins, Cassel is an example of a *nouveau riche* climbing to the top of the gentlemanly elite through personal connections and supporting British interests in risky ventures shunned by the more established banking houses (Cain and Hopkins, 1993a, pp. 130, 407-408, 408 n. 44).

The first two members of this trio belonged to the category of merchant banks, which can be juxtaposed to the other main segment of the City's financial sector, the joint-stock banks. While the latter held deposits and handed out short-term loans, the merchant banks specialized upon acceptance of bills of exchange, the issue of foreign loans, and some direct investments. They were owned and to a large extent managed by members of their founding families (Cassis, 1994, pp. 5, 32, 39, 73, 148).

In line with Cain's and Hopkins's interpretation, Whitehall and City worked hand in hand. After having been approached by von Gwinner concerning British participation in the BRC, Dawkins of Morgans in turn contacted Lansdowne. After the Foreign Secretary had given the green light for the venture, Dawkins teamed up with Cassel and, on Lansdowne's request, Revelstoke of Barings, who subsequently led the negotiations with von Gwinner (Allfrey, 2013, pp. 248-249; Cottrell, 2016, pp. 82, 87; Earle, 1924, p. 184; Francis, 1973, pp. 170, 173, 176-177; Wolf, 1973, p. 40). Revelstoke's inclusion seems to have been in order to compensate for perceived liabilities of the other two participants: Cassel was a former Prussian citizen; and Dawkins's banking house was in the process of organizing a transatlantic shipping combine that was frowned upon by many politicians and press organs as an American takeover of British shipping lines (Burk, 1990, pp. 105-111; Cottrell, 2016, pp. 80, 85; Grunwald, 1969, p. 143 n. 120; Wolf, 1973, p. 40). Indeed, Revelstoke was directly asked by Lansdowne to involve Barings in the venture. As Lansdowne turned down Revelstoke's request for an official guarantee of the railway bonds, both men decided to further broaden the venture's financial base by inviting Rothschilds to join. The latter, however, declined to become involved. The subsequent negotiations between the British trio, overseen by Lansdowne, and Deutsche Bank achieved a draft that envisaged British capital interests to join the Germans and the French in the BRC (Allfrey, 2016, p. 249; Cottrell, 2016, pp. 83-89, 91; Francis, 1973, pp. 169-171; Wolf, 1973, p. 41).

Alas for further negotiations, British public opinion had become hostile to Germany, among other things because of her naval ambitions and her stance during the Boer War. Now, the bulk of the press - including the prestigious *Times* - unleashed a torrent of negative reporting about the scheme, seconded by parliamentary criticism and letters to the editors by business representatives equally hostile. The critics argued that the Baghdad railway was a German project harmful to British interests and thus did not deserve any financial support (Cottrell, 2016, pp. 89-96; Earle, 1924, pp. 179-183; Özyüksel, 2016, pp. 94-101; Wolf, 1973, pp. 42-43). Let us now also have a look at a counter-trio of vested business interests which also opposed the attempts of the financiers. All of them were involved in transport and thus rightfully considered the Baghdad railway a competitor.

The first member of the counter-trio was the original pioneer of Ottoman railways: the Smyrna Aidin Railway Company, whose interests found in the Conservative MP Gibson Bowles an enthusiastic backer in the House of Commons (Earle, 1924, pp. 189-190; Özyüksel, 2016, pp. 94-95, 105). In the 1914 agreement with the BRC (see below) it was represented by its chairman David Plunket aka Lord Rathmore (1838-1919) (Earle, 1924, p. 260; McLean, 1976a, p. 524). The second part of the anti-Baghdad railway front in 1903 was the Euphrates and Tigris Navigation Company, commonly known as Lynch Bros. It had been providing steamboat services on the Mesopotamian rivers since 1831 and, despite competition from a state-owned Ottoman line since 1881, maintained a dominant position in the business there (Earle, 1924, pp. 190-191; Özyüksel, 2016, pp. 88, 97, 103-104; Wolf, 1973, p. 23 n. 22). The third member of the anti-German trio were the shipping interests. Foremost among them was Thomas Sutherland (1834-1922) of the Peninsular

and Oriental Steam Navigation Company (P&O). That company had been connecting the Mediterranean with India since the 1840s (Earle, 1924, pp. 191-193; Özyüksel, 2016, pp. 99, 105).

In this context, some thought was also given to the interests of British manufacturing. The shipping representatives claimed that increased Ottoman customs duties used to finance the project would harm British commerce, among which textile exports were prominent. Against this, it could be argued that the harmful effect of the customs would also have hit Britain’s competitors and would have been offset by a greater market provided by the railroad. The latter part of the argument was indeed advanced by the British ambassador in İstanbul while Balfour stressed the opportunities that a participation in the Baghdad railway would bring to British industry. In 1904-05, however, the Liverpool and Blackburn Chambers of Commerce argued that German control of the Baghdad-Persian Gulf section would be inimical to British commercial interests (Earle, 1924, pp. 192-193; Francis, 1973, p. 178; Kumar, 1962, pp. 73-74; Özyüksel, 2016, p. 105). It was different with construction, as Deutsche Bank was willing to give contracts to British companies. One potential contractor whom the financiers had in mind in 1903 was John Aird, (Cottrell, 2016, p. 90; Mejcher, 1975, p. 458), with whom Cassel had previously cooperated over the Asswan dam (Allfrey, 2013, p. 184; Grunwald, 1969, p. 135).

Among the politicians, a crucial antagonist of British participation in the BRC was Colonial Secretary Chamberlain, who was about to launch his crusade for Tariff Reform (1903-1906), which looms large in Cain’s and Hopkins’s narrative (Cain and Hopkins, 1993a, pp. 209-221). Only four years earlier, Chamberlain had viewed the Baghdad railway project with equanimity. Now, he became its most vigorous opponent in the cabinet and ultimately forced the Prime Minister to back down on this issue. Besides scoring points with the press and against his intra-party rival Balfour, Chamberlain’s stance was in line with his newly-found protectionist agenda, which was directed against continental powers and thrived upon increasing Germanophobia (Allfrey, 2013, p. 250; Cottrell, 2016, p. 90; Earle, 1924, pp. 67, 185; Francis, 1973, pp. 172-173). It should be noted that this was not the first time that Chamberlain opposed a multinational venture. Already the year before, he had been a vociferous critic of the Morgan-led transatlantic shipping combine (Burk, 1990, pp. 108-109).

As a result of these developments, the trio of financiers was presented with an extremely lukewarm official statement by the British government towards the participation issue. Dawkins and Cassel persuaded Revelstoke to refuse conveying this statement to their German negotiation partners. The three were not legally obliged to withdraw from the scheme but did so in view of the press’s hostility combined with the absence of unambivalent government support. Dawkins took the matter rather badly. Claiming that he had never been keen on the whole scheme in the first place and that he and Cassel merely acted as the government’s agents, Dawkins blamed the Balfour cabinet for having given in to Chamberlain and to a vituperative press campaign possibly instigated by Russia. Revelstoke voiced similar complaints. The ill-feeling was mutual as Lansdowne blamed the financiers for having scuttled the project out of fear of the press (Allfrey, 2013, pp. 250-251; Burk, 1990, p. 124; Cottrell, 2016, pp. 94-95; Earle, 1924, pp. 186-187, 209-210 n. 11; Francis, 1973, pp. 173-174, 177-178; Grunwald, 1969, p. 144; Wolf, 1973, p. 44; Ziegler, 1988, p. 317). Dawkins’s lamentations provide supporting evidence for Cain’s and Hopkins’s claim that the gentlemanly capitalists were cool towards investment opportunities in the Ottoman Empire and had to be dragged in by Whitehall.

## Years of Deadlock

The domestic dispute over the Baghdad railway had been preceded by one over the Anglo-German blockade of Venezuela (1902-03). In very much the same vein as in the case of the Baghdad railway, widespread opposition including a press campaign had forced the Balfour government to cancel its cooperation with Germany over Venezuela. Events like these were symptoms of a larger shift of British official and public opinion towards considering Germany, rather than France and Russia, as the main antagonist. Although Balfour and Lansdowne still strove for good relations with Germany, others in the cabinet (including now Chamberlain) tended to be antagonistic towards the new rival. That antagonistic position was shared by Lansdowne's Liberal successor Grey as well as by many of his high-level staff in the FO. While the British and the French came to a rapprochement in 1904 and subsequently cooperated over Morocco, Great Britain and Germany were drifting more and more apart (Kennedy, 1987, pp. 251-288; Rose, 2011, pp. 279-300, 312-319, 330-341, 347-385). It is thus not surprising that the Baghdad railway remained a bone of contention. Immediately after the breakdown of the negotiations between the financial trio and Deutsche Bank, Lansdowne set the tune by stating in the House of Lords that Great Britain would strongly oppose the establishment of a naval base in the Persian Gulf by any foreign power. However, this statement was not directly aimed at the Baghdad railway but, probably, rather at Russia (Earle, 1924, pp. 197, 212 n. 25; Rose, 2011, pp. 252-253).

In 1905, the Balfour administration first considered holding talks with Berlin over the Baghdad railway issue but then dropped this idea out of concern for public opinion. Instead, it adopted a negative attitude towards Deutsche Bank's continuing negotiations with British financial circles and prohibited the British co-chairman of the PDA to accept the offer of a seat on the BRC's board of directors. In retaliation, the German diplomats encouraged the Ottomans to reject an additional concession for the Smyrna Aidin Railway Company because it would allegedly violate the rights of the ARC. In the same year, the shipping magnate James Mackay expressed interest in building a railroad between Baghdad and Basra. Although von Gwinner showed his readiness for an agreement, nothing came out of this at that stage. Then, the BRC bought the previously Anglo-French Mersin-Adana railway in 1906. This left the İzmir-Aydın line as the remaining British railway in the Asian parts of the Ottoman Empire. In 1907, the Germans suspected that Cassel was secretly trying to acquire a majority of the ARC's shares. This assumed danger was countered by getting for the ARC over the opposition of the British ambassador a concession for irrigating the Konya plain and for this purpose doubling the company's capital stock (Earle, 1924, p. 109; Kennedy, 1987, p. 278; Özyüksel, 2016, pp. 109-110, 112; Wolf, 1973, pp. 48-52).

In the years following the 1903 debacle, high-level officials repeatedly emphasized that an extension of the Baghdad railway to the Persian Gulf would negatively affect British political, strategic, and economic interests. In addition, the issue became entangled with Britain's new foreign policy orientations. Throughout 1905-07, under Lansdowne and his successor Grey, France and then also Russia were being briefed on British moves concerning the Baghdad railway (Bilgin, 2004, p. 121; Kumar, 1962, pp. 75-78; Özyüksel, 2016, pp. 110, 113-115; Wolf, 1973, pp. 70-71, 73, 75-76). Then, in 1907, Great Britain buried its long rivalry with Russia through an agreement, thereby establishing an informal Anglo-French-Russian Triple

Entente confronting Germany and Austria-Hungary. It thus became a key point of British foreign policy not to do anything which might endanger these new friendships. At the same time, the British-German naval race started to heat up (Kennedy, 1987, pp. 441-452; Rose, 2011, pp. 429-459, 475-501, 509-557).

These new alignments inevitably affected the Baghdad railway issue as well: When Emperor Wilhelm II visited Great Britain in the same year, he expressed to his hosts his willingness to accept British control over the gates to the Persian Gulf. But there was no agreement on another point: Following the model of the First Morocco Crisis, Grey wanted to involve the whole Triple Entente into the talks but this procedure was not acceptable to the German government. A further complication was that the Baghdad railway issue became connected with the naval race between both powers: While Grey wanted an agreement on the Baghdad railway as precondition for one about the naval issue, the Germans preferred to use the railway issue as bargaining chip for better conditions in such a naval agreement (Earle, 1924, p. 198; Mejcher, 1975, pp. 473-474; Özyüksel, 2016, pp. 116-118; Wolf, 1973, pp. 74-78, 89).

In its negotiations with the Germans and the Ottomans throughout these years, Great Britain had one ace in the game. The Ottomans were keen on increasing their customs dues, the more so as this step would have provided additional funds for financing the Baghdad railway. To do this, however, they needed the approval of the great powers. Consequently, the British used their option to veto increased duties in order to put pressure upon Ottomans and Germans with respect to the Baghdad railway issue (Bilgin, 2004, p. 127; Earle, 1924, pp. 95-96, 111, 226-227, 228, 252, 256, 262; Heller, 2014, pp. 32, 44, 45, 46-47; McMurray, 2001, pp. 58-59; Özyüksel, 2016, pp. 113, 125, 147, 152, 155, 176, 184, 190; Wolf, 1973, pp. 50-51, 57, 88).

On the eve of the 1908 revolution in the Ottoman Empire, the FO did not have much hope for more extensive British investments there as long as it was ruled by Abdülhamit (Hamilton, 1975, p. 59). The constitutional regime that came to power through this revolution was initially very positively inclined towards Great Britain. There were even voices that proposed taking the Baghdad railway concession out of German hands and transferring it to the British (McMeekin, 2011, p. 77). But the momentum for a new page in Anglo-Ottoman relations was not maintained. The British soon became disappointed with the increasingly autocratic and perceived nationalist-cum-‘Pan-Islamic’ tendencies of the dominant Ottoman party, the Committee of Union and Progress. Furthermore, both the FO in London and the embassy in İstanbul had their fair share of officials with anti-Ottoman inclinations. An additional, and perhaps crucial, factor was that the British gave priority to their new friendship with Russia, even at the expense of their relations with the Ottomans. Thus, several Ottoman offers for a formal alliance were rebuffed (Heller, 2014). Still, there was a renewed drive to increase Britain’s economic presence in the Ottoman Empire. In 1909-10, the FO pressed for a railway concession between Baghdad and the Persian Gulf. The alternative would be a British participation in the Baghdad railway under the condition of full control over the Baghdad-Basra section. Ottoman counterproposals that they would construct the Baghdad-Basra railway themselves were only guardedly accepted (Earle, 1924, pp. 226-227; Heller, 2014, pp. 45-48; Özyüksel, 2016, pp. 147-149, 154-156, 158; Wolf, 1973, pp. 56-60).

Another expression of this renewed drive was the National Bank of Turkey (NBT). Despite its name, the NTB was almost completely controlled by British capital, namely Cassel, Revelstoke and



Henderson (another financier). There were some minor Ottoman shareholders, including finance minister Mehmet Cavit. The NBT received the FO's blessing as a potential instrument to increase British influence in the Ottoman Empire and was consequently favoured over those of competing British groups. Nevertheless, the FO failed to give support whenever the NBT's activities threatened to contradict larger British geopolitical concerns, especially the rapprochements with France and Russia (Allfrey, 2013, pp. 254-266, 298-299; Burman, 2009; Conlin, 2016; Kent, 1975; McLean 1976b, pp. 294-297).

Having gained a foothold in the Ottoman Empire through the NBT, Cassel developed plans to lease the Haifa-Damascus railway, extending it to Baghdad and adding a navigatory link from there to Basra, all this accompanied by large-scale irrigation schemes. While incompatible with French railway interests in Syria, the project envisaged a share for German capital. This updated version of the Rechnitzer scheme was seriously contemplated by the FO, except for its head, Grey. Cassel finally abandoned the scheme in 1911 in order to facilitate a British participation in the Baghdad-Basra line (Allfrey, 2013, pp. 257-258).

In 1909-10, Cassel pursued another round of negotiations with von Gwinner concerning a British participation in the Baghdad railway, thereby keeping in touch with the FO. There was agreement that the Baghdad to Basra section of the railway should be built by a multinational company separate from the BRC; the bone of contention remained whether British capital would hold a majority or just half of that company's shares. While the NBT was inclined to accept Deutsche Bank's proposals, the FO was not. Both the British and German government reserved for themselves the right to refuse any agreement between Cassel and von Gwinner. In addition, the FO stressed that such an agreement also needed to be acceptable to France and Russia. In turn, the German government wanted the Baghdad railway agreement to be part of a general Anglo-German political settlement, a stance that was not acceptable to the FO as it might cause a rift within the Triple Entente (Earle, 1924, pp. 221, 227, 252; Heller, 2014, pp. 46, 47; Özyüksel, 2016, pp. 151-154; Wolf, 1973, pp. 58, 59 n. 52, 78-81).

When the Ottomans negotiated with the French over a loan in 1910, the NBT was believed to be potentially an alternative source. Indeed, Cassel toyed with the idea of providing such a loan through a consortium consisting of the NBT, the German Warburg bank, and U.S. financial circles or, alternatively, as a joint venture of the NBT and Deutsche Bank. Nevertheless, Cassel's willingness to step in was heavily circumscribed - the more so as he was informed by the FO that, in view of the Anglo-French entente, it would not welcome such an action. When the Ottomans failed to come to an agreement with the French, the Germans were only too happy to provide the loan instead. The Baghdad railway clearly left its mark on this episode: the FO feared that a loan to the Ottomans would benefit the building of the Baghdad railway. It thus proposed to the French that both governments would discourage financiers in London and Paris from offering a loan to the Ottomans unless the Baghdad railway issue was settled in a satisfactory way. Furthermore, the FO bluntly told Ottoman Finance Minister Cavit that the British government discouraged a loan because the planned railway was a threat to British trade in Mesopotamia. Putting the same point in more polite terms, Cassel advised Cavit that giving the British control over the final section of the railway would improve the chances of getting a loan from a City source (Allfrey, 2013, pp. 159-164; Bilgin, 2004, p. 123; Burman, 2009, pp. 229-231; Conlin, 2016, pp. 531-534; Earle, 1924, p. 225; Grunwald, 1969, p. 146; Kent, 1975, pp. 374-380).

It was a similar story with the NBT's attempt to get a railway concession in northeastern Anatolia in 1911, preferably in partnership with French circles and in competition against a French-Russian combine. The FO refused to give active support to this project because it would step upon the toes of the Russians (Kent, 1975, pp. 384-385). The following year, the NBT planned to bring together a consortium for Mesopotamian river transport with Deutsche Bank, a Belgian group, and, of all the people, Lynch. This combination was rejected by the FO, not least because it might upset the Russians. That Lynch was now cozying up with Deutsche Bank cost him official support (Heller, 2014, pp. 92-93, 106 n. 93).

The NBT also became involved in the potential oil resources of the Mosul and Baghdad provinces. The BRC held a preliminary concession for the exploration and exploitation of these resources between 1904 and 1907. In 1911-12, renewed talks between Cassel and von Gwinner led to the combination of NBT, Deutsche Bank, Royal Dutch-Shell, and the Ottoman financier Gulbenkian in the shape of the Turkish Petroleum Company (TPC). The TPC met the competition of another British interest, the Anglo-Persian Oil Company (APOC, today BP), which was openly favoured by the FO. Consequently, the NBT and Cassel sold their shares in the TPC in 1914 (Allfrey, 2013, p. 298; Conlin, 2016, p. 537; Ediger and Bowlus, 2020, pp. 201-203; Grunwald, 1969, p. 147; Heller, 2014, pp. 91-92; Kent, 1975, pp. 385-386; Özyüksel, 2016, pp. 210, 212-214).

In their brief discussion of the NBT, Cain and Hopkins argue that the British government actually hampered the bank through subordinating commercial concerns to political ones. For them, this case demonstrates the difficulties of the British government's attempts to instrumentalize financial circles for its own agenda in the Middle East (Cain and Hopkins, 1993a, p. 408).

### **The British-German-Ottoman Agreements on the Baghdad Railway**

If diplomatic considerations made a solution of the Baghdad railway issue difficult, they also provided the eventual stimulus for this solution. The game changer here was the German-Russian deal of 1910-11. Despite British insistence that nothing would be agreed over the head of Russia, the latter had been distrustful of the Cassel-von Gwinner negotiations and consequently decided to approach Germany. The British, in turn, became upset as the deal seemed to imply a breach of the Triple Entente. In any case, it now freed the French to make their own arrangements with the Ottomans without having to fear alienating their ally. It can be assumed that the same factor also helped to bring about the Anglo-Ottoman and Anglo-German agreements of 1913-14 (Earle, 1924, pp. 243-244; Kießling, 2002, pp. 176-177; Özyüksel, 2016, pp. 170-172, 174-175; Wolf, 1973, pp. 83-86).

The last agreement was also a result of the rapprochement of Great Britain and Germany during the interval between the Second Morocco Crisis and World War I (1911-14). Putting their controversy over the naval race on ice, both powers cooperated on a number of other issues. Thus, the emerging deal on the Baghdad railway was accompanied by Anglo-German collaboration in de-escalating international tensions in the wake of the Balkan Wars and by an agreement on how to potentially divide Portugal's African colonies between themselves. But while trying to improve their bilateral relations, both powers simultaneously had to be careful not to appear to be deserting their respective allies (Kennedy, 1987, pp. 452-456; Kießling, 2002, pp. 64-71, 95-108, 224-235; Lynn-Jones, 1986, pp. 126-148; Rüger, 2011, pp. 608-609).

Throughout 1911, there were negotiations between the FO and Ottoman diplomats, interrupted by the Second Morocco Crisis and the outbreak of the Ottoman-Italian War. There were again critical press articles as well as a public campaign (including the unavoidable Lynch) warning the government of being too soft on the issue. Despite that, negotiations resumed in mid-1912 and, after a further interruption due to the First Balkan War, finally succeeded. The same went for the parallel Anglo-German talks (Bilgin, 2004, pp. 124-127; Earle, 1924, pp. 227-228, 252-255; Heller, 2014, pp. 49-52, 60-62, 93-95; Özyüksel, 2016, pp. 180-186, 187-191, 203-204; Wolf, 1973, pp. 83-86, 90-94).

In the agreement of 1913, the Ottomans recognized Great Britain's paramountcy in the Persian Gulf and especially over Kuwait, even though the sheikhdom technically remained a part of the Ottoman Empire. An Anglo-Ottoman commission was to regulate shipping at the Shatt al-Arab. Furthermore, supplementing the already existing British domination of steamboat transportation in what is today Iraq, a new Ottoman River Navigation Company jointly controlled by British and Ottoman interests but headed by the British shipping magnate Lord Inchcape was given a concession for steam navigation on the Tigris and Euphrates. Finally, the British were guaranteed that no discriminatory rates would be applied against them by the Baghdad railway. In return for these privileges, the British made some substantial concessions: They accepted that the BRC would build their tracks up to Basra after all, as long as two British citizens would be admitted to the company's board of directors. Furthermore, the British now permitted the increase of Ottoman customs duties.

A number of subsequent Anglo-German agreements of 1913-14 confirmed the Anglo-Ottoman convention while adding some more points. In particular, the Germans confirmed that they would not construct any railway or harbour facilities beyond Basra without British permission. The BRC would transfer all rights for terminal and port construction at Baghdad and Basra to a new German-dominated ports company, in which British shipping interests (Inchcape and Lynch) would hold a minority share; in return, the BRC was given a minority share in the British-dominated Ottoman River Navigation Company, of which Lynch Bros. were also to become a part. The British-controlled İzmir-Aydın railway was through additional railtrack to be connected to the Baghdad railway network and given navigation rights on some Anatolian lakes.

Parallel with settling the railway and river navigation issues, the British and Germans also divided the Ottoman Empire's potential oil resources between each other. It was now agreed to combine their interests under the umbrella of the TPC for the purpose of exploiting the oil of the Mosul and Baghdad provinces. Half of the shares were to be held by APOC, one quarter was given to Royal Dutch-Shell, and the remaining quarter to Deutsche Bank. As for the oil of Basra province (as well as the Persian oil), the Germans recognized the claims of APOC there (Earle, 1924, pp. 255-265; Özyüksel, 2016, pp. 187-196, 204-209, 214-215; Wolf, 1973, pp. 91-96).

On the British side, the big winner of these agreements was James Mackay aka Lord Inchcape (1852-1932). Of Scottish origins, he had worked his way up from the position of clerk through high-level managerial posts in India to become the London-based chairman of the British India Steam Navigation Company (BI) in the 1890s. The BI was the leading shipping line in the Indian Ocean. In 1914, Inchcape merged the BI with P&O. The businesses he invested in or was involved with included Australasian shipping,

Indian coal mines, tea plantations and textile mills, and British banks. Inchcape was a member of a number of official bodies during his stay in India. After his move to London, he belonged to a multitude of departmental committees. A major exercise in business diplomacy was the trade treaty Inchcape negotiated with China in 1902 (Jones, 1989). Last but not least, he was also a director of the APOC (Earle, 1924, p. 259).

This was the stuff out of which a gentlemanly capitalist was made, and Cain and Hopkins duly mention Inchcape, if only in connection with British India (Cain and Hopkins, 1993a, pp. 340-341). Furthermore, these agreements were hammered out by Ottoman diplomats, by both diplomats and Deutsche Bank/ARC/BRC on the German side and by the FO as well as Inchcape and the other concerned business interests on the British side (Earle, 1924, pp. 254-255, 259-262; Heller, 2014, pp. 93-95, 124, 126-127; Jones, 1989, pp. 84-85; McLean, 1976a; Özyüksel, 2016, pp. 190-191, 194, 204-207, 214; Wolf, 1973, pp. 91, 93-94). This fits very well into Cain’s and Hopkins’s assertion of a close collaboration between the City and Whitehall.

### **Taking Stock**

The case of the British approach towards the Baghdad railway in many respects confirms the interpretation of British imperialism as advanced by Cain and Hopkins, although it also suggests some fine tuning. First, let us start with their assertion that during the decades preceding World War I, the formal and informal British Empire was not declining but remained a vigorous and expanding force. If we narrow this issue down to the transport facilities of the Asian regions of the Ottoman Empire, the British presence contracted during most of the period discussed here. However, the British encounter with the Baghdad railway was not a rearguard action. On the contrary, had the 1913-14 agreements been implemented, the British presence in the Ottoman transport sector would have substantially increased. Most importantly for the future was a by-product of the railway construction competition: through the TPC, the British laid claim to the lion’s share of Mesopotamian oil. In this instance, Cain and Hopkins are indeed right in claiming that, on the eve of World War I, the British Empire was alive and well.

Second, the same verdict may be issued with respect to Cain’s and Hopkins’s core point: the dominance of the Southeast England-based financial and service elites over Britain’s imperial activities, especially if compared to the provincial manufacturers. Those British business interested in the Baghdad railway issue, i.e. banks as well as railroad and shipping companies, would qualify as gentlemanly capitalists while industrial interests did not play much of a role. Indeed, some prominent businessmen discussed by Cain and Hopkins (Caillard, Revelstoke, Cassel, Inchcape) also loom large in the narrative presented here. However, Cain’s and Hopkins’s account very much tends to portray the finance/service nexus as a coherent group. But as far as the Baghdad railway saga is concerned, British businessmen were divided into two camps: the banking interests and the transport interests. Having contributed in blocking the way for the first group in 1903, the second group gained from the Anglo-Ottoman and Anglo-German agreements in 1913-14. This is a configuration which is not accounted for by Cain and Hopkins and which indicates a more fractious character of the gentlemanly capitalist stratum than their interpretation allows.

Third, Cain and Hopkins stress that the gentlemanly capitalists of the City shared the same social background and values with their fellow gentlemen working in Whitehall or acting as diplomats and

proconsuls abroad. Geostrategic considerations made Whitehall try to encourage nilly-willy gentlemanly capitalists to invest in the Middle East. In the case of the Baghdad railway issue, strategic motives indeed topped purely economic ones as far as the FO was concerned. It is however doubtful that those British business interests involved with the Baghdad railway issue were really as unenthusiastic about investing in the Ottoman Empire as Cain and Hopkins indicate. Neither Rechnitzer nor Inchcape needed much prodding to enter business in the Ottoman Empire; the difference was that the latter got official support and the former did not. The closest supporting evidence for Cain's and Hopkins's interpretation of the City being instrumentalized by Whitehall in the Middle East is the case of the financial trio of Barings, Morgans and Cassel in 1903. But, as especially the subsequent experiences of the latter show, the FO's role consisted in holding them back rather than pushing them forward. Thus, while gentlemanly capitalists and government officials frequently marched side by side, they did not always do so and thus should be seen as allied but separate forces.

### **'Cosmopolitanism' Meets 'Patriotism'**

Cain and Hopkins emphasize the character of the City as both British and cosmopolitan. They see this duality best represented in the case of the Jewish merchant bankers, who combined imperial loyalties with global personal and economic networks (Cain and Hopkins, 1993a, p. 127). Indeed, 'cosmopolitan(ism)' and 'international(ist/ism)' are among the most frequently used terms in the two books. In the case of the British involvement with the Baghdad railway, there were certainly important instances of a 'cosmopolitan' approach. But there were also tendencies which can be characterized as anti-cosmopolitan and which, crucially, gained the upper hand at the end.

The earlier projects of British capital taking part in Anatolian, Syrian and/or Mesopotamian railway building had a 'cosmopolitan' character: Caillard (1888) tried to bring together British and Italian or US-investors. Rechnitzer's scheme (1899) was then dubbed 'Austrian'. The abortive 1903 negotiations envisaged British capital to hold shares of the BRC on a more or less equal base with the German and French shareholders. Once that plan fell through, Cassel involved himself in several fruitless attempts of multinational ventures in the Ottoman Empire, whether with respect to railways, river navigation, a government loan or oil. When the Anglo-Ottoman and Anglo-German agreements were finally hammered out in 1913-14, something quite different emerged, i.e. economic spheres of interest. Instead of joining the BRC, British capital got additional concessions: one for railway extension in Western Anatolia and one for shipping on the Mesopotamian rivers. Having become a predominantly German company, the BRC could now proceed with building the Baghdad railway on its own. The ports company had a majority of German capital and the navigation and oil companies were dominated by British interests.

It is also instructive to compare the competing finance and transport interests of the City. Besides representing different segments of the service sector, they also contrasted with respect to their geographical scope. While globally active, the trio of financiers involved in the abortive 1903 negotiations, i.e. Barings, Morgan and Cassel, were particularly engaged in transatlantic investments. Their economic interests heavily emphasized North and South America, which included parts of the British Empire's formal (Canada) and informal sections (Argentina) but also a country clearly outside it, namely the USA (Allfrey, 2013, pp. 146, 149-150, 160-166; Burk, 1990, pp. 30-33, 44-52, 54-57, 105-111; Grunwald, 1969, pp. 125-128; Thane,



1986, p. 83; Ziegler, 1988, pp. 61-77, 100-111, 143-157, 207-243, 291-310). In that respect, they might be labelled as ‘cosmopolitan’. As for the counter-trio of transport interests, they had a different geographical orientation. The Smyrna Aidin Railway Company and Lynch Bros. can be identified with Britain’s informal empire while P&O connected Britain with the most precious part of its formal empire, i.e. India. But it is the case of Inchcape that presents the most obvious juxtaposition with the financiers in that his business links were oriented towards the Indian Ocean (Jones, 1989, pp. 13, 18, 21-26, 30, 47-50, 53-54, 56-62, 68, 103-104). As the Indian Ocean can be considered a British lake during that period, this corresponded to the formal empire.

Another indication of ‘cosmopolitanism’ could be the multinational ownership of a business institution investing abroad. Here, the house of Morgan meets the bill as it consisted of two sister banks, one located in London and the other in New York. Both branches were legally separate but the New York one, headed by the USA’s foremost banker J.P. Morgan, was the senior partner in the London one (Burk, 1990, pp. 49, 52, 62). In this respect, Morgans was the - although significant - exception; all other gentlemanly capitalist banks and companies that played a role in the Bagdad railway issue were predominantly British.

A striking contrast emerges when we compare Cassel, who for all his efforts failed to be rewarded with a share of the Baghdad railway cake, and Inchcape, who was the major gainer of the 1913-14 agreements. They had one thing in common: While coming from affluent, upper middle-class backgrounds - Cassel’s father had been a German small banker, Inchcape’s a Scottish shipowner (Grunwald, 1969, p. 123; Jones, 1989, pp. 3, 6-7) -, they had not been born, either socially or geographically, into the City’s gentlemanly elite but were self-made men. It is with respect to their personal networks that the contrast between Cassel and Inchcape emerges.

Even though he had converted from the Jewish to the Catholic faith, Cassel maintained close connections with numerous Jewish fellow businessmen from different countries, especially during the earlier phase of his career. Many of them were, like him, Germans or of German origin. Examples are: his early mentor Baron Moritz von Hirsch, who had been the driving spirit behind the railway connection between Vienna and İstanbul; his closest friend and business associate Jacob H. Schiff, who became after Morgan the second most important U.S. banker; and the German shipping magnate Alfred Ballin. Both possessing high-level connections - just as Cassel was a personal friend of King Edward VII, Ballin was close to Emperor Wilhelm II - they worked in vain for an easing of the naval tensions between Great Britain and Germany (Allfrey, 2013, pp. 64-96, 141-142, 151-152, 160-165, 285-297; Grunwald, 1969, 123-129, 132, 149-153, 156-157; Sleightholme-Albanis, 1990, pp. 38-41; Thane, 1986, p. 81). Cassel’s ethnoreligious, German-Jewish network can be characterized as ‘cosmopolitan’ in that it was not restricted to British people. Inchcape, too, owed his rise at least partially to an ethnic network. Being one of the many Scots who built their business careers in British India, Inchcape started his career as employee of fellow Scotsman Sir William Mackinnon, whose leadership position of a commercial empire he was to inherit (Jones, 1989, pp. 2, 12). Thus, while Cassel’s network transcended the British Empire, Inchcape’s remained within the realm.

Admittedly, this contrast between a ‘cosmopolitan’ Cassel and an imperially oriented Inchcape must not be overdrawn. After all, Cassel (as well as Morgan’s Dawkins) was actually sympathetic to

protectionism and even gave donations to the Tariff Reform movement of their 1903 nemesis Chamberlain. Inchcape, on the other hand, remained a free trader until very late in his life (Allfrey, 2013, pp. 221-222; Cassis, 1994, pp. 304, 306; Jones, 1989, pp. 194-195; Thane, 1986, pp. 88, 98 n. 49). That some members of the financial sector had protectionist leanings provides a problem for Cain's and Hopkins's claim of the City's cosmopolitanism. They tackle this problem by arguing that the City considered tariffs as a lesser evil than direct taxation and as having a minimal effect upon global trade. Thus, for the City it was the gold standard rather than free trade that was of utmost importance (Cain and Hopkins, 1993a, pp. 203-204, 218).

Let us turn to the FO's position. While originally favouring Cassel's NBT, the FO repeatedly stopped his multinational ventures in their tracks and, ultimately, dropped him in favour of Inchcape. In this context, there are some instances of a fundamental tension between the financial sector and the official mind which goes beyond being just a conflict within the gentlemanly family as interpreted by Cain and Hopkins. Faced with the complications arising from the inter-state tensions during their 1909-10 negotiations with Deutsche Bank, both Cassel and Babington Smith, the director of the NBT, exasperatedly claimed that the British and German businessmen could come to an agreement between each other if only the politicians would not wreck it (Özyüksel, 2016, p. 154). Nor were the officials happy with the financiers. Although they worked with him, it seems that FO circles did not like Cassel very much (Allfrey, 2013, pp. 192-193; Grunwald, 1969, pp. 140-141, 146, 148; Heller, 2014, p. 215). Arthur Nicolson, then Permanent Under-Secretary at the FO, complained about the NBT that financiers were not motivated by patriotism but pursued their aims without regards to national interests (Kent, 1975, p. 384). Likewise, the NBT's activities with respect to Mesopotamian oil were castigated as unpatriotic by the FO (Heller, 2014, p. 92).

Anti-Semitism also reared its head here. Even though they were not connected to the Baghdad railway issue, two statements by Nicolson's predecessor Charles Hardinge directed against Cassel are quite telling: Hardinge claimed that 'the' or 'all' Jews were just keen on making money, whether by giving loans to the Ottomans or the Russians - and this (according to him) despite the hate these Jews felt for the Russian government (Allfrey, 2013, p. 243; Grunwald, 1969, p. 157; Heller, 2014, p. 176 n. 55). Lord Esher, the grey eminence of the War Office, went further, tracing Cassel's favouring of a lower naval budget to his 'German' and 'Semitic' attitude as well as being at home everywhere (Allfrey, 2013, p. 297; Grunwald, 1969, p. 160). To put these remarks into perspective, anti-Semitism was also found in other circles: no one less than Cassel's business ally Lord Revelstoke was known for his disdain towards Jews, although they shared that dubious honour with the middle-classes and the U.S. Americans (Ziegler, 1988, pp. 269, 276, 289).

Together with the Indian Ocean-oriented transport interests in the City and the official mind in Whitehall, the third component of the 'patriotic' complex was the press. During the earlier two thirds of the 19th century, Barings had been repeatedly lambasted by the London *Times* and other papers for organizing loans to countries like France, Russia, and the USA. As some arguments went, it was unpatriotic to transmit capital needed in Britain herself to potential rivals (Ziegler, 1988, pp. 73, 81, 173-174). Having not yet attained unification, Germany had not been on the press's blacklist during this period. But by 1903, when it was a vigilant press campaign that doomed the talks about British participation in the BRC, things had changed. The press organs pursuing that campaign were not the popular papers but, rather, publications read by middle-class investors financing gentlemanly capitalism (Cottrell, 2016, p. 98).

## Conclusion

The case of the British reaction to the Baghdad railway broadly fits into the concept of gentlemanly capitalism, but also suggests some major modifications. It confirms Cain’s and Hopkins’s assertions that late Victorian and Edwardian Britain remained an expanding and dynamic power; that it was the financial and service sectors, i.e. the gentlemanly capitalists, rather than the manufacturing ones that were the driving force behind the British Empire; and that there was a close collaboration between the City and Whitehall. On the other hand, in our case the gentlemanly capitalists were not a coherent group but need to be sub-divided into the cosmopolitan, transatlantically oriented financial sector and the more narrowly imperial, Indian Ocean-oriented transport sector. Rather than being dragged by Whitehall towards investing into the Ottoman Empire, the financial sector frequently found itself circumscribed because the politicians and the officials as well as the press put obstacles against transnational joint ventures and favoured a spheres of interest approach instead.

In line with similar recent criticism voiced against Cain’s and Hopkins’s account (Dilley, 2018), these findings challenge their conflation of cosmopolitan and imperial orientations on the part of the City. It is suggested that there was in late 19th/early 20th century Great Britain a tension between a ‘cosmopolitan’ orientation and a more ‘patriotic’, i.e. Empire-centred one. The former was represented by the financial sector of the City and expressed itself in multinational companies and ventures as well as transnational ethnoreligious networks. The latter was embraced by the transport sectors, the FO, and the London press; it used a rhetoric critical of ‘cosmopolitan’ finance that was occasionally tinged by anti-Semitism. Far from being a coherent group with minor family quarrels, as Cain and Hopkins would have it, the gentlemen of the City, of Whitehall and, it needs to be added, Fleet Street were riven by this major divide.

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