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Jacob Schiff: The Emperor's Banker

INTRODUCTION

Japan's victory in the Russo-Japanese War (1904-5) marked a turning point in the history of Japan, East Asia and the world. It was the first time in recent history where a European power was defeated by an Asian people and as such symbolically ended the notion that the white man was inherently superior. For Japan, it was a "consummation of the Meiji Dream" and "a grand achievement that confirmed the success of Japan's modernization efforts."¹ The New York Times reported that "the victory assured Japan's future "peace and safety" and opened up "boundless opportunities of industrial growth and national development."² Unlike the Sino-Japanese war where Japan's victory had yet to earn the respect of the Western nations, the conclusion of the Russo-Japanese War "established Japan as the peer of the other imperialist powers in East Asia."³ Many scholars believed that Japan's triumph in the conflict was "the takeoff point of Japanese imperialism."⁴

There are many factors that determined the outcome of war and this paper intends to study the financial aspects of the Russo-Japanese War. Abraham Lincoln once lamented during the US civil war, "I can make more generals, but horses cost money." This statement

¹ James L. McClain, *Japan: A Modern History* (New York and London: W.W. Norton & Company, 2002), 283.

² "Telling the People", New York Times, Sep. 10, 1905,

<http://query.nytimes.com/gst/abstract.html?res=9E00E2DF153AE733A25753C1A96F9C946497D6CF>.

³ Harry Wray and Hilary Conroy, eds., *Japan Examined: Perspectives on Modern Japanese History* (Honolulu: University of Hawaii Press, 1983), 154.

⁴ Ibid.

showed the importance of financing in a war effort. It is the intention of this paper to study the financing efforts of Russia and Japan with a particular emphasis on the latter. The Japanese fund raising was “the work very largely of two individuals, Korekiyo Takahashi, then Vice-Governor of the Bank of Japan and Special Commissioner for financial matters, and Jacob H. Schiff, senior partner in the New York investment banking firm of Kuhn, Loeb & Co.”⁵ Jacob Schiff, an eminent Jewish banker in the early 20th century was heavily involved in gathering capital for the Japanese war effort and this piece seeks to analyze his intentions, activities during the war and recognition after the conflict. It has been observed that “the connections between the worlds of finance, diplomacy and politics were extremely close in the Edwardian era (1901-10)”⁶ and this study intends dive into this complex network of relationships.

The paper is organized as follows: the first section will introduce Jacob Schiff with an emphasis on his views on Tsarist Russia. The second section will focus on the Russian financing efforts during the war. The third section will analyze the Japanese capital raising activities during the war and how Schiff played an instrumental role in the endeavor. The fourth section will be the concluding remarks on the topic.

JACOB SCHIFF AND HIS VIEWS ON TSARIST RUSSIA

Jacob H. Schiff was born in Frankfurt in 1847 and went to the US at the age of 18.⁷ He came from a Jewish banking family and went into this same business while in the US at Kuhn, Loeb & Co. His financial talent must have been impressive as “in 1875 he married the daughter of Solomon Loeb, one of the founding partners”⁸ of the firm. With the family relationship and the senior members of the firm “recognizing his financial genius”, the

⁵ A.J. Sherman, “German-Jewish Bankers in World Politics: The Financing of the Russo-Japanese War,” *Leo Baeck Institute Yearbook* 28, no. 1(1983):61, doi: 10.1093/leobaeck/28.1.59.

⁶ *Ibid.*, 60.

⁷ *Ibid.*, 61.

⁸ *Ibid.*

partners were eventually “glad to accord him the headship of the house.”⁹ The firm was a major force on Wall Street as it has been observed to be “second only to the legendary House of Morgan.”¹⁰

More than a mere financier, Schiff was also “devoted to the welfare of the Jewish community”¹¹ around the world. With this loyalty to his own clan he was particularly dismayed with the Tsarist Russian regime. It has been remarked that “twentieth century tsarist Russia was widely perceived as the fountainhead of anti-Semitism”¹² and had become “increasingly repressive.”¹³ What angered many Jewish leaders worldwide and no doubt Schiff himself was “the Kishinev massacre of 1903, in which forty-seven Jews were killed and hundreds injured.”¹⁴ Far from reversing such a violent trend, the killing was soon “followed by (anti-Jewish) pogroms on a much greater scale”¹⁵ in the Russian Empire.

Desiring for atrocities on their own people to end, many Jewish leaders in the United States “advocated that their own government (to) take strong action to combat Russian mistreatment of the Jews.”¹⁶ Anti-Semitic policies of the Russian government directly came with the United States diplomatically as it “den(ied) entry within its borders to all Jews, even those who held American passports.” Hence, Russia was regularly violating “the Commercial Treaty of 1832 (it signed) with the United States.”¹⁷ Schiff’s outrage against the Tsarist government was obvious. He wrote numerous letters and cables to Washington to “call upon

⁹ Cyrus Adler, “Jacob Henry Schiff: A Biographical Sketch”, *The American Jewish Year Book* 23, American Jewish Committee: 24. <http://www.jstor.org/stable/23601039>.

¹⁰ Sherman, 61.

¹¹ *Ibid.*, 61-62.

¹² Priscilla Roberts, “Jewish Bankers, Russia, and the Soviet Union, 1900-1940: The Case of Kuhn, Loeb and Company,” *American Jewish Archives Journal* 49, no.1-2 (1997):9, <http://americanjewisharchives.org/journal/index.php?y=1997&v=49&n=12>.

¹³ *Ibid.*, 14-15.

¹⁴ *Ibid.*

¹⁵ *Ibid.*

¹⁶ *Ibid.*, 9.

¹⁷ *Ibid.*, 15.

the Roosevelt administration to intervene in behalf of the Russian Jews.”¹⁸ In his writings, Schiff “called the Russian Government “the enemy of mankind.”¹⁹ When the situation arose in 1904 where Japan was entering into war with Russia, Schiff took the opportunity to assist the East Asian power in order to defeat his long hated Tsarist regime.

FINANCING THE RUSSIAN WAR EFFORT

Before the conflict in 1904, the Russian government was actively seeking war with Japan as it was the Tsar’s “belief that the Japanese - habitually referred to by him as ‘yellow monkeys’ - would easily be defeated.”²⁰ This belief was partly motivated by economic reasons. In 1900, Japan’s population was some 45 million while Russia had 106 million. In terms of financial resources, Japan’s pre-war gold reserve was only £11.7 million and Russia had £106.3 million. In the era of the gold standard, the amount of gold reserves was the key to a country’s fund raising capabilities in the international debt market. Moreover, Russia was also much more influential in the international markets as its foreign trade was nearly three times as large as Japan’s. In terms of the relative economic size of the two governments, Russia’s national budget was some ten times that of Japan’s.²¹ As such, Count Sergei Witte, the Russian Minister of Finance wrote before the war that the Japanese cannot resist (Russian) finances and that his foe could “therefore be brought to sue for peace by their financial ruin.”²²

Although the size of the Russian economy was intimidating, it had a consistent cash flow issue. As the Economist observed before the war that Russia had “been spending far

¹⁸ Gary Dean Best, “Financing a Foreign War: Jacob H. Schiff and Japan, 1904–05”. *American Jewish Historical Quarterly* 61, no. 4 (1972): 314, <http://www.jstor.org/stable/23880523>.

¹⁹ Stephen Birmingham, *“Our crowd”: the great Jewish families of New York* (New York: Harper & Row, 1967), 283.

²⁰ Sherman, 60.

²¹ Statistics from Edgar Crammond, “Paper on the Finance of War”, 1910, in CAB 17,81,04077, Public Record Office, London, quoted in *ibid.*, 61.

²² *Forum*, London, April, 1905, quoted in Sherman 61.

beyond its income.”²³ The only way to keep its government operating was “by constant borrowing.”²⁴ “Russian bonds quoted on the Paris Bourse totaled between 280 and 320 million Pounds sterling”²⁵ implying that the debt outstanding was close to 3 times its gold reserves.

One of the reasons why Russian bonds were floated mostly in Paris was because the French capital market was dominated by smaller investors²⁶ who were relatively unsophisticated. They were “attracted by high yields and Russia's reputation as never having defaulted on her debts.”²⁷ Moreover, the individual sizes of the bond issues were small, meaning that it was easy for investors with limited means to enjoy the higher interest from Tsar Russia. In effect, it was an early 20th century of a mini-bond scheme not unlike that of Lehman Brothers in the early 21st century. Market manipulation also played a role in the financing game as the “prices of Russian bonds were artificially supported by the Russian government and the French underwriters.”²⁸ Russia rarely paid down its liabilities and would rather “roll over (its) debt”²⁹ meaning using new debt to pay down old debt. There was also “massive bribing of the French press to create a suitably favorable market atmosphere”³⁰ for the Russian government bond issues.

A façade was easy to maintain during peace times but the Russo-Japanese War exposed the weakness of the Tsarist regime. The market was quick to see the situation as “almost immediately upon the outbreak of war on 8th February, 1904, there was a dramatic

²³ “The Finance of Russia”, *The Economist*, London, Jan. 23, 1904, 123, <http://find.galegroup.com/econ/infomark.do?&source=gale&prodId=ECON&userGroupName=cuhk&tabID=TO03&docPage=article&docId=GP4100507966&type=multipage&contentSet=LTO&version=1.0>.

²⁴ Ibid.

²⁵ Sherman, 63.

²⁶ Ibid.

²⁷ Herbert Feis, *Europe the World's Banker, 1870-1914*, New York 1964, 218 quoted in *ibid*.

²⁸ Sherman, 63.

²⁹ Ibid.

³⁰ Ibid.

fall on the Paris Bourse in Russian bonds.”³¹ The Tsarist regime needed fresh capital to maintain the war and even after a series of early defeats at Port Arthur, in 7th May, 1904 the Russian government issued a bond with the amount of Fr. 400 million of five-year bonds.³² “The bonds bore a 5% coupon and were issued at a discount to yield 6%.”³³ After the disaster of Tsushima in May 1905, the hard-pressed Russian Government attempted to issue a bond in the amount of Rs. 200 million that would yield nearly 5-7%.³⁴ The loan was nonetheless so unattractive that there was no public subscription³⁵ and the offering was taken up by the Russian savings banks, commercial banks and the State Bank.³⁶ This in fact meant that these were forced loans.

After the war, Count Witte, now humbled, recounted in his diary, “there was not the slightest hope of floating either a domestic or a foreign loan. We could continue the war only by resorting to new issues of paper money; that is by preparing the way for a complete financial and consequently economic collapse.”³⁷ There were many factors behind the Russian defeat though one could observe that the lack of access to large amounts of capital to maintain the experience war was one of the key reasons.

SCHIFF AND JAPANESE CAPITAL-RAISING DURING THE WAR

The financing of the Japanese war effort fell on the shoulders of Takahashi Korekiyo who was the vice president of the Bank of Japan.³⁸ He went to London in April 1904, 2

³¹ Ibid., 64.

³² Ibid.

³³ Ibid.

³⁴ Ibid., 67.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Count Sergei Iu. Witte, *Memoirs*, London, 1921, 135, quoted in *ibid.*, 61.

³⁸ Olga Barbasiewicz, “The cooperation of Jacob Schiff and Takahashi Korekiyo regarding the financial support for the war with Russia (1904-1905). Analysis of Schiff and Takahashi’s Private Correspondence and Diaries,” *Acta Asiatica Varsoviensia* 27 (2014):2, <http://cejsh.icm.edu.pl/cejsh/element/bwmeta1.element.desklight-62fc346f-1493-4d04-bc1a-f1fcf69fa631>.

months into the conflict, hoping to float a bond issue of £10 million.³⁹ Unsure of the outcome of the war, the bankers in London were however prepared only to underwrite an initial tranche of £5 million.⁴⁰ It was nearly by fate that Takahashi and Schiff would meet for the first time in during that particular trip to London.⁴¹ As Takahashi personally recounted that it was “at the juncture that I happened to sit by the side of Mr. Schiff at a dinner given by my personal friend, Mr. Arthur Hill.”⁴² He remarked that Schiff was “uncommonly interested in the war as well as in the affairs of Japan”⁴³ and that the Jewish banker plied him with questions as to Japan's economy and her post-war plans.⁴⁴

Schiff was soon compelled to assist Japan in its financing efforts as he “had offered, on behalf of Kuhn, Loeb & Co., to underwrite the remaining £5 million in New York.”⁴⁵ This was particularly impressive as his offer came “before Japan won the battle of the Yalu”⁴⁶ on 1st May, 1904 which was the first Japanese victory in the war. With fresh positive news from the battle field, “on 10th May, £10,000,000 of 6% bonds were issued in London and New York....and the issue was an immediate success.”⁴⁷ Of the total amount raised, US investors bought £5,000,000 of the issue.⁴⁸ The media was also on the side of the financing effort as the Wall Street Journal reported on the 9th May, 1904 that “a number of institutions in New York regard it as an excellent investment.”⁴⁹ This was a momentous event for the Japanese government “it was the first time in history that Japan had been able to obtain money outside of London.”⁵⁰

³⁹ Sherman, 68.

⁴⁰ Ibid.

⁴¹ Marvin Tokayer and Mary Swartz, *The Fugu Plan. The Untold Story of the Japanese and the Jews during The World War II*, London (New York: Paddington Press Ltd., 1979), 45, quoted in Barbasiewicz, 3.

⁴² Barbasiewicz, 5.

⁴³ Ibid.

⁴⁴ Sherman, 68.

⁴⁵ Ibid.

⁴⁶ Barbasiewicz, 5.

⁴⁷ Sherman, 68.

⁴⁸ Best, 313.

⁴⁹ Ibid., 315.

⁵⁰ Birmingham, 283.

This could not have happened without the activities of Schiff. This financing was of such important diplomatic value that on 8th May 1904, the New York Times reported that King Edward of Britain received Jacob Schiff “to express his appreciation at the fact that the United States and England are co-operating so harmoniously in large financial undertakings.”⁵¹ The Japanese debt issuance was a trans-Atlantic affair as evidenced by King Edward’s reception of Schiff. In order to create greater traction in investor demand, “Schiff was more than ready to mobilize the services of his many European contacts, especially M. M. Warburg and Company, to sell the continental issues of these securities. This, in turn, was a vital factor in persuading British financiers to handle Japanese war bonds on favorable terms.”⁵² In the US, Schiff “encouraged members of the First National Bank and the National City Bank to support Japan.”⁵³ This proved to be of utmost importance as First National Bank and the National City Bank were controlled by the Morgan and Rockefeller families respectively.⁵⁴ With Schiff’s activities, all the major financial parties in the United States were now on the side of the Japanese.

Japan’s credit was therefore Schiff’s credit and thus “it provided a large assured market for syndicate operations.”⁵⁵ On the reason behind Schiff’s quick and enthusiastic involvement in helping the Japanese financing efforts, Takahashi himself later observed that Schiff “did not make the venture for the sake of mere profit.”⁵⁶ “His initial move in taking the side of Japan was avowedly actuated by his ideas about Russia”⁵⁷ Takahashi saw that Schiff

⁵¹ “King Receives Jacob Schiff; Expresses Appreciation of Anglo-American Harmony Over Japanese Loan”, *New York Times*, May 8, 1904, <http://query.nytimes.com/gst/abstract.html?res=9E01E3DA1E3BE631A2575BC0A9639C946597D6CF>.

⁵² Roberts, 16.

⁵³ Ben-Ami Shillony, *The Jewish Role in the Russo-Japanese War*, in *Collected Writings of Ben-Ami Shillony* (Tokyo: Japan Library and Edition Synapse, 2000), 318, quoted in Barbasiewicz, 3.

⁵⁴ Best, 323.

⁵⁵ Ibid.

⁵⁶ Cyrus Adler, *Jacob H. Schiff, Life and Letters Vol. 1*, New York 1928, 217, quoted in Sherman, 68.

⁵⁷ Barbasiewicz, 5.

had “a grudge against Russia on account of his race.”⁵⁸ Schiff was particularly angered at the “unfair treatment of the Jewish population by the Russian Government.”⁵⁹ Therefore, not only did Schiff help the Japanese, he also actively sabotaged Russia’s efforts to raise capital as he refused to allow Kuhn, Loeb to participate in any Russian loans.⁶⁰ Schiff also “threatened to resign from the board of the National City Bank if it floated a Russian loan.”⁶¹ Because of his position and threats to others in the financial industry, not a single (Russian) issue was ever floated in the United States.⁶²

In November 1904, as the war progressed in favor of the Japanese, the country issued a second loan at 6% in the amount of £12,000,000 of which US investors took up £6,000,000.⁶³ Given the strong backing from Wall Street, the loan was oversubscribed by about one-and-a-half times.⁶⁴ “Japan’s victory at Port Arthur in January and the favorable trend of the battle for Mukden in February and March”⁶⁵ gave way for greater investor confidence in the Japanese government and its credit. On “25th March 1905 yet another issue, this one in the far larger amount of £30,000,000 of bonds was floated, at the reduced interest rate of 4.5%.”⁶⁶ The size of the issue was more than double than the last two offerings and the rate of interest fell by 1.5% reflecting the strong demand from international investors. Schiff was also working hard for this issuance and “would call on relatives in Germany to help put the loan over.”⁶⁷ German distributors and investors alike were involved in this issuance and would prove to be of great significance, as “until then Germany had furnished

⁵⁸ Cyrus Adler, *Jacob H. Schiff, Life and Letters Vol. 1*, New York 1928, 217, quoted in Sherman, 68.

⁵⁹ *Ibid.*

⁶⁰ Roberts, 16.

⁶¹ Naomi W. Cohen, *Jacob H. Schiff: A Study in American Jewish Leadership* (Hanover, N.H.: Brandeis University Press, 1999), 135.

⁶² Best, 322.

⁶³ *Ibid.*, 313.

⁶⁴ *Ibid.*, 316.

⁶⁵ *Ibid.*

⁶⁶ Sherman, 69.

⁶⁷ Best, 317.

only a market for Russian war bonds.”⁶⁸ Russia was losing its credibility and there was no better way to show it than investors offering their vote of confidence with their own capital to the Tsar’s enemy. Schiff’s involvement also gave much comfort for US investors as they took up £15,000,000 of the issue.⁶⁹

The Japanese victory at the naval battle of Tsushima was the pivotal event for the Tsar to sue for peace and this offered an excellent opportunity in May, 1905 for another bond issue.⁷⁰ Raising another significant amount in such a short period could be difficult but as usual Schiff was able to execute for the Japanese empire. In Takahashi’s own words, “He (Schiff) said that if the British bankers refused to raise the amount, he would see to it that Y300,000,000 (£30,000,000) would be raised in the United States and Germany.”⁷¹ Therefore, with the backing of Schiff, in July 1905, another £30,000,000 of loans was raised by the Japanese government at 4.5% of which the US share was £10,000,000.⁷²

As the two countries were suing for peace at Portsmouth with the US president Theodore Roosevelt as the mediator, Schiff was present to ensure that Japan had enough capital which would provide them with leverage at the negotiations. Schiff, in his letter to Takahira Kogoro who was the Envoy at the peace negotiations, wrote there would be a chance that the “money markets of the United States, England, and Germany will no longer be prepared to finance Japan’s requirements to any great extent.”⁷³ However, he ensured the envoy that his “own firm will stand by Japan with all the resources and influence at its command, whatever may come of the negotiations at Portsmouth.”⁷⁴ Schiff backed his words with action. In November 1905, with his influence in the international financial markets, Japan issued a 4% redemption loan to partially buy back the loans issued during the war

⁶⁸ Ibid.

⁶⁹ Ibid., 313.

⁷⁰ Ibid., 318-9.

⁷¹ Korekiyo Takahashi, *Jiden [Memoirs]* (Tokyo: 1936), 731, quoted in *ibid.*, 319.

⁷² Best, 313.

⁷³ Barbasiewicz, 7.

⁷⁴ Ibid.

when the interest rates were at 4.5% and 6%. The total amount of this issue was £25,000,000 of which US investors absorbed £3,250,000.⁷⁵ This issue allowed Japan to lower its interest payments as the new bond carried a lower rate of interest than the previous issuances.

The importance of Schiff's role in the war becomes evident when one analyzes Japan's financial situation in the context of the entire conflict. Japan's total expenditures in the Russo-Japanese War were estimated at £172,000,000 (\$860,000,000).⁷⁶ A sum of £107,000,000 (\$535,000,000) of Japanese government debt, of which the United States took £39,250,000 (\$196,250,000), was floated on European and American markets.⁷⁷ This meant that 62.2% of the entire Japanese war cost was financed by debt securities and 22.8% of that amount was funded by US investors alone. What was truly amazing was that "Japan's credit grew stronger as the war progressed"⁷⁸ even though the debt ratio was rising rapidly with each bond offering. Schiff had played a key role in promoting Japan's war cause and its government's credit standing. This proved to be instrumental to the Japanese government's ability to raise enough capital to continue fighting in the conflict. The amount raised in the US for the Japanese war effort was unheard of before the Russo-Japanese War as "Wall Street was not at this time the international financial center."⁷⁹ This could not have happened without the efforts of Schiff. This opinion was confirmed by contemporary observers, as after Schiff's death, the New York Times recognizing Schiff's role in the Russo-Japanese War wrote that "thanks almost entirely to his activities, Japanese bonds....were floated here (New York) and in London."⁸⁰ *The Economist* observed that "there is a dramatic side to the fact, that at a time when Russia (had) absolutely failed to raise further money, Japan (was) issuing

⁷⁵ Best, 313.

⁷⁶ Ibid.

⁷⁷ Roberts, 18.

⁷⁸ Best, 320.

⁷⁹ Ibid., 314.

⁸⁰ "Schiff's Role in Finance; Genius of Banker in Union Pacific Reorganization and Other Achievements", *New York Times*, Oct. 3, 1920, <http://query.nytimes.com/gst/abstract.html?res=9D03E7DF1631EF33A25750C0A9669D946195D6CF>.

a larger loan than before at a lower rate of interest.”⁸¹ The drastic difference in the experience of the two countries could be explained by the many of Schiff’s maneuverings during the conflict.

Recognizing Schiff’s contribution to the financing of Japan’s war effort, the Jewish banker was received by the Meiji Emperor and “was the first foreigner in history to be awarded the Order of the Rising Sun.”⁸² On meeting with Emperor Meiji, Schiff proudly recounted, “The Emperor extends his hand and bids me welcome to Japan, saying that he has heard of the important assistance I have given the nation at a critical time.”⁸³ Moreover, Schiff noted that “it was the first time the Emperor had invited a foreign private citizen to a repast at the palace.”⁸⁴ Schiff’s relationship with Japan did not end with the Russo-Japanese war and he continued to show his affinity for the country. Meeting with a Japanese delegation in 1919, Schiff commented that “as long as Japan is pre-eminent in the Far East the Far East is safe to the rest of the world.”⁸⁵ He also used his newly established influence in the Japanese government for the good of his people. For example in 1917, as the president of the American Hebrew Immigrant Aid Society, Schiff asked for approval to make Kobe and Yokohama the transit centers for Jewish Immigrants.⁸⁶ The Japanese government gladly obliged to the request of its financial benefactor. On the other hand, Schiff’s hatred for Russian imperial government continued as he “was among the principal suppliers of money to the Bolsheviks in 1918”⁸⁷ who successfully overthrew the Tsarist regime.

⁸¹ “The New Japanese Loan”, *The Economist*, London, Mar. 25, 1905, 483, <http://find.galegroup.com/econ/infomark.do?&source=gale&prodId=ECON&userGroupName=cuhk&tabID=TO03&docPage=article&docId=GP4100511862&type=multipage&contentSet=LTO&version=1.0>.

⁸² Barbasiewicz, 3.

⁸³ Adler, 28.

⁸⁴ Birmingham, 283.

⁸⁵ “Schiff Praises Japanese.; Bankers Says the Far East Is Safe in Their Keeping”, *New York Times*, Feb. 7, 1919, <http://query.nytimes.com/gst/abstract.html?res=9B02E2D61039E13ABC4F53DFB4668382609EDE>.

⁸⁶ David Kranzler, *Japan before and during the Holocaust*, in *The World Reacts to Holocaust*, David S. Wyman (ed.), (Baltimore and London: The Johns Hopkins University Press, 1995), 555 quoted in Barbasiewicz, 4.

⁸⁷ Henry Coston, *Les causes caches de la Deuxieme Guerre Mondiale*, Paris 1975, 27, quoted in Sherman, 71-2.

The successful efforts of Takahashi were also not overlooked. In 1911, he became President of the Bank of Japan. Two years later, for the first time, he became the Minister of Finance, a position which he held six times. In 1921 he was elected Prime Minister of Japan. He played this role for less than a year, from November until July 1922.⁸⁸ Unfortunately, “Takahashi was murdered in 1936 during the February 26 Incident”⁸⁹ which was symbolic of how Japan fell deep into militarism by the 1930s.

CONCLUSION

War requires a substantial amount of resources and as such a nation's success in it depends on the amount of capital it could draw to maintain the conflict. Japan was able to have access to the debt capital markets throughout the conflict and as continued to win on the battlefield they were able to raise larger amounts of capital at lower costs. Financial matters could be self-reinforcing in many cases. The greater the amount of capital available for Japan meant it could acquire better armaments and resources for its soldiers which were instrumental for its military success which in turn gave investors more confidence which then meant more capital for Japan. The reverse was also true for the Russians: a lack of available meant a difficulty in securing supplies and weapons which led to military failures and a scarcer source of capital.

As the information provided in this paper would suggest, the Jewish American financier Jacob Schiff played an important role for the capital-raising for Japan in the war effort. The primary motivation for his interest was the anti-Semitic policies in Tsarist Russia and he hoped to weaken it by strengthening its enemy. Through his network and influence, he was able to gather enough financial capital for the various bond issuances by the Japanese

⁸⁸ Ewa Palasz-Rutkowska, *Polityka Japonii wobec Polski 1918-1941* [Japanese Policy toward Poland 1918-1941] (Warszawa: Nozomi, 1998), 57 quoted in Barbasiewicz, 4.

⁸⁹ Barbasiewicz, 4.

government. He was also able to hinder the Tsarist regime's efforts to raise capital in the international markets as well. To conclude, the Russo-Japanese War and Schiff's role in the conflict reminds one of the comedic and proverbial golden rule which states that "whoever has the gold, makes the rules."

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