
ARTICLES

Economic Relations of France with Central and Eastern Europe 1800-1914

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In the eighteenth century French replaced Latin as the language of diplomacy, science, and philosophy; in the nineteenth century it became the international language of technology and business affairs. Although Great Britain, "the first industrial nation", pioneered the techniques of steam power and its applications to industry and transport, of machine production, and of modern banking and finance, Frenchmen played a major role in transmitting those techniques to the Continent. In so doing they both modified and enlarged them. The French made especially notable contributions to the economic development of Central and Eastern Europe.¹ In the Habsburg Empire, for example, "les idées, les institutions françaises exercent le plus d'ascendant... Elle

¹ For the purposes of this essay, "Central and Eastern Europe" refers to the nineteenth century Habsburg, or Austro-Hungarian Empire, the Russian Empire (less Finland, Siberia, and Central Asia), and the new nations of Rumania, Serbia and Bulgaria. Germany, Switzerland, Italy, Greece, and the Ottoman Empire, although conceivably within a geographical definition of "Central and Eastern Europe," have been excluded for reasons of brevity and convenience. For a more detailed treatment of France's economic relations with all the above areas, as well as the rest of Europe, see RONDO CAMERON, *France and the Economic Development of Europe, 1800-1914* (Princeton, 1961).

nous emprunte successivement notre organisation civile, administrative, financière, judiciaire, militaire".² Similarly, in both Russia and the newly independent states of southeastern Europe French models — of administration, financial and commercial organization, industrial technology, and so on — were paramount. In short, in the century before 1914 France exercised significant influence upon the efforts of those countries to achieve modern economies.

Paradoxically, France's direct commercial relations with Central and Eastern Europe amounted to little. Around the middle of the century Russia ranked tenth among France's commercial partners — behind Algeria and Turkey — with less than 2.5 percent of France's total commercial exchanges.³ The Habsburg Empire lagged even more. The situation did not differ greatly at the beginning of the twentieth century. The low level of foreign trade generally in Central and Eastern Europe, the high cost of land transportation, and the lack of complementarity between the respective economies hindered commodity trade.

Of far greater importance than commodity trade, the investment of French capital in Central and Eastern Europe played a crucial role in propelling the economies of those regions toward modern industrialism. The preponderant place of French capital in pre-1914 Russia is well known. French capital also contributed significantly to the establishment of railways and other public works, banks and insurance companies, and a variety of industrial undertakings in Austria, Hungary, and the Balkan states. Professors Berend and Ránki have given some global figures of foreign investment in Eastern Europe; Professor Crisp has provided more detailed estimates of French investment. Thus I shall not dwell on the quantitative aspects of the investments, but instead shall explore some of their less tangible consequences,

² ALFRED LEGOYT, *Les Ressources de l'Autriche et de la France d'après les documents officiels* (Paris, 1859), p. i.

³ France, Commission des Douanes, *Tableau décennal du commerce, 1847-56*, I, xxvii.

and trace other important although non-quantifiable features of the economic relations of France with Central and Eastern Europe.

In the long run the economic development of any society is determined by the interplay of four broad groups of factors: population, resources, technology, and institutions.⁴ Of these, population and resources are specific to a given society, and little influenced by external events. Technology and institutions, on the other hand, are highly susceptible to international currents. In the nineteenth century France exercised an influence on the institutional structure and on the acquisition of new technologies of the states of Central and Eastern Europe out of all proportion to its relatively modest commodity trade, and even to its sizable and important exports of capital.

The French Revolution destroyed the *ancien régime* in France, and the revolutionary armies did likewise in the areas they conquered. Napoleon completed the great work of codification of the laws and implanted the Napoleonic codes throughout the Empire and beyond. Although in Central and Eastern Europe it was only the Illyrian provinces of the Empire and the Grand Duchy of Warsaw that were directly affected, many other regions felt their influence, sometimes after a considerable delay. The Serbian prince Michael Obrenovich and many Romanian noblemen and wealthy bourgeois received French educations; the newly liberated nations of southeastern Europe frequently copied their laws not only *from* the French, but *in* French. In 1855 Jacques Maniel, the general manager of the French-controlled Austrian State Railway, introduced the metric system for the railway, whence it spread throughout the Habsburg dominions.⁵ In 1860 the French *Journal des chemins de fer* declared, "Un des signes matériels de

⁴ For an elaboration of this approach to the study of economic development, see RONDO CAMERON, "Economic History, Pure and Applied", *Journal of Economic History*, 36 (March 1976), pp. 3-27.

⁵ *Annales des Ponts et Chaussées* (hereafter APC), *Mémoires et Documents*, Série 5, V (1873), 7-28.

l'influence française dans ce développement a été l'adoption de notre système métrique pour l'établissement et l'exécution des chemins de fer. Aujourd'hui encore, c'est par nos ingénieurs que la plupart des chemins de fer en Europe sont construits et exploités".⁶ The French franc became the basis of the monetary systems of Greece, Serbia, Romania, and Bulgaria, while Hungary, after gaining autonomy in 1867, minted its coins of 8 florins in conscious imitation of the familiar 20 franc gold pieces, with which they freely interchangeable.⁷

Another institution with important ramifications in the process of economic development was the French system of technical education. The Ecole des Ponts et Chaussées and the Ecole des Mines both had antecedents in the *ancien régime*, but were reorganized during the Revolution. The most famous French technical school, the Ecole Polytechnique, was a creation of the Revolution, as was the Conservatoire des Arts et Métiers. The Ecole Centrale des des Arts et Manufactures, established in 1828-29 under private auspices, had as its purpose "the training of civil engineers, factory managers, industrialists, etc." specifically for the private sector.⁸ All of the schools accepted foreign students, many of whom became famous scientists and engineers and propagated the French system of technical education in their own countries. Between 1829 and 1864 one fourth of the students in the Ecole Centrale came from countries other than France, especially from Eastern and Central Europe. Schools in other countries established on the model of the Ecole Polytechnique included those in Prague (1806), Vienna (1815), and St. Petersburg (1829).

Perhaps the most significant contribution of Frenchmen to the economic development of Central and Eastern Europe lay in their role as carriers of modern technology. Frédéric Le Play,

⁶ *Journal des chemins de fer* (hereafter JCF) 4 Feb. 1860.

⁷ MARC WICKENBURG, "Le Budget hongrois," *Revue de Hongrie*, 1 (1908), p. 481.

⁸ FRANÇOIS POTHIER, *Histoire de l'Ecole centrale des arts et manufactures*, (Paris, 1867), pp. 37-38.

remembered today as one of the founders of modern sociology, first achieved renown as a mining engineer. In 1837 the Russian government invited him to survey the coal resources of the Donetz basin, at that time totally undeveloped. He returned in 1844 at the invitation of the Prince Demidoff, lord of a vast industrial fief, who persuaded Le Play to take over the technical direction of his mining and metallurgical operations in the Ural Mountains.⁹ Generalizing from his own experience and those of other French engineers, Le Play wrote that the missions of French engineers abroad "eurent généralement pour objet, tantôt le service de l'Etat, tantôt des entreprises scientifiques et techniques pour lesquelles les gouvernements étrangers réclamèrent le concours d'un ingénieur français".¹⁰

During the Napoleonic period French engineers sojourned abroad both in the service of their own government and at the request of foreign governments. Between 1803 and 1814 A.-M. Héron de Villefosse, author of *De la richesse minérale*, served successively as supervisor of mines in the Harz Mountains, inspector-general of mines and factories between the Rhine and Vistula, and director of the mining administration of the Kingdom of Westphalia.¹¹ Louis de Gallois performed similar functions in Italy, Illyria, Carinthia, and Carniola, for which he received an award from the Austrian emperor.¹² In 1809 Pierre Bazaine and three other French engineers went to Russia at the request of the Tsar Alexander to establish the Institut impériale des Voies de Communication, modeled on the Ecole des Ponts et Chaussées. Exiled to Siberia during Napoleon's invasion of Russia, in 1815 they returned to their posts, where in addition to teaching they directed numerous engineering works, such as the Ladoga canal.¹³

⁹ R. SAMUEL LAJEUNESSE, *Grands mineurs français*, (Paris, 1948), pp. 93-98; Ecole Polytechnique, *Livre du centenaire, 1794-1894*, 3 vols., (Paris, 1894-97), I, 500; III, 202.

¹⁰ FRÉDÉRIC LE PLAY, *Les Ouvriers européens*, 2nd ed., 6 vols. (Paris, 1879), I, 406.

¹¹ Ecole Polytechnique, *Centenaire*, III, 118-20.

¹² LAJEUNESSE, *Grands mineurs*, pp. 68-69.

¹³ Ecole Polytechnique, *Centenaire*, III, 50, 564-65.

Bazaine, who attained the rank of Lieutenant General in the Russian civil service, returned to France in 1832, but was succeeded by other Frenchmen until well into the second half of the century. In 1852 the prince of the autonomous principality of Wallachia hired Léon Lananne, a French engineer who also served in Spain and Switzerland, to establish a Corps des Ponts et Chaussées, continued by the subsequent principality and kingdom of Romania. Lananne served for several years in the post of director-general, introducing the metric system in the principality and supervising the construction of many public works. He hired other French engineers for subordinate posts, one of whom eventually succeeded him, and returned to Romania in 1878 as president of an international technical commission to select a site for a railway bridge across the Danube.¹⁴

French engineers in government service contributed to the international diffusion of technology both as founders and teachers in technical schools operating on French models, and in actual practice. In addition, as private entrepreneurs in their own right, and as employees of banks, large railway companies, and industrial concerns, they contributed yet another important ingredient of modern economic growth: the spirit of enterprise. Until about the middle of the century they operated primarily as individual entrepreneurs; for example, they established chemical plants in Bohemia and beet sugar refineries in Russia.¹⁵ In the second half of the century they continued these activities,¹⁶ but increasingly they served as agents of large joint stock companies. French companies supplied gas and electricity and installed sanitary water and sewer facilities for such rapidly growing cities as Belgrade, Budapest, Bucharest, Odessa, Rostov, and Nijni-

¹⁴ APC, *Mém. et. doc.*, sér. 5, 19 (1880), 53; *ibid.*, sér. 7, 5 (1898), 808.

¹⁵ Ecole Polytechnique, *Centenaire*, III, 559 ff.

¹⁶ JOHN P. MCKAY, *Pioneers for Profit: Foreign Entrepreneurship and Russian Industrialization, 1885-1913* (Chicago, 1970) gives many examples of such activities in Russia. See also RENÉ GIRAULT, *Emprunts russes et investissements français en Russie, 1887-1914* (Paris, 1973).

Novgorod.¹⁷ They built port facilities in Trieste, Fiume and Constanza, and supplied dredging machines for the ports of Liepaja (Libava) and Kronstadt; still others built dams and canals in Russia (including that connecting the Volga and Don), improved navigation of the Volga, and laid a petroleum pipeline from Baku on the Caspian to Batum on the Black Sea.¹⁸ Of special piquancy, French firms underbid their German rivals to construct the fortifications of Bucharest.¹⁹

French companies and engineers contributed importantly to the development of mining and metallurgical industries throughout Central and Eastern Europe. The Trifailer Kohlenwerks-Gesellschaft, the Société métallurgique Austro-Belge, and the Osterreichisch-Alpin Montan-Gesellschaft, the latter a huge holding company which attempted to monopolize the Alpine mining and metallurgical industry, all had substantial French interests and listed their shares on the Paris Bourse.²⁰ French investors also participated in coal mines in Bohemia, Styria, and Croatia.²¹ The Rothschilds, Désmarais frères, and other French petroleum firms had both producing properties and refineries in Austrian Galicia and Rumania as well as in Russia.²² The modern iron and steel industries of Polish Silesia and southern Russia came into being largely in response to French initiative.²³ In the 1880s the French ironmaster and railway magnate Paulin Talabot, with the assistance of the

¹⁷ *Annales industrielles* (Paris), 29 Sept. 1878 and 27 Jan. 1889; APC, *Mém. et doc.*, sér. 6, 16 (1888), 508-09; GEORGES D. CJORICEANU, *La Roumanie économique et ses rapports avec l'étranger de 1860 à 1915* (Paris, 1928), p. 357.

¹⁸ *Annales industrielles*, 13 March and 10 July 1882; 27 Jan. 1880; 22 Nov. 1891.

¹⁹ *Ibid.*, 23 Aug. 1891.

²⁰ ALPHONSE COURTOIS FILS, *Manuel des fonds publics et des sociétés par actions*, 8th ed. (Paris, 1883), pp. 1097, 1121, 1123.

²¹ LÉON SAY (Minister of Finance) to Minister of Public Works, 1 May 1879, Archives Nationales (hereafter AN), F 14. 8599; *Moniteur belge*, 13 June 1875.

²² *Annales industrielles*, 13 March 1882; 15 July 1886; 26 April 1889; 9 Sept. 1890; RALPH W. and MURIEL E. HIDY, *Pioneering in Big Business, 1882-1911* (New York, 1955), pp. 131-34, 509; GIRAULT, *Emprunts russes*, pp. 272-75.

²³ See *Annales industrielles*, 28 July 1878 and 27 Jan. 1889, for Polish Silesia; also GIRAULT, *Emprunts russes*, pp. 282-84.

mining engineer Adolphe Parran, formed a joint stock company which brought into production the fabulous iron mines of Krivoi Rog and connected them by rail with the coal mines of the Donetz basin — the first “combinat” or cross-haul metallurgical combine on record, and the prototype of the famous Soviet Ural-Kuznetsk combinat.²⁴ By 1913 French-controlled companies produced more than 50 percent of Russian coal and over 75 percent of pig iron.²⁵

Almost all of the major railways of Central and Eastern Europe were built with the assistance of French capital and with French technical direction. In the Habsburg Monarchy Solomon Rothschild obtained the first concession for a steam railway in 1836, the Kaiser Ferdinands-Nordbahn, which he financed with the assistance of his family connections on London, Paris, and Frankfurt.²⁶ In 1842, however, the state undertook to construct all trunk-lines, a policy that proved to be both expensive and ineffective. Between 1854 and 1858 the government sold its existing network and granted extensive concessions for new construction to private companies. The principal beneficiaries of this reversal of policy were two large international financial consortia headed respectively by the celebrated French Société Générale du Crédit Mobilier and its arch rival, the Paris House of Rothschild.²⁷

The Crédit Mobilier, the first on the scene, obtained existing lines and new concessions in Bohemia and Hungary as well as Austria proper, and created the Austrian State Railway Company

²⁴ FRANKLIN D. HOLZMAN, “The Soviet Ural-Kuznetsk Combine,” *Quarterly Journal of Economics* 71 (1957), 371. See also LAJEUNESSE, *Grands mineurs*, pp. 150-51, and COURTOIS, *Manuel*, p. 113. For the origins of the Société Krivoi Rog see J.-B. SILLY, “Capitaux français et métallurgie russe,” *Revue d'histoire de la Sidérurgie*, 6 (March 1965).

²⁵ OLGA CRISP, *Studies in the Russian Economy before 1914* (London, 1976), p. 164.

²⁶ P.F. KUPKA, *Die Eisenbahnen Österreich-Ungarns, 1832-1867* (Leipzig, 1888), pp. 37 ff.; *Geschichte der Eisenbahnen der Österreichisch-Ungarischen Monarchie*, 4 vols. (Vienna, 1898-99), I, 134 ff.

²⁷ For more details, see CAMERON, *France and the Economic Development of Europe*, chap. VIII.

(*Österreichische Staats-Eisenbahn-Gesellschaft*; *Société Autrichienne des Chemins de fer de l'Etat*).²⁸ By 1870 the network exceeded 2,000 kilometers, including extensions to Serbia, Romania, and Silesia. In addition to its railway lines the company owned coal, iron, and copper mines, blast furnaces, steel mills (it installed the first Bessemer converter in the Habsburg Monarchy), a locomotive factory, a machine works, and other industrial properties. It became for a time the largest producer of coal, iron, and steel in the Empire. Throughout more than thirty years the general manager and most of the higher technical personnel were Frenchmen, mostly graduates of the *Ecole Polytechnique*. These were the men who made it, according to the French ambassador in 1878, "la plus puissante et la mieux administrée des compagnies de chemins de fer autrichiennes. Elle doit, en grand partie, sa solidité et sa situation aux relations qu'elle a avec la France. Plus de la moitié de son capital de 600 millions est placé en France, toute l'administration supérieure est française: un group d'ingénieurs français dirige, depuis vingt ans, ses principaux services avec une intelligence et une honorabilité reconnue de tous".²⁹ In 1891 the Hungarian government nationalized the lines in its jurisdiction, and in 1909 the Austrian government nationalized the remainder of the railway, but the company continued to operate its industrial enterprises and to function as a financial holding company in Austrian heavy industry. Frenchmen maintained continuous representation on the board of directors until the arrival of Hitler in 1938.

The Rothschilds, who had long dominated the public finances of the Habsburg Monarchy, and who were, moreover, engaged in a monumental struggle with the *Crédit Mobilier* for the control of railways in France and elsewhere, regarded the latter's acquisition of the *Staatsbahn* with displeasure. In an abrupt

²⁸ "Eisenbahn-concessions-Urkunde" and "Vertrags-und-Concessions-Urkunde" 1 Jan. 1855, *Verkehrsarchiv* (Vienna), dossier 170/HM 1855.

²⁹ Vogué to *Ministre des affaires étrangères*, 5 July 1878, ANF 14. 8616.

counteroffensive they prevented the *Crédit Mobilier* from obtaining the charter for a joint stock bank in Vienna, and secured it for themselves instead (see below). In 1856 they joined forces with other financial interests to obtain charters for three important railways: the Austrian Westbahn (Vienna-Salzburg), the Bavarian Ostbahn, and the Lombardo-Venetian, already under construction for the account of the state in Austria's Italian provinces. To the Lombardo-Venetian railway they joined concessions for railways in the Austrian-dominated duchies of central Italy. Finally, in 1858 the Rothschilds obtained the greatest prize of all, the Südbahn from Vienna to Trieste, which had recently been completed by the state. Along with this concession they also acquired those for several lines in the Hungarian provinces of the Empire that had previously been conceded to a company under the auspices of the *Crédit Mobilier*, which was unable to fulfill its obligations. The newly amalgamated company, generally referred to as the Südbahn, was capitalized at 375 million francs, and could raise twice that amount by the issue of bonds.³⁰ Its network amounted to more than 3,000 kilometres, of which 1,400 were in operation and 1,100 under construction. Moreover, it had first option on any other railway concessions in the Empire south of the Danube. Of the roughly 1,000 million francs engaged in the company at the end of 1858, Frenchmen had supplied more than 600 million, according to James de Rothschild himself. French administrators, engineers, technicians, and accountants filled all important posts; locomotives from Creusot provided the motive power, and Gouin et Cie of Paris obtained a contract to build all iron bridges. The awe-struck French consul in Venice reported to the French Foreign Ministry that "cette puissante société... a reçu de la France la plus grande partie de ses capitaux, presque tous les ingénieurs,

³⁰ "Concessions-Urkunde," *Finanzarchiv* (Vienna), 5995/F.M. 858; "Grundungsakt und Statuten," *Verkehrsarchiv*, dossier H.M. 42/Res.

les agents principaux de son administration et... les éléments de sa prospérité".³¹

The Staatsbahn and the Südbahn dominated the railway scene in the Habsburg Monarchy until World War I, but a number of smaller companies also secured concessions. Most of them relied, at least in part, on the Paris financial market and on French engineering expertise. After the *Ausgleich* of 1867 the Hungarian government granted concessions for several thousand kilometres of railways to roughly a dozen companies, all of them carrying the guarantee of the state. The depression of 1873, together with overbuilding and some irregularities in the organization of the companies, soon brought them to grief. The government, in order to make good its guarantee, found itself obliged to purchase the railways by exchanging its own bonds for the securities of the companies. Thus French investors became major creditors of the Hungarian government.

Russia at the end of the Crimean War had only two important railways in operation: Moscow-St. Petersburg and, in Russian Poland, Warsaw to the Austrian frontier. Both had been built for the account of the state. The war impressed the Tsarist government with the strategic if not the economic value of railways; it recognized the inadequacy of the policy of state ownership and operation and, in the absence of domestic capital and entrepreneurs opened the door to foreign enterprise. The response came in the form of Great Russian Railway Company (*Grande Société des Chemins de fer Russes*), an international company including Russian, Polish, German, English, and Dutch capital, but spearheaded by interests associated with the French *Crédit Mobilier*. The total length of the projected network amounted to more than 4,000 kilometres, estimated to cost more than one billion francs, making it by far the largest undertaking of its kind in Europe at that date.³²

³¹ Herbet to C. DE LESSEPS, Venice, 30 Dec. 1858, AN. F 14 8628.

³² *Journal de Saint Petersburg*, 3 (15) Feb. 1857.

Charles Collignon, inspector-general of the French Corps des Ponts et Chaussées, assumed technical direction of the railway, and brought with him numerous French engineers, administrative personnel, and even skilled workmen to help train a Russian labour force.³³ Owing in large measure to the Russian environment — both the lack of demand and the constant government interference — the company did not succeed commercially, and in 1894 the state took it over. Meanwhile the state had undertaken the construction of other railways, both for its own account and by companies with government subsidies and under its control. French engineers continued to provide technical direction, however, and French companies undertook much of the construction. For example Gustave Eiffel, the builder of the Tour Eiffel, won an international competition for the design of the famous Troitsky swinging bridge on the Neva at St. Petersburg, which was built by the Paris-based Société des Batignolles, also after an international competition.³⁴ The Compagnie de Fives-Lille, Cail et Cie, Gouin et Cie, and Le Creusot also obtained numerous construction contracts for Russian railways.

The first railway in southeastern Europe, from Ruse (Ruschuk) on the Danube to Varna on the Black Sea, begun in 1857 and completed in 1866, was a truly international enterprise, with French engineers, British contractors, Belgian equipment, and capital from all three countries.³⁵ Subsequently both the Südbahn and the Austrian State Railway became involved in building extensions in the area, but the frequent political upheavals as well as the general poverty of the region delayed construction for many years. At length, in 1888, a French firm, the Régie gé-

³³ C. de Lesseps to Ministre des Travaux Publics, 2 July 1859, AN. F 14. 8635.

³⁴ *Annales industrielles*, 1 Jan. 1893; a valuable document for the entire pre-war history of Russian railways is a special report prepared by the economist Edmond Thèry for the French minister of public works, "Les chemins de fer russes," dated 28 Sept. 1913, AN. F 30. 331.

³⁵ Statutes, dated 1857, AN. F 14. 8634.

nérale des chemins de fer, opened the first through line from Constantinople to Western Europe, the route of the famed Orient Express. By 1914 the same firm had built more than 3,000 kilometres of railways throughout the Balkans and Asia Minor.³⁶ French contractors also built most railways in Greece and Romania, including the famous bridge over the Danube at Cernavoda.³⁷

The banking systems of Central and Eastern Europe, no less than the railways, found inspiration, capital, and frequently management in France. Indeed, the first great private joint stock bank in the region, the Österreichischen Credit-Anstalt für Handel und Gewerbe, founded in 1855, grew directly out of the rivalry of the Crédit Mobilier and the Paris House of Rothschild.³⁸ The Credit-Anstalt immediately established branches throughout the empire, and became one of the great financial institutions of Europe. French capital also participated in other Austrian banks, such as the Länderbank, the Wiener Bankverein, and most notably, the Allgemeine Österreichische Boden-Credit-Anstalt (known in France as the Crédit Foncier Autrichien, not to be confused with the Credit-Anstalt mentioned above). With respect to the latter, founded in 1863 by officials of the Crédit Foncier de France, a financial journalist wrote eulogistically, " Arrivé en cinq ans a la situation que le Crédit Foncier de France n'a pu conquérir qu'en dix ans, le Crédit foncier d'Autriche prend aujourd'hui rang parmi les établissements de crédit les plus solides de l'Europe. Il a profité de toutes les expériences de son modèle; mais

³⁶ *Annales industrielles*, 21 Feb. 1889; France, Ministère des Travaux Publics, *Le Développement des travaux publics en France sous la IIIe République; l'oeuvre des ingénieurs français à l'étranger* (Paris, 1915), pp. 202-03.

³⁷ Rumanische Eisenbahnen A.G., statutes, AN. F 14. 8634; Beaumont to Ministre des Affaires Etrangères, 11 June 1874, AN. F 14. 8616; APC, *Mém. et doc.*, sér. 7, V (1893), 809; CIORICEANU, *Roumanie économique*, pp. 127-28, 172-73, 256.

³⁸ See EDUARD MÄRZ, *Österreichische Industrie- und Bankpolitik in der Zeit Franz Josephs I: Am Beispiel der k.k. priv. Österreichischen Credit-Anstalt für Handel und Gewerbe* (Vienna, 1868) for a comprehensive history of the first half century of this important bank.

il est juste d'ajouter qu'il lui a emprunté, avec ses traditions, ses plus éminents administrateurs. Une bonne part de ses succès est due évidemment à leur influence et à leur conseils".³⁹

The *Crédit Mobilier* also influenced the banking system of Romania, although its attempts to create a filial there in 1856 and 1863 were unsuccessful. In 1865 Romania obtained its first modern joint stock bank, the *Banca României*, whose concession went to a consortium of British and French capitalists, the latter associated with the *Crédit Mobilier*.⁴⁰ In 1881 the Romanians finally got their *Societate de Credit Mobilier* under the patronage of the reorganized *Crédit Mobilier français* and a group of Germans associated with the *Deutsche Bank*.⁴¹

In Russia the government distrusted concentrations of capital in private hands, and was reluctant to authorize private joint stock banks. Beginning in the 1880s, however, it reversed its policy and began to issue charters more liberally. By 1914 fifty such banks existed, in addition to other types of financial institutions, with more than 800 offices in total. The great majority of these employed at least some foreign capital. In 1913 Frenchmen and French banks owned 23 percent of the capital of the ten largest Russian joint stock banks, or more than 50 percent of all foreign capital so invested.⁴² As for the importance of the banks, the Russian financial expert E. Epstein claimed that, "while elsewhere banking was the product of economic evolution, in Russia economic evolution was the product of banking".⁴³ Professor Crisp adds, "Though this assertion is exaggerated, it nevertheless remains true that in many spheres of economic activity in Russia the banker was the initiator and not simply the servant".⁴⁴

³⁹ *L'Industrie*, 13 March 1869.

⁴⁰ *Ibid.*, 4 Nov. 1865.

⁴¹ COURTOIS, *Manuel*, pp. 686-87.

⁴² CRISP, *Russian Economy*, p. 148; see also GIRAULT, *Emprunts russes*, pp. 492 ff.

⁴³ Cited in CRISP, *Russian Economy*, p. 153.

⁴⁴ *Ibid.*

I began this essay by stressing the positive contributions of France and Frenchmen to the economic development of Central and Eastern Europe, and have consistently used examples that supported such an interpretation. The sceptical reader may well ask, "Is that all? Were there no negative aspects?" Unfortunately, there were. Although my examples emphasized the non-material, intangible effects of institutional reforms and diffusion of technology and the positive, material contributions of capital invested in railways, banks, and industrial enterprises, by far the largest part of French investments went into government securities, which I have scarcely mentioned. And how were those funds utilized by the borrowers? Not, with minor exceptions, for purposes of material improvement, but mainly to cover the inefficiency and corruption of government bureaucracies and, increasingly in the two decades prior to World War I, for armaments and military build-ups. As the prospect of war between the eventual Allied and Central Powers became more likely, French investors with the active encouragement of their government reduced their investments in Austria-Hungary while simultaneously increasing those in Serbia and Russia. Needless to say, those investments contributed little or nothing to the enhancement of human life or civilization; quite the contrary.

The "lessons" of this historical episode can be concisely summarized in the words of three of the historical actors.

Prince Alexandru Cuza, message to parliament, 1862: "Les travaux publics exécutés par des compagnies étrangères présenteront un avantage moral: ils seront pour nous et nôtres une école pratique; car ils formeront l'esprit de beaucoup de futurs ingénieurs, architectes, conducteurs de travaux publics, etc. Puis l'arrivée des compagnies étrangères sera le signal de la naissance et du développement de l'industrie privée".⁴⁵

Frédéric Le Play, 1881: "Une influence toute nouvelle tend

⁴⁵ Quoted in CIORICEANU, *Roumanie économique*, p. 152 n.

a dechainer le fleau de la guerre. C'est celle de certains mai-neurs d'argent qui, appuyés sur l'agiotage des bourses euro-péennes, fondent des fortunes scandaleuses sur les emprunts con-tractés pour les frais de guerre..."⁴⁶

Fialin Persigny, French Minister, 1853: "La vrai grandeur de la France, ce n'est pas dans les conquêtes militaires ni dans la gloire patriotique qu'elle lui sera assurée, mais dans les conquêtes paci-fiques du travail, de l'intelligence et de la science, dans la con-sécration de toutes les forces vives du pays à l'extension de la richesse nationale".⁴⁷

⁴⁶ FREDERIC LE PLAY, *La Constitution essentielle de l'humanité* (Tours, 1881), p. 247.

⁴⁷ Quoted by J. DELAROA, *Le duc de Persigny et les doctrines de l'Empire* (Paris, 1865).
p. 175.