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## **The Secret War**

**The War for Oil**

**By**

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**Introduction**

The publication of Frank Hanighen's study of the oil industry offers the opportunity to introduce one of the few journalists who has adapted to the world of 1934 the methods originated by S. S. McClure and Lincoln Steffens in the United States thirty years ago. At that time the period of national expansion that followed the Civil War gave rise to a system of corruption that a younger generation of journalists exposed. To-day the period of international expansion that followed the World War has given rise to a correspondingly extensive system of corruption all over the world which a select company of European journalists few of them known in the United States — have also exposed.

In this age of international cartels and trusts, purely economic organizations have usurped, more and more openly, the functions of the state. The official positions which Thyssen, Krupp, and Siemens now occupy in Nazi Germany leave little doubt as to where real power in that country lies, and Ernst Henri's *Hitler Over Europe*, which interprets recent German history in the light of their interests, illustrates how successfully a journalistic formula over thirty years old can be applied to the world of to-day. And what Ernst Henri has done for heavy industry in Europe, Frank Hanighen does for the oil industry throughout the world.

What characterizes this school of journalists to which Mr. Hanighen belongs? First, they deal always with subjects of international scope. *Merchants of Death*, for instance, of which Mr. Hanighen was a coauthor, described one of the most international of businesses—the traffic in arms. Second, they possess a knowledge of modern technology. They explain the technique of production, the methods of distribution, the human organization and skill that such vital industries as steel, oil, and munitions require. And because they devote primary attention to material factors, their analysis and prophecy may be said to rest on the same foundation of physical reality that also provides the foundation of modern science. Journalism has only begun to adopt the scientific method, but already one can detect the same differences between a Walter Lippmann and an Ernst Henri that distinguish the astrologer from the astronomer.

The proof of the pudding is in the eating. When Sir Arthur Salter sang the praises of the dead Kreuger, when Walter Lippmann blew first hot and then cold on the subject of Roosevelt, when Arthur Brisbane chanted, "Don't sell America short," three outstanding commentators on world affairs signed their own certificates of incompetence. Contrast the confused emotions and interests on

which their judgments are based with the technical and factual knowledge that led Ernst Henri to foresee, months in advance, the murders in Germany on June 30 and in Austria on July 25. And in like manner the recent investigation of the arms industry endorses Mr. Hanighen's previous excursion into the journalism of the twentieth century—the journalism of correct interpretation and accurate prophecy.

Subsequent events will tell whether this study of the oil industry will receive the only endorsement worth having—that of history itself. Meanwhile, awaiting that verdict, let me indicate how Mr. Hanighen has applied to the oil magnates the same methods that he used on the "merchants of death." Here, as before, he begins with the historic background, but we soon find that he is writing about politics and economics simultaneously. Not only does he cast light in two directions at once; what he has to say about economics illuminates the political history of our time and what he has to say about politics adds to our knowledge of economics. Thus we see the British purchasing land in Colombia on the economic presence that it contains oil, but for the political purpose of acquiring enough territory to build a rival to the Panama Canal. We see Secretary Hughes withholding diplomatic recognition from the Soviet Union on the political presence that the American people abominate Communism, but for the economic purpose of giving his former clients of the Standard Oil Company the hope that some day they might regain their Russian properties which the Bolsheviks confiscated. Just as *Merchants of Death* enabled its readers to scan the war-scare stories in their newspapers with fresh eyes and to watch Vickers, Krupp, Schneider, and DuPont with added and informed suspicion, so this book on oil will enable its readers to find new significance in the Chaco warfare, in American recognition of Russia, in Anglo-American rivalry and to perceive in Deterding and Rockefeller industrial titans at least as powerful and sinister as the Krupps and Schneiders.

Although Mr. Hanighen writes with an objectivity that should make his book a useful primer for some of the more naive oil magnates, it is addressed to a larger public. It exposes for the benefit of every citizen the forces who manipulate our elected representatives from behind the scenes, and it shows these elected representatives the purposes for which they are being used. The chapters on Central and South America indicate that trade rivalry for markets is not the only source of Anglo-American hostility; indeed they suggest that if the "unthinkable" war ever comes to pass, oil, not foreign markets, will be the prize. For the time approaches possibly within five years, possibly within ten—when the petroleum reserves of the United States will have run so low that America will have to depend on England which now controls reserves three times as rich as their own.

At this point, however, a word of warning, implicit in Mr. Hanighen's narrative, becomes imperative. Not only may some new process, such as the extraction of oil from coal, revolutionize the entire industry, but revolutions of another character may occur. Gomez, the dictator of Venezuela, the third largest oil-producing nation in the world, is not immune to the bullets of assassins, and in Iraq, too, one of England's chief sources of supplies, popular uprisings may upset the best-laid plans of Deterding, Colonel T. E. Lawrence, or the British Government itself. Here is the real  $x$  in every political equation, the one force that defies measurement. But even that unknown and unknowable force contains known and knowable ingredients, one of the most important of which

receives in this book the treatment it has long deserved.

Quincy Howe

## Chapter 1--Birth of a World Power

Persia, twenty years before the World War....

In Teheran reigns Shah Nasser-ed-Din, "King of kings, master of air, land and water, whose empire begins where the moon rises and ends in the fathomless depths of the sea."

The Powerful and Incomparable One has never in his life clasped the hand of a European, lest the dazzling serenity of his soul be disturbed by the impure contact of a heretic. But he has permitted several of these unbelievers to explore his country. One of these is William Knox D'Arcy, a lean, ascetic Australian engineer.

D'Arcy knows from his reading of history that for centuries in Persian temples there burned powerful white flames, gigantic torches, adored by believers as symbols of the God of Fire, Ormuzd. These pillars of fire have been extinguished for many years. But D'Arcy makes a thorough examination of the holy places of this immemorial cult. For the Australian thinks that these flames must have been due to the ignition of naphtha—of oil—by the priests of Zoroaster. According to his theory, oil ought to be discovered in the very places where the cult was celebrated.

Up north, near the Caspian Sea, the Russians have been discovering great geological basins containing the precious liquid. And it seems likely that these basins should extend down into Persia. Acting on this reasoning, D'Arcy sets out to discover them.

He leaves the valley of Schira and heads for the north. He leaves the roses, the cypress trees, the magnificent antiquities—all the romance of old Teheran—for a burning trail across the sands on the back of a camel. He traverses eagerly deserts white with salt and he rests wearily at little oases. He visits Mount Ararat, where formerly a sacred arch stood. But he finds nothing—not the slightest trickle of the prized black liquid, not the faintest smell of the precious stench, nothing whatsoever to indicate the existence of the black, slimy subterranean treasure.

D'Arcy loses money, lots of it, but he never loses his faith in his luck, or his faith in God. For the solitary little engineer believes with the credulity of a child in God. Alongside his instruments, his books and his maps, in the cool darkness

of his tent, he always keeps a crucifix, a little golden image of Christ, and the Bible.

For years D'Arcy wanders stubbornly over the deserts. He sinks drills into the earth, costly little holes into which he pours thousands of pounds. But still he fails to discover oil. Undiscouraged and firm in his faith, he goes to London and gets assistance from British financiers. They form company after company whose capital resources are buried deep in Persian sands by the tireless, fanatical Australian.



Years pass, and the little engineer has grown old and haggard under the fierce sun of deserts. But he remains faithful to his God, kneels daily before the crucifix and prays for strength to carry out his ideas. He also continues to frequent, from time to time, the increasingly cool offices of London investors. Even the most speculative of these begin to treat him as if he were a lunatic. Each visit to the City becomes more humiliating.

The obsessed Australian comes to hate bankers. He even begins to hate money. And—just at the point when money becomes odious to him—it comes to him in fabulous amounts ! Disdaining it, he finds himself steeped in its riches.

For the Shah, a new Shah, decides to modernize Persia. He calls in D'Arcy, as a learned engineer who knows Persia thoroughly, and D'Arcy, sensing his opportunity, lays aside his mad search for oil to employ his half-forgotten skill as a technician. He buys machinery, he builds a railway for the Shah. As a result of these transactions, he finds himself in possession of a large fortune. But best of all, one day the Shah, in a remarkable spasm of gratitude for D'Arcy's aid, and doubtless under suggestion, gives him a document, a somewhat doubtful version of which reads as follows:

"As a result of the particularly friendly relations which unite the Powerful Australian government and Persia, it is accorded and guaranteed to the Engineer William Knox D'Arcy, and to all his heirs and assigns and friends, full powers and unlimited liberty, for a period of sixty years, to probe, pierce and drill at their will the depths of the Persian soil; in consequence of which all the sub-soil products sought by him without exception will remain his inalienable property."

Be this the authentic reading or not, the purport is accurate. The ageing D'Arcy did obtain in 1901 from the Shah a sixty-year monopoly oil concession covering five-sixths of the Persian Empire--all the Empire excepting five northern Caspian provinces beyond the mountains. For these half-million square miles and their incalculable petroleum riches he paid just five thousand pounds cash, pledged the same amount, and agreed to give the Shah sixteen per cent royalty.

This "firman" or concession from the Shah of Persia, a truly royal grant, dated 1901 and covered with strange-looking hieroglyphics, is immediately worth millions. Its ultimate value and cost, in billions and in blood, are yet untold. Almost at the same time that D'Arcy receives in his hands the extraordinary document, he gets word of startling discoveries in the south of Persia.

Natives bear him the news of the bringing in of oil-gushers in the region of Shushtar, north of the Persian Gulf and only one hundred miles from Mohammerah.

D'Arcy hastens to see the riches for which he had searched so eagerly in former years. Indeed, as he finds, there are some abundant gushers in this district; profitable ones, too, though the true value of oil is at this time but dimly dawning on the world.

D'Arcy is happiest because he has proved that he was not a mere mad visionary, but a practical and far-seeing engineer. But has he a vision of the

visionary, but a practical and far seeing engineer. But has he a vision of the malignant economic potentialities of his find?

It seems so. His yearning placated, the Australian now possesses no further desire to struggle with smelly oil-drilling, with solitary deserts and war-like tribesmen. All he wants is to return to his native land to die in peace.

Accordingly he sublets the exploitation of the new wells to a little company, the Burmah Oil Company of England, formed to drill and sell this oil to the population of India: such at least are its stated aims. But in reality the history of a network scheming has begun. The company's officers want to get the priceless concession away from D'Arcy. The grant, they believe, covers only the territory just discovered, for the wary little engineer has not revealed to the Burmah Oil plotters his entire secret. He lets them believe that the concession is for only the small new group of wells not five-sixths of the Shah's domain.

The events which follow D'Arcy's departure from Persia are so fantastic that they seem like the incidents of a shilling shocker. Yet they are true and characteristic of the entire story of oil, and they form the first act of a gigantic world tragedy which still pursues its fateful course.

D'Arcy, *en route* for Australia via America, stops at Alexandria, and there meets business men who learn of the existence of the precious document signed by the Shah. Perhaps D'Arcy himself shows it to them, for, it is said, he treasured it less as a business document than as a curiosity. Nevertheless, when the business men offer him millions for it, he refuses.

Just as, formerly, he stubbornly sought for oil, now he just as stubbornly refuses to part with his concession. In fact, he is determined that the vast riches of Persia shall remain unused! He insists that he loves Persia too much to let it become the field of a speculators' and exploiters' orgy. He, who more than once had had to knock humbly at the door of London bankers, now turns the tables on the moneychangers.

The offers now mount to almost astronomical figures. D'Arcy remains adamant. Strange events take place. His apartment in Cairo is rifled. He is even attacked.

Friends of D'Arcy intervene, try to influence him to alter his decision. Six million pounds sterling for the Shah's little piece of paper! D'Arcy continues obdurate. He has not forgotten the years he has spent in deserts, his lonely heart-breaking struggle to find Persian oil; he remembers all his discouragements and all his hopes. But he no longer has the will to exploit his triumph. He wants nothing from life now but peace and quiet.

He would like to destroy the fatal document. He no longer desires those infinite riches which lure adventurers to fighting and destruction. He is old, and in his last interview with the Shah he makes no reference to either oil or railways. He talks about God, and he expresses the intention of importing not engineers but missionaries into Persia.

Finally he shakes off the spies and concession-hunters and takes refuge on a liner, bound for the United States. At last he is alone; at last he can meditate on God and the hereafter.

He has nothing to do with the other passengers in the first-class cabin. He prays, and reads missionary magazines. There is a priest on board, a missionary returning from Africa. He, also, keeps aloof from the crowd. D'Arcy feels himself attracted to this holy man, and he strikes up an acquaintance with him. He tells the priest of his hatred for money, of the strange land of Persia and how much he would like to see it converted into Christianity.

Two days before arriving in New York, D'Arcy feels such confidence in his new friend that he tells him the story of his life. The missionary seems at first only mildly interested. But all at once he is struck by a brilliant idea and he explains it to D'Arcy. Why not put the precious document at the service of the Church? Why not get rid of all those troublesome speculators once and for all, and at the same time perform a pious act? The Shah of Shahs so far has forbidden missionaries to enter the country. But if the missionaries obtain this document, the situation will be entirely changed. Does it not mention "heirs and assigns and friends"? Introducing themselves not only as assigns but also as friends of D'Arcy, the missionaries can legally enter and pursue their holy work.

And just before the ship docks, the engineer hands over to the missionary all his rights in the sub-soil riches of Persia—and, through the missionary, to the British Intelligence Service. For this "priest" was one of the cleverest agents of the extraordinary undercover organization which works in devious ways for the protection and development of the British Empire!

Sidney Reilly, with this notable coup, commenced his brilliant career. Later Reilly—who was a Jew and whose real name was Rosenblum—became chief of the English espionage service in Russia. Still later, assisted by Captain Hill, he directed the Secret Service during the Allies' intervention in Russia. Gaining the confidence of Winston Churchill, he became more and more important to the British imperialists. In 1926 he disappeared, just as mysteriously as he had appeared to D'Arcy on shipboard.

Yes, Reilly now possesses the priceless document. What D'Arcy had been unwilling to sell for six million pounds sterling, a clever spy has obtained for a few words. He sends it to his chiefs. Hardly has the document reached the hands of the British Secret Service in London, when mysterious changes take place in British oil corporations. The Burmah Oil Company cedes its land to a newly created concern, the Anglo-Persian Oil Company, boasting a capital of two million pounds. No one knows who holds the shares of this company—it is kept a dead secret.

D'Arcy dies thinking he has helped the Church.

Years, and their developments, pass. In 1914, the Anglo-Persian at last unmask. It is announced that fifty-six per cent of its shares are the direct property of the British Admiralty—the British government itself! It is a little-known fact that the Intelligence Service, although it depends on a grant voted by Parliament, has its own funds, that it is more or less independent of Downing Street and of Parliament not only in a political but also in a financial way. This Service owns large blocks of securities and a substantial bank balance; it buys and sells stocks. One can get some idea of these sums by studying, in the budget report for the Army and Navy, the portion appropriated to secret funds.

Ever since the British Admiralty has been seeking oil for its navy, oil hunting

For years the British Admiralty has been seeking oil for its new oil-burning battleships. These epoch-marking ships were constructed at the instance of Admiral Lord Fisher—often called "the oil maniac"—and Winston Churchill. But the fears of Russia and Germany should not be aroused; everything must be arranged quietly. Therefore Reilly and other agents are put to work, and official millions are invested in Burmah Oil and Anglo-Persian. Without saying a word, without even informing Parliament, the immeasurable riches of Persia are secured for the British fleet.

In May, 1914, with the World War in the offing, secrecy is no longer necessary and the transactions are brought to light. Churchill obtains from the House of Commons formal ratification of the government's past purchases of Anglo-Persian shares. M. Strathcona, Lord Inchcape, and Admiral Slade are named as delegates of the Admiralty on the board of directors of the Anglo-Persian. The British Admiralty thus emerges as controlling owner of one of the largest oil companies in the world. With the added assistance of Henri Deterding and Marcus Samuel, private oil kings, she becomes the mistress of Persia and later of half the petroleum world, with an appetite for swallowing the other half.

She becomes the protagonist in the riotous international drama recounted in these pages.

Meanwhile, the murky transaction over the D'Arcy concession becomes linked in a curious way to American politics and William Randolph Hearst.

In the early years of this century, two young men, Charles Stump and William Winkfield, were employed in the offices of the Standard Oil Company at 26 Broadway. They were well thought of by their employers and were trusted.

But apparently they needed more money than they earned. They noticed that the drawers in the office of the vice-president of the company were left open and that they contained papers of considerable importance and value. One day

Stump paid a visit to the editorial offices of the *New York American*, the Hearst daily paper. An arrangement was made.

Night after night, the two men remained in the offices of the Standard Oil after the other employees had gone. They removed and had photostated all the most interesting letters and returned the originals the next morning. No one, save the two young men and the Hearst officials, knew anything about this transaction until the Presidential campaign of 1908.

Then Hearst began to publish letters which John D. Archbold, the vice-president of Standard Oil, had addressed to certain United States Senators. These documents proved irrefutably that the Standard Oil Company enjoyed close relations with at least three Senators that it was able to break old laws and create new ones and that Archbold, on John D. Rockefeller's orders, was able to influence not only the internal politics of the United States but its foreign policy as well.

These letters, for which the clerks had received \$20,500, caused a profound sensation. What everybody had surmised was now proved: the American potentates of petroleum exerted enormous power over the government. The

documents played an important part in the campaign of that year and they greatly added to Hearst's prestige and power.

But the letters to Benson, Foraker, Mark Hanna, Penrose, Bailey, and Quay were not the only ones the young men had found in the drawers of the vice-president. Mr. Archbold also had left there a letter which came from a certain Mr. Rosenblum—none other than Sidney Reilly of the British Intelligence Service—the "priest."

In that letter, Reilly explained in full what he had done to get the Persian concession from D'Arcy; and he gave names, figures and dates about the hidden creation of the Anglo-Persian Oil Company. Indeed, even before the foundation of the Anglo-Persian, overtures had been made to the Americans to step in and prevent the formation of the enterprise. Sidney Reilly, we may infer, had not been satisfied with the sum which a grateful Intelligence Service had given him for getting the Persian document. At that time, too, the British were considered small potatoes beside the mighty Rockefeller, and the agent was eager to deal with the most powerful man.

But the Standard Oil Company had made the same mistake which was to cause them so many troubles later: that of believing themselves so all-powerful that they need not spend money or exert themselves to combat petty overseas competitors.

So Sidney Reilly had got nothing from Archbold. He remained in the service of the British Intelligence Service, and lived down his moment of temptation by dying for its cause.

But his letter, photostated, was in the possession of Stump and Winkfield—not of Hearst. They figured that there was more money to be had for the document in Europe than in America. They thought that if they did not publish it or sell it to the Hearst papers, they would obtain a large price for it abroad.

They tried to sell the Rosenblum-Reilly letter to London, to the Admiralty, to the Intelligence Service, to the Anglo-Persian—but their plan fell flat. Reilly's superiors had never known Reilly to deceive them in the course of his career and they distrusted the authenticity of the document. Also, perhaps, they didn't care.

If Hearst had had that letter, what international events might have resulted—what protests, what exposures, what reverberations! At the very least, a smug American industry might have been shaken from its self-complacence, an optimistic public might have been startled out of the delusion, which still persists, that its country's position was impregnable in regard to the essential fuel and lubricant, oil. The added years of secrecy which Britain gained as a result of the blackmailing attempt of two money-hungry clerks were the years in which she cemented her great conservation-policy, sewed up her endless, and still scarcely tapped, reserves. America, meanwhile, squandered oil, and has continued to squander it until now.

The letter remained unpublished. Now it is without value as blackmail or as prevention. But its story is not without value as a sample act of treachery in the history of the still-strenuous secret war for oil—the war that started when

Darcy and the Span of Persia sat and discussed their differing ideas of God.

## Chapter 2--A Drop of Oil Is Worth a Drop of Blood

Sidney Reilly's little trick was accomplished at the moment when oil was becoming the most valuable raw material in the world. Clemenceau, at a later date, could say with perfect truth: "A drop of oil is worth a drop of blood."

But that was after a long development. The very first beginnings of it all had been grotesque and humble enough. Samuel Kier, in the Alleghany Mountains of Pennsylvania before the Civil War, was interested in a salt-springs business. He used artesian wells to reach the salt. Unfortunately, oil appeared in such quantities in the springs that his business suffered.

He cast about for some method to make use of this troublesome waste product.

Finally, taking his cue from the Indians, who believed it had medicinal properties, he bottled the evil-smelling stuff with large labels, advertising Kier's Petroleum as a cure for cholera, bronchitis, consumption and diseases of the liver. The dose Mr. Kier proposed was heroic—three teaspoonfuls three times a day. Mr Kier's patent medicine business soon dwarfed his salt enterprise.

One day, walking down Broadway in New York, Colonel Edward Drake saw a bottle of Kier's remedy with a picture on its label of the derrick over an artesian well. Drake had been seeking, together with some associates, a business method of extracting the curious substance and commercializing it.

The picture gave him an inspiration. He went to Pennsylvania, to a farm not far from Kier's springs, and built just such a derrick. He dug and dug, to the jeers of the surrounding rustics, and finally invested all of his money in a steam-drill. On August 23, 1859, when he had drilled sixty-nine and a half feet, he struck an oil well that yielded twenty-five barrels a day.

This started the oil boom in Pennsylvania. Oil towns arose overnight with all the manifestations which accompany gold or silver strikes. Dance halls, saloons, high prices, violence, and vigilance methods followed, until the day, roughly the 1880'S, when John D. Rockefeller marched in and by his organizing genius brought order to the oil industry. Rockefeller's rise coincided with a virtual paraffin famine in Europe, and America became the centre of the world lamp-oil industry. The Baku, Roumanian, and other known sources were inadequate to cope with Europe's demands for illumination and Rockefeller's fortune was made. There is a monument to Drake in Titusville, Pennsylvania.

This business was based upon the invention of the modern oil lamp. An Englishman named James Young had made some experiments in the 'forties to replace whale-oil with oil distilled from coal and from Scottish shale. At first Young had but a purely theoretical interest in his experiment, but he soon found that his product was much sought after in Berlin. There a manufacturer named Stohwasser had invented a lamp which burned just this fluid type of oil. So a new industry arose from the conjunction of the efforts of an Englishman and a German, and the "paraffin-lamp" became a best-selling product all over Europe and America. At this time the lamp and lamp-oil business was huge.

The procedure of "cracking" the oil was blundered upon in 1860: up to that

time they heated crude oil in large cauldrons, thus extracting the various commercial products petrol, paraffin, lubricating oils, fuel oil and *mazout* (the dregs). A slow and costly process. In 1860 an engineer, before quitting his post one night, increased the atmospheric pressure of the little workroom so that the fire would not be extinguished when he returned. When he came back a few hours later he discovered that the cauldron gave out a product much clearer than before. Especially, under the influence of heat and pressure, it gave clear petrol.

But at that epoch petrol was not especially needed. Some refineries burned it as fuel, others let it run into the sewers. The engineer who discovered "cracking" was reprimanded. It was not until 1910, when the need for petrol was enormous, that the process thus discovered by chance was patented. To-day it forms the basis of the whole refining industry.

Other events, other discoveries, were to revolutionize the industrial world and make the black liquid infinitely precious.

At the time when Drake was drilling for his oil, Siegfried Marcus, a poor forge owner in a little village in Germany, was constructing the first internal combustion motor. The machine had one cylinder and worked all of twenty minutes. At the exposition of Vienna in 1875 Marcus was able to display a machine that ran for three hours. Marcus and Drake started a new era.

While Rockefeller was building brick by brick the earlier stories of his immense edifice of the Standard, Carl Benz of Mannheim invented the first automobile propelled by oil. It used three quarts of fuel and developed a speed of twenty miles an hour. The world was aroused. At first Benz's machine was merely deemed a plaything for the rich, but the plaything became a colossal devourer of oil.

In the 'eighties a threat occurred for the oil industry as it existed then. Edison's electric lamp threatened to oust paraffin as an illuminant. But at this juncture Gottlieb Daimler, German engineer, perfected Marcus's discoveries and made petrol motors workable commercial possibilities. From then on the market was good and discoveries of new uses were rapidly made. Even the electrical industry rests largely on oil to-day.

At Dearborn, Michigan, the son of a small farmer began to tinker with petrol engines. As a boy, Henry Ford kept his parents awake with the noise he made hammering on his crazy experiments. By the turn of the century he was hammering out a new world, and the noise he has since made has kept whole continents from sleeping. Enter the greatest single ally Deterding and Rockefeller ever had: the popularized motor-car.

And enter, too, the motif of our international drama.

On a warm, September day in 1883, two Englishmen were taking a constitutional in Marienbad. Their conversation grew animated, as did that of many men in those days of mechanical discovery, as they discussed the new internal combustion engines. "You can take it from me," exclaimed one of them, a short thick-set man with an intense manner, "that the general adoption of oil instead of coal as the fuel for ships would immediately increase the fighting capacity of every fleet by at least fifty per cent."

The enthusiast was Captain Fisher (later Admiral Fisher) of the British Navy and his companion was John Fletcher Moulton, a distinguished lawyer who during the war became chairman of the Explosives Board. By the time the latter became Lord Moulton, Fisher, at the Admiralty, was putting his unorthodox ideas about oil into practice. They called him the "Oil Maniac." Due to his "mania," by 1912 the British fleet was being converted to oil-burning.

Transportation, industry, war. Kier's Petroleum was coming into its own. Oil, no longer the humble Cinderella deploying her charms in homely glass chimneys, was queen of the substances for which men delve and fight. The world entered upon the era when navies of all nations must have the precious fuel, commerce and pleasure rode on the once-discarded petrol, aeroplanes rose by courtesy of it, and the once despised panacea drove and lubricated industry of every sort.

In 1912 Lord Fisher was fulminating to conservative members of the British Admiralty that in "war speed is everything." His vision was an oil-burning navy, out-speeding all enemies, fueled from Persia and the D'Arcy concession. In that year he was made First Lord of the Admiralty, and the keel of the *Queen Elizabeth*, the first British battleship to use nothing but oil fuel, was laid.

And so the stage was ready for the first oil war. It was not Lord Fisher who directed it.

About this crisis-year of 1912, the Russian Imperial Government decided that England ought not to be the only country to profit by Persian oil. The Russians brought the Shah around to their viewpoint. And the Shah divided his country into two parts—the north for the Russians, the south for the English. Ever watchful of D'Arcy's little piece of paper, the Intelligence Service found it was time to act.

All at once, in Persian cities revolts broke out; revolution reared its oil-stained head. The Shah trembled for his throne and capitulated. He chased the Russians from Persia, renewed the old contracts with the English, submitted again to another sixty-year concession.

Who led England in this first prophetic battle for oil? The Cabinet Ministers? The House of Commons? The Intelligence Service? No. Doubtless they played their part, but the real leader was a Dutchman, a bank clerk who in 1880 had taken up his pen as a teller in the Tweentsche Bank of Amsterdam at £12 a month. Six years later he was earning £36 a month. To-day he controls billions of pounds and his personal fortune is appraised at £68,000,000. His name is Sir Henri Deterding.

The son of a sea-captain who died when he was twelve years old, Henri Deterding was sent to the Dutch East Indies as a minor official in a branch of the Amsterdam house. He first encountered oil in the Sonde Islands, where the Tweentsche held some wells. Later he was promoted to manager of the branch at Penang and here he met M. Kessler, head of the Royal Dutch Oil Company, a lamp-oil concern.

Old Kessler appreciated Deterding's ability. He felt what the officials of the Standard Oil were to say so bitterly in later days: that this man was worth billions to his employer. Kessler gave him an important position in his firm.



Deterding was thirty years old. He believed in his destiny. He worked day and night. The treasury of the Royal Dutch was nearly empty. With the assistance of Deterding, Kessler was able to float an issue of new stock to the amount of five hundred thousand florins.

The following year, fortune grinned. Some productive gushers were brought in, and Royal Dutch paid eight per cent dividends. Rockefeller, lord of the world's lamps at that time, awoke to jealousy. He led his Standard Oil to battle against the little Dutch group. The shareholders of the latter were terrified and wanted to sell out to the Americans.

It was Deterding who held out for resistance, and he was in a position to give advice. For by this time he was President of the Royal Dutch. Kessler had died, leaving a will in which he requested the directors of the company to name Deterding as his successor. The Board of Directors had complied gladly, for this was obviously an able young man.

The shareholders, rendered desperate by the formidable opposition of Rockefeller, approved Deterding's policy. This young fellow or any other for that matter— would probably lose, so they felt; but there was a long chance.

The "young fellow" acted. With his five hundred thousand florins he declared war on the millions of dollars of Rockefeller.

At the very start he won an important ally, a man who was to aid him in the formation of the gigantic English oil trust of to-day. Before coming to grips with Rockefeller, Deterding, needing sea transportation, got the assistance of Marcus Samuel.

Down in the maze of little streets and dark alleys where almost all the nerves of the economic world run like telephone wires into the 130,000 little offices of London's financial district, is the office, the lair, where this lion who lay down with Deterding long held sway. A stout little man with an old and outmoded felt hat drawn down over dark Semitic features. Summer and winter, he wore a grey overcoat with lapels of silk, and his wing collar was adorned with a simple, dark bow tie. A strange figure, this man who looked neither rich nor poor. Yet with Deterding he built up the English hegemony of oil. Marcus Samuel, afterwards Lord Bearsted.

*Who's Who* is very brief about him. "Bearsted, Viscount. Marcus Samuel. Born in 1853. Organizer of petroleum transport through the Suez Canal. Organizer of large petroleum exploitation in the Far East. 1902, Lord Mayor of London. 1921 created peer (Lord Bearsted). 1924, Viscount." When he died in 1927, even the financial district had little knowledge of his career.

But when one questions his friends, reads the thick volumes of oil reports, assembles from all corners of the world the story of oil, one discovers that the life of this stout little man in the grey overcoat has been more adventurous than fiction.

A London slum was his birthplace and a shipping office where he was a petty clerk was the springboard to his financial career. He traveled in his firm's ships to the Far East and acquired a sound knowledge of international trade.

with his savings he started his own exporting and importing concern. It was small at first, but he worked night and day, like Deterding.

Success story, as usual. Sea shells were the humble product with which Marcus Samuel started his little import trade and he called his concern the Shell Transport Company. His first ship was a rickety old steamboat. But as his business increased he acquired a round dozen of vessels, all modern and up to date. His ships carried goods only from the Orient to England—there were no cargoes the other way. Empty bottoms returned to Japan and the coast of China. Waste of space, waste of money.

One day he was offered some tanks of oil to carry on his trip back. He accepted them, glad to pick up a little money. He soon perceived that this could be developed into something lucrative. He built an experimental oil-tanker, with money borrowed from the Rothschilds of Paris, and thus he became the first to ship an entire boat-load of oil to the Far East. He built more tankers.

It was natural that he should become interested, now, in the production of oil. He bought concessions in Borneo. Soon he was filling his tankers with his own product. His agents turned from the traffic in shells to the much more productive commerce in oil lamps and their fuel.

If at this point the Standard had not been so proud and haughty, Britain's subsoil possessions would not be worth mentioning to-day and there would be no such concern as the Royal Dutch-Shell. But the Americans believed they could easily crush any competitor. Marcus Samuel? Let him go ahead and compete with the other little chap, Deterding. For Deterding was the principal rival of the little Jew from Whitechapel. The Royal Dutch at that time possessed but one tanker to transport the yield from its East Indian basins of oil. And Marcus Samuel continued to build new boats and carry his own oil more and more cheaply.

Samuel took stock of the situation. Rockefeller's gushers earned large sums every second, but how long would they last? Had Rockefeller built up large untapped reserves? Samuel had studied geology and was familiar with subsoil problems. He knew oil was a "wasting asset"—use it and it's gone. He foresaw a day when Standard derricks would pump in vain.

Deterding produced little, but he had immense reserves. Rockefeller had the present, Deterding the future. So at least Samuel figured. Deterding had been figuring, too. He needed transportation to fight Rockefeller. So came the alliance, in 1897, between the Royal Dutch and the Shell Transport—so was founded the most gigantic and complex "trust" of the modern world, the mighty Royal Dutch-Shell. Ever since then, Dutch-Shell in spite of its name has been considered a British company and Deterding a British oil magnate.

The merger took place and the roles were assigned. All proceeded so smoothly that the new firm of the Royal Dutch-Shell spawned another in 1902—a sales firm, the Asiatic Petroleum Company, to market the Royal Dutch-Shell products. As before, Samuel got the House of Rothschild to finance the companies.

The merger and the underwriting came none too soon. Standard Oil was by way of acquiring the shares of the Royal Dutch-Shell from frightened

shareholders. It was wielding a deadly weapon, the price war. It flooded the European market with low-priced oil; then it entered in the same deadly manner into the Far Eastern market. Meanwhile, master of the American market, Standard doubled and tripled its domestic price to make up for the losses in foreign price-cutting. In every port where Shell ships appeared Rockefeller agents came with barrels of oil which they virtually gave away.

Marcus Samuel and Henri Deterding leaned anxiously over their trade maps and statistics while the American oil deluge rose to perilous levels. But the curious pair did not weaken. Not only were they thrown in the same boat, the identical oil-tanker, but they saw that in his arrogance Rockefeller had overlooked, had forgotten, one thing. As a result of the fusion of Samuel and Deterding, the most valuable instrument for an overseas war had slipped from the grasp of the Standard—namely, the means of transport.

Rockefeller should have known better. For it was neither by rich deposits nor by colossal underwritings of capital that the Standard had won its great power in the United States. It was Standard's monopoly of the means of transport that had made it what it was.

Transportation. Rockefeller had been the first in America to learn the value of that. When he took aside the presidents of the Pennsylvania, the Erie and the New York Central railways back in the 'seventies, and made secret agreements for rebates, he laid the corner-stone of his great power. The railway magnates got stock in the rising Rockefeller company and they got his trucks of oil to handle—and Rockefeller was able to undersell his competitors. The competitors soon capitulated and were taken under the wing of the voracious trust.

Later he began to dispense with even the railways. He carried his ideas through to their logical and thorough conclusion. When in 1870 he first began to purchase oil from the hundreds of little refineries in Pennsylvania, he brought it to the markets in little wooden tank wagons. Then he began to use metal containers, and finally he built metal tank railway cars. But the final step came with his independence of the railways, when he was the first to construct pipe-lines, hundreds of miles long, which brought the oil from the wells to the refineries and thence to ports—for one-sixth of the lowest railway freight rates.

The pipe-line was the answer to a monopolist's prayer. Pipe-lines do not consist only of steel pipes sixteen inches in diameter, with pumps and heating apparatus to keep the crude oil from solidifying in the winter. They also consist of permits—very costly at times—from the owners of the land through which they are run, and from the state. (A mile of pipeline costs to-day over three thousand pounds. In America alone there are now about two hundred thousand miles of pipe-lines, five times the distance round the world.) Here was and is an investment which small firms could not afford. A small owner's oil well, even if it be the richest in the world, loses its value when a rival owns the pipe-lines. The little pig's oil cannot get to market. Rockefeller did not always need to employ the price war to ruin his American competitors; he had them in the hollow of his hand by means of the pipe-line route.

Even when rival firms were rich enough to build pipe-lines, they found that often they couldn't obtain permits from the state, or authorization from the owners of property. Politics, and corruption and money—other strings to

Rockefeller's bow. That was the story which led to the trust-busting activities of Theodore Roosevelt and the passing of the Sherman Act.

Rockefeller, in short, knew that transport was as necessary as oil. So it was not surprising that his first move in his game against the Royal Dutch had been to lease all the oil-tankers he could find, and to leave them rusting in the docks. He preferred to leave them empty and useless, to lose hour by hour large sums of money, just to paralyze the transport system of his East Indian competitor. It had worked, for a time.

But now the Dutchman had the fleet of the English Jew. The American's effort was powerless. In a word, Rockefeller lost that fight. He had Royal Dutch on the ropes, but he had to recognize the independence of Royal Dutch-Shell.

And he lost his chance to dominate the oil transport system of the world. Up to 1900, all tankers had belonged to the Americans. To-day, when one-tenth of the world's marine tonnage, or about eight million tons, is composed of oil-tankers, seventy-two per cent of the tankage belongs to Deterding and his allies. Such, in less than forty years, is the outcome of that first fight.

It was Marcus Samuel who provided these ships and broke the Standard's iron grip. Why had Rockefeller overlooked his fleet?

Rockefeller could have obtained this monopoly, perhaps could have had it to-day, if he had wished to deal with Marcus Samuel instead of treating him like a little Jew from Whitechapel. He would have been able to crush Deterding then, for Deterding, alone, was weak.

Now Deterding was actually cutting into Standard's foreign markets. But Rockefeller struck back. The formidable weapon of transportation monopoly slipped from his grasp; he fell back on the price war. Deterding, flushed with victory and fortified by Samuel's tankers plus Rothschild gold, counter-attacked vigorously and with great strategy. He carried the battle into China — which was far from the oil-derricks of Pennsylvania and comfortably close to the cisterns of the Royal Dutch in the Dutch East Indies.

Oil for the lamps of China! This market of four hundred million potential consumers for years had been the exclusive fief of the Standard, which had routed the Russians from this field after a bitter price war. Standard had saturated its ancient soil with cheap oil. Moreover its agents had penetrated into all the remote villages, making presents of some eight million lamps to the humble Chinamen. They were stamped with a Chinese ideograph: "*Mei Foo*" — "good-luck" lamps.

The Chinese took the lamps. But now they burned Deterding's oil in them. Deterding poured his East Indian oil into this market and sold it at disastrously low prices. He lost money, but not nearly so much as the Americans. The latter, in order to recoup their losses, increased the price of oil in Europe. Deterding did likewise, and in the end balanced his accounts, losing nothing by the Chinese battle.

At this point Rockefeller over-reached himself. Disconsolately counting his losses, he sought to recoup by raising the price in the United States. But the Americans felt no pride in the gallant fight which their Croesus was making

against the foreigners abroad. Their political leaders had raised them to a high pitch of indignation about the methods of Rockefeller in obtaining a stranglehold at home. And the high prices, indirectly due to Deterding, were the last straw.

Theodore Roosevelt was elected on a trust-busting platform. Under his reign, the Sherman Act was passed. And John D. Rockefeller had to face the grim glance of Judge Kenesaw Mountain Landis, who imposed the fabulous fine of £5,848,000 on the Standard for illegal practices! A few years later, seven black-robed justices delivered the death sentence to the Standard Oil monopoly with their decision that the trust must dissolve.

Contrary to a widespread impression, that decree of dissolution was not wholly an empty gesture. Perhaps the Standard companies have never been such competitors against each other as worshippers of competition might have wished; the oil industry still refers to "The" Standard; the segments have grown great. But disorganization there has been, and from the day of the decree, weakened at home by the forced dissolution, Standard concentrated its attention within the borders of its home country and loosened its grip on the foreign markets—and the foreign reserves.

Immediately Deterding jumped in.

In Mesopotamia (Iraq) he rubbed his magic lamp and the genie of oil appeared on the deserts of the Arabian Nights. Deterding's drillers started to bore the historic sands.

He was not alone. An oil dog-fight started; there were English, American, Turkish and German companies. The Kaiser had his eye on Iraq oil; he, too, had oil-burning battleships. And the Turks were helping him. Out of the scramble, Germans and English got their share. The Americans were pushed out. Peace, an armed peace, followed in Iraq--pregnant with the promise of a lusty young war.

Farther north, under the double-eagle of the Czar, there was also a restless peace. Deterding's indomitable ambition took him to the Caucasus, where kaftaned subjects of Russia were drawing some of the richest oil in the world from the rugged neck of land between the Caspian and Black Seas. A French company, organized by the Rothschilds to exploit this Baku-Batum oil, was gobbled up by the Royal Dutch-Shell.

The Black Sea, outlet for Russian oil to the western world—the Black Sea, bottled up by the Turks sitting securely on the straits of the Dardanelles here was a sector ripe for the clash of armies and navies!

The Standard was so thoroughly cowed by this time that it did not even contest Deterding's supremacy in this Russian area.

It was inevitable—Standard was simply out of its element. Deterding's tactics were those of subtlety and discretion, while those of Rockefeller were merely brutal. Deterding, descendant of great explorers, of conquistadors, of wise sea-captains, had something in his blood that Rockefeller, son of a corn-doctor, lacked. Standard Oil officials were insolent merchants. Royal Dutch-Shell agents from the first were diplomats and builders of empire.

Thus the two great companies faced each other through all the years that followed. The Standard was like a primitive animal, composed of autonomous cells. Each of the Standard Companies—Standard of New Jersey, Standard of New York, etc.—drilled, refined and sold its own oil. Each had its American competitors, the "independents."

Deterding's organism was constituted quite differently. His companies were specialized, singing together like the morning stars, in a great unified cartel.

One was concerned only with sales. Another drilled. A third took care of prospecting and scientific matters. Another shipped, another built the pipe-lines. Moreover, Deterding had experienced and talented agents, speaking all languages, familiar with the customs of various peoples. Rockefeller's secret agents were good for naught but buying up pipe-line rights, fixing politicians and big-sticking newspapers.

Deterding had won in Europe and Asia. Now he was ready for an attack on Rockefeller's continent. The struggle was destined to prove more desperate than the flooding of Chinese lamps with Sumatran oil.

### **Chapter 3--The Secret War**

#### **1. Silver v. Oil**

"Mexico is a beggar sitting on a bag of gold," said Humboldt, the great geographer, over a century ago. To-day, she is a beggar sitting on a can of oil. But it took over a century to make the change.

Gold was what brought Cortez and his brutal conquistadors to Mexico long ago. Later they discovered silver, copper, manganese and other minerals. In the nineteenth century it was for silver and copper that Americans, British and other foreigners flocked to Mexico.

It was necessary for them to get concessions. What lay under government soil was the prerogative of government. Concessions were obtained—up in the bare sierras of the north, these economic descendants of Cortez burrowed for metals under the rocky ground. They scorned altogether an ugly black liquid that oozed forth in the swampy lowlands along the Gulf of Mexico. Oil was a poor brother indeed to the other subsoil treasures. Oil was only for lamps, and the derricks of Rockefeller, mainly in Pennsylvania, were sufficient to take care of that line of trade.

But with the turn of the century came the increased use of petrol engines and motor-cars. Standard's agents appeared with their drills in the port of Tampico. Not far from this town, a lucky Irish-American prospector, who once had peddled crude petroleum in a barrel-cart from house to house in amused Los Angeles, now struck great gushers. His name was Edward L. Doheny.

Mexico's gold was negligible by now. But oil was still second fiddle to silver. White veins ran deep in the bare grey mountains of the north. Few ranches or farms were there. Most of the silver land was the government's, and politicians could easily be bribed to give mining concessions. The new black treasure, however, was obtained from the lowlands, where the natives owned and tilled the soil.

Mexico became an Indian sitting on a can of oil. Oil had to take account of the Indian as its brother silver did not. Oil existed beneath land which tribes of Indians had tilled for centuries.

And the oil companies were confronted by a new obstacle. The royalties and money offered by the "Yanqui" agents meant nothing to these descendants of the Mayas and the Toltecs. The only treasure in their eyes was land—the surface of the land. Crops and grass for feeding their cows and goats. That was an inalienable right which their ancestors had established and respected for ages, long before Cortez had introduced the disturbing epidemics of acquisition and commercial struggle.

Picture the oil man presenting himself before the chief of a *hacendado* or a communal village, offering a good price for land which seems likely to yield oil.

"I cannot sell," replies the proprietor or the chief of the tribe. "The land does not belong to me."

Indeed, although the chief's title may be legally registered on the old Spanish records, he is only a trustee. Before him his father, his grandfather, his countless ancestors, have planted corn and trees so that their descendants might harvest grain and fruit. His principal aim has been to keep it fertile for the tribe's children and the children's offspring. In such a way of thinking, there is no right to sell.

The agents display before these stolid eyes not only money but visions of what money will buy: travel, jewels, motor-cars, theatres.

"Of what good are those things," replies the Indian, "since I can travel through my fields on horseback at a reasonable pace, take pleasure in the beauty of my people's pottery and rugs, talk with my fellow tribesmen and participate in our fiesta dances?"

Or so, at least, ran his unspoken rebuttal, denoted by his moveless taciturnity. The superb wantlessness of the Indian confronted by modern civilization—and rejecting it!

"The land is bread and the bread is life." With him it is an intuitive conviction; it derives from an atavism rather than from logical reasoning.

He cannot understand the foreigner's economics or mental processes.

"How will the Indian live when oil has driven out the corn?" the Indian asks.

The American replies impatiently: "Corn can be bought."

"Yes, but someone must cultivate it," protests the Indian. Of the reply, "In other countries it will be raised and imported here," he can make no sense. His world is limited by the land he can see, by the *hacienda* and communal village.

And so the foreigners have recourse to measures which all foreigners know. In every village a traitor can be found who through bribery of drink or women will sign a bill of sale. In every district venal judges can be persuaded to uphold

such documents and declare that the old titles dating from the Toltecs are null and void. Indians mulcted of their property go to work at the derricks for a few pesos a day, slowly achieve a dim idea of the economic world of the foreigner, and, if the work does not kill them, move restlessly to other sectors when the derricks begin to pump salt water. The oil has spoiled the land. Economic exiles migrate disconsolately to the beet fields of Colorado or the melon patches of the Imperial Valley.

But the foreigners have no time to contemplate the misery they have wrought. They are absorbed with the struggle of their drills against the earth, and with the struggle among themselves.

For Standard is here and Doheny is here, and there is a saturnalia of competition. The rivals hurry to grab the oil rights and quickly build the weird, stiff forest of derricks. They fill the villages with their puppets, Mexican lawyers, who corrupt legislators, judges, police and soldiery. Hundreds of spies gather on the broad *llanos* of Tampico. Oil comes into its own.

The arrival was at the right time. For forty years crafty old Porfirio Diaz had ruled his country by granting concessions to foreigners. Foreign money for gold, silver and copper mines, for coffee and sugar plantations, had poured into his coffers.

Americans had paid well for their concessions to oil lands, they thought—and so did Diaz, at the time. But wildest hopes were realized when the production of Tampico's wells leaped in six years from 200,000 barrels to 14,000,000 barrels of annual flow. The Cerro Azul (Blue Hill) gusher, Betelgeuse of oil wells, broke the world's record with 200,000 barrels daily production.

Satisfaction and profits for the Americans—but envy and regrets for Diaz.

For the cunning dictator wanted a bigger cut for himself. Obviously the best way to do this was to bring the hungry English oil firms into Mexico. He would profit by the struggle between these giants! Porfirio proceeded to act, little suspecting that he had placed his dictatorial edifice most dangerously in the line of fire.

The English were all too ready. Weetman Pearson was a large English contractor who had free-lanced successfully, hand in hand with both Americans and English. He became friendly with British government circles and was soon converted to imperialist views. He was elevated to the peerage—enter Lord Cowdray, friend of the Service and of Deterding— and enter his Mexican Eagle Company which, with the aid of Diaz, had got control of half of Mexico's oil by 1910!

Diaz, his split increased, rubbed his hands over this new subsoil treasure which was giving him, in coined dollars, more wealth than all the silver in Mexico.

But soon those hands were raised in astounded horror. Diaz was unaware of the peculiar genius that is in oil.

It was 1910—a memorable date in Mexican history. Standard and Doheny,



angered at the audacious thrust of the British on the very threshold of their empire, retaliated. From a solid background of secret subsidies emerged a lean, visionary statesman, a man who combined a belief in popular government with an addiction to spiritualist seances.

Francisco Madero—member of the powerful Madero family, copper and smelting people, rivals of the Guggenheims—had been forced to go into exile in the United States for his political opposition to Diaz. Madero saw the power of Standard, recognized that oil was going to be a greater factor in Mexico than silver or copper had ever been, and he took sides. In 1910 he crossed the border and, with the aid of Standard Oil money, raised the flag of revolt.

Here was no ordinary fly-by-night revolutionary attempt with which Mexico is so familiar. Venal generals, seeing the vast power and money behind the new Messiah, joined Madero. There was war. Diaz's forces were defeated everywhere. Old Porfirio took refuge in the leafy quiet of Paris's Bois de Boulogne quarter, far from his oil-torn land. And Madero took his place in the National Palace.

There the new President felt secure. Standard Oil had bought bonds of his provisional government and had got in return tentative agreements for concessions in the south of Mexico. Washington was behind Standard now, and Standard was behind Madero. The United States gave Madero recognition and clamped an arms embargo against his opponents.

But Madero had reckoned without the harder metals. Silver and copper were not yet entirely overshadowed by oil. President Taft's American Ambassador, Henry Lane Wilson, was a friend of the Guggenheims, the great American mining and smelting firm, with vast and varied properties in Mexico. The Guggenheims were the bitter enemies of the Madero family.

Ambassador Wilson did not care about oil; the struggle between Standard and the British was no concern of his. He was aware, though, of silver, and he hated the Maderos. He actively opposed Madero and he favoured another man to rule Mexico in his stead. This was General Victoriano Huerta, a full-blooded Indian, a colossal drinker, an adventurer ready for any desperate scheme.

Strange bedfellows. The British oil men also hated Madero. Was he not the creature of Standard Oil, moreover a weak man, a dreamer, who believed in democracy? Mexico was not ready for democracy. Mexican Eagle saw better material for its purpose in Huerta. So the British backed the General and joined forces with the American Ambassador and the Guggenheims. British oil and American silver versus American oil and Mexican copper.

So came Mexico's Ten Tragic Days. Huerta and his generals revolted against Madero and easily put the democratic president behind bars. Much as a mother announces the engagement of her daughter, Henry Lane Wilson in the American Embassy announced the selection of Huerta to the rest of the diplomatic corps, while champagne corks popped and an orchestra played.

Senora Madero begged Ambassador Wilson to save the life of her husband. But silver had maddened the Ambassador, silver and power—for he was virtual dictator of Mexico during these ten days. He declined to save Madero. One

might the treasurer-statesman was taken from prison on the pretext that he was to be transferred to a safer gaol. As he stepped into the car, his guards placed a revolver at his temple and fired. The official explanation, as always, was that he had tried to escape and had been shot in the attempt. Hard metal, Wilson, and incidentally the British, had won.

Deterding and his friends were elated. Lord Cowdray subscribed heavily to the Huerta government loan. The British government immediately recognized the drunken butcher and from his bloody hands got generous concessions of oil lands. Back in London, Admiral "Hell Jack" Fisher, the old "oil maniac," gloated: more oil for his oil-burning fleet in the inevitable scrap with Germany....

But Standard wasn't pumping salt water yet. Instead, it was determined to dislodge Huerta. Developments gave it a weapon more potent than the American Ambassador, though he bore the same name.

## 2. The New Freedom

In the campaign of 1912, Woodrow Wilson launched "The New Freedom." His New Deal, as he stated it in his speeches, was to bring a certain degree of millennium. In this new condition of things there were to be no trusts; the initiative, referendum and recall were to ensure honesty in public office; abroad, the United States was to encourage constitutional popular government and to promote friendly relations. And the "big interests" were to be effectively restrained.

Oil was a dead issue to Wilson when he entered office. The Standard "trust" had been busted into its many subsidiaries. This of course had solved the oil problem. The mastodon was now safely hamstrung.... Wilson did not suspect it was only grazing dangerously across the Rio Grande.

It is doubtful if Mexico interested the new President. It is certain he did not understand the strange conflict which was going on across the border.

But no sooner had he driven down Pennsylvania Avenue with President Taft than the outraged cries of Huerta's victims reached him. He sent envoys to Mexico to ascertain the truth. What they told him caused him to act, and vigorously.

He removed Ambassador Henry Lane Wilson. American ambassadors usually resign when a new administration comes in, but in this case the friend of silver and the tool of British oil was not given time to resign. He was recalled. With one stroke Wilson put an end to the rule of silver in Mexico. From now on oil openly occupied the economic throne. And Woodrow Wilson put it there.

Woodrow Wilson—prophet of the idealists, unconscious ally of the big interests. He seems a vacillating, misty-eyed figure beside the purposeful and realistic Deterding and Rockefeller. The latter knew what they wanted and were never chary about the means they used to get it.

Woodrow Wilson often traveled the same road as such predatory folk, but at his own peculiar pace and in a vehicle like a pulpit on wheels. He went to war with Germany in 1917, fighting the good fight for the international bankers and

munitions interests, yet he talked austerely of democracy and self-determination of peoples.

He painted the pattern first in oil. In 1913 he supported Standard and Doheny in their fight against the British, taking the bludgeon from their hands and wielding it against Huerta, while uttering righteous, winged words about the self-determination of Mexicans and the necessity of recognizing only a constitutionally elected government.

Like a Presbyterian preacher working up a holy wrath against a sinning publican, he developed an intense hatred of Huerta. He minced no words in telling the latter what he thought of him. He told him blankly that he should resign his sinfully gotten office.

Amazing instructions to his diplomats in Mexico City:

"It is the President's clear judgment that it is his immediate duty to require Huerta's retirement from the Mexican government. The government of the United States must now proceed to employ such means as may be necessary to secure this result.... If General Huerta does not retire by force of circumstances it will become the duty of the United States to use less peaceful means to put him out."

Huerta sneered. He had the troops. And he had the British behind him—Cowdray, Deterding, the British government which had recognized him. The British, accustomed to the soft ways of President Taft, did not really believe that Wilson would challenge their power.

But Wilson was of different stuff than Taft. He had different advisers, for one thing. Colonel House told him that Cowdray was causing much of this trouble. Such counsel inspired in Wilson an active dislike of the overseas meddlers.

Turning his guns now on London, the President let fly a heavy barrage on the subject of Mexico and Huerta. He let it be known that he would never permit British oil men to rule Mexico.

This had no flavour of loyalty to Standard. Wilson cared nothing for that. He saw only that Huerta was a bloody despot; that British oil men supported him and that the British government supported their oil interests; that it was hardly high-principled. But whether he wished it or not, Wilson in his pulpit became the valiant champion of Standard and Doheny.

The British became nervous and sent an envoy, Sir William Tyrrell, to Washington to smooth matters over. But when he entered Secretary of State Bryan's office he got a cool reception. The Great Commoner and opponent of oil trusts said, "The Foreign Office (England) has simply handed over its Mexican policy to the oil barons for predatory purposes." To which Sir William

Tyrrell retorted, "Mr. Secretary, you are talking just like a Standard Oil man. You are pursuing the policy which they have decided upon."

Was it to be open war between Britain and the United States for oil?

No. Britain did not want a war. Britain was preparing for a much more vital

NO, Britain did not want a war. Britain was preparing for a much more vital struggle. While Deterding and the Intelligence Service were all for a firm hand with Wilson, the Cabinet and the representatives of the English people had no desire to endanger the peace in that direction. Wilson won—it might be said that Germany won for him. The British diplomats changed their policy and advised Huerta to resign; then they intrigued to name his successor.

But Wilson, with all his talk of self-determination, had his own ideas about a successor.

Huerta had two rivals—two strong men who wanted to oust him. One was Pancho Villa, just as much a butcher and tyrant as Huerta, but with a following among the masses. Villa was the peon's Robin Hood, a bandit general with presidential aspirations. He tried to conciliate Washington. But he acted so clumsily, killed so many foreign citizens, committed so many atrocities, that the Wilson stomach revolted.

Wilson found another man more to his liking, General Carranza. This bespectacled ranch-owner from the north was silent and cautious. His taciturnity and apparent rectitude stood out in contrast with the turbulence of Villa. Wilson recognized the revolutionary government of Carranza while it was still largely a dream.

Huerta breathed defiance. He refused to listen to his British advisers and resign. His troops went forth to combat the forces of Villa and of Carranza. The ignorant Indian debauchee liked the fleshpots of power and thought he could defeat the tyrannical Wilson. While he emptied successive brandy bottles in a Chapultepec cafe, the American oil interests picked up the misfit weapon of their President's idealism. Maybe they liked it, maybe they didn't—but they used it. They refused to pay taxes to the Huerta collectors. They ran guns and ammunition into the Carranza government. Doheny advanced Carranza \$100,000 in cash and \$685,000 in fuel credits. Three cheers for self-determination and concessions! The Dictator reeled precariously in his presidential chair.

Oil had started Huerta on his riotous road to the presidency and now a small container of petrol sent him sliding down the chute. One day a petty officer and a few blue-jackets from a Yankee battleship in Tampico harbour landed in a Mexican military zone to buy a can of petrol for their launch and were promptly arrested for trespassing. A half-hour later they were released and the Mexicans apologized.

It was the Overt Incident—the pretext. The good doctor at Washington acted. He had his Admiral demand humiliating, abject terms the Huerta forces must hoist the American flag on shore and salute it with twenty-one guns. Such a demand the Americans knew the stubborn Huerta would never grant. Huerta of course did refuse, and Wilson ordered the fleet to take Vera Cruz.

American marines and sailors landed under fire from Mexican guns. The Custom House was taken, twenty Americans and two hundred Mexicans perished— casualties in the war for oil and idealism. Huerta saw the game was up. He surrendered his power and sailed for Spain. Carranza moved into the Mexican presidency. The New Freedom had "elected" him.

### 3. Spilled Frijoles

A lull, a political peace now in Mexico. But the oil war went on. The revolutions had unloosed on the land a crowd of fierce, venal generals, each with his own gang. And the oil rivals were left to themselves to fight it out. The British and Americans each had their own generals, too, paid to protect the derricks of their employer and make it hot for the other fellow. There came an era of huge incendiary fires in both camps- thousands of barrels of oil went up in flames. And the scramble of drilling for new wells went on, as if there had been no revolutions in Mexico.

Around mad Tampico, the drillers were the aristocrats among the oil invaders. Like knights of old, they risked their lives in advance of their vassals the Indian helpers, astride the steeds of their drills. Often the oil exploded in gushing out, driven by excess gas from the bowels of the earth. Casing pipes burst and crushed the drillers. The underground pressure was terrific.

The Indian varlets perished, too, from falling derricks and falling oil pipes lifted too hastily on rickety hoists. Never were production and competition more fierce and hasty. Like the Mayans of old, the Indians laboured to build pyramids; but these were skeleton, jerry-built derricks, rushed furiously into place. The peons formed long lines, like slaves, to transport and lay the huge pipes for carrying the oil to the refineries.

Yet many of them profited, in wages, through the competition for labour. When British and Yankee fields were contiguous, there was urgent demand for helpers. The Americans paid their drillers better and the men who assisted the drillers. Some got as much as forty dollars a day.

The British, accustomed to a lower scale of wages, reluctantly followed suit. They often lost the race, above and under ground, for they worked more carefully and slowly. The Americans were playing the dangerous game with all the zest of football. They drove five or six drills at the same time. Their drillers were like matadors; they received several thousand dollars in bonuses for quick jobs and they paid their *cuadrillas* out of this. Plain, jungle, and farmland, sprouted derricks. Private enterprise was developing the country.

Hardly a day passed without its toll of "dead men." In the offices at the refineries, local managers read telegrams from the drilling camps: " Four dead this week, five last week." But if anyone expressed concern over such mortality, they laughed. The dead they spoke of were not men. In the argot of oil, a dry hole, a drilling that did not produce oil, was a "dead man."

As for real casualties, that was a small matter. Ten pounds to the family of a poor Indian, or to labour agitators, and the matter was forgotten. Where " dead men" cost thousands, the cost of dead Indians was negligible.

Thus the drilling war of the British and Americans overshadowed the more serious struggle of generals and governments. The oil warriors enjoyed it, even while (a typical attitude) crying to high heaven in their subsidized trade journals over the low price levels due to the production glut.

Carranza showed no gratitude. The Americans expected concessions and

favours from his government; the British reared reprisals and revoking of their grants. Both were surprised to find that the First Chief was a friend to neither. He seemed, outrageously enough, intent on protecting Mexican interests! Here was something new—a Mexican ruler who talked about Mexican ownership of all sub-soil rights, stood for conservation, and refused to grant further concessions to either side.

Woodrow Wilson lost interest in Mexico for a time. He had vindicated his stand for self-determination and a constitutionally-elected government. Carranza had accommodated him with a trumped-up election. He had vindicated the Monroe Doctrine. Now he turned to other fields. He became preoccupied with notes to Germany and England about American rights in Europe's war. He spoke at length about strict "neutrality" and being "too proud to fight." He let Doheny and Standard argue frantically with Carranza.

But down in Chihuahua was another actor in Mexican drama whom Wilson had forgotten. Pancho Villa was brooding over "Yanqui" treachery. He beheld Carranza in the coveted Mexican presidential chair, and all through the intervention of Wilson.

Had not he himself bought thousands of rifles from Americans? Had he not employed Americans in his army? Had he not done everything to accommodate Americans? It all looked like the blackest sort of duplicity to Pancho, and when his forces held up a train in Sonora and found twenty-one American engineers in it, they promptly took their revenge and shot them.

And now the gushers spouted red. The American oil interests raised a howl for retaliation, not against Villa—against Carranza! Not revenge for the engineers in truth, but revenge against Carranza for his conservation policy, his refusal to fall in with their schemes. Senator Fall, of later and notorious memory, was demanding intervention, the establishment of "order" in Mexico by American troops; the Hearst papers were demanding that the American flag be flown from the border to the Panama Canal. And Villa, the actual criminal who had killed the engineers, was to be the chosen instrument of this anti-Carranza plot.

On March 9, 1916, a band of Mexicans raided Columbus, New Mexico, and killed eight American soldiers and ten civilians. "Americans Killed on Their Own Soil by Mexicans I" screamed the lubricated press. The public seemed almost ready; a popular cry was raised for intervention in Mexico, revenge for the dead Americans, order across the border.

Never, prior to entry of America into the World War itself, was there a more purposeful attempted stampede.

But Wilson sat enigmatically in the White House and only bombarded Carranza with notes, demanding the punishment of Villa. He seemed less inclined to listen to the countrywide demand for intervention than to give ear to the liberal papers, which hinted that American oil interests themselves knew more about the Columbus massacre than did the stupid Pancho Villa.

Certain questions sunk in deep. Why had smart Wall Street gentlemen come to the obscure desert of Columbus, a week before the raid? Why had the raid been timed for an hour when most of the tiny garrison was on duty? Why did the whole affair seem rather a theatrical gesture than a genuinely vengeful

massacre? The attackers could have slaughtered the whole garrison and town if they'd wanted, so numerous were they. But they had contented themselves with firing rifles into the air, for the most part. And contrary to Mexican custom, they had chanted monotonously for three hours, so that the townsfolk could hear: "Viva Villa."

It had the appearance of fireworks, set off by *agents provocateurs*, and some of the rockets had hit people.

Perhaps these considerations influenced the man in the White House. In any case, Wilson determined not to go the whole way, not to intervene. He compromised, and the abortive Pershing expedition after Villa resulted.

Abortive for all sides. Pershing didn't get his man. The friendliest of Mexicans were irritated, outraged, at the presence of foreign troops on their nation's soil. Villa retired to the wild mesas of Sonora, an embittered fugitive. Troops came back from the border sick. And the oil men were indignant that their elaborate scheme against the Mexican conservationist-president had been a flop.

But perhaps it was a real success for Wilson. It is possible that he was now aware that previously he had been trapped into playing the game of predatory interests who were certainly no friends of his or his party; that in his zeal for democracy he had violated his oft-trumpeted principle of self-determination. It is not unlikely that he felt regrets that his New Freedom had had such baneful results on the poor, dispossessed peons of the petroleum districts. From the dilemma in which American presidents so commonly find themselves, and will continue to find themselves— that of backing the American oil interests in what ever they do, or letting the Britishers get the oil— he had for once extricated himself fairly well.

In any case, Wilson was free now to give his attention to a greater war than the oil war.

#### Chapter 4--Armageddon and Oil

Drang Nach Osten— Push to the East. German diplomats forging alliances, German business men obtaining concessions, German army officers on military missions. This is the background of Serajevo. This is the German thrust in the Near East which brought in its train the Balkan situation, the murder of the Archduke and the starting of the great conflagration. And for what? As usual, for oil.

The belligerents were reaching for each other's petroleum supplies as men gouge for their antagonists' tender spots in a bar-room brawl.

There is romance in the building of a railway to Bagdad. A modern artery of iron reaches along the camel routes to the minaret-covered capital of the Caliphs. Steaming pistons are introduced into the donkey lanes of the city of the Arabian Nights. This is colourful and startling.

But the German engineers were not pure apostles of romance, or of science bringing the contrivances of the nineteenth century to a backward land. They

were there for oil — for the better honour and glory of the great trust, the Europeanische Petroleum Union. They were to provide war supplies for Von Tirpitz's submarines and cruisers. And the railway built for that purpose was, in itself, yet another provocation to war.

So 1914 came. By the end of the year the Germans were in desperate need of oil, and no wonder. Before 1914 most of their actual supply had come from the United States, Galicia, Russia and Roumania. When the British clamped on the blockade, all these sources were cut off with the exception of Galicia.

No wonder that feverish plans were laid. Submarines, aeroplanes, and lorries were devouring these slender stores voraciously. After a while heart-breaking restrictions were placed on the use of oil. Lorries were not allowed to be used except during the big drives. German peasants were deprived of oil for their lamps. The exploits of Richthofen and other audacious airmen were performed in planes fed by benzol, which Germany had to use instead of petrol.

On England's part, the need of oil was the cause of the Dardanelles campaign.

How was that rich oil deposit in the Caucasus to be piped to the navies of Britain and France with the Turks blocking the way? How was the rich bottle of the Black Sea to be drained when the Sultan, ally of the Germans, had placed the cork in the Dardanelles? Australians died on the slopes of Gallipoli in the attempt to free Russian oil.

But Allied capture of the straits would have finally cut off the Bagdad fields from the Germans. So oil dominated the Balkan and Near East campaigns.

Ludendorff reveals this in his memoirs:

"As Austria could not supply us with sufficient oil," he writes, "and as all our efforts to increase production were unavailing, Roumanian oil was of decisive importance to us. But even with deliveries of Roumanian oil, the question of oil supplies still remained very serious and caused us great difficulty, not only for the conduct of the war but for the life of the country. The stocks of the Caucasus opened a more favourable prospect for us in 1918."

With this precious objective, Field Marshal Von Mackensen's troops overran Roumania. They seized all the oil deposits, all the refineries, all the pipe-lines. They altered and reorganized them according to the immediate needs of their armies. For the benefit of their firm, the Steana Romana, they plundered the properties of the British, Dutch, French and Roumanian companies.

It was during this occupation that they destroyed the Baikop-Constanza pipe-line and relaid the pipes on a military route from Ploiesti to Giurgiu. It was then that their economic staff founded the Erdol Industrie Anlagen Gesellschaft, which sequestered, liquidated and despoiled all the other oil companies and collected the booty for its own profit in a vast programme of exploitation and distribution. This monopoly was only broken in August, 1918, by the double victories of the Allies on the eastern and western fronts.

The same battle for oil produced heroic, picturesque affairs in the Near East. When General Townsend held Kut for a hundred and forty-seven days, he was not merely upholding British military traditions; he was exerting himself to protect the vast reservoirs of the Anglo-Persian company in Mesopotamia and



Persia. Kut fell, and General Townsend had to surrender his sword. But not long afterwards the British captured Bagdad.

Immediately General Headquarters in Berlin saw that the prospect of Germany renewing her oil supplies was fast fading. The Kaiser sent a special order to Field Marshal Von Falkenhayn to retake the oil capital at any cost. Von Falkenhayn failed. The British moved north, to capture the derricks of Mosul. More apprehension in Berlin—more restrictions in Germany on the use of oil.

Farther north was another front, and it was an oil front. When the Grand Duke Nicholas fiercely defended the high mountains of the Caucasus, he was defending the Baku oil fields. And when the Germans and Turks desperately attacked this mountainous sector, which ordinarily might well have remained as quiet as the Belfort strip on the French front, they were fighting to get Deterding's new dependency, the Russian Tampico.

So many troops did the Germans move from the Syrian front, where the German-Turkish armies were fighting Allenby, that the commanders in this region protested bitterly. But they were silenced, for Berlin judged the abundantly flowing oil of Baku of far more importance than the holy places of Palestine.

Meanwhile, behind the Grand Duke's front lines, another element prepared—Revolution.

In Baku, during all these days, a sullen, crafty little workman was preparing history which was to prove far from agreeable to either Czar, Kaiser or Deterding.

Soso Djughashvili was a native of the region, son of a cobbler, and one of the first Bolsheviks. He had been exiled to Siberia before the Revolution of 1905, but he escaped and returned to Baku. He knew the conditions among the oil workers of Baku, he appraised the value of the cannon thundering just over the mountains, and he knew his Marx.

Strikes became common. And behind them, hidden, unnamed, was a figure who directed them. A Red periodical appeared, *The Proletarian of Baku*, to stir up the workers. An extraordinary plot succeeded—Bolshevik propaganda was mysteriously printed on Government presses and widely distributed among the workers.

After a while, the Okhrana, the Czar's Secret Service, found the leading spirit behind these conspiracies. They traced them down to Djughashvili and threw him into prison.

Then 1917 came, and the new revolutionary government preceding that of Kerensky, released him. Soso went to Moscow, where he sat in the high councils beside Lenin, Trotzky and Krassin—the last another Baku worker.

Soso renamed himself "Steel"—Stalin. He was interested in steel, in the rebuilding of Russia. But many observers contend that, in view of his early interests, he might more appropriately have christened himself "Naphtha"—the Russian word for oil. The Bolsheviks' oil policy, marvelously adroit, was

supported by him from the first, and he heads the U.S.S.R. to-day.

On the western front and in the north Atlantic, the most colourful matters were the least significant. The sinking of the Lusitania was front-page news, but the day by day recording of the sinking of obscure oil-tankers was of far more actual importance. While the Germans were foraging for oil in the remote corners of Europe and the Orient, they were carrying on a bitter war against the Allies' ocean-borne supplies of petrol and lubricants.

All submarines leaving Heligoland had orders to concentrate on the low, slim tankers bound for France and England.

They had no small success. The Allies were indeed hard pressed for oil supplies. Russia, with her vast resources, the second largest producer before 1914, was cut off. Standard preferred not to risk sending its oil to destruction in the waters of the Atlantic and it cultivated the domestic and Pacific markets, safely and profitably. By 1917 the problem was so acute that the British Grand Fleet had to give up its training cruises and battle exercises.

The Allied Prime Ministers were well aware of the danger. They appointed Oil and Petrol Controllers in their cabinets to deal with the problem. They formed with frantic haste the Inter-Allied Petroleum Council, to ration the precious liquid.

A famine was in sight. The British navy had forty-five per cent of its ships burning oil. On land, motor lorries, tanks and planes were consuming fuel at a dangerous rate. The inadequacy of the railway systems behind the front led generals to transport their troops by motor lorries. Stop oil and these would stop.

At the beginning of hostilities, the French army had only 110 lorries, 60 tractors and 130 aeroplanes. In 1918 France had 70,000 lorries and 12,000 aeroplanes, while the English and Americans put 105,000 lorries and 4,000 aeroplanes into action. During the great drives on the western front the oil and petrol consumption reached 12,000 barrels a day.

December, 1917, was a black month for the Allies. The two curves of consumption and supply of oil and petrol diverged so widely that the stocks in France had fallen to 28,000 barrels. The French cartel of refiners which furnished the oil for the French armies admitted that it was powerless and feared exhaustion. General Foch was so alarmed that he insisted that France did not have enough oil to last more than three days, if there should be another Verdun drive.

It was at this critical point—unsuspected, like most other situations in the struggle for oil, by the general public—that Clemenceau issued his dramatic appeal to President Wilson. The words of the Tiger are worth quoting, so fervent are they, so filled with menace and terror:

“A failure in the supply of petrol would cause the immediate paralysis of our armies, and might compel us to a peace unfavourable to the Allies. Now the minimum stock of petrol computed for the French armies by their Commander-in-Chief must be 44,000 tons and the monthly consumption is 35,000 tons. This indispensable stock has fallen to-day to 28,000 tons, and threatens to fall almost to nothing if immediate and exceptional measures are not undertaken and

carried out by the United States. These measures must be taken without a day's delay for the common safety of the Allies, the essential condition being that President Wilson shall obtain permanently from American oil companies tank steamers with a supplementary tonnage of 100,000 tons.... The safety of the Allies is in the balance. If the Allies do not wish to lose the war, then, at the moment of the great German offensive, they must not let France lack the petrol which is as necessary as blood in the battles of to-morrow."

Wilson did obtain the tank steamers. The Standard responded to his appeal. Foch filled his lorries with petrol. But Ludendorff could not. For the German oil reserves were, of course very limited. In T9I8, the Germans broke through the Allies' line, but lorries were lacking to bring up reserves necessary to carry on. German petrol-tanks were empty. But Foch, with plenty of lorries, counter-attacked, and the Germans were defeated. Lord Curzon said, "The Allies were carried to victory on a flood of oil." "Of American oil," he should have added.

But American oil interests did not fare any better than their government had done in the Peace Conference and the subsequent manoeuvres. The Americans, in spite of what they had done for the Allied cause, were left out of the division of oil spoils. The end of the World War only inaugurated a new chapter in the Secret War—a newly sustained offensive for control of the world's oil and mastery of its markets.

Perhaps one of the reasons why Rockefeller *et al* came off so poorly in this post-war scramble was that they had no spear-head like Sir Basil Zaharoff. This was the man whose wily, polyglot schemes enabled him to profit from the sale of munitions to many countries which later found themselves on opposite sides during the World War. His career as an arms salesman began notably when he sold one submarine to his native country, Greece, and used this purchase as sales talk to market two more to Greece's enemy, Turkey. He sold the Boers machine guns which mowed down British soldiers in their war to capture South Africa. He placed in the hands of the Turks guns and mines which killed British soldiers and sunk British ships in the Dardanelles.

Indeed it is no wonder that he is called "The Mystery Man of Europe." One may trace his career, in all its romantic aspects, rushing off to Madrid to court his inamorata, the Duchess of Villafranca, and to pick up an order for armaments, hobnobbing with Grand Dukes in Petrograd, conferring with European cabinet ministers who were disinclined to admit the relationship, at home in Whitehall as he was in the Quai-d'Orsay. In that *terra incognita* which is located between the representatives of the people and the firms which exploit them, Sir Basil wandered with only an occasional glimpse vouchsafed to the curious.

He had intimate connections with Poincaré and Clemenceau and was associated with the latter in industrial and journalistic enterprises. His agent - in France was Nicolas Pietri, and the latter's name appeared on the directories of numerous French firms in congenial proximity to deputies and cabinet ministers.

He had a bank in Paris, the Banque de la Seine, to finance his operations. It should be no surprise, considering Zaharoff's close relations with the British, to find that this bank was the bitter rival of another bank, the Banque de Paris the

creature of John D. Rockefeller.

Zaharoff, after the war was over, looked about for other sources of revenue, now that the munitions plants were running at low capacity. He, of course, had seen the power of oil in the war and he decided to take a hand in this game. He wore the red ribbon of the French Legion of Honour and he posed as a friend of France. But his allegiance lay across the channel. The director of Vickers became the gallant champion of his British friends, Deterding and the Anglo-Persian.

He played the principal part in a plot to get the French oil market for the British. Deterding had been having his troubles in France. Every since the dark days when the old Tiger had had to send his frantic telegram to Wilson, the French had been very jealous of their meagre oil reserves. The British were seeking oil concessions in Algeria. The Chamber of Deputies became indignant and members attacked the British domination of French oil. The government had to refuse the British petition.

But Zaharoff wove his customary fine web. He transferred the richest British concession in Algiers to a new company, which was controlled by French capital. At least it looked French to the superficial observer. It was given the highly dilettante title of the "Société d'Etudes, de Recherches et d'Exploitation des Pétroles en Algérie." All members of the board of directors bore French names, but three of the five were colleagues of Zaharoff. The management was accordingly.

This sort of thing was developed throughout the oil structure of France. Clandestine connections, interlocking directorates and the ubiquitous name of Zaharoff on boards and share lists. Even the Western Naval Company, which transported oil to France for her fleet, came into the hands of a bloc of interests which purported to be French, but which proved on examination to be Zaharoff and his associates.

The brazenness of the British increased. They wanted oil concessions in Algeria and the French colonies, not to exploit, but to hold as reserves, in keeping with their policy in Persia and other parts of the world. Moreover, they wanted to keep oil out of the hands of the French and the American companies. The Algerian region is rich in oil—drillings have been made which prove the existence of considerable reserves. But the British spread propaganda in France to the effect that Algerian oil was nothing much, that developing it would be a losing game and it might be just as wise to grant concessions.

These were but the paper skirmishes, the victories in the form of share certificates and majorities sitting around Board tables, Zaharoff's real fight came in the Greco-Turkish war of 1920.

It has become the custom to refer to the Greek war as Zaharoff's only excursion from his strictly international role. Here was one case, assert his biographers, when he was definitely the patriot, regardless of business. But this view neglects the important connection which he had with the English petroleum interests.

The British support of Greek ambitions in Asia Minor was simply a veiled attempt to secure for England the rich oil deposits in the interior to which the

French had a claim. Naturally, Greek nationalists and the colourful aspirations of Venizelos had much to do with bringing Greece into war. But behind Athens was Zaharoff, and behind Zaharoff was British oil.

Pretexts for war? Pretexts present themselves readily in the guise of nationalism—religion—or what you will.

When Venizelos publicized an alleged Turkish proclamation, exhorting the Mohammedans to massacre Christians, he got the Great Powers' consent to the Greek occupation of Smyrna. The Powers, busy with other problems, gave him *carte blanche*. Zaharoff was his adviser in his dealings with Allied statesmen and Zaharoff brought him into touch with Lloyd George. Financial assistance for the Greeks followed.

But they had reckoned without the French.

The French perceived that they had made a mistake in letting Venizelos get started on his campaign. They saw that their oil interests in Asia Minor were threatened. They sent Franklin Bouillon, a statesman well versed in Oriental affairs, to Turkey.

Soon guns from the works of the French armament-manufacturer, Schneider, were facing guns from Zaharoff's English firm, Vickers. It was an impressive alignment of national and economic interests. French guns and oil behind Turkey—English guns and oil behind Greece.

The plotters had also reckoned without a certain puny little shepherd from Macedonia, who became the *ghazi* or ruler of the new Turkey—Kemal Pasha.

Kemal Pasha was a realist. He knew what the Germans were after in their *Drang nach Osten* and he knew what the English were after in their Mesopotamian drives. He realized that the soil of Turkey and Asia Minor was rich in oil, and he feared neither Greeks, Zaharoff, nor oil trusts. He started a counter-attack and soon the Greeks were streaming back defeated to Smyrna. Smyrna fell before the Schneider guns of Kemal Pasha and the Greeks were driven from Asia Minor, driven from the littoral where for thousands of years they had built up one of the finest cultures in the world. In the service of oil Greek culture bowed before Islamic.

There was defeat, too, in the fountainhead of oil wars—the British Parliament. Zaharoff had played so faithfully the game of Zaharoff that troublesome M.P.'s who didn't understand oil politics began to ask why England should be drawn into a far-off war just because an international adventurer desired it. Wiser M.P.'s, who knew why these wars took place, were in no position for open argument.

Nothing fails like failure, and Zaharoff, so successful in the French and Algerian deal, had lost his usefulness. He had led the British oil interests into an embarrassing situation. Kemal had to be conciliated for the sake of future concessions in Turkey, and the French, flushed with victory after Kemal's defeat of the Greeks, had to be kept from extending their mandates over all the oil regions in the Near East. So Zaharoff was discarded for a more able oil diplomat, Celeste Goulbenkian, an Armenian who was known as the

"Talleyrand of Oil."

While Zaharoff was burning Deterding's chestnuts in Asia Minor, Deterding himself was far from idle in Russia.

For on that front he faced Stalin. The Bolsheviks had confiscated all industrial wealth in the name of the State. And with Stalin—still absorbed, like the good Baku proletarian he was, in oil—that meant all those highly valuable oil lands in the Caucasus. Gone—nationalized—were the Rothschild concessions Deterding had bought not long before the war!

But while other capitalists wrung their hands in despair, Sir Henri felt that Generals Wrangel, Denikin, Yudenitch, and Admiral Kolchak would be the very ones to overthrow the infamous confiscators, and that, through them, his derricks would blossom again in Baku. Accordingly he transacted no little business with Russian émigrés. The Atzatouroff brothers, sitting disconsolately in a Paris cafe, were easily persuaded to sell their confiscated oil lands to Deterding; other White Russians followed suit. Even some English oil magnates, with the same attitude of "good riddance," let their Schibaeff Company and Baku Russian Company slip into the hands of Deterding.

He was buying worthless goods. But he didn't know it—he thought the Bolsheviks would fall.

Sir Henri continued to extend his holdings with more and more purchases from discouraged oil men. He took over rights to petroleum at Grozny and in the Maikop region. Building his hopes on the day when the structure of Lenin would crash, he dreamed of a pipe-line from Grozny to Novorossisk—and he even bought a pipe factory.

It was 1920, and the Russian White armies under Denikin and Wrangel, well backed by the British, were hurling themselves at the Bolshevik hordes. Emigres wished they had not sold their oil concessions quite so cheaply. Deterding felt himself on the point of becoming master of the oil riches of the Russias.

In this happy frame of mind, he founded the Anglo-Caucasian Company to consolidate his holdings. This creature was to be another Anglo-Persian, exploiting Russia as the British-owned company did Persia. A million and a half tons, according to Sir Henri's sanguine calculations, ought to be taken from Novorossisk annually. Already British statesmen, prompted by Sir Henri, were regarding the Caucasus in the usual proprietary way of British Imperialists. But Trotsky threw his fanatical legions into the south of Russia—and all Sir Henri had to show was an immense acquaintanceship with broken-down Czarist generals and worthless stocks.

So Lenin, and after him Stalin, were triumphant. Moreover, the oil-minded Stalin built up oil as a potent arm of the Soviet, as important as steel, or power, or collectivized farms in the building of the new proletarian commonwealth. At times it seemed as if it might prove the most important factor in overcoming the obstacles of famine, underproduction and inefficiency, and in getting foreign recognition and foreign gold. As early as 1920, oil overshadowed everything else at the famous San Remo conference; there diplomats of all nations talked about *irredentas* boundary lines armaments and finances—but behind it all

...about the terms, conditions, time, amounts and interest. ... But coming to an end was the struggle for oil between Deterding and Standard, with Russia as the peak of the dramatic triangle.

Russia wanted credits and money. Deterding and Standard wanted oil concessions. Russia was willing to trade oil concessions of a certain type for loans. But Deterding wanted a monopoly concession; he wanted to exclude Standard, and when the Russians proposed to allow him this, Standard jumped into the fray and broke up the deal by ranging France and Belgium against the accord.

A curious situation. Deterding and the British were willing to forget the Russian debts and the confiscated properties if only they could get the concessions. Standard had little difficulty with the French and Belgians, who also held defaulted Russian bonds, against this agreement, as they saw no oil concessions coming their way.

In any case, the war between Deterding and Standard temporarily killed the Russian chance to get recognition and money. The Russians retired to work their fields themselves. The derricks of Baku began to pump again, and the Soviets introduced their oil into the Western market in competition with both the doughty rivals.

It was a policy of "divide and rule"—and it worked. At first, Standard and Deterding, with much ceremony, formed an alliance. They swore that never, never would they buy any of this "stolen oil." But as the Baku oil began to compete with their own products, their resolution wavered.

Deterding had bought, for next to nothing, shares in the Baku oil-fields from bankrupt Russian refugees, planning for the day when the Soviets would fall and he would be oil master of Russia. That was no infraction of the alliance. But the Standard, apprehensive because this had occurred, sent secret emissaries to Moscow to confer with the Soviets for concessions. Deterding countered with a move that split the alliance wide open. Through a subsidiary he bought very cheaply some of the "stolen oil" so as to dump it in a price war against Standard.

Standard shrieked "treachery" and "broken promises." The Holy Alliance against "stolen oil" collapsed. Soon Moscow was filled with representatives of both oil companies asking for concessions and market agreements.

So the Soviets found, if they hadn't realized it already, that they had in oil not only a treasure but a powerful means to bargain with the capitalist nations. They were now a formidable power in a three-sided war for oil, and all the suave obstinacy of Deterding, all the brutal dominance of Standard, could not shake her loose from that position. Nor has it to this day.

So history views the Treaty of San Remo with increasing irony as the years pass. San Remo was simply the extension of the Peace Conference of Versailles--it was the oil peace. Just as at Versailles, one of the Allies, America, was excluded from the victor's loot. Just as at Versailles, Russia was not consulted when the remaining Allies split the spoils. Deterding was satisfied—was not the Soviet regime sure to collapse? Had he not received full rights to exploit Russia when that collapse took place? And was he not, as a result of the

arrangement that France should have a Syrian supply, sole monarch of the great Iraq field ? Feeling it all his just due, as head of the great British-Dutch world trust, Sir Henri congratulated himself— even as those at Versailles.

Time has a strange way with treaties. The events at the little Italian watering-place had one swift repercussion. They acted like a tocsin on the hosts of Rockefeller.

### Chapter 5--America's Pint

San Remo had made America stir in her sleep. This brazen division of the spoils showed that Britain was intent on taking the largest portions of the Eastern fields, with no reserves to spare for the United States. But it took an especially insolent and boastful Britisher to provide the loudest notes of the alarming reveille which shook the United States and Rockefeller out of their fat-headed slumber.

Sir Edward Mackay Edgar, a London banker vitally interested in oil, wrote an historic article which deserves to be quoted, so vividly and ominously does it describe the peril of an ultimate shortage of oil in the United States. The best—and the worst of it—was, Sir Edward essentially told the truth. The first words sounded the note:

"While America is exhausting her supplies at a prodigal speed, we are getting a firmer grip upon the world's oil reserves....

"I should say that two-thirds of the improved oilfields of Central and South America are in British hands.

"Or take again that greatest of all oil organizations, the Shell group. It owns exclusively and controls interests in every important oil-field in the world, including the United States, Russia, Mexico, the Dutch East Indies, Roumania, Egypt, Venezuela, Trinidad, India, Ceylon, the Malay States, North and South China, Siam, the Straits Settlements and the Philippines."

The gloating Britisher did not even take the trouble to mention the Anglo-Persian, the British Government's own oil company, which had the D'Arcy concession to Persia and other Eastern basins.

"We shall have to wait a few years before the full advantages of this situation shall begin to be reaped; but that the harvest eventually will be a great one there can be no manner of doubt.

"To the sum of many millions of pounds a year, America before long will have to purchase from British companies and to pay for in dollar currency in progressively increasing proportion the oil she cannot do without and is no longer able to furnish from her own store."

Dollar currency isn't what it was when he wrote these words; and the "before long" has proved postponable. Otherwise, the prophecy holds good to-day.

"With the exception of Mexico, and to a lesser extent of Central America, the outer world is securely barricaded against an American invasion in force. There may be small, isolated sallies, but there can never be a mass attack. The British position is impregnable.



"This is no revelation. The United States experts have been well aware of this situation for more than a year. But Congress and public opinion were not on their guard.

"The public at large, convinced that America is an immense reservoir of petroleum, and never having seen its engines stop for want of oil, took it for granted that petroleum is a product which grows naturally, like apples on an apple-tree.

"Unfortunately for them—and fortunately for us—their eyes have been opened too late."

Their eyes were indeed opened by this charming frankness--whether too late or not still remains to be seen. America read the article, gasped slightly, looked around. She now discovered that she had been squandering in wasteful competition the black gold of her soil.

Her geologists told her that the great deposits of oil underground were not inexhaustible, that there was grave likelihood that these basins would be drained one of these days. Some of the oil-fields were running down already.

Her economists told her that by her system of private ownership of sub-surface land, her anti-trust laws and unrestricted competition, she was dumping her product on all the four seas while Britain was conserving hers. Her business men added that she was doing this not too profitably, for glut output was the murderer of an economic price.

And—crowning insult—while Britain was gobbling up foreign fields, and excluding Americans from them, British companies were acquiring vast fields in the United States to help this country dissipate her precious patrimony!

Out of a mass of geological reports and production statistics sufficient to confuse the average man, the situation emerged—it still emerges clearly and unmistakably.

By the best geological estimate that was available, the United States had, relatively speaking, a three-quarter pint or twelve-ounce bottle of petroleum remaining in its own ground. The rest of the world— Persia, Russia, Roumania, Latin America—had a gallon jug.

The three-quarter pint was the reservoir from which some five thousand American oil companies, large and small, were draining and for years had drained nearly three-quarters of the world's production. It couldn't last for ever. Sooner or later America would have to go to the gallon jug.

Soviet Russia had about a quart of the gallon jug. The bulk of the other three quarts was held by the British. A few American companies, it is true, had a share in that gallon jug, but the smallness of that share was, precisely, the issue. On the other hand, some of the oil in Uncle Sam's twelve-ounce bottle, about an ounce, was held by the British, through their American concerns.

Such were, roughly, the facts which startled the Americans. The production figures were so ominous as to bear repeating. Out of this little twelve-ounce

...bottle, year by year, seven teaspoonfuls were being taken for every three taken from the gallon jug. A baby could see which would be emptied first.

And all the time Deterding, keeping his big bottle corked, had been helping to take those seven teaspoonfuls out of America's little one as hard as he could. It was an amazing story of the long-sighted Dutchman's bold attack on the home citadel of his enemy—an amazing study in the contrasting policies of conservation and waste.

When the Standard, bowing to trust laws, had been broken up into small units, Deterding, unfettered by such laws, and more of a world trust than ever, threw his branches into the American field. In 1914 he bought into the Coalinga field in California. He did not call his company by its usual name; he dubbed it California Oil Fields Ltd. It was hardly known for what it was, a subsidiary of the vast British trust.

Then followed a blow at the heart of oil-producing America, the founding of the Roxana Petroleum Company of Oklahoma, which was to become almost Deterding's greatest producing subsidiary. An oil-boom town called Roxana arose in the midst of Oklahoma, a little colony in the United States of the British oil Napoleon. American workmen, American trimmings of the usual boom sort—American consumers, too—but British direction and capital and British profits. In 1915 the Shell Corporation of California was formed. It produced at first five million barrels. By this time British production in the United States was only two per cent of the total. Nothing much to worry about in that. But Deterding had only started.

He had a superb inspiration. He decided to let the Americans finance this attack on their own oil reserves. A syndicate was formed headed by Kuhn, Loeb and Company. It purchased a large block of Royal Dutch-Shell shares and upon the security of these shares placed a much larger block of " American " shares upon the market. American oil men murmured and there was some public criticism. But American investors snapped them up. Their money enabled Deterding to expand his American operations.

His appetite grew, and Roxana began to gobble up little fields in Oklahoma. The California companies expanded, too, increasing their production for a time about one hundred per cent a year and attaining second position in the California field.

The British flag of Deterding was soon flying in many American States. New refineries sprang up in New Orleans, Wood River, East Chicago, St. Louis, California, and Wilmington. The first British pipe-line was built from their Oklahoma field to St. Louis. Soon a great web of Shell pipes spread through the Middle West; they pushed their way up to Chicago, where tankers could carry oil to Canada and abroad. California had its Deterding pipe-line, too.

Oil-bunker stations were laid down in American ports and more oil-tanker fleets were purchased. Their sphere was to take oil out of America to compete with American oil abroad. A refinery was built in Curacao in the Caribbean, strategically in the path of vessels on the way to and from the Panama Canal.

These facilities were necessary to handle American Shell production, which advanced literally by leaps and bounds. From a total of approximately nine billion barrels in 1921 it jumped to nineteen billion in the following year.

which entered in 1921 it jumped to nineteen billion in the following year.

And all done in a strictly legal manner. Not even the most ardent trust-buster could cavil at the invasion of the United States by this largest of world trusts.

A British trust was able to enter the American field and fight the chopped-up American companies on their own ground, simply by hiring careful lawyers and by scrupulous regard for the American anti-trust laws. These had no exclusion clause against foreign cartels or their branches. The Deterding interests kept

their subsidiaries in the U.S.A. legally apart. Yet these companies, organized locally and in strict accordance with the Sherman Act, were controlled, and in a pinch would be backed, by a trust abroad. Thus Deterding drove a gaping hole in the laws which had mince-meated Standard. He was the chain store, they were the little shop on the corner.

Brilliant strategy by the oil Napoleon. American competitors, subdivided and deprived of unified control and mutual support, were routed in some cases, in others thrown into a greater frenzy of intensified oil-wasting competition. The profits from the American subsidiaries of the British trust went abroad—to fight American competition in foreign fields, to keep British shareholders happy during their waiting-period. The British were in such a position that they could not lose. Deterding's policy was exactly calculated to produce the situation so ardently desired by Edward Mackay Edgar—the day when America would have to buy its oil from Britain, at Britain's price.

Even internationally minded folk who saw no great evil in going on an importing basis, in oil, had to admit that the situation might be disquieting in the event of war.

The moral of the American anti-trust laws was quite evidently: "Curb Americans—Favour the Foreigner." Where a wasting national asset like oil was concerned, competition had its drawbacks.

The American public was now awake, at least momentarily, to the British peril. But what could be done? Obviously, the old antagonism against Standard could not be extinguished overnight. Nor would consumers of petrol remain silent if combinations were permitted to unite, to limit oil production and raise prices, though only to a level reflecting the real value of this basic fuel. Besides, could production really be limited, even with the peril of oil exhaustion hanging over the country?

Here enters a character who is neither Rockefeller nor Henri Deterding. He is simple American John Smith. How he was helping Deterding's game of bringing America to oil exhaustion may not, at first glance, be quite clear.

John Smith is owner of a surface lot in an oil-bearing region. And by a typically American and very important right, he is also the owner of the petroleum, and everything else that lies under the surface of his ground, to the centre of the earth. This John Smith can have that oil taken out of his ground any time he wants; if one oil company won't do it, another will; he can play them off against each other in order to get his one-eighth share of royalty when he wants it— which is usually now.

Because oil is liquidescent and "flows" underneath the ground, one impatient

John Smith sitting over an oil deposit can force the hands of all the other John Smiths for a mile or two around. If the first John Smith drills for his oil and the others do not, his well will drain off the oil and the gas-pressure from beneath the others' properties. He can commit trespass and actual theft underground.

So the first well means more wells and an oil-race. This has occurred time and again. Few landowners care anything about conservation. What they want is cash. A deposit once tapped is a deposit tapped by every surface owner within an area of miles.

As it happens, America is the only oil country in the world where John Smith has any such basic right. It was true of Mexico under Diaz, but is true no more. In all other nations, sub-surface rights of surface owners are the government's prerogative, and the wasting of a mineral resource can, if politicians have the will, be curbed.

Realizing how laws protecting "rugged individualism" have set up difficult barriers, the United States government nevertheless tried to fight back. They sought to encourage various schemes which closely resembled violations of the anti-trust laws. A Federal Oil Conservation Board was formed to assist these attempts of producers to get together. But they reckoned without the foreign enemy on American soil.

In the Ventura field in California, several oil companies decided to combine and "pinch in" their wells. The attempt was probably in violation of both state and federal competition laws, and they knew it. But the Federal Board was in favour of it, and so was the governor of the state, and these companies had conferences, studied the Ventura picture and agreed to "pinch in" their production about one-fourth—by about twelve thousand barrels a day. Not much in the total prospect, but something—a start.

One of these companies was the Shell Company of California, the largest American subsidiary of Deterding. It entered into the agreement and the wells were "pinched in."

It was hoped to form a precedent on which American conservationists could build.

Suddenly, after a few months of limited production, the Shell Company notified the other companies that it needed oil, and that it would again open up its well, resuming production at full blast. The other companies naturally had to follow suit. They could not give all the oil in Ventura to the Shell. The bird of conservation took wing.

Shell's pretext was rather flimsy, it seemed, in view of the huge holdings of its parent company in the rest of California and the rest of the United States, not to mention the rest of the world. It was manifestly a British blow, well calculated, at the belated American attempt to conserve its oil. The strategy was patent.

Another classic example of how Shell has contributed to the exhaustion of American oil reserves: Signal Hill overlooks Long Beach in southern California. At first this pretty elevation, with a full view of the blue Pacific, was the scene of a real estate boom. Week-end cottage sites were divided into

twenty-five- and forty-foot lots, and many of them were sold, in the typical California realtor drive.

Just at this time petroleum stocks were down as a result of the war and the companies were all out hunting for oil. Prospectors were everywhere. One American oil company had an office building from whose windows Signal Hill was in full view. But its geologists saw only the real estate signs, not the hidden wealth.

It was the Shell Company that struck oil on Signal Hill and "brought in" one of the biggest fields of recent years.

The event started an unusual sort of oil rush. It was somewhat in the spirit of a gold rush with the complications of a suburban real estate boom. People who had paid down a small deposit on bungalow lots found themselves suddenly potentially rich. Property values rocketed; lots changed hands at record speed; agents of a swarm of oil companies started bidding against each other for leases. The surface owners were at first almost persuaded to combine, but the combination split up and the thing ended with a separate oil well on each week-ender's lot.

Out of the scramble, the Shell Company bobbed up with the lion's share of leases a good seven hundred acres, said financial reports. But other companies had leases, too, and from that day to this, the name of Signal Hill has stood for "competitive drilling," "town-lot drilling," "over-production." More grist for Deterding's mill. While Shell of California was "bringing in" Signal Hill, its sister Roxana in Oklahoma was making similar "strikes."

The United States government continued vainly to fight Deterding. Secretary Fall, before he was forced out of office, blocked an attempt on the part of Deterding to get a lease on Osage Indian lands in Oklahoma, under a ruling that the lands of wards of government could not be leased to aliens. Deterding fought back, with great success. He capitalized Fall's participation in the Teapot Dome scandal and forced Fall's successor, Dr. Work, to grant him the lease.

Another victory, another spectacular coup. Shell actually sold American naval oil to the Japanese Navy. This is how it happened. For some years the oil from Naval Reserve Number Two, close to the famous Elk Hills reserve in California, was leased by the Honolulu Oil Company. The latter sub-leased it to Standard Oil. When Standard's lease was up, it applied to the Honolulu for a renewal.

Standard's surprise was indeed great when it found that Honolulu had already made a lease for this oil, at a much better price, to Shell. The Shell promptly shipped this American naval oil to its subsidiary in Japan, which had the contract for supplying the Japanese Navy.

Naval oil, all right, but in the wrong battleships!

This was so flagrant a deed that the Secretary of the Navy appointed a committee of admirals to devise ways for keeping naval oil from foreign hands. For the transaction, as such, was perfectly legitimate.

The fact was that Americans had recognized the foreign menace too late, and whatever action they took was bound to be ineffective. Congress did pass a law prohibiting the acquisition of public lands by nationals of countries denying such rights to Americans. The law, however, did not apply to private lands, and the amount of oil affected was small.

Drop by drop, Deterding was draining the twelve-ounce bottle. Year by year, sixty-nine to seventy-two per cent of the whole world's oil production came from United States fields. It is still more than half, to-day.

Since the Americans could do nothing against the enemy at home, the only remedy seemed to be in Q more systematic aggression abroad. Senator Phelan proposed to form an organization, a federal government company, to be called "The United States Oil Corporation," to unite the foreign activities of American companies and direct the forces of counter-offensive in foreign lands. This was an obvious attempt to meet the British at their own game of emulsifying oil and statecraft. But prejudice against Standard and the oil companies and against trusts still prevailed in Congress and Senator Phelan's bill was defeated.

But the oil companies had a friend in the cabinet. Secretary of State Hughes had been an attorney for oil companies and he sympathized with their predicament.

Accordingly a veritable barrage of notes from the State Department followed. The San Remo agreement, now some years old, was the objective of the attack. London replied, denying that it was attempting to monopolize the Iraq fields. It retorted that the United States was trying to get a monopoly on the Latin-American fields. It pointed out that Canada, a part of the British Empire, still tolerated American oil companies.

The United States came back with a note reminding her late ally that, for her participation in the war for democracy, she was entitled to a split in the Near East spoils. The British jeered at the manner in which the United States, formerly so virtuous in declining German reparations, now demanded a share in the San Remo swag.

More notes followed from Washington, some directed at the Hague. For Holland was an ally of the Shell organization. Deterding had gone to the government of his native land and got a monopoly concession for the Djambi fields in the Dutch West Indies. Standard and Sinclair had been trying to get into this district and they protested to the State Department. Washington promptly read Holland a sermon on the nature of the Open Door in oil.

When the Dutch paid no attention, the American minister in the Hague threatened to exclude Dutch companies from the use of American public and private lands. There was even talk of a boycott of Dutch goods in America. This petered out in 1921.

Turning from the Dutch, the Americans noted anew the activity of Deterding in Mexico. They sent a cruiser to Tampico and dispatched a note to Britain that was so strong that diplomats deemed it "too strong to print." It had the desired effect, however, of scaring members of the British government who were inclined to place Anglo-American friendship above the goodwill of Deterding.

Sir John Cadman, the wily officer of the Anglo-Persian Company who had engineered the San Remo deal, was chosen to go to Washington and patch up matters. He came, armed with a compromise offer to placate the indignant Americans. Standard Oil was to be permitted to continue the exploration of Palestine, from which she had been ousted. Also she was to get an equal share with the Anglo-Persian in the North Persian field, plus a smaller share of the Iraq loot. These offers were accepted; there was a lull in the oil war.

The Americans had won a battle in Near East reserves, to compensate for the humiliating present-day defeat within their own borders. Their pint bottle continued to be drained by Deterding, but they had a slightly greater share of his gallon jug. If they could not conserve at home, they could perhaps expand abroad. That American naval vessel at Tampico was no idle threat. They were prepared to counter-attack vigorously in Latin America, and they did.

### Chapter 6--The Conversion of Calles

In the seventies of the last century, the Southern Pacific Railway pushed its new artery of steel across the virgin deserts of New Mexico and Arizona. The railway builders found it necessary, on the arid sands and in the brutal climate, to discard horses and mules. Instead they imported camels from Syria. With these strange beasts came Syrian camel-drivers, moustachioed, swarthy and Oriental.

Among the Syrians was one Elias. When he had finished his job with the railway, he abandoned his exotic quadruped for a native cayuse and went down into old Mexico. There he took to wife a *muchacha*; numerous progeny followed. One of them was named Plutarco.

Plutarco grew up to be a patriotic and fiercely national young Mexican, so much so that he took his mother's name, thus, Plutarco Elias Calles.

Radical, too, were the sentiments of young Calles. He taught school, read books, learned the dogmas of Thomas Paine and Karl Marx and soon became a labour leader. He lived in the gaunt mesas of the state of Sonora, not far from the American border. He had no knowledge of oil. Deterding, Rockefeller and Doheny had no interests in that region.

But there were other predatory magnates and another material, another product of the soil which agitated northern Sonora as much as oil did the Gulf states. Silver was the principal trove in the bare escarpments of Sonora, copper was there too, and Calles early learned what a bitter fight and what disastrous events follow in the wake of foreign exploitation. Calles became a strike agitator and the Green Cananea company found in him a formidable adversary.

When Madero overthrew Diaz, Calles joined the revolutionary forces. Madero's army was subsidized by American and British oil. But Calles was not aware of it—he was sublimely unconscious of the black cloud which was to hover over his career. His thoughts were bent darkly then on copper.

His rise in the ranks was rapid, so rapid that it was alleged that he was a "finger general" on the field of battle. The commanding officer, when he notes one of his subordinates fallen, suddenly names the successor by pointing his

index finger at a likely soldier and says, "You are hereby appointed general!" Whether it was Alvaro Obregon who executed this formal command or not, it was to this Sonora chieftain that Calles finally attached himself.

Calles and Obregon by 1920 had turned against President Carranza. True, Carranza had defied the United States, England and their oil interests, with confiscatory decrees and oppressive taxes; so far, he was a good revolutionary. But his regime was marked by outrageous corruption, tyranny and, above all, failure to give the land to the peasants.

The two learned that which all Latin-American revolutionaries learn in time: to oust your enemy from power, use oil.

At the head of northern Mexican forces, Obregon, Calles, and a young lawyer named Adolfo de la Huerta —no relative of the brutal deposed dictator —started what was known as the "revindicating revolution," a vindication of the revolutionary ideals of Madero, a reassertion of the peasants' right to the land, Mexico for the Mexicans and protection for labour. Many generals sincerely agreed with this programme; and many others joined the revolt because strangers in palm-beach suits with rolls of bills in their pockets emerged from among the oil derricks of Tampico and held earnest conferences in revolutionary headquarters.

Carranza died, shot in the back by one of his own staff, and the victorious triumvirate rode into the National Palace in company with two shades for ever present in Mexican history, military treachery and oil.

The little bespectacled lawyer, idealistic, lover of music and the fine arts, became provisional president. The accession of de la Huerta to the presidency, by constitutional election, placated the institutionally minded United States; and the State Department, just going Republican, felt that now the opponents of Carranza, the double-crosser, would treat oil interests "fairly." Peace and plenty on the oil front seemed probable, even when de la Huerta retired and Obregon became President.

But the world oil war, barely interrupted by the temporary peace of the World War, was on again in full blast. Britain and France that year were carving up the oil-fields of the East, at San Remo; Deterding was again lunging at his old enemies the Americans in the perpetual threefold struggle for production, markets, reserves. Gone were the common enemies, the Germans and Carranza. As long as oil was being produced in Mexico in far greater quantities than in any country in the world, save only the United States, Deterding could use that production to save his Near East holdings for the future. Britain appreciated the stakes, and so did Obregon.

Here was a chance for the wily Sonoran to agree with the radical, anti-capitalistic sentiments of his right-hand man, Calles, and at the same time to shake down greater revenues. Obregon calmly revived the old decrees of Carranza—began to play the British off against the Americans.

The British were ready. Lord Cowdray, the big independent British producer, wanted to retire. He was about to sell his Mexican Eagle to American oil firms. In the nick of time the British government intervened and forced the sale of Mexican Eagle to Dutch-Shell and other obedient British firms.



They were ready, too, when Obregon imposed a tax of sixty per cent on oil imports and aroused outraged cries from north of the Rio Grande. The British were in a good position; Cowdray had made them popular with the Mexicans by incorporating Mexican companies, while the Americans insolently disdained "greaser" boards of directors. Using their diplomatic advantage, the British dealt secretly with the President, seeking always to increase their concessions.

Obregon listened to their emissaries, talked diplomatically, but did not commit himself. He was jockeying for the best possible bargain.

He needed money badly. Wall Street was hounding him for a settlement of old debts of former regimes. The Warren-Payne negotiations of 1923 brought an accord. Commissions were appointed to settle the claims. And, what was most important for this Mexican President—indeed, for any Mexican President—Obregon was recognized by Washington.

In return, he kissed his "revolutionary ideals" good-bye. He double-crossed Calles. He promised not to enforce the stern provisions of Article 27 of the Constitution—the alleged confiscatory article which jeopardized foreign oil rights.

Oh, those Articles of the Mexican constitution—two hundred barriers for the protection of Mexicans against foreign looting and greed! Articles which brought, instead, only civil war, bribery and military menaces from the foreigner.

Some of these Articles have become bywords. There is Article 33, which provides that undesirable aliens may be deported. This was once invoked to deport a *New York Times* correspondent and throw fear into the press. The phrase "thirty-thread" became current.

"Twenty-sevened" would have been just as useful a piece of slang, but for the time being Obregon did not give it much currency. Washington seemed willing to back him, and there were dangerous enemies at home. There was, in fact, new revolutionary thunder over Mexico.

For the triumvirate which had marched into the National Palace over the prostrate form of Carranza was splitting up. Obregon wanted Calles to succeed him. De la Huerta felt that he ought to be the favoured candidate. As the negotiator of the Warren-Payne treaty, he felt that he was the logical successor to Obregon, who had depended so pathetically on Wall Street. He was no stiffneck in oil.

Calles had other sentiments. Radical, a doctrinaire radical at that, he wanted to see the programme of the revolution enforced. And he looked neither to Wall Street nor to the oil men for backing. He felt that the labour unions--now in high ascendant, owing to his own encouragement of them—would support him, and that the Obregon following among the peasants would do the rest.

De la Huerta foresaw no great chance of winning at the polls, what with Obregon's soldiers and Calles's labour battalions both standing by, and he found plenty of restless generals to back him. Some oil interests hoped that de la Huerta, more than merely modifying the oil laws like Obregon, would rescind

them altogether. So de la Huerta's revolt broke out in the south and along the Gulf.

It was Calles's chance, and he took it. The radical labour groups shouldered their rifles and marched in great strength against the revolting forces. It was at last a case of loyal, incorruptible troops facing forces commanded by cowardly and venal generals. Washington, for the Obregon mantle, supported him. American munitions flowed to the Calles and Obregon troops and a blockade of arms to the de la Huerta armies was enforced. The revolt collapsed, and de la Huerta fled to Los Angeles, where he adopted the more peaceful career of vocal teacher to Hollywood soubrettes.

Calles won and was elected President. He was inspired by no feelings of revenge for the oil men who had opposed him. He wasn't primarily interested in oil. He was intent, however, on enforcing the whole radical programme—all the many revolutionary articles in the Constitution—land to the peasants, severe restrictions on the Church, more power to labour, and, no less than the others, the transfer to the nation of all sub-soil rights, whether registered in the name of the Standard Oil or of Deterding.

With the guile and fanaticism of his Oriental forbears, the son of the camel-driver launched an offensive against the old order on all fronts.

For him the oil situation was not the cancer eating at the uterus of Mexico; it was just another constitutional challenge like copper in Sonora, coffee-land in Uruapan or churches in Guadalajara. Calles had no clear idea of the magnitude of the oil war—or of the conditions in the oil districts.

Fantastic Tampico. Its chaos had grown worse with the years. Tampico on the shores of the Gulf, on the shores of the slimy Panuco river, on the shores of a greater river, a river of its own oil which flowed out via tankers to England, America and all the parts of the world to be burned in battleships, tanks, airplanes, motor-cars, tractors and furnaces.

Tampico is tropical; it is almost stifled by heavy vegetation, and the surrounding swamps are filled with the deadly mosquitoes, the bringers of malaria, and yellow fever or the *vomito*, to borrow a descriptive Mexican term. Now it was a jungle, not only in fauna and flora, but in the fierce fight for the sub-soil liquid which attracted prospectors from all over the world. This tropical Klondike had all the symptoms of the gold or silver maladies which once hit California, Colorado, and Alaska. Frontier conditions flourished, with Tampico a town of hundreds of brothels, gambling-houses and saloons, nourished by the pay-rolls of Standard, Mexican Eagle, Doheny and the Shell.

Nor were the invaders the only vultures who preyed upon Mexican property. Revolutionary generals were there, fierce, bloody, thirsty for money and wenches—generals who preserved an outward front which pleased all the radical obsessions of Calles—a front composed of pro-labour and anti-capitalist manifestos written by cynical young ax-radicals who knew how to use rhetoric and the generals' money.

The generals who thus masqueraded were in the pay of the various oil groups. Sometimes they would boost their bids for oily favour by playing off British and Americans against each other. Sometimes they would accept British money or American money to set fire to the rival's oil derricks. If a small

ranch-owner showed a disposition to refuse an oil company's offer to buy his fields, the generals' bullets would help the shady lawyers and corrupt judges to expedite the transfer.

There were great conflagrations in the oil-fields. Some of them were the work of real labour agitators. For the virus of Calles and his labour units in Mexico City had worked here. There were syndicates—unions—of oil employees, and their agents submitted demands. Strikes, lock-outs, and picketings were like battles. One of the worst threats of a labour agitator was that he would set fire to the oil floating on the surface of the dark Panuco river, a fire that would ignite the tanks of oil companies for miles along the banks. The "radical" generals showed their true conservatism when they suppressed strikes at the behest of their American or British backers.

But labour, emboldened by its success in making Calles President, didn't stop for the generals' gangs. The oil companies had to have little armies of guards to protect the tanks and refineries, those precious arteries to which the black blood of the oil-fields ran. In these strongholds, networks of pipes studded with squat valves and fittings surrounded the white tanks. Steam arose from the condensers, the vaporizers and the various plants where crude oil was "cracked" into benzine, petrol, paraffin, and lubricating products. Oil flames roared steadily in the furnaces which furnished the power and heat for these processes, and control-rooms sparkled with dials and levers.

The humble Indian, no longer humble but on familiar terms with these machines, found a way to combat them through the syndicates. Labour was powerful and vocal in the capital, and inspectors were sent to watch the oil companies. Calles was forced to notice this unquiet labour situation.

Out in the jungle the derricks rose, slim and Egyptian-like; and often quiet, save when strikes were called. For in most places the pools were so rich in natural gas that no power was necessary to pump the oil—it gushed freely from the ground.

Pressed by competition, by fear of strikes and by increasing vigilance from the government, the oil companies entered into a frenzied rush to obtain oil from the ground before they should be stopped. A new field was discovered and a concession obtained—by any means. Oil apparatus was rushed to the field. Lumber was dressed on the ground, and the derricks rose while trucks groaned on the mushy roads, bringing up pipes and drills. Cement was poured for the base of the engine, which lost no time in puffing and blowing. The Kelly joint of the drill was lowered into the ground and hit the earth with a sharp sound. Then the drilling began. For days and nights the umb-bumb-umb of the drill contrasted with the light puff of the engine.

If a large gusher was struck, the companies were jealous of the surrounding country which covered this deposit. The Pozo Grande, for example, brought in hundreds of thousands of barrels; the vicinity was being drained. There was always the fear that a rival firm would get a lease on adjoining land and take some of this treasure.

So, under cover of night, a new drill outfit and casing would be brought to a part of the jungle beyond the company's leasehold. A fence was hastily thrown

up and armed guards stationed, with orders to pick off any curious strangers. Drilling was started, pipes were installed, and when the flow commenced a secret pipeline took it to the tanks of the Pozo Grande, where government inspectors unwittingly counted this oil as coming from the Grande. Larceny? It was simply the custom of the time and place. Such was Tampico.

Calles became aware of this situation. He could no longer ignore oil. He had in his cabinet Luis Morones, leader of the radical labour movement. Morones had seen his syndicates harried by the guards of the oil men in Tampico.

He demanded that Calles should make effective Article ~7, that he should " twenty-seven " Doheny, Rockefeller and Deterding from Mexico.

Calles was not at all loath to do this. Early in 1925 he struck at the oil interests, enforcing Article 27, which the oil men regarded as virtual confiscation.

American Ambassador Sheffield hastened back to Washington to confer with President Coolidge and Secretary of State Kellogg, who proceeded to show none of the disposition which later flowered in his famous peace pacts.

Kellogg issued a sensational statement which almost brought the two countries to the verge of war. It has been characterized as one of the most imperious notes in diplomatic history; as one of the strongest diplomatic insults which did not immediately result in war. It made Britain gasp, sit back and let Americans fight for oil rights. It strengthened the hands of Morones and his semi-Bolshevistic followers. It outraged Mexican pride, and precipitated strained relations between the two countries for years following. Here are the balanced and arrogant periods which made the camel-driver's son clench his teeth in indignation:

"It is now the policy of this Government to use its influence and its support in behalf of stability and orderly constitutional procedure, but it should be made clear that this Government will continue to support the Government in Mexico only so long as it protects American lives and American rights and complies with its international engagement and obligations. The Government of Mexico is now on trial before the world. We have the greatest interest in the stability, prosperity and independence of Mexico. We have been patient and realize, of

course, that it takes time to bring about a stable Government but we cannot countenance violation of her obligations and failure to protect American citizens."

Calles fulminated a reply; Morones and the radicals shouted about the " Colossus of the North" and the " Insolent Yanquis." The jingo press in the United States suggested in no measured terms that diplomatic relations should be broken and some of the yellow journals which had precipitated the war in Cuba a quarter of a century before demanded that the army should again cross the Rio Grande.

A duel of notes followed. Kellogg called Calles's decrees confiscatory. Calles retorted that the prohibition law had been confiscatory Kellogg denied this. The terms "confiscatory" and "retroactive" rode on paper missiles flying between Mexico City and Washington.

Meanwhile Mexico was flaming with revolt. The Catholics had risen against Calles's ecclesiastical laws, there were boycotts and armed insurrections under the banner of "Christ The King." Calles seemed to be doing his best to irritate American feeling in other ways. He recognized Soviet Russia, and the Bolshevik embassy in Mexico spread anti-American propaganda. Americans brought the accusation that he was sending arms to Sandino, the Nicaraguan leader, who was fighting American marines in that country.

The situation encouraged rebellious generals in Mexico, who had relations with oil men, to plot revolution. Two of the most prominent, Gomez and Serrano, broke out in open revolt in 1927. Gomez had assured the oil men that he would respect their rights and reverse Calles's programme. But before the insurrectos could use oil money and arms, Calles energetically crushed the rebellion and executed the two leaders.

In the midst of his victory, however, Calles had bitter knowledge of the power of oil. The Catholic rebellion had cost many lives and loss of property. Where was the money to be obtained for reconstruction? The taxes on oil for many years had nourished the Mexican government. But the restrictive laws on oil caused the producers to resort to sabotage. Production dropped from 193,000,000 barrels in 1921 to 64,000,000 in 1927.

Less oil, less revenue for his treasury! Less funds for his army, more revolts! Calles grew less radical.

On the other side of the Rio Grande there came about a similar conciliatory spirit. Wall Street was now complaining that if Mexico was ever to pay its debts, some sort of peace in the country would have to be established. Backing generals like Gomez and Serrano was no way to collect interest, said the Street. Washington, always sensitive to the opinions of the financial centre, removed Sheffield, the emblem of unfriendliness, and sent a Morgan partner, Dwight Morrow, to the embassy on the Avenida de los Insurgentes.

Morrow was wonderful. Here was an American the Mexicans could love. He broke Sheffield's rule of never appearing in the National Palace. He paid a daily call on President Calles. Calles found that this protagonist of Wall Street was a thoroughly human and reasonable individual. Morrow was interested in Mexican art, literature, archaeology, and—so it seemed—Mexican welfare.

Morrow, for his part, discovered that Calles was no bearded Bolshevik mouthing second-hand Marxian dogma. He found that Calles was an intelligent politician, that somewhere along the way he had lost his doctrinaire radicalism and had become realistic enough to see that he could not fight the oil fighters and save his own hide.

It is impossible to appraise how much the personal friendship between Calles and Morrow affected Mexican policy. But shortly after Morrow's advent, the Bolshevik embassy closed up its shutters and left; and an *amparo*, or injunction, was granted by the Mexican courts to the Standard Oil Company. This *amparo* restrained the Mexican government from enforcing its denial of drilling permits to companies which refused to comply with Article 27.

Thus, under the genial smile of Morrow, amiable feelings between the two

countries returned. Morrow contributed to various philanthropic and public projects in Mexico. He arranged for America's unofficial ambassador of goodwill, Colonel Lindbergh, to fly to Mexico City. Even Will Rogers came down to be General Calles's guest and to crack jokes at the expense of big business in Mexico: big business, which was winning the real victory.

Americans, too, relaxed, and when a Hearst newspaper tried to keep the old fires burning by publishing an expose of alleged bribes given to United States Senators, clergymen and officials by Mexican subordinates of Calles, the State Department simply declined to believe its authenticity. The expose fell flat. And soon American Catholics were placated by Morrow's achievement in arranging a truce between the Mexican State and Church.

Where was Deterding, meanwhile? Deterding had recognized his error. He saw that Mexico was a fief too strongly fortified by Doheny and Rockefeller, not to mention Morrow, to be pre-empted. Besides, he had found more profitable fields elsewhere in the Caribbean. Farther south there was a more valuable victory to be won over the Yankee as will be seen. Deterding did nothing, and did it very well.

And Calles?

Oil had broken his back, almost without his realizing it. He found that the oil interests could modify and balk his radical programme. He saw that oil was necessary for revenue. He succumbed to the advances of the oil ambassador Morrow. He became a conservative.

He was ready to treat with Wall Street for the precious funds so necessary to build up Mexico after two decades of revolution. He himself had acquired vast properties farms, factories, securities. Money brings conservatism. And so Calles retreated, at least in practice, from his revolutionary programme. After his retirement from the presidency he continued to be the unofficial dictator of the country, tolerating no incumbent in the presidential chair who was not a mouthpiece of his sentiments.

Peace now reigns in Mexico. Now that the oil situation has been settled, by suave diplomacy, by the shifting of the war for oil between Britain and America to other sectors, by decisions of the Mexican courts, Mexico has no more revolutions. Oil is less sought after. Therefore quiet prevails.

But the provisions of the Constitution still stand Article 27 remains as a threat to oil interests and as a rallying-point for Mexican radicals. The situation is set for another crisis and more bloodshed, whenever oil in Mexico becomes precious enough to Deterding and Rockefeller.

Meanwhile the Mexican government plays a conciliatory game with the oil companies in order to obtain the much-needed taxes. Oil is the secret dictator still — behind the generals, behind the Mexican government, behind Calles.

When Cortez came to Mexico in 1517, he saw *chapotote*, on sale in the Aztec markets of Tenotitlan where Montezuma ruled. It was a black, viscid fluid, for which the gold-maddened conqueror could see little use. The Aztec priests mixed it with aromatic herbs and burnt it as incense to the old gods, Quetzacoatl. Huitzilobochtli. Tlaloc.

Their descendants have become monotheists. They worship the god *Chapopote* himself.

### Chapter 7--Dictator by Courtesy of Oil

Many geologists claim that the oil wealth of Venezuela is the greatest in the world. Certainly it looks that way on the charts of world oil production, for today Venezuela is racing Russia for second place, with the United States far in the lead. Each barrel of production means a barrel less of wealth for Venezuela; but even so, the end is far from being in sight.

Venezuela's oil wealth has proved a boon to long-suffering Mexico. As the tides of oil competition flow away from a country, so its revolutions and internal unrest subside. By 1928, most of the big companies had shifted their fight from Mexico to Venezuela, and simultaneously Mexico settled down to political tranquillity.

It might be supposed that Venezuela was immediately visited by the customary disorders which follow in the track of oil. But Venezuela already had her Calles when the oil agents landed on the shores of Lake Maracaibo. General Juan Vicente Gomez is the ranking dictator of the world, with power dating back to 1910. He wisely conserved all the subsoil rights to the nation; when foreign oil agents began arriving, he knew how to deal with them.

Stipulating that his government get a large royalty from each barrel of oil produced, Gomez let the oil men write the rest of the oil laws of the republic. His favourable attitude toward foreign concessionaires and capital resembled that of Porfirio Diaz. As long as he receives nearly a million pounds a year in royalties from oil companies, Gomez's presidential seat is perfectly safe.

This oil policy is the means by which the cruellest tyrant of the twentieth century is able to continue in power. And he, in turn, is the flower of oil. His "singing school" is famous. There in the dungeons of Caracas, Gomez's political opponents are tortured until they "sing" or talk about their schemes and their confederates. Paris and New York are filled with Venezuelans who have fled for their lives.

Forced labour, to build roads and public works, is another of Gomez's props. His motto is: "Peace, Union and Labour," but his enemies say that means: "Peace in the cemeteries, union in the prisons and labour on the roads."

The flower of oil has a passion for building roads. This is in no spirit of helpfulness for the motor-car owners of his country—it is principally to keep the various generals and provincial governors under his thumb. Venezuelans relate a story about a provincial governor who was disposed to ignore Gomez's decrees.

This man had his own little army and his province was so remote that it was difficult to encircle him with federal troops. But Gomez found a way. He offered the recalcitrant governor a large federal loan to develop highways, pointing out that it would help commerce and build up local revenues. The rural governor eagerly accepted. The road was built and linked to the national highway leading to the capital.

One night, soon after its completion, a long train of motor lorries filled with soldiers left the capital, rolled swiftly over the new concrete road to the remote province. Surrounding the executive palace, they completely surprised the place. The commander of the troops transmitted to the dumb-founded governor an invitation to "visit" the President in the capital. He had to accept. He never returned.

Gomez himself is uncomfortable in his official capital, Caracas. He has no use for its cosmopolitan atmosphere, its corps of diplomats, its social life. He has made his home town of Maracay, a little hamlet in the interior, a sort of unofficial capital. The Versailles of the Oil Republic.

There he has a palace containing two hundred rooms and numerous bathrooms, fronting on a plaza much larger than the Place de la Concorde in Paris. In addition there are six new barracks, many pools and gardens, asphalt streets and a zoological garden where every known species of cow is found, not to mention the usual elephants, hippopotami and lions. There are hundreds of costly motor-cars and thousands of secret agents. Everybody is under surveillance. For while President Gomez is the richest man in South America, he is also the most suspicious. Eternal vigilance keeps him in power—vigilance and oil.

The numerous agents, representing Deterding and Standard, who pay court in this place, have to submit to the curious caprices of the dictator. Gomez still retains most of the habits of the simple rancher that he was before he took up politics, and he has forced his daily regime on the other inhabitants of Maracay. He likes music and has a large military band, which serves not only for the beguilement of his idle hours, but also as an alarm clock. At 5 a.m. the band arises and marches through the narrow, echoing streets of the town, blaring and booming the national anthem. The President rises and so do the rest of the people.

Gomez is in more senses than one the Father of his Country. A bachelor, he has more than one hundred acknowledged illegitimate children; few of his neighbours object when he covets one of their daughters as a concubine. And his common-law wives prove to be very prolific. The children are inevitably advanced to good government positions, for the dictator, while no respecter of the sanctity of marriage, has an immense fondness for his progeny. One of his daughters runs his household, and it is said that she has to cook and taste all the food that goes on his table—the dictator takes no chances with poison.

Yet he is a severe parent. He exiled one son to a distant ranch for demanding credit of tradespeople. He removed his half-brother from political life for shipping gold out of Venezuela during a period of political trouble. He deprived another son of his store of arms and munitions when the son displayed too great a curiosity about his father's health.

This discipline he has carried into all parts of his country's political and economic life. Gomez may not know much about oil, but he knows what he likes and what he likes is power. If he can play the British oil men off against their American rivals, pocketing large royalties, he is content. Royalties consolidate his royalty.



Deterding, as usual, was the first on the ground. His Dutch-Shell arrived in 1918. It was closely followed by the British government firm, British Controlled Oilfields. Standard came four years later— and the end of the American parade was brought up by another magnate who had become great in the councils of his country's government, Andrew Mellon and his Gulf Oil Company. Gomez was delighted to have such a potent personage of Washington represented in Venezuela.

Most of the oil wells are centred around Lake Maracaibo. There the Americans, with their customary progressiveness, have pursued oil into the water itself, sinking their wells out in the middle of the water as they have off the coast of California. First the British grabbed the shore—then the Americans grabbed the beach—then the British grabbed the tidal-strip—then the Americans grabbed the lake! The last, being the lowest dip of the oil-bearing strata, is the best. Maracaibo is not a synonym for conservation.

Maracaibo is a typical oil city: wells, pipe-lines and a nauseating odour. In the midst of this mechanical squalour are some of the most luxurious villas in the world, golf links and country clubs. Special pipes supply mountain water to the homes of the wealthier magnates. One of these pipes feeds a magnificent garden pool one hundred and fifty yards long.

Oil rules everything here, soils everything—the hands of the government as well as those who cannot afford private water pipes. The humbler oil workers must buy lagoon water, which street urchins fetch in old oil-cans on the backs of donkeys. Night and day the cry of "*agua, agua*" can be heard. A can of this tepid and oily fluid costs ten centavos. It is filtered, brown sugar is added, and it is christened *guarapo*. Served with ice, it is the favourite drink of Maracaibo, next of course to Maracaibo whisky—which is as white as water and as strong as American "white mule."

Maracaibo boasts a marvelous public garden, adorned with innumerable statues. It is bordered by palm trees and government structures—and churches. For life is hard in Venezuela and for the poor there is little but the ultimate hope of attaining heaven.

Most of the lower-class houses are built of adobe, surmounted by thatched roofs and oddly adorned with window boxes containing orchids, as common as geraniums in this country. In the centre of the city there are boarding-houses for the Europeans and Americans who do not fancy adobe. When the oil boom began, the rooms in these boarding-houses were divided into six parts by paper partitions. One of the compartments cost, during the first boom, more than the whole room had done before.

Transport difficulties have made Lake Maracaibo far from ideal. The shifting sand-bars of the lake's outlet to the sea prevent direct entrance by ocean tankers. Specially constructed small-draught tankers have been built to import material from the outside and to export the crude oil. It is also reached with difficulty from the interior; and this has made General Perez Soto, president of the state of Zulia, which includes Lake Maracaibo, a rather independent sort of chieftain. He boasts of his alliance with foreign interests and is disposed to flout the power of Gomez at times. The secession of Zulia from Venezuela has been encouraged by American oil interests, feeling they could dominate the smaller

state; but General Soto still fears the bloody hand of Gomez and waits for a propitious occasion.

Oddly enough, the greatest threat to Gomez's power comes, not from Maracaibo, but from outside the country—from the little Dutch islands bordering on the coast, Aruba and especially Curacao. These are Deterding's bailiwicks. For many years, every drop of oil taken from Venezuelan ground was refined in Deterding's plants on the island of Curacao.

Gomez resented the absence of this profitable refining business from Venezuela. He wanted the refineries in his own country. The money spent on building them, and their payrolls, would swell his prosperity and his taxes.

Deterding laughed. For the hated Americans, as well as the British companies, had to send their oil to be refined in Curacao. Shipping it home crude was too costly. In Curacao Deterding had plenty of skilled and steady labour, good relations with the Dutch officials, his own countrymen to deal with, and a stable government with a future. Why should he move? Moreover, Deterding, while he respected the power of Gomez, wondered what would happen if and when Gomez should die.

The Americans thoroughly resented Curaçao and its Dutch-Shell refineries. It was not only humiliating to pay toll to the competitor, but Curaçao was also a direct threat to the business accruing to the Panama Canal. All vessels bound for the Canal stopped here and refueled and vast quantities of oil products were sent for sale to the Canal Zone. The canny British-Dutchman had made himself the fuel-purveyor to America's prized hand-made waterway!

So the Americans, paying court to Gomez, counted on his resentment toward Deterding to gain special advantages. They offered to build refineries in Venezuela, but not until Gomez had given them the lion's share of concessions. But the dictator did his own thinking; tempted though he was by the offers, he felt that he could do best for himself by keeping the two forces at loggerheads, refusing monopoly offers and conserving his royalties, even though it meant foregoing the wealth of refineries.

Accordingly Standard cast fond eyes upon the other island, Aruba; moved in, and began to construct huge storage and refining facilities. The Dutch, prompted by Deterding, at first interposed every obstacle to Standard's plan. But the United States government here engaged in a bit of coercive diplomacy. Curacao was a centre of the liquor smuggling trade, and Dutch vessels on suspicion of rum-smuggling had been encountering severe restrictions and regulations in American ports. The State Department hinted that these restrictions might be relaxed if the Dutch were reasonable.

So an American town has arisen on Aruba, with American chimneys belching smoke, and the tanks of the Standard of New Jersey copiously filled by the untiring refineries.

But Curaçao, because of its superior position and because the capital of the Dutch West Indies is on it, still remains the most important port for Venezuelan oil. Daily the fleets of little tank vessels arrive there from Maracaibo and daily the trans-Atlantic tankers leave, loaded with refined oil.

Twelve thousand Shell workers live in Curaçao. Six hundred huge yellow, red and silver tanks are lined up in impressive rows. Resembling an insatiable parasite, Curacao stretches out alongside the low shores of Venezuela, fed by the oil of the mainland. It is at once one of the most important strongholds of British world power and Holland's strangest colony.

In the language of a tribe of Indians, now extinct, Curacao means "The Roasted Priest." This dates from the time of Christopher Columbus, who had called it "Island of Giants." The Spanish conquerors swapped stories back home in Spain, told of terrifying Indian ogres, and asserted that these monsters roasted priests.

The ensign of Queen Wilhelmina floats over the governor's palace, but at the post-office little Dutch money is exchanged. Bills are paid in American dollars, while newspapers are printed in Spanish.

The general population consists of very dark-skinned but very English Negroes. They are more English than the English, as in Jamaica, and they attach much importance to the European dress and their honesty. There are more than forty thousand of these dusky gentlemen. Their grandparents were slaves at the time when the last African natives were imported and the last Indians exterminated. They are ruled by a governor appointed in The Hague, and by a council composed of members of old Dutch families, who speak *papiamiento* and are very proud of it. This language consists of a sprinkling of Dutch words, many Spanish expressions and constructions, some English and Portuguese, together with much local *argot*.

The Dutch people raise goats which climb trees like monkeys. The island itself is a coral reef, nearly devoid of water. It never rains there. Water is taken from wells sunk to a depth of over a hundred feet, but these wells often dry up. The greater part of the island is covered by cactus as high as houses, and by the divi-divi trees, which are shaped like brooms. For hundreds of years it cost the home government much money to keep this colony going.

These are the things the Dutch people remember, as they note that their island has become one of the most important oil ports and strategic threats in the world, with a shipping business far exceeding that of Amsterdam. They note that huge sums accrue to the Dutch government, and that they profit comparatively little from all this. It is therefore easily understood why the Dutch families of Curaçao have at times lent a willing ear to Americans, who have argued that if Curaçao were independent, the taxes of the oil magnates would roll into their own coffers instead of going to The Hague. The Americans promise a golden age to the goat raisers.

Some informed Americans have wondered why, since the United States bought the barren and unproductive Virgin Islands from Denmark, they have not tried to purchase the nearby Dutch West Indies group. The Virgin Islands are not far from the northern members of the group which includes Curaçao. These northern islands, which are agricultural, resent the dominance of oil and have tried to promote separation movements. The *Chicago Tribune*, apropos of the difficulties of Standard's building of Aruba, declared that the possession of territory in the Americas by a non-American power was an anomaly. This caused no little consternation in Holland.

The Dutch press has delivered a number of bitter sermons on the situation in the islands in recent years. One influential paper said that the policy of the most recent governor of the Dutch West Indies was "without steadiness, without thought of tomorrow, without moral influence and free from everything except petroleum."

It was charged that the governor, through a long term lease granted to the Curaçoesche Petroleum Industrie Maatschappij, a Deterding company, for land about Caracasbaai, had lost all control over Curaçao's best harbours, even in time of war.

To all of which, Deterding has replied with his usual philosophic silence.

It was from the capital of Dutch oil that a revolution, the only serious one in recent years, was started against the power of Gomez. A zealot for democracy, Rafael Urbina, had been plotting in Maracaibo for some time. But in Venezuela he found it impossible to obtain arms. At every road-crossing, people were searched by secret agents for weapons or revolutionary propaganda. Urbina, therefore, decided to make his base outside of the country.

Accompanied by several ringleaders of the plot, he embarked for Curaçao. It is only a seven-hour journey from Coro, the Port of Maracaibo, to Willemstad; the island town has only about one hundred policemen and the governor isn't very vigilant. Thousands of Venezuelans, many of them exiles, worked in the Shell refineries on Curaçao. About one hundred and fifty of these men formed the nucleus of Urbina's little army. They captured the governor, killed several policemen and commandeered an American ship in the harbour. Taking the governor and some of his aides with them as hostages, they forced the steamer captain to land them, and the arms they had seized from Curaçao police, on the coast of Venezuela. Then the governor and the ship were set free.

All had gone well so far with the rebels, and all perhaps would have gone well in the Venezuelan phase of the adventure if Urbina had been practical instead of visionary; or had he been as rich or cruel as Gomez. Instead of buying off in advance most of the important men, he uttered long speeches about liberty and freedom—which would doubtless have had its effect in the long run on the peasants, but hardly on generals and officials whom Gomez had rendered subservient with money, cars, and villas. Urbina's army faded away and he fled back to Curaçao, where his late prisoner, the governor, placed him in gaol.

The workers in the Shell refineries on Curaçao, sympathizers of Urbina, threatened to sabotage their company's plant if harm came to their idol, so Urbina was allowed to go into exile in Santo Domingo. Fortunate for him that he did not enter the dread portals of Maracaibo prison.

Maracaibo prison is a magnificent pile, built on lines which recall the palaces of ancient Egypt. The facade is ornamented with a huge beetle design. This ornament seems symbolical: Venezuelan labour methods hardly differ from those of the Pharaohs. Just as in the erection of the pyramids and the construction of the roads in the Sahara, the strength of the Venezuelan slaves is drained to the last drop.

"Slaves" is to be taken literally. Everywhere in Venezuela one meets men with cleft ears. The upper part of the lobe is withered. These are folk whose memory needed reviving. They were tortured to make them recall the names of conspirators, or forget their objections to serving on road gangs. The prison, and the slavery, belong to the main story: by-products of petroleum, both.

The oil republic of Venezuela! Oil men keep it going by their contributions to the tyrant's chest, while the slaves and idealists bear the brunt. But the oil men are clear-sighted enough to see that this cannot go on for ever. The usual student agitations, always the forerunners of communistic revolutions in South American republics, have been cropping up recently in Caracas. And Gomez, at seventy-six, is growing so feeble that every week his death is predicted.

He has no organization save his own iron will and bribing tactics. For all his many sons, he has no Crown Prince to whom he can pass on his power.

When he dies, wise oil men foresee conditions resembling those of Mexico at its worst. The communistic students will sweep the suffering country with their doctrines. The generals will pay obeisance, at least for a while, to these slogans. And while it would ordinarily be best for the oil adversaries to join hands in suppressing revolution, they will inevitably follow the same cycle as in Mexico—backing their respective candidates with machine guns and aeroplanes and reducing the country to abject misery.

Venezuela is a rich and beautiful country. It has immeasurable wealth. Since its wealth in oil has been its curse, one might argue that with the exhaustion of over-drilled Maracaibo the curse would disappear. But there are greater stakes.

Deterding, and British Controlled Oilfields and Anglo-Persian are here with all the might of the British Empire behind them—and the Panama Canal is close by. So we come to an astounding plot.

### **Chapter 8--The Struggle for the Panama Canal**

The Royal Dutch-Shell's squat, shiny storage tanks and steaming refineries on the island of Curacao mark the skirmish lines of a British attack not only on the precious oil pools of the Caribbean, but also on the United States' great outpost of empire—the Panama Canal. While Deterding naturally has desired to sell oil at this great maritime service-station, his British backers have a far more ambitious design. They covet the military and naval advantages of the Canal itself.

If war should ever break out, finding the two countries on opposite sides, this artery must be one of the prizes of the struggle.

Is this the raving of the Anglophobe press? Or the theoretical discussion of American naval officers?

Publicists who insist on the impossibility of war between the two countries will deny this—will call it jingo talk. They will insist on the impossibility of war between the two great English-speaking countries. They will scoff at as extravagant, the notion that there is a connection between oil and alleged British plans for seizing the canal. They will intone the same old refrain of the friendship between the two peoples.

But they won't be able to deny the facts of one amazing plot, the implications of which are obvious.

The Caribbean is indeed the Balkans of the oil world. It needs but the counterpart of the murder of the Austrian Archduke to start much more than a mere concession scrap—to start a world war with navies and armies engaged.

The first British gesture toward the Canal was made in Costa Rica, just after the World War, when Americans' eyes were on other matters. "Costa Rica" means "rich coast"; British and Americans have long known that it is rich in oil. American engineers and oil officials had been scouting in Costa Rica for a decade and the Britisher had been there since 1914. The Americans had obtained important concessions, which they had not yet developed.

A strange brother to the Anglo-Persian was born in 1918 to combat these hustling American prospectors. It was called British Controlled Oilfields, and a very descriptive appellation it was. For this was just as officially a British government company as the Anglo-Persian itself. While the older concern was owned directly by the British government, the new one was controlled by a simple device, the "voting trust."

The trustees administered the company and the British government nominated most of the trustees.

This young offspring of Westminster immediately obtained a concession from President Tinoco of Costa Rica—a lush seven-million-acre tract in that country, which is directly contiguous to Panama.

General Tinoco, like so many Latin-American dictators, had obtained the presidency by revolution and he had been aided in this by the British. "Flagrant violation of the Monroe Doctrine!" cried the Americans. They contended that the new oil grant to the British conflicted with an earlier grant to certain Americans.

The protesting had no effect. But Washington had a way—the usual way. The United States refused to recognize Tinoco, on the ground that he had obtained his post by unconstitutional means. The British retorted by recognizing Tinoco.

British battleships now visited Costa Rican ports. And American battleships followed. In neither nation was there the least thought of war so far as the public was concerned, but navies were burning fuel oil over a seven-million-acre oil concession.

Washington followed the better course. The Americans found it unnecessary to challenge British warships or to intervene directly in Costa Rica. All they had to do—and they were experienced in this sort of thing—was to encourage Tinoco's enemies to revolt. The usual grounds of rebellion: patriotism, constitutionality. The rebels were successful—and a new Costa Rican ministry canceled the British concession.

The British warships sailed away. Apparently London did not think it worth while to challenge the Monroe Doctrine, as yet.

The United States followed through. Two years later it allowed the Republic

of Panama to engage in a frontier dispute with Costa Rica. Forces of the two nations clashed and America intervened as arbitrator. The frontier was arranged by the arbiters to favour the Costa Rican claims. Costa Rica smiled upon the so generous Americans—and its government gave the Doheny companies a nine-million-acre concession, and a smaller one to Harry Sinclair.

Thus closed the first act of the interesting drama. It had to do overtly with oil, although the direction of the British thrust was visibly the Panama Canal. The Britishers could innocently claim that this was simply a part in the programme to get concessions and develop a system of pools which extended

from Mexico, through Central America, and down the Andes as far as Chile and lower Argentina. But American Naval officers were sceptical.

The British were unable, however, to deny the official character of British Controlled Oilfields. For in 1925 the mask which covered this company was withdrawn.

For some mysterious reason, British Controlled Oilfields had been showing a loss. The shareholders were dissatisfied and demanded an investigation. Why, they asked, should their company be in the red, while the enterprises of Dutch-Shell and Anglo-Persian operating in this region were very much in the black? They found an answer to their question in the revelations which followed.

Duncan Elliott Alves, an agent for the Anglo-Persian, had incorporated B.C.O. in Canada. Sir Edward Mackay Edgar, he who had exulted about the American oil defeats, was a representative of his government on the board of trustees; and other trustees were appointed by the government—this gave proof of the political nature of the company's direction. And the manner in which the business had been conducted was even more political. It was disclosed that the British government had required that none of the oil of the B.C.O. should be sold, under any circumstances, to the hated American Standard Oil. Also it appeared that much land had been bought which had no oil in it—land whose only value was that of strategic location.

Political rather than commercial considerations governed this strange company. No wonder that deficits appeared and shareholders grumbled.

Concessions now were made to the shareholders. The company was allowed to lease some of its oil to Standard, in Venezuela, and the "voting trust" was dissolved. But the British government affirmed the necessity of following an imperialistic and exclusively British policy in the affairs of the company. And the plots went on.

British Controlled Oilfields continued to lease lands in Guatemala, Honduras, Nicaragua, Costa Rica, Panama, British Guiana, Colombia, Venezuela, Peru, Ecuador and the Island of Trinidad. These concessions, as a glance at the map will show, were and are centred about the Canal. Moreover—sinister note for American naval strategists—they are usually in close proximity to the sea, a considerable advantage in wartime. A French observer remarked, apropos of this encircling movement:

"It has expressly chosen them, on both the Atlantic and the Pacific, as a precaution in case war should break out between Great Britain and the United

States; for even with the help of the Japanese fleet, the British navy might not be able to seize the Panama Canal. All its units must be in a position to replenish their stores of fuel without being obliged to make a long detour around the Magellan Straits."

So the British Controlled Oilfields went on its way, producing very little oil although it had enormous properties. Its output in 1927 was only about 2,500,000 barrels. It continues to-day to show a money loss. Its gains, however, in the eyes of the British Admiralty, apparently offset this.

But the Admiralty now proceeded to employ other agents besides the B.C.O. in its fight for strategic place near the Canal Zone. Colombia, the large Republic just south of the Canal—the Republic from which, you will recall, the Canal Zone was stolen— became the scene of frantic activities on the part of British oil men, or British government agents masquerading as oil men.

The Anglo-Persian was active in this country. (How the mere presence of the Anglo-Persian, British-government-owned, on Colombian soil affects the Monroe Doctrine, I need not discuss.) An Anglo-Persian exploration party got together a small army of hired guards and advanced into a remote district, peopled by hostile Indian tribes. The tribes were able to defend their wilderness, and the British had to retreat, perhaps without the geological data they sought. But they fired a Parthian arrow, not at the Indians, but at the Yankees. They spread the news that they were American oil emissaries. And ever since then it has not been safe for a Yankee concession<sup>^</sup>hunter' to venture into that territory.

The Americans, for their part, pursued less sensational but no less effective measures. Certain concessions requested by British companies were, it is alleged, denied by the Colombian government because of the intervention and insistence of the United States government. But such incidents were only the petty reconnoitrings preceding the deepest of the plots.

Early in 1927, a British gentleman named Henry Irving Frederick Yates landed in Colombia. He was a former Colonel in the British army and an agent of the Anglo-Persian. He had a diplomatic passport, with all the privileges and immunities conferred thereby. A Secret Agent.

Colonel Yates arrived in Bogota, the capital of Colombia, five thousand feet above sea level. No oil in that region, but plenty of oil-mongers. The British Legation was all prepared for him.

So, also, were the cabinet ministers of the Colombian government. When Colonel Yates called on these Colombian ministers, he found them in a very agreeable mood. Apparently his proposition for an oil concession to the Anglo-Persian had preceded him and had met with favour. He wanted a fifty-year monopoly concession for a very large area of national lands on the border of Panama, in the north-western corner of the Republic.

Who wrote the many-claused document embodying the Yates concession, and defining its terms, is still a mystery. Whoever wrote it was no amateur.

For, hidden away in the abundant undergrowth of subsidiary provisos as thick as the Colombian jungle itself was a most innocent-looking clause. It looked like the usual indeed the necessary grant to any concession-holder who



is obliged to do construction work to remove his oil. It gave Yates the right to organize subsidiary corporations, raise capital and "construct railways or other means of communication of analogous or of greater importance."

Under that wording, Mr. Yates and the Anglo-Persian Oil Company—the British government—could construct a second Panama Canal, just south of the American, and without even asking further leave of the Colombian authorities!

This was no idle dream. The proposed Yates concession actually included a very good canal site which Colombia regards as almost its greatest asset. The River Atrato flows into the Gulf of Darien, just at the eastern base of the Isthmus of Colon. This river rises very near to the Pacific Ocean, and a tributary goes yet nearer.

Much of this river is navigable; engineers have declared that a feasible cut through to the Pacific, with deepening of the river, would complete a sea-to-sea canal not at all inferior to Panama itself.

The ground was now prepared for the realization of British imperial ambitions. The Colombian President and Cabinet signed the Yates concession! Within a few weeks British steam-shovels would start work on Britain's own Panama canal: a canal under cover of oil.

Certain Americans who make it their business to follow such deals discovered Yates's plot. They knew the value of the Atrato Basin as a canal site—and they had knowledge of another startling fact which unmasked the plot. In the territory of the Yates concession, there was no oil!

They quickly communicated the news to the American government.

Would American warships move to the Colombian coast, to the accompaniment of a bombardment of notes to London and the inciting of a revolution in Colombia? Unfortunately for Washington, it was not in a position to handle this situation as had been done in Costa Rica.

The British had chosen their time. Kellogg was firing notes at Calles, American newspapers were demanding war with Mexico, Nicaragua was in flames, Haiti was restive under the heel of the American marines. Nor was this all. Latin America from the Rio Grande to Tierra del Fuego was also in flames—of indignation against America's imperious policy toward the little Republics. British propaganda, naturally, was egging the Latin Americans on. It was hardly the time for the Big Brother in North America to take any violent steps. The British could not have had a better moment to launch their offensive for the Rio Atrato canal.

If America had acted with the usual force and violence, Colombia would immediately have been up in arms crying, "Haiti, Dominican Republic, Nicaragua, Mexico—are we to be the next victims of the Lion of the North?"

The American State Department was resourceful. It chose a subtler policy, a policy which might well have been pursued elsewhere in Latin America to the better advantage of mutual good will. It left the defence of American interests to Colombian patriots, who wished the domination of neither American nor

British interests.

It was the Colombian Senate that pulled the American chestnuts out of the fire.

It seems that the President and Cabinet had acted rather hastily in granting the Yates concession. The disposal of such rights, according to the Colombian constitution, rested in the Senate. Certain members of this Colombian legislative body were indignant at this invasion of their prerogatives.

Dr. Laureno Gomez, former Minister of Public Works, and Representative Urife Afanador took the lead in denouncing this concession. They were followed by others in the Colombian legislature. The words of Dr. Gomez, in an exposé of the matter printed in a local paper, aroused the country. "The reserve of Uraba," he wrote, "which was established for the Republic of Colombia and incorporated in its patrimony, becomes a reserve of the British government, There is something offensive to Colombian good sense in the manner in which Yates wanted to get the concession."

The fiery, vivid eloquence of Dr. Gomez and his associates through long sessions of the Congress made the canal menace of the concession clear to the entire realm. Gomez proved a veritable ferret for violated Colombian rights, digging them up from the maze of heavily clauded verbiage in the concession. The legislators, usually too indolent to question such a complicated affair, especially when it was backed by the President and Cabinet, were especially aroused when it was made clear that their Executive had taken upon himself a privilege which was really their own. There was yet more indignation when Gomez pointed out that Yates and the Anglo-Persian were given freedom from paying customs taxes.

The fat was sizzling in the fire. Now Mr. Yates made an effort to save his deal. He magnanimously agreed with Gomez that it would be illegal for the President to grant such a concession to a foreign government; and that granting it to the Anglo-Persian would be tantamount to that. But, he suggested, there was no reason why it should not be granted to him as a private individual. He threw aside his official character and insisted that he was acting in his own private interests. And he was so generous as to suggest the reduction of the concession to only six million acres but still along the Panama border and including the Rio Atrato.

Gomez continued the attack, however. The American minister himself could not have done better. He repeated over and over again that innocent expression, "*or other means of communication.*" He defied Great Britain and all its armies to try to build a canal across Colombia without the consent of the Colombian Congress.

Canals were indeed a sore point with the Colombians. Gomez was very clever in concentrating his attack on this clause. For the nation had not forgotten the United States' virtual theft of the Panama Canal Zone. It had not forgotten the famous words of Theodore Roosevelt: "I took the Canal zone and let Congress debate, and while the debate goes on, the Canal does also.... I was prepared, if necessary, to submit to Congress a recommendation that we should proceed with the work in spite of Colombia's opposition."

Roosevelt, in the firm belief of all Colombians, had rigged up the historic

revolt of the Panama provinces. These provinces, seceding from Colombia, had formed their own Republic of Panama, gratefully giving the Canal Zone to the United States. This was a constant source of anti-American feeling. At the instigation of oil men, the Harding administration had finally voted twenty-five million dollars indemnity to the Colombian government. But the wrong still rankled.

To the United States, any prospect of another and rival canal near Panama was likewise anathema. So was the vision of a foreign government, even Great Britain, dominating the approaches to the Panama Canal. It was deemed a flagrant violation of friendly relations. Years before, when the Japanese government had been reported to be seeking a concession in Magdalena Bay in Mexico, the American government had been up in arms. Phrases like "viewing with grave concern" and "threatening the comity of nations" were used in State Department pronouncements on this matter. Yet Magdalena Bay was far distant from American soil—much more so than was the Colombian concession from the Panama Canal.

What was the American occupation of Nicaragua but a defence of an inter-oceanic canal? The whole drama of that unfortunate country, the uprisings of Sandino—abetted, it is said, by the British—and the subsequent troubles, all stemmed from this source. The Americans had a concession to build a canal through Nicaragua. Not that they were serious about building one. But they were determined that no other government should do so. They were resolved that no revolutionary government should be set up in Nicaragua to revoke this concession.

In view of all this, the anxious patience and diplomatic caution of the United States government in keeping hands off Colombia was remarkable. Its motto was: "Let Gomez do it." This policy bore fruit—and with the aid of the British government's clumsiness.

For the British fell into the very trap which they had set for the American government. They had planned their conspiracy expecting that the United States would adopt the usual arrogant line toward the Latin-American Republic. But the United States, for once, had kept silence. The British, irritated by the impending miscarriage of their plans, now took an awkward step—worthy of the worst of American diplomatic blunders.

They tried to bribe the Colombian government. There was a discussion, at that time, about the indemnification of a British company for the loss of its mines. The British company wanted nearly three million pounds, but would reduce its claim to just over a million provided the Congress ratify the Yates concession.

The Colombians seethed with resentment at such a humiliating offer. To them it seemed no better than a bribe. Gomez adroitly made the most of it. The proposition was promptly rejected. And with it went the Yates concession.

Later another attempt was made to sneak through the Yates concession, by attaching a rider to an oil bill empowering the pro-British President to lease oil lands. This was blocked. The Panama Canal was safe.

Colombia became safe too—in a charming epilogue to this Yates affair—for

Dollar Imperialism. Dr. Gomez's fastidious ideas about Colombian oil and territorial rights applied equally as well to the United States as to Britain.

It seems that Andrew Mellon's Gulf Oil Company had obtained a concession, called the Barco concession, on a tract of rich oil land. The Colombian government contended the grant was illegal and canceled it. Dr. Gomez triumphed and the Secretary of the Treasury of the United States lost, temporarily.

While Colombia persisted for several years in this exacting attitude, their Treasury Department found it increasingly difficult to get loans from the United States. The puzzled and thwarted Colombians investigated, and discovered that the government of Mr. Mellon had placed Colombia on the black list of countries to whom Wall Street should not lend money.

Something had to be done. Gomez retired to the background; the pro-British Executive resigned his power; and a more supple gentleman, Dr. Olaya Herrera was elected President. Like Henry IV going to Canossa, Herrera went to Washington. But he did not have to wait humbly in the court-yard. A banquet was given in his honour, and curiously enough he was seated next to Mr. Andrew Mellon. Among the many amenities which passed between the two men was a little piece of advice. At a later date, Dr. Herrera disarmingly told the whole story, although Mr. Mellon denied it.

Over the nuts and raisins, Mr. Mellon informed the Colombian President that if he would arrange his domestic petroleum difficulties, Colombia would find its credit situation infinitely bettered.

Dr. Herrera promptly returned to his native land. He superseded the canceled Barco concession with a much larger one and had it ratified by the legislature. Ten days later, Wall Street granted penitent Colombia a four million dollar loan.

The United States well, Mr. Mellon—won in Colombia. And the British were defeated.

But not in Panama! Darien is not a poetical country existent only in the lines of John Keats. It is a part of the Panaman Republic—and about five thousand square miles of it seems to be part of the British Empire. A British mining corporation obtained a concession for this goodly tract, to last nineteen years.

The reason given for the exploitation was gold. Richard O. Marsh, the famous explorer and discoverer of the tribe of "white" Indians, exposed this as a masked attempt of the British to obtain naval bases on the very edge of the Panama Canal. The mask is pretty thin, for it is generally felt that there is no gold in this country—and it has all the appearance of a military manoeuvre, for the British company has permission to maintain its own guards.

Moreover, there is something very suspicious in the list of names of the British incorporators of this gold-seeking concern. They are all men who either are or have been British government officials. The late Lord Melchett was a

former Cabinet Minister and head of the great Chemical Trust, which makes poison gases. And then there is Mr. Duncan Elliott Alves, the noted British grabber of strategic lands in the Caribbean.

The American Senate ordered an investigation of the matter; but apparently the British are there to stay. Panama, stirred up by various mysterious forces, has shown an anti-American disposition; it has even questioned the sovereignty of the United States in the Canal Zone.

Thus diplomacy, imperialism, and oil churn threateningly in this Balkans of America. The Canal is in danger from the side of Colombia. American loans are made to the Colombian government and the debtor becomes conciliatory. The same cycle follows in Panama. Meanwhile the British hold on to their concessions and fight for more.

The secret war goes on. When will it break out into some overt act, too obvious to be overlooked?

### Chapter 9--Soldiers of the Battle of Oil

In recounting these giant combats, we have taken little notice of the soldiers, the thousands of privates who blindly follow the commands of such generals as Deterding and Rockefeller and go forth to conquer, not governments or politicians, but nature herself in the damp, torrid jungles and in the deserts where sand-storms rage.

Their skirmishes are rarely spectacular, often monotonous, sometimes extremely dangerous. Oil frequently governs domains where its followers must lead dreary, exhausting and heroic lives.

In Argentina there is one of the more remote stretches of the far-flung battle line and one of the most desolate. The Commodore Rivadavia field, on the east coast of Patagonia, is a place to try men's souls. There derricks of metal must be used to resist the terrific windstorms that ravage the southern tip-end of South America. Over these sandy plains the sirocco whistles night and day. The ears of the oil workers buzz until their heads are ready to split.

Masses of sand beat constantly against the cold sheet-iron houses. The *bichucas*, large, fat insects whose bite causes purulent ulcers, penetrate even these metal strongholds. Above all these hardships, perhaps worse than all, is the monotony of the work.

Nerves crack under the strain and the ships are always bringing back broken-down oil men to easier climes. The steel scaffolds tremble ceaselessly, they groan, whine and creak night and day. The pile-driver whose weight descends on the driller, forty centimetres in diameter and weighing a hundred pounds, is attached to cables worked by a powerful lever. This adds a squeaky treble and a drum-like beat to the music of the wind-vibrated derricks. The workers stand stupidly, watching the cables descend. Hour upon hour they do little else. From four o'clock in the morning until noon, from noon till dark, from dark to dawn, they do naught but scrutinize these cables so as to change to a different speed at

the least sign of an irregular pace. From time to time they clean out the drill, remove the sand and soil, then push the casing farther down. A clerk marks the depth on a black table.

At one hundred and sixty metres, the oil men ponder with melancholy on how much farther they have to dig. At least seven hundred metres, perhaps nine

hundred. In the latter case it means four months' work—a dreary prospect: four months of watching the cables. Only an accident can break this awful monotony. Only if the drill is caught in the hole, and the cables are broken, will the stupefied workers spring to action. Then they must "fish out" the smashed drill, a task sometimes of days, more often of weeks, and at times requiring months.

At last the bed of oil is reached. It is a bed, rather than a pool. Oil does not form, as it is often believed, in basins, in subterranean lakes. It hides in mingled strata of sand and porous rock, saturated with oil and gas. This "nap" of sandstone is very porous and contains thousands of cavities or pockets which hold the precious liquid. Its thickness varies from fifty yards, which will give the average small well, to sometimes a mile in depth—source of the big bonanzas. (In California there are wells eight thousand feet deep.)

When the drill pierces this sponge, gas which has accumulated here for thousands of years escapes, drives, sucks and pushes the oil up through the casing. Sometimes this gas is appallingly powerful and the oil is thrown up in a true gusher, forcing the drill, the casing and even the derricks from their connections and throwing them hundreds of feet in the air. At other times there is little gas and then pumps have to be installed to extract the liquid.

These are the joys and sorrows of drilling. A gusher brings rejoicing even when it requires work to harness the monster. Pumps mean simply endless monotony. But the nadir is reached when the sponge, one day, sends no more oil—throws, instead, dirty salt water. Here is the gambling aspect of the game no one knows how long the flow of any given well will last.

The most exciting moment, naturally, is when the sponge is first pierced. Then the bosses gather excitedly around and the four men charged with the drilling are at an agitated centre of interest. The workers are financially concerned, for rich "strikes" bring greater salaries. If the new well flows abundantly, wages—in the Rivadavia field, at least—are raised; but if the drill only pierces a dry sponge, workers are laid off. But there's an odd professional pride besides. If "rainbow" is struck, the drillers are as happy as if all the liquid belonged personally to them.

Oil drillers dream and gossip about the great gushers of the world, which they hope to equal on their own derricks. The Naranjo well in Mexico, for instance, furnished enough oil to have paid the whole National debt of England. Another Mexican well which is widely celebrated was the Cerro Azul, which was only 820 yards deep and yet furnished two hundred thousand barrels a day—as much as all the California wells combined! And it lasted seven years.

Except for these occasional huge troves, the life of the engineers in the oil fields is just as monotonous as those of the workmen. Every day the technical men have to make their forty- or fifty-mile tour of inspection—from one derrick to another, from one drilling operation to another. Always the same daily routine, whether they be in the red sands of Laguna Colorado, the arid deserts of Mexico, the desolate fields of Plaza Huincul, in the Argentine provinces of Neuguen near the Chilian border, or in sandy wind-tortured Rivadavia.

Human beings take many drugs in Plaza Huincul and Commodore Rivadavia

—stupefying narcotics, like opium, heroin, hashish, anything to temper the monotony of existence. Contraband traffic in these drugs prospers. Whoever has the money can purchase such relief from the awful solitude of the pampas.

The companies have taken steps to mitigate this torpid life. Recently, in the Patagonian oil domains, villas, clubs and gardens have sprung up. A quarter of a century ago this was a deserted waste—nothing but the wind, the sand, and a wild sea which upset many attempts at disembarking from the daring vessels that approached the shore. Sometimes, even now, steamers have to remain at anchor for whole weeks before their cargoes can be landed. The bay of St. George is an open roadstead and there is no port; passengers have to be brought to land in little rowboats. Many who come to seek their fortune have been drowned by the fierce waves before they could place a drill in the rich sands.

The pipe-lines are brought right down to the surf and immense pipes are laid out in the sea itself, anchored to giant buoys. The tankers are thus able to fill their bottoms, whether the sea be violent or calm.

There are some twenty thousand oil people gathered in this hellish place. In the neighbouring Plaza fields, there are ten thousand more, who live in a sheet-metal city situated in the midst of a barren pampa, where buzzards and strange birds gather in droves to feed and watch the operations of men.

Yellow, red and silver oil tanks; refineries, wells, houses all surrounded by sand—the sand which penetrates every habitation and which transforms faces into dusty masks. Water is brought in tank wagons and five quarts a day are doled out to each person. Within a radius of one hundred miles of Plaza Huincul, which is situated on an elevated plateau, there is not a living soul. Sand and cactus; here and there the skeleton of a horse or a cow.

Night and day, the oil hands watch closely the drilling cables, contemplate with a stupefied air their rise and descent. Night and day the workmen in the refineries glue their eyes on the thermometers and manometres of the furnaces. Now and then, a trifling explosion and a few men dead. Sand, storm, solitude and monotony. Such is the life of these soldiers of the battle for oil. At least they live in splendid ignorance of the doings of their generals, who rule the high strategy from offices in London or New York.

But the helots of the Spartan armies of oil face even graver dangers than the maddening monotony of such places as Commodore Rivadavia. In the oil states of Oklahoma, Texas and California there can be seen individuals whose faces are haggard, whose eyes shine feverishly and whose pockets are filled with money— money which cannot prevent them from looking like demented people or sufferers from incurable diseases.

They are men who earn over a hundred pounds a month for doing nothing but driving three-ton lorries carefully. However, they must be ready to sacrifice their lives, for at any moment, at any curve in the road, they may be blown to pieces. These men are the drivers of the lorries of "soup," or nitroglycerin, the most dangerous substance in the world. Nitroglycerin is used to facilitate drilling operations. Many tons of it are consumed every day in every oil field in the world.

Special lorries have been built for this traffic to cut down the toll of death, and to-day nitroglycerin is transported in fan-shaped cans, divided into compartments made of rubber, to ease the inevitable bumps. These lorries travel by night, very slowly, taking lonely roads so as to prevent collisions. Painted usually a vivid red, they are avoided by other motorists like the plague. The police of the districts through which they must pass have to be warned of the\* approach; they can stop only outside of inhabited communities, and in special garages. They must also drive around large cities, instead of through them. Any bump or shock, more or less violent, may cause the nitroglycerin to explode. A stone on the road escapes the driver's notice—where a red lorry has been a moment ago, only a large hole appears.

Not long ago a lorry filled with "soup" knocked against the side of a bridge near Fort Worth, Texas, and was instantly reduced to bits, amid a thunderous crash heard for miles around. No trace of the driver was found. Only a few red-painted iron scraps were discovered, about five hundred yards from the scene of the accident.

Charley Turrentine, a former cowboy, is one of the most famous of the "soup" drivers. He has been transporting explosives for eight years—indeed a record of longevity—and his native city of Wichita Falls, Texas, is very proud of him. Five times Charley has miraculously escaped death: five times his lorry was demolished on days when he was off duty. "My hour hasn't come yet," mutters this fatalist. But whenever he takes the wheel of the lorry he thinks of death.

Four shillings for every mile. A driver is supposed to make a minimum of twenty-five miles a day. He can make more if he likes, but hardly any one does. Drivers usually earn, on the average, about a hundred pounds per month, rest days excluded. Rest days are necessary to revive their frayed nerves—to enable them to forget for a while the horror which, in spite of all their fatalism and their apparent calm, dominates their lives.

During the last few years, the percentage of accidents has been one in five. That is, one out of every five drivers "blows up" every year.

The manufacturers of chemicals state that in the near future more dependable explosives will be developed and safety in transporting them will be doubled. In the meantime, every night, large red lorries creep along the roads of American oil states. Employment agencies exploit the work-hunger of the unemployed in order to supply more drivers. A gamble for a suicide; even though it means a hundred and twenty pounds a month.

Nitroglycerin lorries are numerous when oil fires occur. The most drastic and expert methods possible are required to stop these appalling conflagrations which waste hundreds of thousands of barrels of oil. To fight them, specialists are hired, at fees comparable to the perilous and valuable services they render.

The tremendous oil fire at White Point, Texas, was stopped in two weeks by such a specialist. It was a most severe conflagration, caused by a piece of flint striking a spark from the steel construction around the well. The usual effects were disastrously present: a crater formed around the sounding-pipe and a huge column of flame belched forth; for miles around there were scorched prairies, bare trees, blighted vegetation and the nauseating smell of burning oil



...the well, engine, vegetation and the surrounding area of burning oil.

A weird setting; and stranger still was the odd creature that might have been observed climbing up the sand wall on the outside of the crater. The creature was a salamander and the salamander was no less than Tex Thornton, most famous of the men whose trade— that of a "salamander," in the argot of oil—it is to put out oil fires. Thornton is of small stature, thin, wiry, a man of amazing nerve. He had his own retinue to help him. They were all dressed in asbestos suits, "teddy bears," with slits for the eyes over which they wear coloured glasses. Wire cables were attached to their bodies to enable their withdrawal from the fire zone in case of collapse.

It took Thornton three days to reach the sand wall. He fainted three times while trying to climb it and was rescued from cremation by means of the cables. Finally he succeeded in dynamiting a breach in the crater wall. But pieces of the steel construction of the well, by this time, had melted like marshmallows and fallen into the breach, and to remove them took another week.

At last the field seemed set for the salamander's supreme moment. The ground was watered and steam arose from its baking soil. A carpet of asbestos had been spread right up to the crater. And, best of all, the one weak spot in the wall of flame was exposed. The pressure from underground was so great that the gas was not ignited for two yards above the point of escape from the ground. If this base could only be isolated from the flame for one instant, the fire would go out. The plan was to cause an explosion just at this base; the consequent inrush of fresh air would accomplish the curious amputation. But the air pressure caused by the explosion had to be stronger than the pressure of the gas.

To do this, very powerful bombs were necessary. Carrying these round objects filled with nitroglycerin was obviously a dangerous job. But the life of a salamander in any case is hardly an insurable risk.

Thornton crawled forward on the asbestos carpet, holding under each arm a bomb loaded with about seven pounds of nitroglycerin. His helpers kept him drenched with water as far as was possible. Sometimes he took a few running steps, then he crawled on all fours, taking advantage of the lower temperature of the water-soaked ground—an operation much like that of a soldier about to bomb a hostile trench. When he got as close to the crater as he could without perishing from the heat, he stood upright and threw his bombs, then ducked down behind the sand wall. An instant later there were two explosions. When the smoke blew away, there was no flame. A deathly quiet followed. Distant spectators gave a cheer of approval.

But their joy was premature, for another flame shot up. The pressure had not been strong enough and the gas had caught fire again—possibly from a small piece of burning metal, or the sheer heat of the sand.

An hour later Tex tried it again. This time he made a sensational and death-defying attempt. Apparently exhausted from his first raid, he was overcome by the heat and fainted after he had thrown the first bomb.

The second bomb, remaining in his arms, presented a problem. Thornton's assistants started to pull him back with the cables, but desisted for fear some

minor jar might cause an explosion. Suddenly Tex revived. His half-conscious movements seemed to release the second bomb from his arm. It rolled straight through the breach in the wall, toward the bottom of the crater. A moment later two explosions occurred—and this time the Dames were extinguished for good.

It was a costly victory for Tex Thornton, for he had to spend two weeks in the hospital recovering. He lost eleven pounds in weight, but he received three thousand pounds for his work, and after the expenses of assistants and bombs were deducted, he had netted over two thousand pounds. So he made ready for another job. Tex should have a fortune some day—if he survives. Few salamanders do.

The White Point fire was of natural origin. Circumstance and nature were the adversaries here. But what of other fires, started by human hands? In the battle of oil, the incendiary fire is not unknown.

Not long ago one of the most modern of oil-tankers went up in flames near Ras Tamira in the Gulf of Persia. Two of the crew, all of which escaped miraculously, disappeared after landing in the port of Bahrein. Were these men the secret incendiary agents of a rival company? It looked that way.

For this tanker had been constructed to be the answer to science's dream of safe transport. The ship was elaborately protected against fire and explosion. The crew wore shoes without nails. There was not an iron hammer on board—only lead ones, lest a spark might ignite the toil. Compartments filled with water were located between the engine room and the tanks. During the loading of the vessel, all necessary power had to be obtained from a power plant on shore, far from the docks. The pump room was placed in the lowest portion of the ship and was carefully protected. Fifty-six large and special ventilators were installed, to dispel any gases which might accumulate. Yet this vessel, so thoroughly insulated against accidents, was destroyed by fire.

Another accident. A new sounding-well of the Anglo-Persian caught fire mysteriously, early in 1933. It was a spectacular conflagration. Flames rose hundreds of feet in the air, the earth trembled and a curious, dancing light shone over the surrounding country. A forest of derricks looked on stoically at the menace to their own safety. Who or what could have caused it? Everyone wondered; but for the moment the engineers were less interested in investigating than in extinguishing the fire.

The usual methods in such cases is to use explosives; but, as chance had it, there was not a single stick of dynamite in the store-room, or an ounce of nitroglycerin. No time could be wasted, for the other wells might easily become ignited. There was only one solution: to call on the Royal Air Force for help.

The nearest aerodrome was reached by telephone and a few hours later a bombing plane with two hundred pounds of explosives arrived over the scene.

It came just in time. The last water reserves had been exhausted and the rescue workers could no longer moisten the near-by wooden derricks. Like an emblem of warning, the diminishing spray from the hose mixed with the clouds of smoke to form a fiery-red curtain.

The rationale of extinguishing such a fire by aeroplane bombing is simple.

although the operation is hazardous. The pilot has to circle over the fire and drop his bombs directly upon the well. The resultant explosion produces a vacuum; the outer air, rushing into this vacuum, smothers the blaze.

The bombing of this particular well was a perfect example of this, although the crew of the plane found it no easy task. They had no gas masks, and they had to apply, rather ineffectually, wet cloths to their mouths. Also the smoke-cloud from the flaming oil was particularly black and noxious.

From a height of a thousand feet they circled down into the murky vortex. As they left the clear air, they took long final breaths, filling their lungs; as they descended in the churning clouds, the bitter odour of burnt oil seeped through the cloths and irritated their nostrils and throats.

The plane tilted back and forth as if in a wind-storm and the pilot had immense difficulty in controlling it. To make matters worse, the heat became terrific. There was danger of the pilot's losing consciousness. But he held on to the controls and now faced another danger—the pointed derricks, which loomed phantomlike through the murk.

The crew's eyes were swollen and drenched with tears and their throats ached, as they afterwards described it, as if pierced by needle points. Smoke filled their lungs as the pilot swooped downward as if to fly directly into the fire. The plane gave a jerk; he suddenly banked it upward, almost perpendicular to the sky. Wavering, ascending by leaps and bounds, it reached clear air.

Just then it leaped again as if from some terrific shock. For the job was completed. The jerk had attended the dropping of the bombs—directly into the volcano—and the final shock had been due to the explosion. The plane spiraled downward to a ground no longer shaken by the roaring of the burning volcano. The fire was successfully extinguished and the crew, their skin peeling in strips and eyebrows burned, climbed out to receive the congratulations of the

workers.

In the course of the implacable warfare between the great oil trusts, fires like these have been frequent. Newly drilled gushers suddenly ignite, rich wells become pyres, tankage is destroyed, in spite of all precautions. Immense stores of oil have gone up in flames in the course of the Secret War. It is impossible as a rule to establish whether the origin of any oil fire is natural or incendiary.

But if an adversary exerts special efforts to thwart the extinction of a fire, then the signs of guilt become apparent. The best example of this sort was the burning of Well 160 in Moreni, Roumania. Before the war this was the territory of the Germans, the Oil Union of Europe company. But after the Peace of Versailles, the rich oil territory taken by the Allies included the holdings of this German trust, as well as other fields in Russia and Galicia.

Immediately the oil lands around Ploiesti, Roumania, became the battleground of British and Americans. Intrigues, struggles for concessions, and financial warfare in the background followed. When the smoke cleared, Americans were in possession of oil wells adjacent to those of the Dutch-Shell.

In May, 1929, the British drilled Well 160 in Moreni. When a depth of 560

feet was reached—the deepest ever attained in Roumania—a powerful gusher burst forth, carrying with it rock and stones in a shower of black oil. A piece of flint struck the metal construction of the drilling apparatus and sparks ignited the gas. The well went up in flames.

For two years this fire went on, as if fanned by some huge bellows. The gas pressure was that of twenty-five atmospheres at the mouth of the well. The pressure of the oil was estimated at two hundred. The fire became famous throughout the oil world.

This roaring column of flame and smoke made the earth vibrate and vomited burning stones the size of a man's head.

Moreni is a large valley, two hours from Sinaia, the summer residence of the King of Roumania. Under ordinary conditions it is vivid and busy territory, bright with oil tanks and refineries, bristling with derricks. But after the two years of fire it had become a hideous phantom place. Smoke and soot covered everything. People in the valley resembled ghosts and the arc-lights looked like glow-worms. The column of flames, like a huge oil-lamp, leaped up hundreds of feet, diffusing an immense, rosy-white light, by night illuminating everything with a ghastly hue.

Every possible method known to engineers was employed to extinguish the fire. But months passed and it still burned undiminished. The folk of Moreni became accustomed to the trembling of the earth and the perpetual rosy light. But they were anxious. Two to three million cubic metres of oil, it was estimated, gushed forth daily, which meant that three hundred thousand kilos of petrol could have been obtained; in Roumanian money, a million lei was lost.

After a year and a half, the British engineers were in despair. They knew from experience that the underground supply was not inexhaustible. Their competitors, at first delighted with their rival's misfortune, began to fear for their own wealth. The yield from their own wells was diminishing as the gas went up in flames.

The efforts at extinction required infinite patience and resourcefulness. The fire was so strong that it could not be fought from the surface; from the air bombing too was impracticable. So galleries were dug, virtually mines, with the object of tapping the well-casing and thus shutting off the gas pressure. The workers in these tunnels were nude and had to be constantly drenched with water, while the air was artificially cooled. The first gallery collapsed after two weeks' work. The second was started, but the porous soil admitted gas and an explosion occurred, killing five labourers and two engineers.

Undiscouraged, they started another gallery, covering its interior with a layer of mortar. Four months were needed to construct this and to reach the tube. Cutting apparatus, specially constructed, was brought up to cut the well-casing.

But suddenly the workers in the gallery lost control of the apparatus and it crashed down into the casing. A new explosion occurred, and two engineers and three labourers swelled the casualty list of Well 160.

Part of the machinery was saved, however, and an investigation was made. The worst suspicions were confirmed. The metal wires holding back the

The worst suspicions were confirmed. The metal wires holding back the apparatus had been filed through by some unknown hand and there had been a further weakening of the steel supports. In short, it was a case of criminal sabotage.

A reward of two hundred thousand lei was posted for the arrest of the culprit. Most of the engineers felt they knew who had prevented the extinction of the fire, but it was impossible to obtain proof.

Meanwhile, the conflagration had assumed another aspect; a crater formed around the well and it looked for a time as if the fire had extinguished itself. Hope rose as the flames diminished. But suddenly there was a whirlwind of sand and a new gush of flames burst from the crater. The well seemed destined to earn its title, "The Eternal Fire of Moreni."

Work had to begin all over again. And this time it went on without interference. Perhaps those who had inspired the sabotage were afraid of their own wealth, for in the adjoining wells of various companies pressure had diminished and pumping apparatus had to be installed. It was becoming a ruined oil field and all interests were desirous that the game should end. Schopp and Kinley, American specialists, were sent to Moreni and they finally succeeded in diverting the gas pressure and stopping the flames by the use of dynamite. They were feasted and cheered by the inhabitants of Moreni, and, ironically, the adversaries of Well 160 joined in.

Such are the grandeurs and miseries of the soldiers in the battle of oil. The little coolie who lights his lamp in China, the driver who fills his car with petrol, the householder who buys oil for his stove—none of these are aware of the labours, some of them extremely hazardous, which go into the production of the substance they use. Few know of the Tex Thorntons, the Charley Turrentines, the aviators of Persia, or the engineers of Moreni. They read absently, perhaps, of the amounts of production, and the current prices. And then they forget.

The victories of the humble soldiers in the ranks of the oil armies have no immortality save in the columns of figures of company reports, in the charts of the statistical department. The men who experiment, who plan, who labour and die in this work are forgotten.

Their lives form a base of misery and hardship for the immense political-financial pyramids of modern oil corporations.

## **Chapter 10--The Wells of Araby**

### **1. The Young Prince**

" In October 1913, when England launched the Queen Elizabeth, first of the cruisers to burn crude oil, I knew then that it was up to me to concern myself with the supply of oil for my country and not with archaeology."

So wrote Lawrence of Arabia, revealing the realistic background of that great saga which so entranced the literary world. Lawrence's scholarship, his strange intimacy with and love of an alien people, his heroism and hardships—all were at the service of the British yearning for the wells of Araby.

Lawrence was not the only English protagonist in the drama of oil in the Near East. He wrote these words to another archaeologist, Miss Gertrude Bell, one of the few women to appear in the story of oil.

After taking a brilliant degree at Oxford, Gertrude Bell traveled widely in the East and studied the Oriental languages. She found that she had as natural an aptitude for this as Lawrence himself, and she gained such an extraordinary command of Arabian dialects that she became the only woman in the world who was able to write and speak Arabic faultlessly. When it is considered that Arabic has, for example, thirty-six different forms of the plural, one gets an idea of the difficulty of Gertrude Bell's accomplishment.

She roved Arabia, studying the dialects and manners of the people and examining the mysterious and fascinating pre-historic ruins. She explored the ancient cities of Babylon and Nineveh and, musing over the massive labours of Rawlinson, the famous decipherer of cuneiform characters, she wondered why Lawrence, of whom of course she knew, had abandoned this absorbing study. She asked him point-blank. He replied as above.

Lawrence's reply made such an impression on Miss Bell that when Anglo-Persian officials, attracted by her linguistic reputation, asked her to join their service, she accepted. Later she was placed in the same bureau of the Intelligence Service of the British government as Lawrence. For some years she put out of her mind all thoughts of archaeology, of scholarly research, and concentrated on the battle for oil. She found in a series of adventurous petroleum-spotting expeditions into Arabia a romantic release for her energies more fascinating than archaeology itself. She penetrated regions from which no white person had ever emerged alive. Equipped with a guide, six camels laden with bottles of soda—a prime necessity in the arid regions of the East—and her uncanny knowledge of Arabic, she was seen everywhere, in the most forbidding parts of Arabia, among the most hostile tribes.

At that time, the struggle for Mesopotamian oil had reached a peak of intensity. The British had the regional oil concessions how obtained we shall see—but could not develop them with any safety because of tribal disorder. The British High Commissioner, appointed after the capture of Bagdad by the English, was acquainted with but few of the Arabian sheiks—he had neglected the important desert leaders and was on good terms only with the weaker and more negligible. Besides, he was unable to communicate his sentiments and proposals to them because the interpreters had badly translated his proclamations. Wholesale insurrection was the daily threat.

Gertrude Bell achieved a masterpiece. She held a banquet for the Arab chieftains, conversed personally with each of the forty-odd guests, addressed each by his name and particular rank, and talked with each in his own native dialect. Never before had such a feat been accomplished. The sheiks were enthusiastic about the English woman. They expressed themselves as willing to negotiate with the English. It was, finally, on the proposal of Gertrude Bell that they agreed to recognize as King of Iraq the son of Hussein, King of Hedjaz, the young sheik Feisal.

Lawrence, as his readers will recall, admired Feisal, and the king accepted the status of his country as a British protectorate. He ratified for his sponsors

the huge oil concessions whose protection was their underlying objective. By the time of his mysterious death he had made Iraq a member of the League of Nations, and at the same time an important auxiliary of the British Empire in the Orient.

When King Feisal paid a visit to London in June, 1933, he was lavishly entertained. Oil had done this, through the endeavours of Lawrence, for a petty sheik whose countless ancestors and modern rivals lived lives of hopeless obscurity in the desert wastes of Arabia.

King Feisal—a character from the Thousand and One Nights. Tall, attractive, his handsome face framed in a light black beard, under an immense turban whose train descended to his waist—he had the appearance of a genie lost among humans.

Feisal's ambition even up to the last day of his life was to establish "The United States of Arabia." Indeed, he almost succeeded in this task. His father had the throne of Hedjaz, his brother that of Transjordan. Egged on by his English advisers, he himself early in his career had coveted Syria and proclaimed himself king of that realm. But France, who held Syria under a mandate from the League, would have none of this. An ultimatum from the Quai d'Orsay was sent to Feisal. The date of the peremptory command expired and General Gouraud, the one-armed hero of the Marne, launched his blue legions against Feisal's subordinate, Khan Meissaloun. Feisal went forth to battle, was defeated, fled back to his own country.

And now, in London, ten years later, Feisal met Gouraud. As soon as he saw the French general, he dignifiedly made as if to retire. The witty general, however, with elaborate courtesy, approached him and said: "So you are still fleeing from me?"

General Gouraud could have laughed for other reasons. For Britain still had her troubles in spite of the submission of Feisal. There was dissension among the tribes, and among the Arabian experts, too. Whom should England back in the long run—Ibn Saud, chief of the fierce and growing sect of the Wahabis, new pretender to the throne of Arabia; or Feisal, Europeanized member of the old Mohammedan Communion? Colonel Lawrence and Gertrude Bell naturally were for Feisal. But another man, experienced in the new conditions arising in Arabia, had arisen as a rival of Lawrence. H. St. J. Philby contended that Ibn Saud was the man of destiny.

But after all it was an oil question. And the oil men were satisfied that Feisal should remain King of Iraq, provided that he let his government be run by Anglo-Persian geologists and British officials. Squadrons of the Royal Air Force were stationed permanently in his territory. They had work to do, for a revolutionary party demanding independence from Britain now arose, and Feisal, his life threatened by revolutionaries and fanatics, left Arabia to become a sort of international boulevardier.

But underneath the derricks of Iraq—so like the ancient Chaldean temples of the region—oil flowed steadily. This was the main thing.

Oil history queerly repeats itself. Some of these Iraq gushers had been discovered by a missionary. Odd how priests and petroleum-seekers cross each

other's paths.

The luckless D'Arcy of Persia had been a religious fanatic. Sidney Reilly had been a spy masquerading as a priest. It was a true minister of God, the Reverend Harwood, who first discovered oil for England in Iraq.

Harwood, who had won over tribes and their emirs by his evangelical eloquence, at one time or another during his years of zealous labour had obtained all the concessions for himself. And now the British, having elaborately arranged the government of Iraq to their liking, stumbled vainly against this obdurate man. Harwood refused to sell the concession, no matter what the price offered.

Did I say that history repeated itself? The British Intelligence Service sent another "preacher" into Iraq. This man proselytized just as ably as Harwood, particularly in the territory between the Tigris and Euphrates rivers, and contrived to become acquainted with many tribes. He also approached Harwood and became his fast friend. Harwood by this time had reached the precarious age of eighty and, becoming very fond of the new missionary, adopted him as his son and left him, when he died, all his concessions.

He did not know that the Intelligence Service had merely been working on his "case" — nor did he know the story of how it had previously obtained, in Persia, the concessions of the gullible D'Arcy.

So the agent in Iraq had done his job as well as Sidney Reilly. The oil of Iraq was in the hands of the English. And in course of time King Feisal became England's agent himself, conserving for his backers a treasure which soon flowed to the tune of eight hundred thousand pounds sterling a month.

This petty sheik, who became the friend of the King of England, met a mysterious death. On the seventh of September, 1933, at Berne, in Switzerland, after a motor-car ride, Feisal returned to his room. An hour later he was dead.

The first person to enter the death chamber was the hotel manager, M. Eggiman. He also died suddenly, the same day. Indeed a strange coincidence.

Embolism was the official cause of Feisal's death, as given out to the press. The royal funeral cortege left on an English cruiser for Caiffa, whence it was transported by plane to Bagdad—a Bagdad which both mourned and struggled. For Feisal's heir, Prince Ghazi, was the centre of another battle, dangerous for the throne of Iraq, more dangerous for the Anglo-Persian oil derricks.

But in Berne, in Paris, in London, and wherever oil men gather, it was whispered that King Feisal had been indiscreet enough to flirt with American oil magnates. Frequently it was stressed that his death was very sudden and mysterious. There were frequent denials from official sources that he was poisoned, and an Arabic newspaper was suppressed by the British because it alleged suicide. Very melodramatic theories; but the whisperings were certainly there. Was King Feisal a casualty in the Secret War?

## **2. Desert Dervish**

Feisal had loved power and riches, and for these he was willing to submit to the English and to work for them. But there are always some men for whom oil



and such emoluments as it brings have less value than religion or power within their own country.

Such a man is Ibn Saud, King of the Wahabite sect and, years before Feisal died, an aspirant to the throne of Arabia. The Wahabis are a fanatical branch of the great Mohammedan religion. They demand strict adherence to the Koran, with rigorous observance of its Puritanical code, and they preserve a hatred for unbelievers that is comparable only to that of the medieval Saracens. This cult has spread all over the Mohammedan world. It is particularly strong in North Africa, but its central site, as well as that of Mohammedanism in general, is Mecca, the objective of pilgrims from all over the East.

After many years of struggle, Ibn Saud had possessed himself of this Holy Place. The act was symbolic of the growing power of this fierce chieftain.

All during Feisal's reign, St. John Philby, who knew Ibn Saud, had warned the Intelligence Service that here was triple brass—here was a rising power which should be courted, even at the cost of deserting Feisal. Philby did his best to mollify the hatred of the fanatical sheik against the King who laid aside his turban to consort with unbelievers on Continental boulevards. Were there not other unregenerate forces in the East—for instance, the French protectorates—against which a war would be just as "holy"?

From his headquarters at Djeddah, Arabia, a house filled with monkeys and machine-guns, Philby carried on his own particular war against the policies of Lawrence and Gertrude Bell, in the counsels of the British Intelligence Service. He cultivated the friendship of Ibn Saud. Philby was working consistently for a change in the English policy in Mesopotamia.

But toward the end of Feisal's reign war broke out between Ibn Saud and Feisal. Where did Saud get his arms? It was rumoured that the American oil interests had become strong for the "old-time religion" in Arabia. In any case it was certain that American steamers had brought arms to Djeddah.

The war was protracted and fierce. Ibn Saud gained new stretches of the vast, arid peninsula. Finally English diplomacy brought about a peace. Feisal was still upon his throne. This was in 1929.

The Peace was concluded and signed on board an English cable-layer in the Persian Gulf, off shores rendered dangerous by deceptive shallows and reefs. The vessel anchored at Ras Tanourah and the gun crew waited impatiently to fire the twenty-one shots which the presence of His Majesty Ibn Saud demanded. But Ibn Saud took his time. In his eyes, this conference was not nearly as important as it was for King Feisal.

Finally he arrived, surrounded by ninety natives clad in red and armed to the teeth. There followed a formal introduction on the bridge of the ship. Ibn Saud showed himself to be, for a fanatic, quite amiable. A man of medium height, with calm, unwarlike features—nothing in his appearance to suggest the conqueror of almost all Arabia, the man who not only worried England but also commanded the respect of the imperious and international Deterding. Ibn Saud is silent. He lets his foreign minister speak, and the latter likes to talk: he is garrulous, a Syrian who can express himself with fluency and elegance in both English and French.

There is a banquet on the deck. A long table is set with many exotic dishes. The guests crowd round in such numbers there is hardly room for the plates. But they eat with spoons instead of with the fingers of the right hand, which is a great concession to European customs. In the middle of the table is a large platter heaped with rice and containing the heads of five sheep. There is also fish, chicken, roast meats, tomatoes, ices and fruits; and, as is the custom in the East, many pastries. For drink there is only water, for Ibn Saud is a strict believer who observes Mohammedan prohibition.

Above it all floats the royal flag of Iraq—a piece of green silk with white borders and covered with Arabic characters.

Another similar but larger flag surmounts the steamer *Lubin*, chosen to be the neutral meeting-place of the conference. As the cable-layer bearing Ibn Saud approaches, salvos thunder. On the other side of the *Lubin* is the governmental cruiser *Neadus*, on which is King Feisal. An English military plane circles over the scene. To the rumble of the aeroplane motor, the kings board the *Lubin*, each from his own side of the ship. Salutations in Arabic, kisses and embraces.

The High Commissioner for Mesopotamia joins them. He is the man who has called the conference, has made all the preparations, has directed all the preliminary *pourparlers* for the restoration of peace in oil-bearing Araby.

Officially all sorts of questions are discussed— frontiers, religious differences, facilities for commercial transactions, efforts to end the many interior wars. Both parties have brought their experts on oil.

King Feisal continues to smile. In his well-cut European clothes he looks like a Continental business man of the type that likes to travel, live well and laugh much.

Ibn Saud, by contrast, looks every inch the ascetic, the fanatic. For hours he sits stolidly while the counselors wrangle. For him it all seems no more important than a bargain over rugs in the bazaars of sacred Mecca. The ministers of the two parties take turns in stating their cases. Feisal's spokesmen propose firm alliances. Ibn Saud replies to all these advances, evasively but suavely, repeating monotonously that merely to be acquainted with his neighbours is pleasure enough.

It is apparent that Feisal has attended the conferences of the League of Nations in Geneva. He speaks a great deal. His subordinates have the same technique. Their negotiations with the English on the subject of oil have given them experience and assurance. Little by little they awaken the interest of Ibn Saud.

Finally a contract is drawn up and the High Commissioner is satisfied. For England must be pleased, and the oil owners do not want their derricks to remain inactive. Ibn Saud receives a great deal of money— about eight hundred thousand pounds—and forgets a few of his ideals. He holds a dinner on board: more platters filled with meat, more conversations as sugary as the exotic desserts. A flash-light photo is taken of the gathering—an operation that somewhat disturbs the calm of Ibn Saud; immediately his guards take their

Some what disturbs the calm of Ibn Saud, immediately his guards take their places around him. Guns go off very easily in these countries—and one never knows.... In fact both kings have been on their guard. Before the meeting was arranged, there had been long discussions about escorts, and instead of three ships a dozen would have been necessary to house the large number of troops each king wanted to bring with him. Finally they had settled on only one hundred guards apiece.

The conference breaks up, the cable-layer prepares to resume its prosaic occupation, and Ibn Saud engages in a last and most generous gesture. "For he's a jolly good fellow," affirm the sailors. He gave each seaman a month's salary in silver, offered gold sovereigns to the officers, and in all distributed about six hundred pounds in tips. Each sailor also received a pretty little rug as a souvenir. The radio operator who sent to London the gladsome news of the success of the conference was surprised to receive one hundred pounds. Deterding's officials, after such an anxious wait to see their plans come true, were no less generous.

So Feisal's death, when it comes, disturbs the oil situation very little. The essential matter, the security of the oil development, is settled before he, perhaps melodramatically, makes his exit from the scene.

Nowadays, the Wahabis of Ibn Saud leave the oil wells of Mesopotamia in peace. At least for a while, though year by year Ibn Saud gathers more territory under his banner, and these idealists are always uncertain in a business deal. In 1934 he conquers the Emirate of Yemen, dangerously close to the British port of Aden, coaling stations for all vessels going through the Suez Canal. But St. John Philby stands by and the wells of Kirkouk flow on freely. The Turks, on the other side of Mesopotamia, of course, look jealously at the oil-rich Mosul. The Near East always was a jittery place.

Oil from the derricks of Mesopotamia—which means, by a common popular error, oil from the derricks of Mosul. We may be permitted a pause in which to admire the pure colour of this scene, most richly romantic of stage-settings in the drama of oil. In August 1933, when the Kurds and the soldiers of Feisal were massacring people called Assyrians and Chaldeans, the world was reminded that the ancestors of the workers around the Mosul derricks had been bishops and emirs in Babylon at the time when that ancient city was a metropolis four times larger than Paris—that these very modern oil workers spoke the Chaldean tongue, used the same words which their ancestors had spoken five thousand years before.

Bagdad now is no longer the City of the Thousand and One Nights. It is an English colonial city, full of motor-cars, clamorous with the sounds of the sirens of the motor-launches that ply the Tigris. Trains run regularly from Bagdad to Kirkouk, the oil town, halfway between Bagdad and Mosul.

Mosul, proper, produces not oil but muslin, the light goods stuff of the Orient. But miles count little amid these deserts, and the politicians who dispute the treasures of this region are ignorant of its geography. Thus the name Mosul has come to be associated with the idea of oil, while the engineers of the Anglo-Persian instal at Kirkouk, the actual centre of oil, storage tanks, pipe-lines and drilling machines for their subsidiary, the Turkish Petroleum Company, half of which is owned by Anglo-Persian and Shell. Twenty-one per cent of the T.P.C.

belongs to Standard Oil, as a result of a deal which the United States State Department made by throwing over the oppressed Armenians at the famous Lausanne (oil trading) conference of 1923. On the sands of the ancient realms of the Chaldeans they have built an oil town, dirty and malodorous, typical dependency of the oil interests.

Since time immemorial the Assyrians and Chaldeans have poured petroleum into little earthen vases. Here in past centuries burned the sacred fires of the worshippers of Ormuzd. The descendants of these Babylonians now handle long serpents of steel, which bite into the ground; they erect high derricks and construct giant reservoirs, all painted the customary flaming yellow of the Shell Oil Company. Miles away, German and English scholars are digging in the ashes of the hill under which sleeps Nineveh, in order to bring to light the treasures of the oldest library in the world.

Nineveh is now called Mosul; a mere cluster of houses around the boat-bridge across the Tigris. A little city filled with a variety of strange sects who adore, among others, the Jesuits, the devil, the Gebria of Fire, the Sabeni of Water and the Baklachis of the trees. It is peopled by Kurds, also known as Mussulmans, by many Jews, many Assyrians and Chaldeans professing the Christian religion. All are at war with one another and hate each other—sinister crop of hatreds which the oil companies yet may harvest, which promises troubles without end in the future. Religion, nationalism, and oil.

The savants who burrow into the ground for the treasures of ancient Nineveh are armed and have to be guarded by troops. They exhume day by day tablets of earthenware, military and diplomatic archives, recipes for perfumes, poems, scientific dissertations, astronomical calculations.

Remnants of a race fast disappearing. Beyond the hills stretches the melancholy country of the Greater and Lesser Zab, dried fields and little villages whose habitations are miserable sod huts. The Chaldeans who occupy them wear high-pointed and plumed hats, and carry iron gloves and round metal bucklers. They go into the fields to cut the grain with scythes, armed with ancient weapons—for lack of modern ones— against the assaults of Kurd brigands. Slowly these people are dying out. The Chaldean and Assyrian bazaars in Bagdad are ruined by tariffs. The peasants die from the bullets of their religious enemies. And the Assyrian oil workers of Kirkouk lack physical resistance against the noxious fumes of the refineries.

But no one cares. The oil of Mesopotamia continues to flow. The well of Baba Gourgour alone delivers thirty-six thousand barrels a day.

Valuable in themselves as are these wells in Mesopotamia, they serve a yet more vital secondary purpose for Deterding and the Anglo-Persian Company. The greatest reservoir for the British Navy is in Persia, in the concessions originally obtained by the picturesque D'Arcy. Persia knows that these are worth much to the British government, and its rulers have extracted as much in taxes and concession payments as they could; so much that the Persian government has come to live on the quietus money secured from the British.

But what if the British, driven too far by such taxation, should neglect the Persian wells for Mesopotamia? Less taxes, slimmer revenues for the Persian

government would result. So Mesopotamia acts as a check on the Shah's rapacity.

On the other hand, the Shah has his cards to play in the event this should take place. The Standard Oil and other American companies have been flirting with the Teheran oil ministers. And an even more powerful influence, Russia, has entered the Persian oil complex.

### 3. The Colonel Lawrence of the Soviets

Russia became interested in Persia when some concessions in the extreme northern part of the country were sold by a Russian subject to Great Britain. This particular Russian, a White, acknowledged no sovereign save the defunct Czar. The Soviets acknowledged the right of no one to dispose of Russian concessions save itself.

The Anglo-Persian countered with a statement that the Russian gentleman, Khostoria, was a Georgian, and thus subject to the then independent Georgian government. Years of struggle over these concessions followed, with the climax in 1923.

By that year, the Anglo-Persian with the British government behind it had become indeed a gigantic and powerful trust. Its capital had been increased by fourteen million pounds. In 1923 it had paid more than ten million pounds of dividends to its shareholders. The Persian concession obtained via D'Arcy was apparently secure, even if the Khostoria one were not, and the Imperial British oil colossus felt safe until 1960 at least.

But in 1923 the treaty guaranteeing all these concessions was jeopardized, and in 1932 it was revoked, abruptly and point-blank, by the Shah!

What had happened? What did it portend? How had such an astounding event come to pass? What man, what influence, what power had dared to set off this tremendous bombshell under King George's petroleum-cart?

Recalling how the Anglo-Persian had obtained the concession in the first place, through the machinations of the Secret Service and its clever agent Reilly, one is tempted to reflect on the workings of poetic justice. For what was done from Whitehall was undone by another Secret Service, operating from the Kremlin. And the OGPU had its Reilly, or more accurately its Colonel Lawrence. We come to the dramatic story of the Soviet secret agent, Einhorn.

Before the war, Baku, in Russia, on the Caspian Sea, was the scene of a curious ceremony. Once a year the local producers of oil used to file out of their refineries and derricks in religious procession. The air was filled with a fine mist of oil—a frequent occurrence in this field of richly overcharged wells. With this extraordinary chrism, a priest baptized the son and heir of one of the oil magnates, while the others knelt and crossed themselves. Religion genuflecting in Petroleum's cause.

Oil had indeed made Baku an important place. One observer described it as "a finger extended toward Asia"—a menacing digit which pointed as in warning at the Anglo-Persian control of Persia to the south. The great Russian deposits are situated on a long, thin neck of land, very much like a finger. With the

Russian wells going full blast after the war, under the encouragement of that old Baku worker, Stalin, this was indeed a threat to the British enterprise farther south; for southward the Soviets pushed in the oil and propaganda war—toward Mosul, toward the lower fields of Iraq, and especially toward Persia.

As the nearest competitor of the Anglo-Persian, naturally the Soviets looked with interest at Persian events. Northern Persia became almost an economic dependency of Russia; Russia bought ninety per cent of its products and Russian banks dominated the district. And the oil of Northern Persia found its logical outlet through Baku; too many miles of desert untraversed by railroads or pipe-lines separated it from Southern Persia, the preserves of the Anglo-Persian Company, and its ports on the Persian Gulf.

Thus, when Britain claimed title to the oil concessions of Northern Persia, all of the Soviet's diplomacy and espionage was mobilized to the contrary.

The U.S.S.R. pursued a policy—a sort of good-Samaritan, non-imperialistic programme—that was irresistible, especially when offered against the grasping, strong-arm tactics of the English. Graciously the Russians ceded any and all concessions in Northern Persia, obtained under the Czar (Khostoria's included), to the government of Persia—renounced all claims on them—with one stipulation: that these oil lands should not be conceded to any other foreign nation!

They then aided the Persians in founding the Ghilan Oil Company, a small concern existing mainly on paper, which has not had the strength as yet to exploit the fields. If the Ghilan Company ever were to produce oil, how could it be exported from Persia, save through Baku? So, under the mask of magnanimity, the Russians protected themselves and made friends of the Persians.

Was ever anything more adroit? Russia had played the disinterested friend to the Persians without losing anything it had ever had or stood to have, while ousting the British from the Khostoria claim. But Russia hadn't taken those deposits—Persia had—and Persia would keep them, too, the British being hardly in a position to protest. This is Diplomacy.

Diplomacy needs an intelligence service, however— and thus, enter Einhorn. Einhorn, agent of the dread Ogpu.

A man of mystery indeed. Few knew anything very definite about him. A prematurely old young man, taciturn and cryptic, with thick, voluptuous lips and large, dreamy black eyes. Although it is said that Einhorn was the son of a groom, risen from the proletariat at the time of the Bolshevik Revolution, he spoke French, German and English like a Quai d'Orsay diplomat and knew six Oriental languages to boot.

Before entering the Persian drama, Einhorn was seen in various European capitals. He worked for the Ogpu for a time in Danzig, where he used to be found in the Komplex Bar, watching the Soviet spies Patine and Kalina, who were under the orders of a mysterious Princess. This Princess, relative of the dead Czar, kept a large chateau on the Riviera and pretended to direct an anti-Bolshevist committee, while she surreptitiously took Bolshevist money from

EMPHASIS IN EXCHANGE FOR INFORMATION. MURKY PLOTS AND COUNTERPLOTS.

In 1921 Einhorn was employed for greater tasks. Early in that year he arrived one day in the celebrated Room 184 of the OGPU in Lubyanka Street, Moscow. This room houses the brain of the special service of the OGPU; in it the essentials of all secret reports are set down in enormous files. And here Einhorn studied the oil question. He shut himself up day and night in this information-packed chamber. Soon he had at his command all the facts regarding the moves of British and American oil men in the Near East, and identified all the secret agents.

Einhorn studied the world oil charts. He saw the immense power of Standard, with its great capitalization and many subsidiaries—the work of a little clerk in a Cleveland brokerage shop. He appraised the wealth of the Dutch Napoleon, Deterding, who had risen from the cage of an Amsterdam Bank to become a giant even greater than the American colossus. But Einhorn was a strict Marxist. He was not stirred by the tale of this rugged individualism to any personal ambitions of his own. He saw in it only an opportunity to advance the cause of collectivist Russia.

He saw how Russian oil had been before the war— inefficient, spread among hundreds of competing magnates, but rich in spouting oil-fields, perhaps potentially the richest territory in the world. From the pre-revolutionary days, when many little Russian companies had fought a futile battle against the strong British and American trusts, he saw Russian oil rise through nationalization to a tremendous world force, his government's greatest bargaining asset with the capitalist world. Now a battle against these foreign adversaries seemed less one-sided.

The Baku and Caspian fields were not Russia's only reservoirs of black gold. The Soviets had scouted and found others; new deposits, fabulously rich, in the Asiatic Soviet republics, in Ural, and near the frontiers of Afghanistan. The north-west shore of Lake Baikal had proved to be, for a long distance, the bed of an enormously rich oil reserve. Above the Arctic circle and on the Turkestan deserts the Soviets had mapped out other new oil regions. And the U.S.S.R. alone held all this— no concessions had been given, or even considered, since the days when the Bolsheviks were rebuffed at Genoa.

Americans had made calculations and scientific researches to prove that oil basins existed between Sir Daria and Kru Daria, in old Oxus. The Soviets set up republics in Bokhara, in Tadshkiistan and Turkestan, and gobbled up these treasures. Foreign prospectors, who in the Gobi, the Kara-Houmet and the famous "Hunger" deserts had tried to find oil, had never returned. Why?

Einhorn knew the answer.

He knew, too, the possibilities, the enormous riches, of that vast terrain extending over twenty degrees of latitude and twelve of longitude, isolated by the mountains of Hindoukouch and the deserts of Tibet and Afghanistan; wild districts whose populations have been persuaded that the research parties of Europeans, announced to be looking for dinosaur bones or archaeological ruins, have but one aim—to get oil and so to exploit the people.

For years, Colonel Younghusband, the great authority on Asia, had tried to

explore these regions. Not one of his agents had returned.

Einhorn rejoiced in these protected Russian reserves. He rejoiced in the steady increase of Russian oil production in the Caspian country—and he admired the efficiency of M. Lanov, president of the "Sayouzneft," the official Russian petroleum trust. Here was a new giant, worthy to match strength with the two ogres from England and America.

Einhorn preferred to join battle with the British first. British Imperial policy had made the British the sworn enemies of the Soviets. While most of the world believed that the Bolsheviks had their eyes on India, those who knew oil and the Anglo-Persian were aware that the real vortex of the clash lay midway between the two countries, in Persia. And there Einhorn tilted his lance at the British lion.

He sent agents to America to sound the Standard as to an alliance against Deterding. It was a fruitful move, as will be seen—although the agents brought home quite a different quarry to Rockefeller.

Einhorn now set out stealthily, as befits an agent for the Ogpu. A Lett, a member of the Lettish Communist Party, came to Moscow to work in the Ministry of Commerce. His name was Edelstein, and he bore close resemblance to Einhorn. His passport was sent to the laboratory of the Ogpu Foreign section. There they removed Edelstein's photo and substituted Einhorn's and Einhorn became Edelstein.

Armed with this passport stamped with the necessary visas, Einhorn arrived safely at Teheran, the capital of Persia. By the end of a month he was the respectable proprietor of a fine garage in the principal street of that capital. The sub-agents under him used cars from his garage for trips all over Persia, gathering information.

When the British Minister, Clive, and Timour Tache, the Persian Minister, engaged in negotiating about the oil industry, Einhorn got the substance of it—from Tache, via the Russian Ambassador, and also from intercepting communications either by post or telegraph. The mail of the local bureau of the Anglo Persian was examined by secret connections in the postal service.

One day Einhorn had a scare. He was recognized by a Russian chauffeur whom he had once encountered in Odessa. At that time he had been a member of the Cheka in the Black Sea port and he had had this Russian arrested. But by means of bribery and employing the Russian in the garage, he was able to evade discovery. Persia organized for espionage, Einhorn at last found what he had been looking for—a man.

It was Rhiza Khan. History may yet name him as having played the most important role in Persian annals since Artaxerxes reigned in the fifth century B.C. Twenty years ago Rhiza, in the little village of Massanderan, was currying horses like thousands of other cavalrymen. By valour, by cleverness and the usual circumstances that favour the great, he rose rapidly from the ranks to become the supreme chief of the Persian armies.

It was this man whom Einhorn proceeded to win over to a working agreement with the Soviets. He played upon Rhiza's latent hatred of the British



agreement with the Soviets. He played upon Rhiza's latent hatred of the British, and quite especially upon his violent nationalism. For Rhiza aspired to restore Persia to the strength and grandeur of two thousand years ago. Einhorn, as a communist, no doubt sneered at this as well as other nationalisms—privately—but he found it politic to foster Persian aspirations at the expense of the Anglo-Persian.

Communist spy and Persian patriot plotted together, each for his own end.

It was in 1925 that Rhiza Khan seized complete control of the government and had himself proclaimed Shah I Shah, Emperor and absolute ruler of the Persians. The former sergeant in the horse guards was now "Shah Pahlavi," but his ambition was not yet attained. He was determined to raise Persia high in the ranks of nations, as rapidly as he had risen to his own career.

Einhorn's manoeuvres now produced their result. Rhiza Khan angrily revoked England's protectorate treaty with Persia and left the Anglo-Persian oil titles distinctly up a tree. He also made the first gestures of orienting Persian policy in the direction of Russia.

But at this culminating moment, the subtle Russian agent could not stay in Teheran to enjoy his triumph. He had to fly back to Moscow on important business. His agents in America had returned with an American ally—not Standard—but another battle-scarred American titan who aspired to become a second Rockefeller.

### **Chapter 11--The Nemesis of Sinclair**

The new giant bore a name that was destined to be on the lips of every American, and with a peculiar connotation. At the time of his spectacular arrival in Soviet Russia, to throw down the gauntlet boldly to both Deterding and Standard and win the vast prize for himself, that name was familiar mainly to Wall Street, Oklahoma, and official Washington. It was, in short, Harry F. Sinclair.

Never, perhaps, had so thoroughly American a figure moved into the foreign field. Those who summoned Einhorn back from Persia to interview and deal with him made sure they had found an ally who was as typical of American capital as Einhorn himself was of Russian communism. Harry Sinclair was part of the crude output of the Oklahoma oil fields. With none of the college accent, impeccable manners or haughty egoism that characterized the officials of Standard, Sinclair could talk the language of the oil skimmers of the Seminole and make them like it. He had talked that language to Wall Street, and the Street had liked it. He talked it now to the Russians, and they liked it.

Sinclair was an oil "independent." Son of a drugstore proprietor in southern Kansas, he had begun to acquire oil properties about 1903. He started with "backyard" leases in small Kansas towns, and made them pay. He learned how to "steal" Indians, that requisite of early oil promoters in Oklahoma. (Minor Indians, likely to inherit potential oil fields, were often persuaded to pledge

their lands in advance of their majority to smooth-tongued whites, who watched them carefully until the pledge was redeemed.)

His possessions grew. He became the owner of ample fields and a few

refineries in Oklahoma. He formed the Prairie Corporation. And he moved to New York, where he won support from Wall Street: that part of the Street, at least, which wasn't under the Rockefeller thumb.

Before he was forty, Sinclair had amassed a fortune of fifty million dollars and taken his place alongside Doheny, Marland and other figures who rotated in seeming independence about the great axis of Standard. He was a picturesque, homespun figure, a bluff and self-made financier. He became the first man to sell oil bonds in Wall Street, and he never quite got over the feat. He had founded, in his early days, a dozen brass bands in south-western towns. He was the first man to wear silk underwear in the Oklahoma oil territory; he threatened to rival Lord Derby as the Maecenas of horse-flesh; his "Zev" won honours on numerous tracks. In New York, he bought and sold again a magnificent chateau on Fifth Avenue. He became noted as the best amateur chef among big business men.

Sinclair became the embodiment of American high-pressure business. He flew by plane to his various fiefs. He undertook huge financing issues to underwrite his enterprises. He was ambitious and resourceful. It was inevitable that he should try to expand in the foreign field. Challenging Standard with such success at home, why should he not defy her abroad?

His first ventures in foreign lands were in Latin America. He obtained a concession in Costa Rica after the American government had chased the British from that country. He took a fling in Mexico, another in South America, a third in West Africa. But he planned his biggest campaign in Soviet Russia.

Deal with the cursed Bolsheviks? Sure! They had oil!

In 1923 Sinclair moved toward Moscow with probably the greatest argosy of oil experts ever assembled. He stopped in London to converse with Leonid Krassin, the Soviet envoy. He could not have met a better man. Krassin had started his career as a Bolshevik intellectual after being a power-plant engineer in Baku; he was oil-wise. He received Sinclair cordially, for he knew his ability and independence. Here was indeed a fresh and welcome personality in the oil poker game; in the American slang of the moment, an oil "Bolshevik."

First of all, Sinclair had been no party to the ridiculous Deterding-Rockefeller oil blockade, with the slogan of "stolen oil," which had exacerbated the Soviets so intensely. Sinclair's company was not heavy and cumbersome with restrictions, like Dutch-Shell and Standard—it was easily adaptable, in a speculative way. Nor had he any scruples about gobbling up the old confiscated claims of other companies.

In any case, the Soviets were in a receptive mood. Disgusted with Standard and Deterding, but struggling for an industrial start, they were still desirous of leasing some of their larger fields. And they wanted to deal with an American.

It meant money for mighty national projects, and the connections of Sinclair seemed to promise the bonanza of which they dreamed—American recognition and credits. They knew the value of their oil treasures as a political and financial bargaining lever; Sinclair was to them an ideal fulcrum.

For Sinclair had powerful friends in American politics. The American President Harding was his close friend. He was well acquainted too with

President, Harding, was his close friend. He was well acquainted, too, with Harding's cabinet. Secretaries Daugherty and Denby, as the world vividly remembers, were then in office. Sinclair at this time could use these great names, and with absolute sincerity, as high cards in his game with the Soviet representatives.

So the strangest of conversations began, strange because of the eager good will on both sides; conversations between subtle and distrustful diplomats who hated all things capitalistic, and a sanguine self-made capitalist who might have posed for a statue of Rugged Individualism itself. Sinclair learned rapidly. He soon found that American recognition of Russia was a sine qua non of his potential operations there. Few American business men would care to invest hundreds of millions of dollars in a land which was vowed to the destruction of capitalism, a land where they could expect little redress for grievances save what the Soviets would care to give out of pure charity. An American Ambassador, embodying the protection of his own government, was necessary to Sinclair if he were to make himself an oil monarch in Russia.

Yet it almost seems he envisaged recognition, for his propositions were indeed on a grand scale. He proposed to swallow the whole oil industry of Russia, through a monopoly concession on all fields. He wanted all the refineries. He wanted rights to erect plants and lay pipe-lines. He planned to sell the oil he produced in Russia itself, and he offered, besides, to act as Russia's oil salesman to the world. It seemed, on the surface, a typical case of an American high-pressure promoter taking a backward country upon an exceedingly high mountain and offering the earth—for its oil.

But the Soviets were backward only in engineering. They knew their Marx and realized the danger of granting all oil power and profits to one individual. They countered with offers of a concession in one field, boring permits in a few others, and a sales arrangement as to the foreign markets. They invited Sinclair to Moscow.

The Sinclair party, which comprised such famous individuals as Senator Fall, Mason Day, Archibald Roosevelt and Robert Law, Jr., moved en masse to Russia. They had gone with magnificence to Europe, taking two decks of the Homeric, and they chartered a special European train, costing over thirty thousand pounds, to take them to Moscow. There they were cordially received, given accommodations in a palace, wined and dined and supplied with special railway cars.

In the negotiations that followed, Sinclair triumphed. He returned to America with an agreement which the Standard might well have envied—in fact, it appears from this distance that they did envy it. The Soviets gave him the whole prize Baku field to exploit; agreed to form a company in which the two parties would share equally in the profits. But the wily Bolsheviks had won an important point—a proviso.

Besides investing £23,000,000 in development work, Sinclair was to obtain a loan for Russia in the United States. Now a loan, at that time, was only likely if the United States recognized Russia. It thus became Sinclair's task, on returning to the States, to persuade the Harding Republicans to swallow their righteous sentiments about communism and to put recognition through Congress. And it actually seems that Sinclair must have felt reasonably sure

that he could perform this amazing feat. Were not Fall, Harding and Daugherty his friends? Were there not obligations—of which the shocked nation was yet to learn—cementing this political friendship? Who could bring about the recognition of Russia, in the teeth of all the propaganda, if not Harry Sinclair? That propaganda, though the public didn't realize it, was oil trust propaganda. Was not an "independent," high in party and government councils, the very man to smash it? Especially when, by so doing, he would fall heir to former oil trust lands....

But first there was an unlooked-for excursion. Sinclair had obtained more than Baku. He got the northern half of the island of Saghalien from the Soviets. It was a good oil concession, but he had neglected to obtain a very clear title. It embroiled him with the Japanese.

For the Japanese were able to say: "*J'y suds; j'y reste.*" They owned the southern half of this remote island, off the coast of Siberia. Rich oil deposits were in the northern, the Russian half. Japan, which had no oil territory and possesses a large oil-burning navy, had long coveted Saghalien oil. The Bolshevist revolution in 1917 had given them their chance. They had moved into the northern half, with their troops, and they refused to budge thereafter, on the ground that conditions in the Far East, the lack of law and order, required their presence.

Let us follow this excursion in the stupendous Sinclair deal.

Saghalien is a bleak, barren land, which, like the neighbouring Siberia, is covered with ice and snow most of the year. In the winter it is really a part of Siberia, for the straits are frozen and it can be reached from the mainland by sleigh. It is strategically important because it commands the mouth of the Siberian river Amur, which drains a rich part of maritime Siberia.

Sinclair, in his usual audacious way, thought he would "call" the Jap[anese's] bluff. He sent two American engineers, J. P. McCullough and L. F. MacLaughlin, to Siberia, with orders to explore the new Sinclair acquisition on Saghalien. They left Vladivostok in the dead of winter, traveled to the Amur valley and obtained some ice sledges. The straits were frozen and they crossed to the island. As soon as they arrived, however, the Japanese placed them under arrest. They were imprisoned in a pen with a bunch of Sinclair's coolies who had been sent ahead to work the concession.

Later the Japanese commandant released them and, with exquisite Japanese courtesy, invited them to dinner.

But this gesture signified no relaxation of policy. The commandant kept the engineers under close surveillance and allowed them no liberty of movement. After a short time they were just as politely deported. Sinclair had lost.

What was the American government going to do about this flagrant affront to the rights of one of its leading industrialists?

Ordinarily it might have been expected that Washington would fulminate on the subject of the Open Door. The United States had long tried to block Japanese expansion on the mainland. At the time of the Bolshevist Revolution, during Wilson's administration, the Japanese had applied for permission from the Allies and had been sternly refused. In the civil war between Russian Reds

the Allies and had been sternly refused. In the civil war between Russian Reds and Whites, when the Allies had backed Admiral Kolchak, Wilson had seen that the Allies were going to land troops and that they would be accompanied by the Japanese whether he wished it or not, and had thought that the presence of American troops would neutralize some of the bad effects. He had agreed to send 7,500. When the War Department, through some mistake, sent 8,500, the Japanese had used it as a pretext to send 73,400, and they had kept them there after that, regardless of the United States' vehement protests.

Thus, the Japanese, with some of these 73,400, now "sat tight " in Saghalien. They replied politely to indignant Washington that it was only a "temporary occupation," which would be settled when an orderly Russian government would arise to be dealt with. But the world knew perfectly well that Japan did not intend to yield these oil fields.

Now Sinclair had his claim to them, which the Japanese had flagrantly rebuffed. What would Washington do? Would it, as both past policy and the duty of protecting its nationals dictated, see in the arrest of McCullough and MacLaughlin the pretext, at least, for curbing Japanese insolence with a strong hand and putting a quietus upon the Mikado's aggressions in Siberia?

Charles Evans Hughes was Harding's Secretary of State. This former attorney for the Standard Oil interests was always belligerent and effective whenever Standard's interests were menaced. He had put pressure on the British government itself when it had threatened to exclude Standard from the Persian fields, and it might be expected that he would insist on the rights of an American company in Saghalien, and win his point too.

But Hughes's notes to the Japanese government, *re* this prime affront to an "independent " company, had that polite and conciliatory ring which rendered his protests useless. The Japanese took the hint and refused to let Sinclair work his concession. It was victory complete for the Mikado; and the uncurbed aggressions of Japan into Russian territory, which Wilson could not and Hughes did not prevent, are flowering toward war to-day.

Of what use to Sinclair was Harding's friendship when the foreign policy was in the hands of Charles Evans Hughes?

And—returning to the Baku deal—of what avail was it for Sinclair to envisage loans involving recognition of Russia by the United States when the Standard opposed recognition?

For the real reason for the failure of the United States to recognize Russia through all those years was not because a righteous capitalist government felt disinclined to clasp diplomatic hands with communists. It was not because the Soviets refused to pay the trifling Czarist and Kerensky debts owed to the Americans. These factors no doubt figured. But . . .

Russian recognition was refused because Standard Oil of New Jersey's concessions in Russia had been confiscated by the Bolsheviks.

In 1920, when Deterding was buying up pieces of paper from discouraged Russian *émigrés* in cafés on the Left Bank, Standard had been carrying on the same risky business. The Nobels of Sweden, of the Nobel prize fame, had large

oil fields in the Baku region. They despaired of ever realizing anything from them after Lenin decreed confiscation. So they sold out to emissaries of the Standard.

Standard, like the over-confident Sir Henri, felt that it was only a matter of a few years when the Bolsheviks would fall, and its derricks would be profitably working the former Nobel property.

But as the years wore on, Standard saw it had made a mistake. It tried to deal privately with Moscow but was rebuffed. Moscow felt it might conceivably compromise and recognize claims, purchased before the Bolshevik revolution. But those acquired as a gamble after they had assumed power—never.

Hence Standard's ire when Sinclair took over what it regarded as its property. Hughes's stone-wall attitude toward Russian recognition and his mouthings about the sanctity of property rights in Russia well accorded with the Standard point of view.

Harry Sinclair must have known that this formidable enemy would fight him every step of the way. He had said to one of his men in Moscow that he was afraid "a Nemesis would pursue him" because of his dealings with Moscow. It was no capitalist conscience that dictated this expression of fear; it was a wholesome knowledge of the long arm of the Standard and the danger of the Baku ground on which he was proposing to tread.

The Nemesis appeared, first in Saghalien; it appeared next in Persia.

Standard had a concession in the north Persian field. When Sinclair's representatives went to Persia, about the time of the Moscow trip, they started to bargain with the various political parties. They found fertile ground in which to sow their offers.

For Standard had allied itself with its old enemy, the Anglo-Persian, and this meant that English interests would enter the north Persian field side by side with Standard. Russia naturally was aroused by this. Besides, Einhorn's influence was now taking effect in the Persian capital. Rhiza Khan could not tolerate English influence on the borderland of his country, even under the guise of an American company. But Sinclair was decidedly *persona grata*.

Accordingly, the Persian parliament annulled the Standard concession and sat down across the bargaining table with Sinclair. It took some time to come to an agreement. There were palms to be greased among the cabinet ministers and heads of political factions. But finally a concession was granted, with the stipulation that Sinclair should obtain a loan of two million pounds for the Persian treasury.

No Sinclair engineers started to drill this north Persian concession, however, for startling events took place.

Major Robert Whitney Imbrie was American vice-consul in Teheran, the capital. He had been asked by the *National Geographic Magazine* to take pictures of places of interest in Persia, and one morning in 1924 he went out in a carriage with his camera, accompanied by a friend, Malvin Seymour. They stopped at a certain holy well, much revered and often worshipped by the religious of Persia. While Imbrie was training his camera on the well, he was

attacked by a mob, severely beaten, and pursued when he tried to escape in the carriage. Seymour was likewise beaten and the two were taken to a hospital. The mob broke into the hospital and finished the job by killing Imbrie. Seymour escaped.

Immediately the press reports, controlled by British correspondents, explained that the attack was a result of a growing resentment among Persian religious fanatics against Europeans, and was precipitated by Imbrie's sacrilegious attempt to photograph a holy place. It was alleged that the fanatics thought that Imbrie was a member of the Bahai, a hostile religious sect, and much hated in Teheran.

But a *New York Herald Tribune* dispatch from Paris quoted Harold Spencer, for years British Secret Service agent in the Near East, to the effect that Major Imbrie had really been assassinated by a mob organized by financiers in the United States and England, who thought his influence might swing control of Persian oil fields from the Shell group to an American syndicate in which Sinclair had the major interest. It was apparent that there was more to the murder than mere fanaticism. Why did not the Persian police, well armed and present at the scene, protect Imbrie? The Persian authorities had been favourable to Americans for years and at the time had an American financial adviser, Dr. Millspaugh. Furthermore it was revealed that a soldier had killed him, although soldiers were supposed to be defending him.

Also, it was discovered that Malvin Seymour, Imbrie's companion, was an oil-driller who by one account had been involved in a labour conflict in the oil fields. He had been paroled after being sentenced to confinement by the U.S. consular court. There was this much savour of oil to the murder of Imbrie—and Sinclair, on hearing of it, must have thought shudderingly about Nemesis.

Another death came like an ominous warning before the storm. President Warren Gamaliel Harding, Sinclair's good friend on whom he had banked for conclusion of the vast Baku deal, died in San Francisco — of ptomaine poisoning, the official reports read. Of a broken heart, after his discovery that his best friends had deceived him in accomplishing shady deals with oil men, said others. Suicide, shrieked the more sensational—one even alleged murder. But mystery or none, it was Sinclair's loss, and prepared him for the biggest blow of all.

At the moment when it looked as if Sinclair would succeed in Russia, Standard let loose the Teapot Dome scandal.

One day in 1923, the American people were surprised to learn that Secretary of the Interior Fall had illegally leased naval oil reserves at Teapot Dome, Wyoming, and Elk Hills, California, to Harry F. Sinclair and Edward L. Doheny. Later they were considerably shocked when it was discovered that Fall had received from Sinclair some \$260,000 in Liberty bonds and that this Cabinet member had been "lent" by Doheny—without interest and without security— \$100,000 in cash. From then on, for several years, there was a continuous exposure of malodorous politics. While the people of the United States were surprised by all this, it is unlikely that Standard was.

Officially, of course, it was Senator Walsh who revealed this combination of shifty politics and oil—the greatest political scandal since the Grant

administration. And his fervour for clean government fully justified him in so doing. But there is no doubt in any oil man's mind that Standard was initially responsible for this exposure of oil corruption, or that it was Standard's trump card against Sinclair. Standard's hands in this matter were clean; those of her competitors were exceedingly greasy. What better way to discredit them? Standard did not need to break the news itself. There are ways of arranging such things. A word passed to the secretary of a graft-hating Senator, or to a liberal-minded newspaper man—and the fuse was lighted, for the cause, on that issue alone and apart from its well-concealed background, was just.

The Teapot Dome scandal ruined Sinclair's opportunity in Russia. Russian recognition was of course now impossible. Moreover, his financial credit suffered as the newspaper headlines grew larger. Wall Street was in no mood to float loans for the storm centre of a nauseating political scandal.

Einhorn's alert agents rushed the news of the revelations to Moscow, and the Kremlin took this occasion to break the concession. The Russians were able to do this quite legally, for Sinclair had not satisfied the financial clauses of his agreement regarding American loans. And at the same time Moscow confirmed the Japanese occupation of Saghalien and thus scuttled Sinclair's hopes in Siberia.

Persia piously remembered a rumour that Sinclair agents had bribed one of its ministers to the tune of £55,000. Persia, also, revoked Sinclair's concessions.

An "independent" had bucked one of the world's oil giants and had lost. The Nemesis which he feared had overtaken him. Sinclair's international career was finished.

His domestic career was checked, too, as he rested in gaol on the charge of shadowing jurors. He had no time, even if he had the spirit, to continue the fight against Standard. After he emerged from prison, he managed still to maintain

his company among the strong oil corporations in the American field. But his aggressiveness had disappeared.

He is now much more prominent as a proprietor of race-horses, and as a pretender to the throne of Albania, than as a defiant competitor of Standard.

### **Chapter 12--Russia Laughs Last**

Russia, through the good offices of Harry Sinclair, had come within an ace of winning a commanding place for her oil in the world market—of winning recognition from the United States—and above all, of winning that most precious prize of all, credits and loans. With these, her noble experiment would have been immeasurably helped, outwardly at least. Fine power-plants could have been built, better machinery imported and her whole industrial structure more rapidly improved. Oil would have made the Five-Year Plan unnecessary. The Russians would not have had to tighten their belts.

But now Russia changed her tactics perforce. No more short cuts to success. Sinclair had been a short cut—too short indeed to lead true. No more oil concessions to foreigners—Russia would now exploit her own oil, and she would do it with all the wisdom of the capitalist serpent.



Accordingly, Moscow increases the cadence of the creaking derricks in Baku. The customary clever propaganda energizes the workmen in the oil fields. Like players in a football game they fight harder to produce more oil. New fields are opened up, new pipe-lines built.

The great Soviet oil trust is formed; market facilities are established far and near. The black flood from Baku begins to spread through Turkey, through the Balkans, down into the Mediterranean. Mussolini begins to buy Russian oil. Russia, the helpless captive for whose treasure the giants were fighting, has stepped out and begun to compete with the giants in their own preserves.

She continued to coquette with Standard—no use bucking both of the titans, and offending America to boot. But she centred her drive on her bitterest enemy, Deterding. Einhorn returned to Persia, and the attack on British oil was intensified.

It was rendered all the more bitter in that the British seemed to have sworn a great oath of perpetual enmity toward Russian oil. This was due to Deterding.

Coldest and most dispassionate of business men, Sir Henri had a passion at last. For singularly unbusiness-like reasons he refused to compromise with Russia. He was married to Lydia Pavlovna Koudoiarov, the daughter of a Russian White general. Apart from this, communism was anathema to his completely capitalistic views. An opportunity to advance his interests and desires seemed to present itself in the obviously hopeless attempted revolution in the Caucasus, in 19~4. The stunt of getting behind revolutions was oil's most familiar action-pattern; besides, the wish was father to the thought. If the Caucasus could but be taken from the hated Soviets, not only would the Baku field be made fertile for Deterding's derricks, but also the Persian field, so sacred to the British Navy, would be protected from the machinations of Einhorn and his secret agents.

So, as usual, the revolt was assisted by giving support to restless Georgian tribesmen and *émigrés*. But the Soviet armies descended like a scourge, and again Deterding's hopes were extinguished. The revolt was suppressed, and the newspaper readers of the western world tried to pronounce the name of a Soviet Commander, Ordzhinikidze, who not only had captured rebels but documents which showed that the rebels had received funds from Britain and France.

Proclamations had even been distributed, promising the Georgians that British and French ships would land reinforcements in Batum on the Black Sea.

Sir Henri, having always manipulated the Americans to his own ends with much success, was not adverse to using them to help bludgeon the Russians. One of the interesting disclosures in regard to this ill-starred revolt was the fact that these Caucasian White revolutionists had sought help from Washington. They even had had a resolution introduced into Congress for defraying the expense of sending a diplomatic representative to the non-existent republic. They had had friends in Washington; one of them was John A. Stuart of New York, chairman of the board of governors of the Washington Sulgrave Institution, a British-American organization, supposedly dealing with matters quite foreign to politics or oil. There had been considerable pro-Caucasian propaganda; sentimental Americans can often be stampeded into supporting

British interests through appeals to "common culture and language." As a crowning filip to the affair, it was discovered that Mr. Stuart was connected with the Ajax Iron Company, producers of oil-drilling machinery.

But Washington, well prompted by Standard Oil, had avoided this trap. Standard still claimed the Nobel concessions in the Baku region, and somehow it suspected that if the revolt were successful Sir Henri would obtain the lion's share. Moreover, by this time it seems Standard was getting a more realistic view of Russia; it realized that the Soviets would endure, that it would not do to antagonize them by supporting sporadic revolts. Indeed, there is evidence that Standard now saw a better way of dealing with its bitter rival, Deterding—by allying itself with Russia.

No formal alliance at first, it is true, just a marketing agreement—that was the policy. And it was a policy admirably conceived to help Standard wage war on Dutch-Shell's sales dominance in the Mediterranean-Suez Canal region. Oklahoma and California were too far away to supply Standard's ammunition for this fight. The Caucasus was the logical source for supplies.

The Caucasus revolt collapsed. Price war and strategy followed. The Dutch-Shell tried to forestall Standard's move by offering to buy up the Russian oil surplus. But the Standard shock-troops in the Vacuum subsidiary anticipated this, and secured a sales contract from the Soviet oil trust for a consignment of eight hundred thousand tons of crude and five hundred thousand tons of paraffin to be sent to Egypt—opening gun in the conflict.

The Standard of New York added to this an order for five hundred thousand tons of Soviet paraffin. Stalin, that old Baku oil worker, must have rejoiced. The Soviets agreed not to compete with Standard in the eastern Mediterranean. Standard's representatives went to Moscow to try to get a concession for the Emba field, second only to Baku.

The Bolsheviks were now heard yelling triumphantly: "Socony." Standard stood high in the estimation of Moscow. Sir Henri was enraged. He fulminated against the perfidy of Americans in buying and selling "stolen oil." "Fences" was too good a word for them. He made a trip to America.

Sir Henri's trips to America often took on the guise of Roman pro-consul going forth to dictate to Scythian tribes. A few years before, he had staged an imperious performance. He had commanded the directors of Standard to change their policy in China. He had addressed them in the board room of the company at 26 Broadway and told them that they owed him a rebate on oil sold in his preserves in China; that they must not sell any more, or war would follow.

He had said a great deal in fifteen minutes, and, although he spoke without notes, he was able to cite the exact number of gallons sold by Standard in certain places. He demonstrated that he knew more about the affairs of Standard than did his hearers. One of them said: "We took down all his statements in shorthand and verified them afterwards. We saw that he had an incredible knowledge of our affairs in every country in which our interests conflict with his."

However, times had changed—not all the Standard officials were now

inclined to treat his threats. W. C. Teague, to be sure, issued statements which were somewhat anti-Russian and pro-Deterding. But other companies—Standard of New York and Vacuum Oil—dissented. There was an apparent split in the Standard ranks.

Apparent? Or real? Some observers did not take it very seriously. They called it camouflage, an attempt to placate Sir Henri without yielding. Standard of New Jersey did not need Russian oil; it had price-fixing arrangements with Deterding, for certain foreign countries, which it did not want to endanger. But Socony and Vacuum were not similarly handicapped. They continued to be frank in the liking for Russian oil.

So the good feeling between Standard companies and Russia progressed. Ivy Lee, that industrious press-agent of Standard, made a visit to Russia and found things in a favourable condition, at least for American business men. Standard's Russian campaign now became ever more strongly pro-Russian. American newspapers, which formerly had printed publicity released by Tory organizations opposed to Russian recognition, now took releases—how could they resist them—from Ivy Lee which had exactly the opposite tone. So the American public again became pawns in the oil war—American public opinion had another string pulling it in another direction, but still manipulated from the public relations room of 26 Broadway.

The Russian oil scheme was getting on. The Communists had taken a leaf from the capitalist- Bible and placed it in *Das Kapital*. Divide and rule split your enemies and win the markets.

The American government began to take a more relaxed view of Russian trade and allowed banks to make short-term credits. The Amtorg Trading Company established offices in New York and Russian orders for American machinery and supplies increased.

Deterding was furious. He decided to fight the Mediterranean battle with a price war against the Bolsheviks, thinking he could easily crush them. But the Russians, whose oil cost much less to produce, cut right along with him. Dutch-Shell lost money by the million; that was to be expected; but what was not expected was that the Russians could stand this better in the long run than Deterding. Theirs was a state-owned company which could get along without profits, could expect aid *ad infinitum* from the government. It dawned on Deterding that actually in fighting Russian oil he was fighting the Russian treasury. His shareholders began to pay for this price war, and to protest.

With his British backers turning against him, Deterding became desperate. He was in a mood to welcome extreme measures.

On May 11, 1927, the British Home Office authorities made an unexpected raid on the headquarters of the Arcos Ltd., the Soviet Trading Company in London.

The excuse given was that it was suspected that stolen British military documents were concealed in the Arcos offices. No such documents were found; some alleged espionage records were taken by the raiders. Pretext or none, the action was admirably calculated to break relations.

Were oil interests behind this? So many persons claimed, and they pointed to certain facts. It was an unexpected time for the raid to take place, as the Soviets had just secured a ten million pound credit from a large London bank with the tacit permission of the British government.

The Russians could have obtained no greater victory than this credit, for which they had been angling for years. It would help their exchequer, their trade, their standing in other money markets of the world, their Five-Year Plan, then in the forming. Credits would flow to them, presumably, from all the capitalistic nations hitherto so suspicious of financial operations in Russia. From the standpoint of oil competition all this would have been fatal, for thus the Soviet oil trust could continue indefinitely to meet Royal Dutch-Shell price cuts all over the world.

Whatever the reason for the raid, Sir Henri gained by it. For the press campaign, following the sensational "discovery" of espionage records, was loud and effective. The Government could not withstand popular demands for the breaking of relations; the Soviet Ambassador got his passports; and while Sir Henri rejoiced, British interests which were selling machinery and other products to Russia lamented. And the London loan to Russia was canceled.

Here, then, was a defeat for the oilpolitik of the Soviets—a check in their go-getting career comparable to the failure of Sinclair to deliver American recognition, and they were to find yet more proof that defiance of the British-Dutch Napoleon was no easy matter.

For the hand of Sir Henri next appeared with vengeful effect across the channel. The Russian oil trust was penetrating France, with some success. Sir Henri began to parley with the French for an oil monopoly. The Standard, through its Banque de Paris, was up in arms and so were the Soviets. Deterding's monopoly bid failed.

But he would not admit defeat. Rakovsky, the Russian Ambassador in Paris, was on the verge of success in negotiating an agreement for the funding of the old Czarist bonds, which many French investors held. Suddenly a heavy barrage against the Soviets appeared in French newspapers—propaganda which bore so startling a similarity to the attacks in the English press at the time of the Arcos raid that it almost might have been translated. French public opinion was roused against the Russians, and the French Foreign Office had to request the recall, as *persona non grata*, of Rakovsky. The bond agreement broke down, but that was incidental; the Soviet oil inroads into France were checked.

In America, Sir Henri launched a publicity campaign against the Soviet oil industry to counter Ivy Lee's propaganda, and he personally participated in a widely quoted statement: "The time has come when the purchase of stolen goods from Russia should be treated in fact and in law precisely as the purchase of any other stolen goods." Recalling how some of Deterding's Russian claims had been acquired—after the confiscation, purely as a gamble—one may be pardoned for thinking that his moral indignation is excessive.

Smarting from the English and French defeats, the Russians persevered. Again they took advantage of the competitive struggle in the capitalist world and won a victory—minor, perhaps, but no less a milestone in their progress.

This happened in a dramatic connection: the fall of a dictator, Primo de Rivera of Spain.

In 1927 Primo de Rivera, Marques De Estellas, was the all powerful dictator of Spain. He had stamped out communism, governed with an iron hand and withal made himself very popular. The finances of the country had improved markedly and the peseta stood high in the ranks of exchange.

Hundreds of ships laden with fruits, wines and olive oil left Spanish ports for England and America. Hundreds of tankers brought the oil of Deterding and Standard to Spain.

But Primo noticed that these oil companies were earning huge profits in his country. Why let all this gold flow into the coffers of Standard and Royal Dutch? Why not acquire these profits, by establishing a Spanish government monopoly of oil?

At the time a monopoly of this sort was being discussed in France. The French were up in arms about the deal which Standard and Deterding were

giving them as to prices; but France is a democratic republic, where such agitations can be lost in the maze of parliamentary politics; and this one was. But Spain was a dictatorship—and while the French deputies wrangled, Primo acted.

He copied the text of the abortive French proposal and founded a Spanish company, thirty per cent of whose stock was in the hands of the Spanish government. A ten per cent dividend plus a quarter of the profits was to be the allotted share of the Spanish government. Primo de Rivera next confiscated the plants of Deterding and Standard and took possession of all the oil stored in Spain, proposing to pay seventy-five million pesetas~in settlement to these companies.

Naturally Deterding and Standard joined forces, regarding a retreat from Spain as humiliation not to be brooked. They lowered the price of oil in all adjacent countries. But in selling to the Spanish monopoly, they maintained a high price.

The strategy of this was evident. While prices dropped everywhere else, in Spain they rose. And Primo's popularity and prestige among his people waned, for he had told them that a monopoly would lead to a lower price. One day the monopoly found itself without oil supplies—and with a lawsuit filed by Standard and Royal Dutch-Shell on its hands. These two great companies refused to sell any oil to Primo, and they demanded sixty millions in indemnities instead of the fifteen millions he had offered.

Stocks exhausted, the Spanish were expected to surrender. Instead, they bought a plentiful supply of oil—from the Soviets! The very Soviets which Primo de Rivera had denounced as a moral peril to the civilized world! Deterding and Standard may have foreseen this. But they knew that the spectacle of Primo buying from the sworn enemies of the Spanish crown would be a blow to the prestige of his dictatorship. The Soviets for their part were perfectly willing to take Spanish gold; but they knew that they had Primo at their mercv. and accordingly they sold the Spanish monopoly the very worst

products from their fields, reserving the good oil for the open market.

Simultaneously the English press started a campaign against Spanish products. England, it seemed, had decided to buy her fruits from her own Dominions. So Spanish fruits, ready for export, spoiled in Spanish ports. There was similar activity on the other side the Atlantic. American customs officials suddenly found it necessary to prohibit the unloading of steamers containing Spanish vegetable oils, fruits and vegetables. After all these years they had discovered that these Spanish products were contaminated: a danger to public health.

Spain was now on the down grade. Loss of commerce brought loss of monetary standing. Bankers aided the fall of the peseta—and some of these bankers were from Amsterdam, capital of the Royal Dutch. The peseta fell rapidly. Primo's government was tottering. Projects for a *coup d' etat* found favour among disaffected elements.

The King of Spain took a less favourable view of the dictatorship. Later, when the *New Republic* in 1931 published a list of the securities owned by the King in exile, there were many stocks of large petroleum companies—a curious coincidence.

So Primo de Rivera learned too late that a State which does not possess its own wells (often even one that does) ought not to joust with the great oil trusts. Primo de Rivera bowed before the King of Spain and His Majesty Oil, and went into exile. He died in Paris, of a broken heart—another corpse in the Pantheon of oil.

Primo had hated the Russians, but he left them a heritage. The Spanish monopoly continued to function. It settled, it is true, with Standard and Deterding, in payment for the confiscation; but the Socialist government which took office when Alfonso followed Primo over the Pyrenees was inclined to deal with the comrades in Russia. Russia kept the Spanish market for its oil.

Meanwhile the fight against Russia continued. In the Caucasus, great quantities of forged *chervonetz*—Soviet bank-notes—were circulated and Einhorn and his aides were immediately on the alert. The newspapers of Europe were soon discussing this *chervonetz* scandal. Certain Georgians were arrested in Germany. Germany, at this time on good terms with Soviet Russia, co-operated with the Soviet authorities in pursuing the culprits.

They did not find them. But the Berlin police asked permission of the German government to search the local offices of the Royal Dutch-Shell. The *New York Times* correspondent reported that well-informed persons regarded a confidential agent of Sir Henri as having been active in financing the scheme. But at this point the German government seemed less disposed to follow up the affair. As the *Times* correspondent put it: "Although the Foreign Office (German) and the British Embassy declare that nothing will be kept from the public, it is an open secret that the police have orders to hush up the whole matter."

This confidential agent was Dr. George Bell. The *chervonetz* scandal died down. But Dr. Bell represented his master in other schemes.

Deterding could not help but be interested in the rise of Hitler. The hatred he felt for Russia found sympathetic expression in the pronouncements of the Nazi Bible, *Mein Kampf*:

"If Germany wanted to conquer new territories in Europe, this could only be done at the expense of Russia; it would be necessary that the New Reich revert to the path of the ancient Teutonic order; to return the German plowshare to German soil by way of the sword and give peace to the nation. It is with England, alone, that one might under cover undertake the new Germanic migration. We would have the same right to do so as our ancestors. Not one of our pacifists refuses to eat the bread of the East even though the first plow was, in ancient times, the sword."

There is no doubt that this sort of thing was pleasing to Deterding. It was more favourable to him to have a ruler of Germany with such pronounced anti-Russian sentiments, instead of the republican leaders with their inclination to play horse with Moscow.

But Deterding's sympathies waned as English sentiment became aroused over the menace of the Nazis. After all, his strongest bond was with England, and so he began to cool toward the Brown House of Munich.

Dr. Bell was now left, like so many other secret agents, in a precarious position. Deterding had deserted him, and the Nazis began to look with suspicion on the agent of so changeable a man. In his desperation he began to talk and write, making revelations about Deterding and the Nazis. In no long time, realizing he was in danger, he fled to Austria.

But the Nazis, as has since been proved, are no respecters of borders, least of all the Austrian. The Nazis had their own secret police and among other men marked by them for execution was Dr. Bell. Xavier de Hautecloche, French journalist and intimate of many Nazi officials, was able to obtain the following account of the lurid end of Dr. Bell:

On the night of April 3, 1933, three motor-cars arrived at the Austrian border near Rosenheim. In the first two cars were members of the Storm Troops in brown shirts with red epaulettes. In the last car was a Storm Trooper accompanied by two curious individuals. One of them was clad like a Storm Trooper, but with a death's head and crossed tibias embroidered on his cap. The third, obviously the leader, wore a dark leather coat, high boots and a false moustache. These men were the executioners.

The Storm Trooper in the last car showed the Austrian guards a card bearing the stamp of the political police of Munich. He convinced them of the legitimacy of the business with which this extraordinary caravan was concerned, and the car was allowed to pass. After a short drive from the border it stopped at the Plattl Inn.

The Storm Troopers cut the telephone wires and surrounded the place. While the personnel of the inn stood about terrified, two Storm Troopers ascended the stairs and entered a room where Bell was conversing with a friend, a German officer. One of the Storm Troopers said:

"Bell, you'll have to come with us. We are going to take you to Germany. The political police of Munich have something to say to you."

When Bell attempted to resist, the executioner in high boots and leather coat came in. He pointed his revolver at Bell and emptied five shots into his body, instantly killing him. With the sixth he despatched Bell's companion.

The Nazis returned to their cars and drove back to the border. They drove swiftly across to German territory, as one of their number yelled: "Something has happened at the Plattl Inn. The Munich political police assume all responsibility." The Austrian guards tried to stop them and fired futile shots at the tyres. However, they did obtain the licence number. It was identified as an official German car.

The *chervonetz* affair had ended satisfactorily for Einhorn. Victorious on the Georgian front he turned eastward. India was a vulnerable point in the British structure, but Einhorn had no intention of wasting the time of the OGPU on that area. He preferred to let Standard handle that.

The liaison between Moscow and the Standard was getting on swimmingly. With their tankers filled with Baku oil, the Americans were getting revenge on the British for the latter's thrusts at the Panama Canal. They attacked the Suez market. And they flooded India with Russian oil.

A price war followed, with curious by-products. The Bombay City Council in 1928 passed a resolution of hostility to the Standard Oil Company of New York. The resolution, solemnly absurd, stated that Standard products should be boycotted because Katherine Mayo, an American, had written *Mother India!*

The little Indian by-squabble must have amused Deterding. When the Burmah Oil Company was threatened by the flood of Standard products, Deterding jumped in and acquired it for his Royal Dutch-Shell. Actually, the climax of the great three-cornered war was approaching, and canny Sir Henri, perceiving this, was consolidating his position.

Through his purchase of Burmah Oil, he got that company's control of twenty-eight per cent of Anglo-Persian stock. Also he is said to have gathered in most of the seventeen per cent of the Anglo-Persian stock which was on the open market. The Anglo-Persian, be it recalled, is mainly the property of the British government and its vast holdings are, in effect, the British Navy's oil reserve. Deterding had always worked hand in hand with it, but still was an outsider; now he gained minority control of the Anglo-Persian, linking himself intimately with the British Navy—certainly a commanding position. It gave him a say in British foreign policy, also an excellent lever to force English politicians, who might seek peace with Standard and Russia, into line for Dutch-Shell's far-flung schemes.

With his Anglo-Persian stock in his vaults, Sir Henri went forth to do final battle with Russia. And . . . He saw the whole British oil structure, his life-dream of years, totter and waver as a result of the endeavours, in Persia, of one Einhorn, agent of the Soviets! We are near the climax of our tale.

In Persia, as in the land of the Arabian Nights, the natives believe that evil



genie upset their work, spoil their crops, and kill their camels. The British and other foreign engineers in the oil-fields of Persia had been discovering a genie whom they feared just as superstitiously. It was Einhorn, from Moscow.

Endless obstacles and evils were being attributed to this mysterious man. Plans disappeared, letters were stolen, telephone wires were tapped—and it was Einhorn at the bottom of it all. He was blamed for oil fires of incendiary origin, and recently—it illustrates his reputation—for a very serious accident.

The Anglo-Persian had long needed a railway, linking the centre of Persia with the sea. A line had been started from the interior to Bandur-Shahpur, in the bay of Astrakhan; but deserts and marshes offered stubborn resistance, the wild jungle concealed deadly fevers, and one section alone the latest to be completed—cost six hundred lives.

As if these dangers were not enough, in April, 1933, a huge store of dynamite, at hand for the blasting of one of the two hundred tunnels, exploded suddenly and mysteriously. Fourteen workers were blown to bits; more important to impatient capital, construction was interrupted for two weeks for repairs. The engineers investigated the cause and discovered nothing.

But the whisper went around: "Einhorn . . ." Such is the almost mystical celebrity of this strange man.

In 1931 the Shah, greatly under Einhorn's influence, decreed that all telegraphic cables to India which traversed Persian territory should be under the control of the Persian government. He replaced the English telegraph operators with natives. London can no longer wire Bombay, Calcutta, Delhi or Karachi by the affected routes without the Persians intercepting—every word.

In 1932 the Shah dismissed the minister Timour Tache, for many years liaison agent between Persia and the British oil men. Timour Tache had long been the right hand of the various previous Shahs, but after a visit to London for the purpose of making a new accord with the Anglo-Persian, he had manifested too strong a friendship for Deterding. He died shortly after his dismissal, in a heavily guarded chalet near Teheran.

One day in 1932 Einhorn in person paid a visit to a high official of the Anglo-Persian, at Abadan. He had driven from Teheran to Mohammerah, the port of Chatt-el-Arab, and then to Abadan, which is the grand headquarters of the British oil firm. It was a visit of courtesy, ostensibly—in reality a flaunting of a triumph, in the usual mystery-shrouded Einhorn manner.

The Russian agent, in the course of his polished and cryptic remarks, asked if the Anglo-Persian had yet learned the great news. No news had been received that seemed to fit the query. But he refused to satisfy the Englishman's aroused curiosity.

After Einhorn had left, the worried official telephoned his ambassador at Teheran. But the latter was aware of nothing new. The next day the Persian government formally informed the Anglo-Persian that its drilling-rights in Persia were revoked! And crash went the whole tremendous structure of flowing wells and inexhaustible reserves that had risen on the foundation of the old D'Arcy concession! Up flamed nationalist feeling among Rhiza Khan's

subjects. Cinema houses were opened free to the public in celebration of this Persian "Independence Day."

The English company immediately applied for new concessions; its government backed it with full strength, and a battle of negotiations ensued. On the 29th of April, 1933, a new accord was signed to replace that of D'Arcy—but it is no longer a concession for the whole of Persia and it contains many

restrictions. The company has to turn over twenty per cent of the profits to the Persian government. It must pay ninepence for each ton of oil which it extracts. D'Arcy had the right to exploit all the treasures of Persian soil; the new concession is valid only for oil. And the Anglo-Persian had to pay a million pounds sterling to the Shah to obtain this concession at all.

Not a complete defeat—but certainly a retreat! The Russians who inspired this bold coup are pushing their influence farther and farther southward in Persia. In the north they are already supreme; they take ninety-seven per cent of the rice and eighty per cent of the Persian cotton. They have established banks and commercial missions and they give credits and sell their tractors. Their connections are already founded in Mommerah, on the Gulf. So long as Persia's sole economic channel of export is in the north, through the Caspian Sea, she will have to bow to the Russians whether she likes it or not—and she apparently likes it, as long as Einhorn is there.

At latest advices the Anglo-Persian is fighting for its life. All the work of thirty years of the British Intelligence Service and the "oil statesman" of London has been upset by Einhorn and his men. Persia teems with Russian spies. To meet the menace, the Anglo-Persian is feverishly constructing roads and telegraph lines in the south, trying to draw Persia's economic life away from Baku and the Caucasus and toward the Persian Gulf. No one thinks the battle is ended. For there is another factor.

Another name besides Einhorn's is constantly on the lips of the harried Anglo-Persian officials. The negotiations for the new treaty between the Shah and the Anglo-Persian, in 1933, were delayed by certain movements in the stock exchanges of London and New York. The magic word used to explain this was "Standard."

Yes, the Russians seemed to have won over this mammoth of the capitalist world. Standard, inured to fighting Deterding, brought to a head the propaganda for Russian recognition, in and by the United States. All through depression-ridden America the idea of Russian recognition as an economic assistance to recovery was sedulously spread. All during 1932 the campaign went on; and in the early months of 1933 it became intensified.

In the autumn of 1934, the prize which the Soviets had sought ever since Stalin first brought the idea of oil and credits to the Moscow brain trust—which they had pursued tenaciously in the days of Harding and Sinclair, which they had plotted for in their rapprochement with Standard—fell into their hands. Roosevelt recognized Russia.

It was a climax to fifteen years of endeavour. The Soviets had taken the counters of the capitalists, sat in on the game—and won.

## Chapter 15-- The Fire of Sourankam

"The history of the next generation or two," says Louis Fischer, the famous international journalist, "will be read in the light of the struggle for oil." Coal and iron were at the base of the last war. May not oil be the cause of the next?

The question deserves serious examination.

This massive conflict between Deterding and Standard, between the Soviets and the capitalist world, with shahs, emirs, dictators and presidents in the foreground, has secretly racked the world for twenty years. Will it yet emerge to the surface of world events— lay the powder train and ignite the spark of World War?

This may be said at once: If the oil titans continue to play their directing role in governments in the future, the danger of war is perpetual. And it certainly looks as if they will. Sir Henri, with shares of Britain's Anglo-Persian now in his portfolio, with politicians on his directorates, still knows his way about Downing Street; Stalin, smiling with satisfaction over his oil policy, surveys from his watch-tower in the Kremlin a world from which Soviet oil can still absorb profits. And in America?

In America the history of the New Deal, with giant figures hovering half-seen in the background, in certain of its major angles is illuminated only by the struggle for oil.

Thus: for the Chase National Bank, read—oil. For the House of Morgan, read--money. For the former, read—industrial power; for the latter—financial power. There is a well-recognized line of economic cleavage, something akin to a class struggle, between industry and finance to-day.

As a result of the depression, the financial backers of the boom period, traffickers in paper, are in decline. Their places—their once-lofty thrones—are being occupied by industrial magnates. In lieu of names like Morgan, Mitchell, Aldrich, George F. Baker, there stand out Ford, Sloan, Dupont, Rockefeller. For Securities, now read—Commodities.

The centre of power has moved from Wall Street just round the corner to 26 Broadway. For Chase National means Rockefeller; it means Standard Oil—means, in a larger sense, oil itself, the oil industry. This bank is the puppet of Rockefeller. It dominates the banking scene to-day. And oil still keeps its greasy grasp on Washington.

The shift in power has been so rapid, this retention of oil's grasp on the heart of politics has been so shrouded, that it has gone largely unperceived. Not many have been aware of the long-standing antagonism between the House of Morgan and the House of Rockefeller. In the boom period, it was so customary to refer to Wall Street that the presence of other money powers in the little lane, powers which did not acknowledge the hegemony of J. P. Morgan & Co., tended to be overlooked. Outwardly all was harmony, but secretly the Rockefellers and their Chase Bank were envious of the power of the famous Seventeen Partners.

Came 1933 and a swift change. On March 4, Franklin D. Roosevelt took office, with paper banks closing and the polemical and scornful phrase "money

changers" on the Presidential lips.

On March 9, President Aldrich of the Chase National gave blessing to this famous biblical phrase, with his demand that security affiliates be divorced from commercial banks. In other words, Rockefeller insisted that Morgan be shorn, tonsured, shaven to the roots of his scalp. Finance had had its day and had brought ruin; now industry must take its rightful place. Industrial banking *über* financial banking. On the same day, Aldrich conferred with President Roosevelt.

From then on, the picture swiftly changed. An amazed nation saw Morgan placed on the rack of the Banking Investigation with the inquisitor Pecora turning the screw. The great financier was reduced to a comic figure a grinning, fallen giant, with a publicity man's dwarf perched on his knee.

The Chase crowd quite possibly lacked innocence of the same charges which Morgan faced. But it was noticeable how the investigation played down the nefarious dealings of the Chase in Cuba, while the whole Morgan activity was revealed in unsparing detail.

So the administration frowned at finance. It smiled at industry, especially under the N.R.A. And it smiled at oil.

For oil, obviously, was and is one of the largest of the nation's industries. Oil conservation was one of the first problems that Secretary of the Interior Ickes tackled. The State Department, too, just as in the days of Secretary Hughes, was oil-minded; but of that, more later.

For the moment, trace further the oily stain under the New Deal. For currency inflation, read oil.

One of the financial advisers, an officer of the old Equitable Trust Company, a Rockefeller bank, was George Le Blanc, a shrewd, alert French-Canadian. In this great bank he learned about finance--and industry. He learned how money was made and how it was loaned. He acquired a great respect for straight commercial banking, the lending of money to industries, the building up of great firms and the consequent employing of millions of men—in a word, of true capitalistic prosperity.

As head of the foreign department of the Equitable, he learned the intricacies of foreign exchange. He saw how China and India, on the silver standard, were impoverished by gold. He acquired a deep scepticism toward the gold standard.

He cared little about financial juggling, the printing of nicely lithographed bonds and their profitable sale to incautious investors. He believed in money as a means to an end; money ought to be put to use, not kept in vaults. He had little respect for interest as a sacred cow. He had learned his trade well under Rockefeller.

George Le Blanc left the Equitable before its merger with Chase National, before the great combining of the Rockefeller banking interests. He formed his own investment counsel firm. He talked constantly about the necessity of devaluing the dollar. And some time later, he met a priest from Detroit.

The philosophy which this banker had worked out, on the question of money, was placed at the disposal of this priest. Soon millions of Americans were hearing the gospel of inflation preached from the radio pulpit of Father Coughlin. The philosophy of the Equitable, of the Rockefellers, of industrial banking, went out over the ether to a remedy-hungry public. And millions of pairs of ears, eagerly, pathetically, were tilted over the loud-speakers.

That this gospel pleased the oil interests was obvious. The devaluation of the dollar abroad means and has meant millions to American exporters of oil. Confirm this by reading, if you care for such technical discussion, journals concerned with the foreign oil market— journals printed on expensive paper (it is rumoured that the great oil trusts pay the bills).

Why shouldn't the oil men want the dollar devalued? Thus each unit of their product, sold for foreign currencies abroad, is converted into a larger number of cheap dollars. The American companies so can undersell Sir Henri Deterding, who has to use expensive pounds sterling and Dutch florins as his objects of exchange. American oil exports leaped in the first six months of the New Deal. American oil men smiled.

A confirming echo of anguish floated from the famous circular desk in London. Sir Henri barked: "If any message from me to the world"—observe the imperious tone "is worth printing, I will give it to you in three words: 'Gold be damned!'"

Clear enough. Sir Henri is now fighting for the florin to go off the gold standard, for the pound to get down in the dirt and combat the dollar. Already, as if in answer to his cry, the pound mysteriously lowers on the Paris bourse. Frenchmen insist that this preludes a war between the dollar and the pound—to see which can go the lower.

Thus oil, important among exports, important in industrial banking, is indeed a strong motivating power behind the shifts in currency. Thus the titans fight for a currency condition which, if it were carried too far, would bring ruin, bankruptcy, misery to millions of little men who buy things. Millions of little dramas, because of the greater, secret drama. Carried to an extreme, of course, high prices the other name of a deflated currency—mean revolt.

Behind the Washington news from the State Department, too, there is oil.

Russia laughed. But has Russia laughed last? As the press notices concerning the pending Russo-American trade agreement—or lack of agreement— daily record the varying aspects of the deadlock, one wonders whether, after all, the diplomatic recognition by the United States was the final victory, not only for the Soviets but for commerce and amity, that it should be and seemed to be. As I write, there is a rumour that oil is blocking the agreement.

It is true that the Soviets now have a social standing among nations incomparably better than before recognition. But they still badly need credits. Short credits they can get anywhere. But they want long-term credits. They want to buy oil machinery to make Baku's derricks and refineries hum, and untold basic mechanical equipment besides. Most American producers are

eager to sell.

But something in Washington blocks the way. Washington, they say, will not permit long-term credits. But there is another explanation than Washington's statement.

Washington blocking the way? Well—Standard, or rather Standard of New Jersey, unpleasantly critical observers insist, is behind the delay on the American-Soviet trade agreement. What, Standard? The Soviet's late ally?

No, not the same Standard. Not the same ally which has bought Russian oil and marketed it around Suez. Another Standard company.

Here it is necessary to flash back to the days of "stolen oil," when Sir Henri threatened Standard for its boycott-breaking purchases of Baku oil. It will be remembered that Sir Henri at that time found sympathy from one of the Standard companies: the Standard of New Jersey, the "parent company," and especially from Walter B. Teagle, its president.

It will be remembered that another Standard company, Standard of New York, known as Socony, ignored Sir Henri's rage and dealt with Soviet Russia.

Standard of New Jersey had price agreements with Sir Henri and did not want to anger him. Standard of New Jersey, also, just like Deterding himself, had claims to expropriated oil concessions in Baku—the old Nobel properties. Socony, on the other hand, had no such claim, had no price understandings with Deterding. Socony was free to work with the Soviets—and did. In the ranks of the Standard it was a definite split.

It is a split which has hardly healed as the years have passed. As a matter of fact, the work of Roosevelt in splitting up the great trust back in 1909 did have considerable effect. Various Standard companies are now competing. Socony and "Soconej" are now rivals in some states—competitors, trying to cut each others' throats. Socony likes Russian oil. It believes itself a thoroughly American company, protecting American interests. Socony—as also many other American oil concerns—considers Teagle, with his friendship for the foreign interloper Deterding, traitorous and un-American. In the Senatorial investigation of the armament industry on September 5, 1934, evidence was produced that Sir Basil Zaharoff, tool of the British oil interests, was one of the largest shareholders of the Chase National Bank. Is this further proof of the alliance between Deterding and the Standard of New Jersey? In any case, the rift between Socony and Soconej is wide and deep.

And this rift now offers a key to the mysterious delay of the Russo-American trade agreement. Socony places no obstacle in the way. But Standard of New Jersey clings stubbornly to those claims to the nationalized Nobel property in Baku.

It seems no accident that Sir Henri himself arrived on a visit to the United States late in August, 1934, just at the time when the deadlock with Russia showed signs of easing. He claimed that he came just to talk matters over with his "good friend" Walter Teagle. He had his visit with Teagle, then he went to Washington where he had lunch with President Roosevelt. A thought-provoking

spectacle: the ageing On Napoleon, bitter enemy of the Soviets, in Washington at the moment when Ambassador Troyanovsky was wrangling with the State Department!

It is true, Charles E. Hughes is no longer head of the State Department. But the Department's Eastern division carries on much as in the days when the former attorney for the Soconej referred to Russia as an "economic vacuum." Mr. Robert F. Kelley is still chief of this division, as in the days of his old chief Hughes. Among the \$400,000,000 worth of private claims, a contentious point in the way of the agreement, is the Soconej claim to the Nobel properties. These properties are said to be valued at \$40,000,000 — certainly an imposing share of the \$400,000,000 — one-tenth of the boodle.

Will the whole fabric of Russian-American trade, the huge buying power which the Soviets can throw into the depressed American market, be held up indefinitely?

At the present time of writing shadowy figures move in the background, Deterding leaves for Europe with a smile of satisfaction, the State Department drones, "No agreement yet," the huge buying power which the Soviets can throw into American markets is as yet withheld — and American recovery is by so much postponed.

And so to another potential international trouble-breeder, though little recognized as such: the oil-conservation situation within the United States.

While Sir Henri plays golf with his good friend Teagle, his Shell subsidiaries continue to drain American oil-fields. On almost every street corner the Shell flaunts its red and yellow oriflamme. Its attendants pump American-produced petrol into American cars under the shadow of the coat of arms of the Royal Dutch-Shell. On an opposite corner there will be found a Sinclair, a Phillips, a Texaco, a Standard, a Barnsdall; an epitome of the competition that is squandering oil.

The wasting of American oil resources goes on, just as in the days when Sir Edward Mackay Edgar gloated over the imminent oil famine in America. That was fifteen years ago; simply because the predicted exhaustion has not arrived, the American grasshopper says that winter will never come. Sceptical oil men point to the discovery of the new East Texas and other fields, as refutation of the grim thesis of oil exhaustion. But geologists shake their heads. It may not be until 1940, perhaps 1945; but even a billionaire can go broke, and exhaustion of oil, an irreplaceable mineral, is a mathematical certainty in time.

The wasting of resources goes on, in spite of codes and pro-rationing. The Ickes Code under the N.R.A. seemed by way of solving the conservation problem — when "hot oil" bobbed up. This is oil which, by secret pipes from derricks and refineries, is smuggled past the eyes of inspectors and government agents to avoid the code apportionment. It is sold to oil bootleggers. "Hot oil" already mounts to vast figures. It spreads all over the Middle West and the Pacific coast, and it has doomed the conservation features of the code.

Thus our old friend John Smith, who wanted to sell his oil in defiance of conservation, is back on the job. Rugged individualism versus pro-rationing. "Hot oil" wins over national economy.

Already the big magnates are moving restlessly. Harry Sinclair, clever old oil juggler, threatens to go on the warpath. He finances an archaeological expedition in the state of Montana. For dinosaur bones, or for the petroleum pits in which, as at La Brea, the dinosaurs sank?

Meanwhile, hotter than American "hot oil," stronger, unstemmed by codes and restrictions, Soviet oil spreads like a huge, olive-green stain over the surface of the earth. The Mediterranean is Russia's. Scandinavia, in order to sell goods to Russia, has to take Soviet oil. The turgid flood penetrates the Antipodes, Australia and New Zealand. It enters Japan, and the Japanese, ever so impolitely, have to bow to it. It tries to flow into Canada, but restrictions dam it there.

Also in Argentina it seeks an outlet. President Irigoyen welcomes it—but Standard of New Jersey, Russia's enemy and the friend of Deterding, gets behind a revolution. Irigoyen is unhorsed and Uribe takes the presidency. Standard is safe in Argentina— for a while.

But these are only trade wars. These are but the blue-prints of the future structure of military and naval war between nations. The world, haunted by the complex of the recent European disaster, looks forward to another World War. And Cabinet ministers and staff colleges know that, just as in the last conflict, the next war cannot be waged without oil.

So France, with the cry of Clemenceau, "Necessary as blood in the wars of to-morrow," ringing in its ears, with bitter memories of the time when American oil saved it from destruction, looks into the future. The famous great pipe-line, hundreds of miles long across the burning deserts of Syria, bringing the precious liquid of Iraq, has just been completed, and with it the fruition of France's dream of an oil supply. For France has helped to build this, has one branch of its forked length to herself, and by clever diplomacy stands assured of a large share of the oil which will gush hereafter into the Mediterranean from the Mesopotamian derricks.

But even pipe-lines are precarious supports, and France looks curiously across the Rhine to see what her enemy, Germany, is doing.

The Germans, for their part, with eyes perforce averted from such lush oases as Iraq, are doing a very interesting thing. They are looking within. Indeed, they have had to look within their own borders for oil, ever since the Versailles treaty raped their colonies, shut them off from the rich vista of Bagdad and Mesopotamia, condemned them to perpetual oil solitude within their bleeding boundaries. Oil dribbles, has dribbled for centuries, in various parts of

Germany, but their geologists know that it is hopelessly inadequate.

However, Germany has a greater treasure than the sub-soil fluid. Germany has inventive genius.

In 1910, Dr. Frederick Bergius, in a quiet little laboratory in the sleepy university town of Heidelberg, watched a few drops of petroleum dribble out of a queer steel bomb. He had taken coal and hydrogen and placed them in this curious retort, subjecting them to heat and high atmospheric pressure. The result was synthetic oil. True petroleum, derived from coal and hydrogen



result was synthetic oil. True petroleum, derived from coal and hydrogen—there are endless supplies of both. Bergius could say that he had written the initial words of a new chapter in the economic history of the modern world.

But just the initial words. For it took years of experimenting, years during which Germany, suffering from the Allied blockade, thirsted for oil—years of postwar struggle with financial troubles and inflation—before the Bergius process was developed. Finally the great German chemical trust, the I. G. Farbenindustrie, took up the matter. Its famous Leunawerke makes oil from coal to-day on an increasingly large scale.

Ten million barrels of petrol now leave the factories of the Leunawerke at Merseburg every month and filling stations all over Germany pump Bergius petrol into German cars. The company has grown rapidly. It has a capital of 150 millions and controls fifty-four companies in America, Switzerland, Italy, Spain and Norway.

Naturally, secret agents, spies of the oil men, try to get the secrets of the Bergius process and other chemical formulae of the I. G. Farbenindustrie. They attempt this by all sorts of ingenious methods, by special photographic apparatus of minute size, which can be concealed within the clothing. But the technicians of the Leunawerke are too clever for them. The manager laughs at the spies; he offers to let them take as many photos as they wish. He tells them that not one negative can be developed, for all the important parts of the factory are equipped with ultra-violet ray apparatus which renders useless any film or plate

So Hitler gears his machine for war. His right-hand man, Goering, the air maniac, darkly contemplates the triumph of the future, the glorious future when the products of the Leunawerke, its deadly chemicals and its synthetic petrol, will send his air fleet victoriously over the helpless areas of enemy countries. Then there will be no question of lack of oil. The Richthofens of tomorrow will not have to climb thousands of feet on rationed and inferior benzol, taken sparingly from Galician fields. In the air wars of to-morrow, oil will indeed be as precious as blood—but Germany will have plenty of it.

As if in answer to this menace: while France vacillates, England acts. Her huge Imperial Chemical Industries Ltd., has acquired the German patents of the Bergius process and has started a large plant in Billingham for the production of oil from coal. The plant, which is in process of construction, will cost £2,500,000 and will produce 100,000 tons of oil annually. The British government protects this infant industry by placing and maintaining a thumping import tax on oil.

Is this treason to Sir Henri and the Anglo-Persian? On the face of it, it looks as if the British government, ridden by the fear of an oil famine during the next war, has thrown over Sir Henri for the surer support of I.C.I. Ltd. and the Bergius process. But digging deeper, it is discovered that the patents on the Bergius process are held by a Dutch corporation, dominated by I. G. Farbenindustrie, by I.C.I. Ltd., and by Royal Dutch-Shell and Standard Oil Company ! Little chance for synthetic oil besting natural oil—defeating the great oil trusts of the world—while these trusts control the patents.

It reminds one of the old rumour that Standard Oil has the patent for a

practicable electric motorcar and is deliberately keeping it from the world.

These trusts allow the Bergius patent to be used for political reasons, for urgent military needs. That is all.

As a clinching epilogue comes the information that the entire new oil-from-coal output of the Billingham plant, in other words the entire synthetic oil output of England, has been reserved for the Royal Air Force. Shell and Rockefeller are safe and so is the British air security.

This should answer all protests that the struggle for oil is an empty balloon which can be deflated by some quick, unobstructed change—say a sudden technical shift from natural to synthetic oil (whether derived from coal, shales, alcohol, or corn-stalks). Alas, when huge vested interests control the present production, transportation and marketing of a product, it makes such a change immensely difficult and unlikely; when these same vested interests have a foothold in the chemical combines, it makes it well-nigh impossible. Chemicals may have their day, and perhaps it is not far distant. But meanwhile natural oil keeps chemical oil enclosed in a very small can.

Thus, with the various belligerent nations storing their oil resources for "Der Tag," with navies, armies and air forces resting confidently on their assured oil reserves, when will be the "day" and where the "place" are interesting matters of speculation.

Whether oil itself will be the prize of a World War—whether nations will fight for fuel to fight with—seems doubtful, though it is not impossible. The pit of the volcano seems rather to be in the rich mineral section of Europe, with German coal striving for union with French iron ore--Thyssen looking hungrily across the Rhine and plotting via his Nazis for Lorraine and its iron deposits. Like a huge magnet, this geological block of minerals upsets all the compasses of peace conferences. It looks as if iron and coal will again be the guerdons of a European war; though, once started, a need of oil by some belligerent might spread the blaze.

But, as in the past war, the conflict will probably have its genesis in a remote and insignificant country. Some obscure estuary may furnish the destroying torrent that will sweep over the world. This estuary, in all probability, will have the thin green film of oil on its surface.

When the greasy boys at the derricks are drilling for oil, they note it first in the slush-pit beside the drilling casing. "Showing rainbow," they call it.

Where will "rainbow" flash first? What are the danger spots on the world oil map?

Down in the Chaco, in South America, a war has been going on for over two years, between Bolivia and Paraguay. It has been waged for a barren tract of land called the Grand Chaco, and not all the efforts of the League of Nations, of scores of be-frocked delegates at watering-places and of the combined chancelleries of a dozen republics, have been able to stop it. It goes on with such persistence that it is clear that some other cause than political aspirations of Paraguayan and Bolivian Presidents must be behind the struggle.

Oil has been frequently mentioned in connection with this war. The fact is

Oil has been frequently mentioned in connection with this war. The fact is that oil has combined with another substance to bring about and maintain this struggle. Oil and tin are behind the Chaco war. The munition makers, of course, have had their share of responsibility, in keeping the guns loaded, by selling to both sides. But the money that pays Vickers and Remington comes from tin, the most precious product of Bolivia.

A startling gesture from England in the spring of 1934 flashed a revealing light on the whole matter.

England proposed an embargo of war materials on the two warring nations. It looked, at first glance, like an altruistic bid for peace. But this action of England came at a point in the war when Paraguay was having the best of the scrap. A sudden end of combat, then, would have resulted in Paraguay's occupying important territory and in the breakdown of Bolivia. Great Britain is heavily interested in a commercial way in Paraguay and her development. She is not interested in Bolivia, save in keeping her in the present low state of economic development.

Let's see how humanitarian Albion was in this proposal.

Bolivia remains undeveloped because she has no fuel. No coal in her bare Andes, no way of smelting the tin on which she lives. The Standard Oil Company owns large oil concessions in Bolivia, which also remain undeveloped because it cannot get the oil to the sea. Nor can it pipe the fuel to the tin-producing section of the country, far up in the Andes — obviously oil won't flow up-hill. But it would flow down through the Grand Chaco — and if Bolivia won, and got a port on the Paraguay river, it would open a door to the outside world, which now remains closed by Paraguay. That is exactly what it would do.

If Bolivia won, Bolivian oil would be developed. Railroads could be built up into the Andes, connecting the oil-fields and the tin mines. Then Bolivia could smelt her own tin; and Bolivia would rapidly develop into a modern industrial state.

But this victory of Bolivia, and her development, would spell the end of England's dominance in the tin-field. For ages, England has been the greatest refiner of tin in the world. She now holds a monopoly of this business. Tin is an important product in war as well as in peace. Defeat of Paraguay would deprive England of this profitable business. A stalemate, or the defeat of Bolivia, would maintain England's *status quo* in the tin business. And so the vain gesture of the noble diplomats of London came at a time when it was likely to help Bolivia more than Paraguay.

But the Chaco war is not likely to spread. The stakes are not large enough and the surrounding states are not seriously involved. The Chaco is better as an example of how oil stains, than how oil burns. Chaco is not a world danger spot.

But the Pacific is. Japan gets only a part of her oil from the Saghalien field; indeed, she has a lease on only a fraction of this field. Russia exploits her share of Saghalien in competition with the Jap[anese].

Is this an element in Japan's clash with Russian interests in Siberia? Here are the materials for the explosion which the world has been expecting.

Japan gets only a part of her oil from this island. An added supply comes from the Dutch East Indies and Borneo. Already the Dutch and the English interests in Borneo are stirring nervously as the Japanese push their influence farther down the Chinese coast. Already the wells and tanks of British firms in Borneo are mined with explosives, for an emergency. Anyone who knows the Orient knows how vivid is the British fear of the Japanese. Will this area be the flash-pan?

It could be.

But there is another part of the world where oil is paramount, where the issue is most clear and the liquid most inflammable—the Near East. And here, where civilization first arose, it is not improbable that civilization as we know it may receive its body blow.

The new Iraq field will soon be busily pumping oil to the Mediterranean, over one of the longest and most spectacular pipe-lines in the world. Cheap oil will directly flood the Mediterranean, underselling both Russian and Persian oil. Already the two rival Standard companies, Socony and Soconej, have made a marketing agreement; the former has not yet renewed its selling pact with the Soviets. Rumour has it that Teagle has seduced Socony from its liking for Russian oil.

But what will Einhorn of the Soviets do, when Baku derricks lie idle? And how will Rhiza Khan act, when the royalties which Anglo-Persian pays to the Persian treasury diminish?

How these powerful individuals may react to such pressure may be inferred from a recent historic scene. Over a banquet of skewered lamb and champagne in Ankara, Turkey, Rhiza Khan and Mustapha Kemal celebrated—ostensibly—the opening of the new motor highway from Teheran to Ankara. This road has just linked the two countries, formerly separated by miles of desert traversable only by camels. But motor transportation was the least important thing the rulers discussed.

The two dictators, in fact, talked of little but war and alliances. They project a Middle Eastern bloc composed of Turkey, Persia, Iraq, Syria, Arabia, Transjordan and Egypt, with Russia backing it up. The Orient, versus the Western nations which have a foothold there! The meeting and discussion was significant as the beginning of a vast alliance, with England as the principal target, French and American interests involved.

Mustapha Kemal has always been a good friend of Russia. So has Rhiza Khan. On the map the symbol is obvious: the great bulk of Russia resting on the twin buffers of Turkey and Persia, and the whole pressing down on the oil-fields of the Anglo-Persian in Persia and the English-French-American holdings in Iraq.

In the stern phrases of Rhiza Khan the menace to British domination in the Near East is written vividly: "The two greatest evils from which a country can

submit to foreign control — His Majesty hesitated darkly — and Communism. If Persia has to choose between them, I should be the first to place myself at the head of a Communist army."

There is the embryo, here, of a vast Oriental counterattack against Western domination, with the Moslem hatred of Christianity as a potent rallying cry. Ibn Saud still broods fanatically and intrigues dangerously in his tent in Arabia. Recently he gave a concession on the mainland of Arabia to the Standard Oil Company of California, no friend either of Soconej or Deterding.

Pipe-lines are frail filaments when desert drums beat. Even the Royal Air Force could not prevent a pipe-line from being cut in a dozen places at once. If a fanatical war ever arises in the Near East, England will need more than a Colonel Lawrence to stop it. The British Navy will then have to look farther away than Iraq and Persia for the combustibles to feed its fire-boxes.

Where would the British go for oil in the event of a Moslem war? Disquietingly, it would have to go to a yet more inflammable zone.

Venezuela, long, fat and low-lying on the northern coast of South America, points like a clenched fist at the Panama Canal. Here, as abundantly as in the Near East itself, are all the elements that can provide a world tragedy. Britain, with the British Controlled Oil-fields scattered strategically around the Caribbean, strives for the mastery of this important passage to her possessions in the East. Oil firms from the United States, with the backing of the State Department, gobble up concessions in bitter competition with the British. Finally Venezuela sits submissively, but only for the moment: it is a tyrant's peace; the still period before a storm. The tyrant, Gomez, is old, dying slowly, and there is no strong man to take his place. The country listens to communist propaganda while the students, always the agitators of South American revolutions, plot, and the military lay plans.

The death of President Gomez alone would unleash these savage forces. Rival and long-suppressed warlords would inevitably invite foreign financial backing; they would divide into British and American backed armies. The Secret War would follow, just as it did in Mexico.

If this should happen at a time of trouble in the Near East, it would be complicated enough. But if it should occur at a time when oil in the United States shows signs of diminishing, the picture grows yet more involved.

When President Hoover uncovered British domination of rubber, a wave of anti-British feeling swept the United States. Add to an American shortage of oil the fact that some of the British oil companies in Venezuela are controlled by the British government, and the stage would be set for serious developments. Remember that President Cleveland was ready to go to war with England for the sake of Venezuela.

As if to give further indices to this foreboding problem, the American fleet in 1934 manoeuvres, not in the Pacific, where the menace of Japan has so long and tediously been heralded, but in the Caribbean. The President of the Republic of Colombia—once, we have seen, so perilously near becoming the fief of the British government—pays a visit to Washington. President Roosevelt, on his vacation tour to the Canal and the Pacific, stopped off in the

little old port of pirates and oil men, Cartagena, Colombia. Flashes of lightning?

These are the gloomy sides of the picture. But oil is a lubricant as well as a combustible. What has brought Russia and America into diplomatic relations, if not to the awaited financial accord, might well be used to stop the secret fight between Britain and the United States. If the two nations could but get together on the plane of statecraft, excluding the twin forces of Deterding and Standard from their councils, and producing a pact which guaranteed oil for Britain's navy and petrol for American motorists in case of an oil famine the menace of the Secret War would disappear.

From the detached view of a geologist, the whole thing seems infinitely preposterous. Two great empires clash to the danger point for a substance which will sooner or later be exhausted. Wells are driven to tap a pool of black viscous liquid formed by the putrefaction of vegetation and prehistoric animals, and this oil formed from the corpses of dead worlds is the treasure for which myriads of men of our times may be killed. And all because the system drives the Deterdings and Rockefellers, automaton-like, to struggle for power.

For the Secret War for oil is no ordinary trade war. It is the most perfect manifestation of the clash of economic imperialism. Inherent in it are the self-destroying qualities of capitalism—raised to the nth degree. Deterding and Rockefeller, powerful titans of perhaps the most important industry in the world, are nevertheless powerless puppets drawn by the strings of the acquisitive system. Will this system be modified in time to prevent a world catastrophe?

Looking at it from another angle, the whole situation has an almost geologically fatal prospect. Coal and iron, vast blocks of minerals, jostle one another and embroil the acquisitive humans who exploit them, on the Continent of Europe. Oil and tin part, join and part again, keeping South America in turmoil; oil bestrides silver in Mexico. These subterranean rumblings set into commotion the hordes of possessive inhabitants on the surface above and no seismograph is necessary to warn them. They fear huge faultings, great fissures and foldings in this crust, and most of all they tremble at signs of an outburst of the volcano of war. These substances own us, not we them. The system moves so inevitably toward another Armageddon that the prospect is frightening. "Necessary as blood...."

Down in Baku, where the Soviets are frantically pumping the black gold, there has recently been discovered, amid the forest of derricks, the old Temple of Fire of Sourahkani.

Even up to a century ago, pilgrims used to come from the tribes of Asia to adore the eternal flame, the fires which Zoroaster predicted would one day set fire to the world.

The prophet was punished for his forecast. The fire of heaven descended upon him and reduced him to cinders. But his cult remains and his prophecy is by way of being verified: the secret war of the oil interests may one day break out into the open, and, unless mankind lays hold of its treasures and controls them, the world will indeed be enveloped in flames.

THE SECRET WAR FOR OIL

## FOOTNOTES & BIBLIOGRAPHY by Chapters

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### Chapter 4

This chapter is based on Pierre L'Espagnol de la Tramerye, *The World Struggle for Oil* (N.Y., 1924); Mohr, *The Oil War*; and L. M. Fanning, *Oil in the World War* (1922). I also consulted Admiral Jellicoe, *The Crisis of the Naval War* (London, 1920), pp. 146-7; Francis Delaisi, *Oil: Its Influence on Politics* (London, 1922); R. Mennevé, *Sir Basil Zaharoff* (Paris, 1928), incidentally the only thoroughly documented biography of this extraordinary figure; Louis Fischer, *Oil Imperialism* (N.Y., 1926) and Essad Bey, *Stalin* (1932).

### Chapter 5

I depended largely for materials in this chapter on the excellent series of articles published in all Hearst Sunday papers from March 25 to May 6, 1928, written by Ernest Jerome Hopkins, Hearst special writer, after six months' research and investigation. For the Dutch imbroglio see 68th Congress, 1st session, Senate Document 97, pp. 47-57, 70, 72; also E. H. Davenport and S. R. Cooke, *The Oil Trusts and Anglo-American Relations* (London, 1923).

### Chapter 6

This chapter is based on Gruening, *Mexico and Its Heritage*, Beals, *Mexican Maze and Black River* (Philadelphia, 1934); on Walter Lippmann's article in the *New York World*, April 4, 1928; various articles in *The Nation* (N.Y.) particularly October 19, 1927 and July 28, 1928; on State Department release, June 12, 1925; and on *Wall Street Journal*, December 12, 13, 16, 17, 1927.

### Chapter 7

Studies of Gomez and his régime have been numerous in American periodicals in recent years. Among the most useful for this chapter have been: "Twenty Years a Dictator," by T. Ybarra, *Outlook*, December 28, 1928, N.Y.; "Venezuela's Rocking-Chair Czar," by Morris Gilbert, *North American Review*, December, 1929; "Gomez Still Rules," by Anita Brenner, *Nation*, August 28, 1931; "Terror Still Reigns in Venezuela," by R. Baldwin, *Nation*, March 4, 1931.

The oil situation in Curaçao is well covered by "Dutch Problems in the West Indies," by A. Vandenbosch, *Foreign Affairs* (N.Y.), January, 1931.

### Chapter 8

The Costa Rican story is based on T. P. Moon, *Imperialism and World Politics*, p. 429 (N.Y., 1926). Also de la Tramerye, *World Struggle for Oil* was helpful.

The advance of British interests on the Canal, particularly in Colombia and Panama described in Ludwell Denny, *We Fight for Oil* (London, 1928). Other references which were of assistance: O'Shaunnessy, *South American Oil Reports*, June, 1928; E. J. Hopkins, article in Hearst papers, April 29, 1928; *Tulsa Oil and Gas Journal*, December 29, 1927, p. 247; *N.Y. World*, April 5, June 4, 1926.

The Barco story of the Mellon interests is well told in Harvey O'Connor, *Mellon's Millions* (N.Y., 1932).

### Chapter 9

There is a vast periodical literature on oil fires. Here follows a list of some which were useful: "Conquest of Flaming Death," *Popular Mechanics*, August, 1931, April, 1931; "One-Man Fire Department of the Oil Fields," *Literary Digest*, December 27, 1930; "Snuffing Out Burning Oil Wells," *Literary Digest*, January 26, 1929. Also the chapter in M. Zischka's book on Incendiary Fires was invaluable.

### Chapter 10--Part 1

Materials for this chapter from G. L. Bell, *Letters*, London, 1927; T. E. Lawrence, *Revolt in the Desert*, London, 1927; from the following articles: Iraq and the Assyrians," *Contemporary Review*, October, 1933; "Persons and Personages," by W. Von West, *Living Age* (N.Y.), November, 1933.

### Part 2

For Ibn Saud, see "On Se Bat en Arabie" par Geo-Ch. V éran, in *Le Miroir du Monde* May 19 1934. Also *Living Age* article "Ibn Saud and Zionism "



August, 1934.

### Part 3

For materials in this part consult Essad Bey, *Blood and Oil in the Orient* (1932); Louis Fischer, *Oil Imperialism* (N.Y., 1926); Georges Agabekov, *Ogpu, The Russian Secret Terror* (1931).

### Chapter 11

In this chapter I was guided mainly by Louis Fischer, *Oil Imperialism*. Magazine articles which supplemented Fischer were, *Fortune* (N.Y.), "Harry Sinclair," November, 1932; *Current Opinion* (N.Y.), "Major Imbrie," September, 1924, pp. 285-6; *Literary Digest*, August 9, 1924; *Herald Tribune* (N.Y.), September 27, 1924.

### Chapter 12

For the Georgian revolutionary story, I consulted H. R. Committee on Foreign Affairs (69:1); also *U.S. Daily*, April 6, 1926. For the Arcos raid, I used Francis Delaisi's version in *Foreign Affairs*, London, October, November, 1927. Also *Soviet Union Review* (Washington), November, December, 1927. The Chervonetz Scandal was covered in *N.Y. Times*, November 22, 1927.

Camille Aymard, *La Conquête du Pétrole*, relates the Primo de Rivera scrap with Standard and Deterding, the facts of which version correspond with the Press dispatches in the New York Times over the period 1927-31.

### Chapter 13

For Aldrich manoeuvres see *N.Y. Times*, March 9, 1933. The activities of Mr. Le Blanc are described in *Fortune*, February, 1934. See also Quincy Howe, *World Politics* (N.Y., 1934).

In studying the current oil situation I found *World Petroleum* (N.Y.) for October, December, 1933, and January, February and March, 1934, very useful.

A good description of the Bergius oil from coal process is in Ludwell Denny, *We Fight for Oil*. The I.C.I. process and enterprise was announced in the *N.Y. Times*, July 19, 1933. Further information concerning this branch of the I.C.I. was obtained from officials of the company.

The Chaco situation was analyzed very acutely by Arnold Roller in his chapter, "Whirlwinds of Rebellion in South America," part of the symposium, *Recovery Through Revolution*, N.Y., 1933. This chapter also covered events in Argentina. A fuller description of the problem is in Margaret Marsh, *The Bankers in Bolivia* (N.Y., 1928).

Information regarding the Japanese oil situation was obtained from Mr. Richard Walsh, recently returned from the Orient.

The information concerning the meeting of Rhiza Khan and Mustapha Kemal was taken from *Time*, July 2, 1934.

For Sir Henri's trip to the United States, see *N.Y. World-Telegram*, August 17, 1934.

Sinclair's archaeological expedition in *N.Y. Times*, May 7, 1934.

### **Selected Bibliography of Books on the International Struggle for Oil**

Aymard, Camille. *La Conquête du Pétrole*. Paris, 1930.

Davenport, E. H. and Cooke, S. R. *The Oil Trusts and Anglo-American Relations*. London, 1923.

De la Tramerye, Pierre L'Espagnol. *The World Struggle for Oil*. New York, 1924.

Delaisi, Francis. *Oil: Its Influence on Politics*. London, 1922.

Denny, Ludwell. *We Fight For Oil*. London, 1928.

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Fischer, Louis. *Oil Imperialism*. New York, 1926.

Mohr, Anton. *The Oil War*. New York, 1926.

## **Appendix A--The Dynasties of Petroleum**

### **(From "Who's Who")**

**Rockefeller, John Davison.** Capitalist. Born at Richford, N.Y., July 8, 1839. Son of William Avery and Eliza Davison R. Moved to Cleveland, O., in 1853, where he received a public school education. Married Laura G. Spelman of Cleveland, O., September 8, 1864 (deceased March 12, 1915).

Children: Bessie (Mrs. Charles A. Strong, deceased); Alta (Mrs. E. Parmalee Prentice); Edith (Mrs. McCormick); John Davison. John D. Rockefeller was clerk in forwarding and commission house; at 19 he was partner of the firm of Clark & Rockefeller, commission merchants. The firm became Andrews, Clark & Co., and engaged in the oil business. In 1867 the firm, then Rockefeller, Andrews & Flagler, operated a large oil refinery at Cleveland and in 1870, the business was consolidated with others in The Standard Oil Company. Other interests were later acquired and the Standard Oil Trust was formed in 1882 but was dissolved in 1892, after which the Standard Oil Company operated as a New Jersey corporation until dissolved in 1911, with Mr. Rockefeller as President until December 4, 1911, when he retired. It is estimated that the total amount given by Mr. Rockefeller for philanthropic and charitable purposes up to 1921 exceeded £100,000,000. Nearly four-fifths of this sum went to the four great charitable corporations which he created: The Rockefeller Foundation, General Education Board, The Laura Spelman Rockefeller Memorial and the Rockefeller Institute for Medical Research. Home: 4 West 54 St., New York, N.Y.

**Rockefeller, John Davison, Jr.** Chairman of the board of the Rockefeller Foundation. Born in Cleveland, O., January 29, 1874, son of John Davison and Laura C. (Spelman) Rockefeller. A.B., Brown University, class of 1907. He

married Abby Green, daughter of Nelson W. Aldrich, 1901. He has been associated with his father in business enterprises; active in philanthropic work. He is chairman of the Board of the Rockefeller Foundation, trustee of the Rockefeller Institute for Medical Research, director of the General Education Board, of the Bureau of Social Hygiene, of the International Health Board, of the China Medical Board, of the Merchants Fire Assurance Corporation. Author of "The Personal Relation in Industry." Home: 10 West 54 St. Office: 26 Broadway.

**Rockefeller, Winthrop.** Son of John D. Rockefeller, Jr., born in 1912. Educated at Yale University. The only one of the Rockefellers who is at present actively in the oil business. After having studied the methods of the Standard Refineries at Bayonne, he worked for two months for the Humble Oil Company, affiliate of the Standard of New Jersey. He intends to enter the Standard of New Jersey after finishing his studies at Yale.

**Aldrich, Winthrop William.** Banker. Brother-in-law of John D.

Rockefeller, Jr. Born Providence, R.I., November 2, 1885; son of Nelson W. and Abby Pierce Chapman (Green) Aldrich. A.B., Harvard, Class of 1907. LL.B., Harvard, 1910. Married Harriet Alexander of New York City, December 7, 1916. Children: Winthrop William (deceased), Mary, Harriet, Lucy Truman, Elizabeth Brewster, Alexander. Admitted to the N.Y. Bar 1912. Lieutenant U.S. Naval Reserve, 1917-18. He has served as President of the Equitable Trust Company and is President of the Chase National Bank. He is a director of the Chase-Harris Forbes Company, of the American Telephone and Telegraph Company, The American Express Company, Denver & Rio Grande R.R., Rio Grande Junction R.R., Western Pacific R.R. He is a director of the Laura Spelman Fund. Home: Roslyn, L.I., and 15 E. 78 St., New York, N.Y. Office: 18 Pine St., New York, N.Y.

**Teagle, Walter Clark.** President Standard Oil Co. Born Cleveland, Ohio, May 1, 1878. Son of John and Amelia Belle (Clark) T. B.S., Cornell, 1900. Married Rowena Bayliss Lee of Memphis, Tenn., 1911. One son, Walter Clark. Received training in oil business with Schofield, Shurmer & Teagle, Cleveland. Vice-President Republic Oil Co., 1900-3; with export department of Standard Oil Co., 1903-10, becoming head of department; elected director Standard Oil Co. (N.J.), later vice-president; president since Nov., 1917. Elected president Imperial Oil Co. Ltd., 1913; International Petroleum Co. Ltd., 1915. Member Alpha Delta Phi. Episcopalian. Clubs: Alpha Delta Phi, University. Home: East Port Chester, Conn. Office: 26 Broadway, New York, N.Y.

His maternal grandfather was a partner of John D. Rockefeller, their earliest business association being in the grain trade. The business was later extended to include the oil trade, which was then in its infancy.

His father's firm was merged with Republic Oil Co. In export department of Standard, greater part of his time was spent abroad. Hence his concern with the international oil situation.

**Deterding, Sir Henri Wilhelm August.** Managing director of the Royal Dutch-Shell. Principal organizer of the English petroleum interests.

Born in 1865, son of the sea captain, A. E. D. Deterding. Orphan at the age of twelve. Two brothers and a sister. the eldest brother a doctor. the youngest an

officer in the army. Henri Deterding was educated in the public schools and went to work in 1874 for a bank, the Tweentsche Bank Vereening, Amsterdam, at the pay of 20 florins a month. In 1888 Deterding entered a contest of applicants for a position in the powerful bank, the Nederlandsche Handel Maatschappij. Among the 180 candidates for two places, Deterding placed first with M. Waahot who is now president of the bank, as second. At the age of 23, Deterding was named head of the Neerlandaise Banque branch at Medan, Sumatra. In 1891 Deterding became head inspector of the Royal Dutch Oil Company, with his territory the Sonde Islands. In 1897 he became manager of the Royal Dutch. In 1898 union of the Royal Dutch with the Shell Transport and Trading Co.

Married for the second time to Lydia Pavlovna, daughter of the late General Paul Koudayaroff. Two sons by his first wife, two daughters by his second.

Address: 40 Park Lane, London, and Buckhurst Park, Ascot.

**Bearsted Lord, Marcus Samuel.** Founder of the Shell Transport and Trading Company. Born at Whitechapel, London, in 1853, son of an orthodox Jew. In 1902, Lord Mayor of London. In 1921 created peer (Lord Bearsted). In 1914, viscount. Died in 1927.

#### **Appendix B--Anglo-Persian Oil Co. Ltd.**

The Rt. Hon. Lord Greenway of Standbridge Earls, President, appointed by His Majesty's Government.

Organized April 14, 1909.

The company has 17 subsidiaries, in which they own all shares, 3 in which have controlling shares, 6 in which own substantial interest.

Capital 26,500,000 pounds sterling (1931) authorized.

Issued Common Shares, 13,425,000 with par of 1 pound; 7,400,000 shares held by British Government (hold voting majority).

#### **Standard Oil Company (New Jersey)**

**26 Broadway, New York, N. Y.**

W. C. Teagle, Pres.

The Standard Oil Company (New Jersey) incorporated Aug. 5, 1882, in New Jersey, was originally organized in Ohio in 1870 as the Standard Oil Co. The present title was adopted on Mar. 19, 1892. Due to the dissolution decree of 1911, drastic changes were brought about and the history of the present company actually dates from 1912. In 1927 it became a holding company.

Authorized capital: Common: 30,000,000 shares, par \$25, issued 25,735,468 shares. Authorized capital: \$750,000,000; increased from \$110,000,000 in Nov. 8, 1922, and from \$625,000,000 in June 7, 1927.

Bonded debt, \$120,000,000.

91 subsidiaries in 26 countries.

The Royal Dutch-Shell group acquired a half-interest in the International Hydrogenation Patents Company, controlling patents for the process outside of the United States and Germany. Imperial Chemical Industries of Great Britain acquired a licence for the British Empire and joined I. G. Farbenindustrie, Royal Dutch-Shell and Standard Oil Company (New Jersey) in the technical development and promotion of hydrogenation outside of the United States.

Pipe-lines: Subsidiary and affiliated companies in the United States were operating on December 31, 1931, 4,003 miles of trunk pipe-lines.

Ships: The combined fleet of the Standard Oil Company (New Jersey) and the subsidiaries totals 145 tankers of 1,548,424 dead-weight tons.

N. V. Koninklijke Nederlandsche Maatschappij Tot Exploitatie von Petroleumbronnen in Nederlandsch-Indie — (Royal Dutch Company for the Working of All Wells in Dutch Indies Ltd.).

General Managing Director: Sir H. W. A. Deterding, K.B.E.

The company has 136 subsidiaries in 62 countries.

They own 25 per cent interest in Deutsche Gasolin A. G. Operating 2 refineries in Germany and marketing petroleum products.

The company owns 50 per cent interest in Universal Oil Products Co., Standard Oil Co. of California; owns other 50 per cent Universal Oil Products Co. They own Doobs cracking process. They also own rights on Trumble refining process; through N. V. Nieuwe Octrooi Mij they own certain refining patents with Petroleum Conversion Corp. They own interest in International Hydrogenation Patents Co. which was founded by the Standard I. G. Co. for the international exploitation of hydrogenation patents.

The company was organized in Holland 1890 for the exploitation of petroleum in Dutch East Indies. In 1903 in conjunction with the Shell Transport & Trading Co. Ltd. they formed The Asiatic Petroleum Co. Ltd. for distributing petroleum products. This led to the amalgamation with Shell Transport & Trading Co. Ltd. on January 1, 1907. At the time the two companies were formed, the Anglo-Saxon Petroleum Co. Ltd. devoted itself to the transportation, storage and sale of products and de Bataafsche Petroleum Maatschappij, handled the producing and refining. With the organization of these two companies the Royal Dutch and Shell Transport & Trading Co. became holding companies. The Anglo-Saxon Petroleum Co. Ltd. was registered in England with 25,000,000 pounds sterling capital and de Bataafsche Petroleum Maatschappij registered in Holland with 300,000,000 florins capital. Sixty per cent of the capital of both companies is held by the Royal Dutch Co. and forty per cent by the Shell Transport & Trading Co. Ltd. Royal Dutch also acquired 500,000 ordinary shares, 30s. par, of Shell Transport & Trading Co. Ltd.

Authorized capital: 1,500 4 per cent preference shares, par 1,000 florins, all issued; 998,500 ordinary shares, par 1,000 florins.

Has paid dividends annually since 1908; bonded debt 540,000,000.

The company has 45 refineries in 25 countries.

Production for 1931--20,532,758 metric tons.

They operate a fleet of over 2,211,527 tons loading capacity.

**Standard Oil Company of New York Inc.**

**(Socony-Vacuum Oil Co.)**

**26 Broadway, New York, N.Y.**

President: Charles E. Arnott.

Organized in July, 1931, to take over the properties of Standard Oil Co. of New York, organized in New York, 1882. Name of Standard Oil Co. of New York was changed to Socony Vacuum Corporation, later changed to Socony-Vacuum Oil Company.

The company has six subsidiaries.

Capitalization: 40,000,000 common shares, par \$25, authorized 31,676,264 issued.

The company owns 3,551 tank cars, 71 tank steamships. Pipe-line facilities 3,839 miles.

**Appendix C--World Production of Crude Petroleum in 1933**

**United States**--Total U. S. Barrels, 898,874,000; % of Total, 63.41.

**Russia (incl. Russ. Saghalien)**--Total U. S. Barrels, 148,902,000; % of Total, 10.50.

**Venezuela**--Total U. S. Barrels, 120,883,000; % of Total, 8.53.

**Roumania**--Total U. S. Barrels, 50,971,000; % of Total, 3.60.

**Persia**--Total U. S. Barrels, 49,581,000; % of Total, 3.50.

**Dutch East Indies**--Total U. S. Barrels, 38,513,000; % of Total, 2.72.

**Mexico**--Total U. S. Barrels, 33,905,000; % of Total, 2.39.

**Argentina**--Total U. S. Barrels, 13,955,000; % of Total, .99.

**Peru**--Total U. S. Barrels, 13,923,000; % of Total, .98.

**Colombia**--Total U. S. Barrels, 13,157,000; % of Total, .93.

**Trinidad**--Total U. S. Barrels, 9,560,000; % of Total, .67.

**British India**--Total U. S. Barrels, 8,543,000; % of Total, .60.

**Poland**--Total U. S. Barrels, 3,865,000; % of Total, .27.

**Japan (incl. Jap. Saghalien)**--Total U. S. Barrels, 2,340,000; % of Total, .17.

**British Borneo**--Total U. S. Barrels, 2,288,000; % of Total, .16.

**Germany**--Total U. S. Barrels, 1,713,000; % of Total, .12.

**Ecuador**--Total U. S. Barrels, 1,623,000; % of Total, .12.

**Egypt**--Total U. S. Barrels, 1,592,000; % of Total, .11.

**Iraq**--Total U. S. Barrels, 1,200,000; % of Total, .08.

**Canada**--Total U. S. Barrels, 1,148,000; % of Total, .08.

**France**--Total U. S. Barrels, 552,000; % of Total, .04.

**Others**--Total U. S. Barrels, 482,000; % of Total, .03.

**U. S. Barrels**, 1,417,520,000; % of Total, 100.00.

Promoting the Principles of Free Market Economics