

## CHAPTER I

### THE OLD WORLD AND THE NEW— ECONOMIC INTERNATIONALISM

The world has undergone a revolutionary change since the days of Gladstone and Bismarck. The industrial revolution, the growth of imperialism, the extension of sovereignty beyond old territorial limits, and, most important of all, the conflicts of the industrial and financial classes, have so changed international relations that a controversy in the most distant portion of the globe may set all Europe ablaze and bring into the arena of warfare millions of people who have little interest in the conflict and who do not know what the controversy is about.

Our ideas of the state are still those of earlier generations. We trace the limits of a nation as they appear on the map. We think of England, France, Germany, Russia, and Austria-Hungary as confined within eighteenth-century borders. This was the Europe of yesterday. It is not the Europe of to-day. States have burst their political confines. They live out-

side their territorial boundaries. Their economic interests are as wide as the world. Their foreign connections are only less vital to their lives than their internal affairs. Nations have become international. Their wealth is scattered all over the world. Their life is interlaced with the life of other states. And the sovereignty of states has gone out with their wealth to the most distant parts of the world. It has penetrated into every continent and to every sea.

The outside connections of states are as sensitive as the old national boundaries. Trade, shipping, and finance have interlocked the divided world into a world-state. But the old political concepts remain. The new is in conflict with the old. Any threat to economic connections or distant relations is immediately registered in the Foreign Office. It becomes a matter of diplomacy. The existence of a nation may be threatened by failure to safeguard economic connections. That is one reason for war.

The old nationalistic world has passed away.

The rulers of Europe, trained in the old nationalism, met this economic change by im-

perialism. They could only think in imperialistic terms. They viewed distant territories as they viewed their lands at home. They kept other Powers out. That is the way rulers had done for hundreds of years. That was the only way the ruling classes, for the most part still feudal, knew how to adjust the old nationalism to the new internationalism. The need for food, for raw materials, for markets, for opportunities for trade, for strategic routes and harbors, could only be supplied by conquest. Imperialism was the result.

England has long since ceased to be a European state. Her life is overseas. She is fed by all the world. Four people out of five live in towns and cities. Were the food supply and raw materials of Great Britain interrupted her people would starve. Her mills would close. Her cities would be filled with hungry men and women as they were during the Civil War when cotton from the Confederate States was unable to reach British harbors.

Britain is the carrier of the world. Her ships link the colonies with the mother country. They, too, would suffer economic collapse if the sea routes were interrupted. Australia, Can-

ada, India, South Africa are so interrelated and so dependent upon an English market that any disaster to the economic life of Great Britain would bring economic disaster to them as well. For England is the world's marketplace. The people of all countries do their buying and selling in the British Isles. Ships load and unload in British ports; her warehouses are filled with commodities from other countries. The foreign commerce of Great Britain amounts to \$5,000,000,000 a year.

England is the world's banker. Lombard Street is the centre of international exchange. This, too, means wealth and economic power. The debits and credits of the world are cleared through the great banking establishments of London, just as the debits and credits of the United States are cleared through Wall Street. British banks have branches all over the world. They are reporting agencies of political and industrial conditions. They watch other Powers. They register changes in trade; they note the rise of German, American, or French influence in China, South Africa, South America, or any other trading-point. The banks are also brokers of concessions. They promote and build

railroads. They place contracts. They sell munitions. They are interlaced with all of the big industrials of England. They also make public loans.

England lends money to the world. She is the great reservoir of credit of all other nations. British capital has financed British colonies. It has financed weak and dependent states. It has built railroads, opened mines, promoted rubber, cotton, oil, timber, and other activities all over the world. These investments are made by the banks. They spring from ground rents, shipping, industrial profits. And they are protected by British diplomacy and the British navy. England's annual income from overseas investments amounted to a billion dollars a year before the war. British foreign investments amounted to \$20,000,000,000, in 1914, or more than the combined foreign investments of the rest of the world. Her foreign trade, shipping, and other foreign interests amounted to possibly \$10,000,000,000 more, or a total of \$30,000,000,000. The total wealth of England is only \$85,000,000,000.

Germany, like England, has become an international state. She, too, lives by contact with

the outside world. Germany secures her iron ore from Lorraine which she took from France in 1870. This is the basis of her power. For in Germany steel is recognized to be king. The firm of Krupp not only makes munitions, it builds ships. It manufactures structural steel of all kinds. It builds railroads, harbors, docks, canals. It is one of the greatest trusts in the world. The German electrical trust has ramifications in other countries, as have a score of other concerns. Germany's overseas foreign trade fell only short of that of England in 1914. It amounted to \$4,900,000,000. Her mills and factories are dependent upon the outside world for raw materials just as her people are dependent upon the outside world for food. And any interruption of the source of supply would weaken or destroy her life. It would threaten the industrial and financial structure.

German industries, like those of England, have been seeking raw materials all over the world. They went to Morocco for iron ore. A district at Kiaoutchau in the Shantung Peninsula was taken from China after the murder of two German missionaries because it contained valuable iron-ore deposits. The unappropri-

ated parts of South Africa were seized as a source of supply for cotton. Asia Minor and Mesopotamia were wanted for wheat, cotton, oil, and other raw materials.

With the growth of industry Germany organized great banks with branches all over the world. Foreign trade is dependent upon banking. And the German banks have been organized into wonderful agencies for aiding industry. Along with these, half a dozen great exploiting banks, of which the Deutsche Bank is the chief, have been organized for economic penetration and exploitation. These banks negotiate public and private loans; they promote the sale of munitions; they shape the policy of the Foreign Office; they are closely interlaced with the government, with diplomacy, with the big industrial syndicates which they have financed and organized. And in recent years German money has ventured overseas in search of investments. Her foreign investments amounted to \$6,000,000,000 in 1913.

Germany developed her merchant marine as an aid to commerce. It was built with great rapidity. Her tonnage was growing faster than that of any other country in the world

prior to the war. Germany, too, wanted to be a world clearing-house like England. But she was a protectionist country. So the cities of Hamburg, Bremen, and Lübeck were made free ports. No customs duties have to be paid within these harbors. They are free-trade zones. Germany saw the advantage which free trade gave a country in handling the wealth of the world. She saw how England had advanced to her industrial powers because of her freedom from tariff barriers. And the rapid growth of Hamburg is traceable to the fact that within its harbors the wealth of other countries can come for shipment and reshipment, to be warehoused, to be held until ready for transshipment to some other port.

Germany has utilized her great banking agencies to develop trade connections. They have borrowed money from England and France. This has been used in turn to exploit France, Switzerland, Italy, and the Balkan states. French money was used to build the Bagdad Railway, nearly a third of the money coming from French investors. The public utility corporations of South America are largely owned in Germany, as are the indus-



tries of the Balkan states, Turkey, and Asia Minor. In this way Germany added to her banking capital. In this way she built up her industries.

France, too, is an international state. She, too, is imperialistic. Next to England, she is the great money reservoir of the world. Her foreign investments in 1914 amounted to \$9,000,000,000. And these investments are owned by millions of peasants and workers, who have been led to place their savings in bonds and securities sold in small denominations of \$20, \$50, and \$100. And the financial power of France is to be found in the savings of the peasants. Popular support of imperialism in France is traceable to the fact that the investing class includes almost the whole population.

French investments are for the most part in the Mediterranean countries and in Russia. They are scattered in the Far East, in Africa, and in Mexico. French money built the Suez Canal.

France has also developed a substantial trade, especially about the Mediterranean. She has promoted foreign relations by French schools, by scholarships in Paris, by the maintenance of

a press, and other agencies for moulding public opinion.

Russia is also dependent on the outside world. Russia is a peasant state. Almost the whole population is agricultural. There is but little industry. And the great part of her industrial life is under the control of German, English, and French interests. Russia has to buy from the outside world. And she can only reach it through the Dardanelles, the Mediterranean and the Baltic Seas. For her ports on the Arctic Sea are closed during a great part of the year.

Russia has to find a market for her wheat, her timber, and her oil. She has to maintain lines of communication to England and France. Moreover, Russia is a debtor country. She borrowed heavily for military purposes, for her railroads, for internal improvements. Her loans are mostly held in France. And she can only pay the interest on these securities by the sale of wheat. In other words, Russia exchanges wheat, oil, and timber for machinery, locomotives, farm implements, clothing, and the industrial and domestic needs of her people. This is why an outlet to the Mediterranean has been the consistent aim of Russian foreign

policies since the time of Peter the Great. The control of the Dardanelles has been the object of Russian diplomacy, just as control of the Mediterranean has been the object of British diplomacy. The economic life of Russia, even her military strength, depends upon free and unchallenged contact with the outside world.

Moreover, Great Britain, France, Germany, and Russia have ceased to be European states. They have colonies, possessions, and dependencies all over the world. Only 10 per cent. of the population of the British Empire is in the United Kingdom.

From this it is to be seen that the Europe of Gladstone and Bismarck is gone, never to return. The old boundaries have been razed by trade, finance, and shipping. The foreign trade of the world amounts to \$35,000,000,000 a year, while the exposed investments and interests of the warring Powers in other countries are not far from \$40,000,000,000 more.

The classes which rule Europe have also changed. Up to about 1880 the old eighteenth-century landowners, the Junkers, and the Tories were the ruling classes, and the government of Europe reflected their interests. It thought in

their terms and they thought in terms of continental Europe. But the feudal classes became investors, bankers, and traders. They owned ships; they possessed foreign securities. They were promoters, directors, stockholders in foreign undertakings of all kinds. They grew rich from the ground rents of the cities and the peasants. And their profits went into commercial undertakings. During these years the bourgeoisie rose to political power. By the end of the century it superseded the feudal aristocracy in its wealth. It became the imperialistic class. As time went on it was merged with the old feudal aristocracy. The bourgeoisie has its own party; the Liberal party in England and the National Liberal party in Germany. The feudal landowners also have their party; the Tory in England and the Conservative in Germany. These parties reflect the economic interests of the bourgeoisie and landowners. They differ on domestic policies, but their imperialistic interests are the same. By intermarriage, by interlocking interests, they have become a political oligarchy. And in the closing years of the nineteenth century the great industries and banking interests

were organized and consolidated into trusts, syndicates, cartels, and monopolies, just as they were in the United States. This was true of all the major industries such as iron, steel, munitions, shipping, chemicals, cotton, and wool. And these industrial monopolies were merged again with the banking institutions which brought them into being. This was particularly true in Germany, in which country the *Grossbanken* were interlaced and interlocked with thousands of corporations in which they held securities. By the close of the century industry had become dynastic; only less dynastic than the old feudal classes. And it was imperialistic. It was vitally concerned in trade, commerce, shipping, and banking. It was concerned over trade routes, strategic places, and especially over colonies, concessions, and spheres of influence, from which came the food of the people and the raw materials for the industries which this merger controlled.

It is to be remembered that politics is largely concerned over the things the ruling classes own. And the ruling classes of Europe own a great part of the wealth of the outside world.

They own the railroads, mines, banks, plantations, resources, docks, shipping, and commercial undertakings of Asia, Africa, South America, Australia, and the islands of the seas.

Thus, the political life of all the Powers is a reflection of their economic life. This is particularly true in foreign affairs, which have become very largely, almost exclusively, concerned over economic interests. A study of the treaties, conventions, and discussions of the past fifty years shows the extent to which economic considerations have dominated everything else. Each nation jealously protected the monopolies, privileges, and interests of its ruling classes. It watched the penetration of other nations into Africa, South America, China, Mexico, and especially into the states bordering upon the Mediterranean. The whole world was engaged in diplomatic controversies over spheres of influence. It was concerned over trade routes, strategic harbors, the freedom of the seas. Great navies were built for the protection of their trade, their overseas colonies, their spheres of influence and investments. Foreign relations have become eco-

nomie. Political considerations are secondary. The Foreign Office has become an agency of the business and imperialistic life of Europe.

The world has been kept in the dark as to all these things. We know very little about the diplomatic moves from 1900 to 1914; we know very little about the negotiations, the intrigues, and the irritations of the past fifty years. The foreign affairs of states are secret. They are carried on in the dark. Democracy is not permitted to know what takes place in Downing Street, Wilhelmstrasse, Quai d'Orsay, or even in the State Department at Washington. Representatives in Parliament, the Reichstag, the Chamber of Deputies, or Congress, are ignorant of contractual relations with other nations. Foreign ministers are not responsible as are other ministers. When questioned they reply: "Reasons of state make it inadvisable to disclose our obligations, commitments, or relations with other Powers." Diplomacy is shrouded in mystery as it was in mediæval times.

Moreover, diplomatic affairs are still in the hands of the aristocracy. The hereditary nobility guides the destinies of states as it did

in the seventeenth and eighteenth centuries, when ambassadors were personal representatives of the King. Democracy has made but negligible progress toward the control of foreign relations. It still stands with cap in hand outside the door of the Foreign Office.

Secret, economic diplomacy has much to answer for in this war as it has for all the wars of the past fifty years. And diplomacy is in the hands of men with but little, if any, sympathy for democracy. They think in narrow, nationalistic terms. The foreign service is recruited exclusively from men of wealth and social position. They enter the service young. They live apart. Their world is one of intrigue, of deception, of scoring on some other nation. That is the object of diplomacy. The ambassador is a general. He wins battles, if he can. That is his means of advancement. But to score on a rival nation means that it will score in return. So diplomacy is often an agency of war.

Even the language of diplomacy is that of mediæval times. It is a jargon of its own. It can hardly be understood by plain men. It is not direct. It uses equivocal words. Diplo-



macy is still in a state of arrested development. It thinks in terms of the eighteenth rather than of the twentieth century. It is not responsible to the nation. It is not democratic. It involves nations not only in suspicions but in wars as well. And in recent years diplomacy has become an agency of economic imperialism; it is the trade representative of empires.

During the last few years new political forces have been disturbing Europe. They were challenging the feudal-industrial oligarchy. The Socialist-Labor parties were learning the use of the ballot. They were breaking into the Reichstag, Parliament, the Chamber of Deputies. They were challenging control of domestic politics and in so doing they were challenging the power of the ruling classes to control their states in international affairs. For the new social democracy was international-minded. It was opposed to imperialism. It challenged secret diplomacy. It demanded disarmament. It threatened the economic-political-diplomatic structure. The ruling classes were further concerned over industrial conditions because of their effect upon political conditions. Industrial depression might mean political revolu-

tion. For political revolution is closely related to food, wages, and the conditions of the people. And in England and Germany the productive capacity of the state was increasing with great rapidity. The increase in machine-power and capital investment was increasing the output of the mills faster than it could be consumed at home. For the workers received low wages. This limited their power to buy. The surplus produce could only find a market in other lands. The output of mills and factories must be disposed of somehow, otherwise there would be industrial collapse. Collapse would mean distress, increased poverty, possibly revolution. It would endanger the banks which had extended credit to the great trusts and syndicates which they had financed. The whole economic structure of Europe was dependent not only on maintaining markets already secured, but on opening up new markets to absorb the increasing output of the mills and factories.

Economic internationalism and social revolution were threatening organized society.

This is why Europe was struggling for territories, markets, trade routes, for opportunities

to build railways, to open mines, to sell munitions.

Fear was yet another cause of imperialism. It led to rushes for slices of the earth's surface. Africa was carved up between England, France, Germany, Belgium, and Portugal. The Powers descended upon Egypt, Tripoli, Tunis, Algeria, and Morocco. Persia was divided. Germany laid her hands on Turkey, Asia Minor, Mesopotamia, and made economic conquests in the Balkan states. Mexico and the Central American states were penetrated. All of the Powers rushed to China to participate in her dismemberment. There were wars for territory, for economic gain. Gold and diamond syndicates brought on the Transvaal war. Europe was near war in 1911 over the concessions and privileges in Morocco. Russia and Japan went to war over Manchuria. The Balkan states were the prey of all the Powers. The United States seized the Philippines and Porto Rico. The whole world, with the exception of South America, which was protected by the Monroe Doctrine, was parcelled out by seizure, peaceful penetration, and war during the generation which preceded 1914. Over 100,-

000,000 people were made subject to England, France, and Germany during these years.

The old nationalistic world has ended. The international world has appeared. We refuse to recognize it. We endeavor to keep states within ancient boundary-lines. But that is impossible. The new economic forces are irresistible. They are stronger than political traditions. And they have burst the old geography. Our political ideas are fifty years behind the facts. We try to make the world conform to what we think it is. It will not conform. It cannot conform.

This book is a study of some of these forces, which, like high explosives, have been confined by eighteenth-century diplomacy, eighteenth-century political ideas, and by the ignorance of statesmen and the press. Monopolistic interests, trained to monopoly at home, have sought monopoly overseas. They have confined the freedom of states in every possible way. They have sought to constrict economic forces. But these forces have been stronger than statesmen.

While these titanic economic forces lie back of the war and form its background they were not the immediate cause of the war. Economic

conflicts were being adjusted by diplomacy, by negotiation, by the recognition of the rights of nations to expansion. This was particularly true from 1912 to 1914, when England, France, and Russia made sincere efforts to satisfy the ambitions of Germany in Turkey, Asia Minor, and Mesopotamia. The cause of the war is to be found in the Prussian idea of the state and the ascendancy of the Junker-military caste. For the caste which rules Germany has a nationalistic psychology of its own. It is a survival of earlier centuries. It is an anachronism. And the military ruling caste believes in conquest; in the methods of earlier centuries. Economic expansion gave birth to the demand for a place in the sun; the feudal caste made war to secure it.

During the last twenty years German industry has spread itself all over the earth. German traders were succeeding by peaceful means. But the traders felt constricted by the fact that Germany had few colonies, no exclusive markets or raw materials, and, most important of all, no avenues of her own for contact with the outside world. And they registered this fact in the press, through the

Pan-German League, through clamors. German industry burst the old shell of nationalism and the Junker class followed the traditions of Germany, and the only ideas with which it was familiar, and used the mailed fist to secure what the big industrials wanted. The industrials were the proximate cause of the war, but the Junkers made war. They made war as they had in previous times on Poland, on Denmark, on Austria, on France. Not content with peaceful penetration they adopted *Machtpolitik*. In so doing Germany made war on the status quo of Europe which had been building for fifty years. By her ruthless methods and disregard of the rights of nations and humanity she outraged the moral sense of the world.

This is why German imperialism was a menace. This is how it differs from that of other Powers.