DOLLAR DIPLOMACY

I

AMERICAN ECONOMIC EXPANSION

1. *Five Generations of Expansion*

American economic interests have been steadily expanding since the middle of the eighteenth century, when the thin line of settlers, scattered along the Atlantic seaboard, penetrated the hinterland and pushed across the Allegheny mountains. First, there was the settling of the Northwest territory, then the movement into the Southwest. The third period, ending with the nineties of the last century, saw the tide of men and capital flow across the plains and beyond the Rockies and the Sierras to the Pacific. Then, with the opening years of the new century, there began the fourth period of expansion—the movement of American business enterprise into regions over which the flag of the United States did not fly. This last period is ordinarily referred to as the period of economic imperialism.

Before 1900 there were American traders in foreign countries, and American prospectors and industrialists had penetrated Mexico, Cuba, Hawaii, Canada, and other neighbouring territory. No considerable amount of capital had been exported, however, as the domestic demand for capital more than covered the available amount of the investment surplus.

Throughout the half century that has elapsed since the organization of the Standard Oil Co. (1870), the economic life of the United States has been expanding with extreme rapidity. The movement of the country from an undeveloped, agricultural, debtor nation, exporting raw materials and borrow-ing capital for improvements, to a developed, manufacturing, creditor nation, exporting manufactured goods and capital and importing raw materials, was hastened by the war. The movement was in full swing, however, before the war began, and war or no war, it must have continued because of the strategic economic position held by the United States.

2. *The Economic Position of the United States*

The strong economic position of the United States is due to its abundant resources and raw materials; its extensive machinery and capital equipment; its well organized labour force, and the resulting productive efficiency. These three elements have provided an immense volume of wealth, of income and of investible surplus that have made possible its rapid advance to a position of world economic power.

The natural economic position of the United States is very strong: a vast land area of three millions of square miles, compactly grouped around a central river valley of great fertility; wide variations of climate; numerous and excellent harbours; a network of rivers; timber in abundance; large supplies of the important fuels and metals.

The second important item in the economic position of the United States is the mechanical equipment with which production is carried on. During the years that preceded the Spanish-American War, while the United States was still short of capital, it was able to borrow largely from Europe. Then, in the later years, when so much of the surplus of European countries was going into military and naval preparations, the relative isolation of the United States made it possible for that country to devote practically the entire surplus to the building of machinery and equipment.

It is very difficult to put the resulting economic advantage into terms of farm animals, agricultural machinery, blast furnaces, cotton spindles and the like. While the United States contains but seven per cent of the world's land and six per cent of the world's population, it reports a third of the railroad mileage, a fourth of the telegraph mileage, a sixth of the world's postoffices, and four-fifths of the world's automobiles. The figures for volume of manufacturing capital and equipment do not exist in any complete form. The value of manufacturing capital, however, was 1.7 billions in 1870; 9.8 billions in 1900; 18.4 billions in 1910 and 44.5 billions in 1920.[1]

Human drive is the force that makes the social machinery move, and skilled human drive is the determining element in economic efficiency. There are about forty-five millions of gainfully employed persons in the United States, beside about twenty-one millions of housewives and housekeepers who do not work for gain. Among the forty-five millions, two-sevenths are engaged in agriculture, three-sevenths in manufacturing industry, and the remainder are scattered between trade, transport, mining, domestic service, and the professions. Here is a great body of trained men and women, augmented, during a century, by a constant influx of adults from Europe.

Europe contributed large amounts of capital to the United States. Interest was paid on the loans, and ultimately the principal was returned. Europe, between 1830 and 1920, has furnished about thirty millions of immigrants to the United States for which the United States paid nothing. These human contributions have been particularly plentiful in recent years. Between 1870 and 1900, 10.7 millions of immigrants came to the United States from Europe. Between 1900 and 1920, 12.5 millions arrived. These immigrants, mostly adults, were raised and trained at European expense, and then, in the prime of life, they came to the United States and spent their energies in building American industry.

The combination of abundant resources, large capital equipment and a highly organized labour force has resulted in a phenomenal growth of American productivity. By the time of the Spanish American War (1898) the American industries had been put on an effective basis. During the next fifteen years, while the population of the country increased 30 per cent:[2]

[1] U. S. "Statistical Abstract," 1923.
[2] Idem.

Wheat production increased	70 per cent
Corn production increased	27
Cotton production increased	58
Coal production increased	90
Petroleum production increased	317
Pig iron production increased	69
Steel production increased	131
Copper production increased	89
Cement production increased	406

These gains, supplemented by those made during the period of the war, have put the United States in a position where it produces a quarter of the world's supply of wheat, half of the world's supply of iron and coal, three-fifths of the world's supply of aluminum, copper and cotton, two-thirds of the world's supply of oil, three-quarters of the world's supply of corn, and nine-tenths of the world's supply of automobiles.

3. *Wealth, Income and Surplus*

Census estimates [1] place the wealth of the United States for 1922 at 322 billions of dollars. Of this amount, $176 billion are in the form of real property and improvements; $19.9 billion in railroads and their equipment; $15.8 billion in manufacturing machinery, tools and implements; $15.4 billion in street railways and other public utilities, and $36 billion in products and merchandise. Clothing, personal adornments, furniture, private automobiles, and the like totalled only $40 billion, or less than an eighth of the whole.

Comparisons with other countries are difficult owing to the chaotic state of Europe. Harvey E. Fisk has attempted to meet this difficulty by reducing the post-war wealth estimates to a common denominator of 1913 dollar values. On this basis his post-war wealth figures are: [2]

Great Britain	$70,000 million
France	57,900
Germany	55,000
Russia	45,000
Italy	21,250

[1] U. S. Census Bur., "Estimated National Wealth," 1924.

[2] Ingalls, "Wealth and Income," 2nd ed., p. 350. Fisk, "Inter-Ally Debts," p. 263.

Japan	$15,000 million
Austria-Hungary	14,000
Belgium	5,000
United States	230,000

O. P. Austin, statistician for the National City Bank of New York, has made an estimate as follows:

Estimated National Wealth
(in billions of dollars)

	1922	1912
United States	320.8	186.3
United Kingdom	88.8	79.3
France	67.7	57.1
Germany	35.7	77.8
Italy	25.9	23.0
Russia	—	56.1
Canada	22.1	10.9
India	21.9	—
China	19.1	—
Argentina	13.2	11.7
Brazil	13.0	—
Australia	9.7	6.1

The total wealth of the United States has been increasing with great rapidity. In 1850 it was placed at $7 billion; in 1870 at $30 billion; at $88 billion in 1900, and at $322 billion in 1922.[1] There has been a corresponding increase in the income of the United States, from $31.4 billion in 1910; $36 billion in 1915; to $72 billion in 1920 and $59 billion in 1922.[2] Just what amount of this income appears in the form of a surplus that is available for use in enterprises outside of the United States it is impossible to say. Ingalls attempts an answer by estimating the "savings that are made each year out of the national income."[3]

	Total Income	Savings
1912	$33 billion	$ 5 billion
1914	33	5
1916	45	14
1918	61	22
1920	72	11
1922	59	5

[1] National City Bank, "Economic Conditions," Dec. 1924, p. 203.
[2] U. S. "Statistical Abstract."
[3] Ingalls, supra, p. 203.

These wealth and income figures are little more than estimates, but they give some idea of the surplus wealth possibilities of the United States, particularly in comparison with the wealth and income of the principal countries of Europe.

The stage of surplus wealth production which has now been reached by the United States places that country automatically in the category of the great financial empires. This point is well stated by W. S. Culbertson, in his analysis of the three chief stages in the recent economic development of the western world: the first is the period of territorial conquest; the second is the period of developing productive efficiency; the third is "the growth of a modern type of economic imperialism. The roots of this development are found in the nature of capitalism itself. The capitalist organization of machine production tends to produce more goods than can be sold at a profit. Capital also tends to accumulate rapidly. In other words, consumption both of goods and of capital tends to lag behind production. The capitalist class, therefore, which is in control of modern business, is constantly seeking new markets in which to dispose of goods and new opportunities for the investment of surplus capital."[1]

Since the United States has reached the stage of financial imperialism, there are three directions in which its foreign economic policy will normally develop:

1. The search for resources and supplies of raw materials upon which home industry depends for its survival.

2. The search for markets which will absorb surplus products.

3. The search for outside (extra-territorial) business opportunities. This last is sometimes described as the search for investment. It is more than that. It is a search for new fields in which business enterprise—trade, manufacturing, mining, lumbering, etc., may be carried on.

These three lines of expansion are now being followed by American business enterprise. Behind this enterprise are the immense funds of wealth and surplus that give it driving power.

[1] "Annals," v. 112, p. 5.

4. *Importing Raw Material and Food*

All industrial nations are compelled to import some of the raw materials out of which industrial products are made, and some of the food upon which the industrial population depends for its maintenance. The United States is no exception to this general rule.

There are two groups of raw materials which are bought outside the United States. First, those which the United States does not produce at all, such as rubber; sisal jute and raw silk; cocoanut oil (largely produced in the Philippines). Second, those raw materials which are found in the United States but in such small quantity or in such crude form that it is cheaper to buy the commodity abroad. In this second class are paper-pulp, petroleum, iron ore, tin, nickel, platinum, antimony, asbestos, lead bullion, nitrate. Wool, skins and hides are also largely imported because of the shortage of the domestic supply.

Although the United States produces a volume of food sufficient to maintain the population, there are certain food products that are imported in very large quantities. Among them are meat, fish, cheese, coffee, olive-oil, cocoa, sugar, bananas, lemons, dates and figs.

Since the middle of the last century the United States imports have passed through a significant development. In 1850 "crude materials for use in manufacturing" made up only 6.8 per cent of the total imports, while "food stuffs partly and wholly manufactured" made up 12.4 per cent; "manufactures for further use in manufacturing" comprised 15.1 per cent and "manufactures ready for consumption" made up 54.9 per cent of the whole. Against about seven per cent of raw products, the United States was importing over 82 per cent of manufactures or semi-manufactures.

By 1910, this situation was materially altered. Imports of "crude materials for use in manufacturing" were 36.4 per cent; "manufactures ready for consumption" had fallen to 23.6 per cent, while the other items held about the same proportions. During this period, therefore, the United States purchases from abroad were shifting from manufactured products to raw materials.[1]

The value of crude materials imported increased between 1850 and 1920 by nearly 150-fold. The value of manufactured products increased during the same time only nine-fold.

This change in the character of American imports, from manufactured products to raw products, has of necessity made a corresponding change in the source of United States purchases abroad. The manufactured products came from the manufacturing countries of Europe. The crude materials came, in the main, from Canada, Mexico, Central America, the West Indies and the Philippines.

5. *Foreign Markets*

Pressure toward the marketing of goods abroad comes from two directions. On the one hand the surplus products of highly specialized industry frequently cannot be disposed of within the country in which they are produced. In the second place the raw materials and other products of foreign origin can be paid for, in the long run, only by the export of commodities. Hence the business interests in every great economic nation are compelled to market outside of the national boundary lines. During the period of the World War, the United States became, second to Great Britain, the leading foreign trading nation of the world.

Like other industrial countries, the United States has been for a century an exporting nation, but the character of its exports, particularly since the middle of the nineteenth century, has undergone a very considerable modification.

Seventy years ago or thereabouts nearly two-thirds of all United States exports were crude materials for use in manufacturing, and more than four-fifths of the exports were crude materials and food stuffs. Manufactures ready for consumption comprise only a little more than one-tenth of the total exports of this period.

By the end of the century, manufactures ready for consump-

[1] U. S. "Statistical Abstract," 1922, p. 666-ff.

tion had increased to nearly one-sixth of the total, while crude materials for use in manufacturing had diminished to about one-third of the whole. From 1910 onward the change was comparatively rapid. Crude materials dropped to one-fourth of the total. Crude materials and crude food stuffs combined constitute less than two-fifths of the exports, while food stuffs partly or wholly manufactured, manufactures for use in further manufacturing, and manufactures ready for consumption, now comprise more than three-fifths of all United States exports.[1]

So long as the United States was exporting raw materials and food stuffs, the logical destination of these commodities was Europe. The transformation in American economic life which has made the United States in its turn a leader among manufacturing nations has shifted the export bulk from the raw material field to the manufactured field, and has, of necessity, shifted the export market at the same time.

The dramatic way in which this change in the destination of exports has occurred is well illustrated by figures showing the exports to the various continents.[2] Since 1850 exports to South America have been relatively constant. At that date, 5.9 per cent of all United States exports went to South America. In 1922 the percentage was again 5.9 per cent. Meanwhile, there have been variations. Exports to Africa comprised 1.5 per cent of the total in 1922. Since 1895 they have been relatively constant. Exports to Oceania were 2.7 per cent in 1922. They have increased slightly. The real change in United States exports may be found by comparing exports to Europe with exports to North America and Asia. During the early years of American imperialism, three-quarters of all American exports went to Europe. At the present time this proportion has been reduced to nearly one-half. During the same period the exports to Asia have increased five-fold and those to North America have risen from one-sixth to one-quarter of the total. Europe, a manufacturing centre, absorbs primarily raw materials and food. Asia and the Americas—

[1] U. S. "Statistical Abstract."
[2] U. S. "Foreign Commerce and Navigation."

markets for manufactured goods—have attracted the increasing attention of American business interests.

Europe is still the best market for American products. Her people buy approximately half of the commodities exported by the United States. Of this more than two-fifths goes to the United Kingdom while over one-seventh is absorbed by Germany. The United Kingdom, Germany and France together purchase seven-tenths of all the exports sent by the United States to Europe. There were, in 1922, seven European countries each of which bought more than $50 million worth of goods from the United States. The United Kingdom heads the list with $855 million; Spain comes at the end with $71 million.

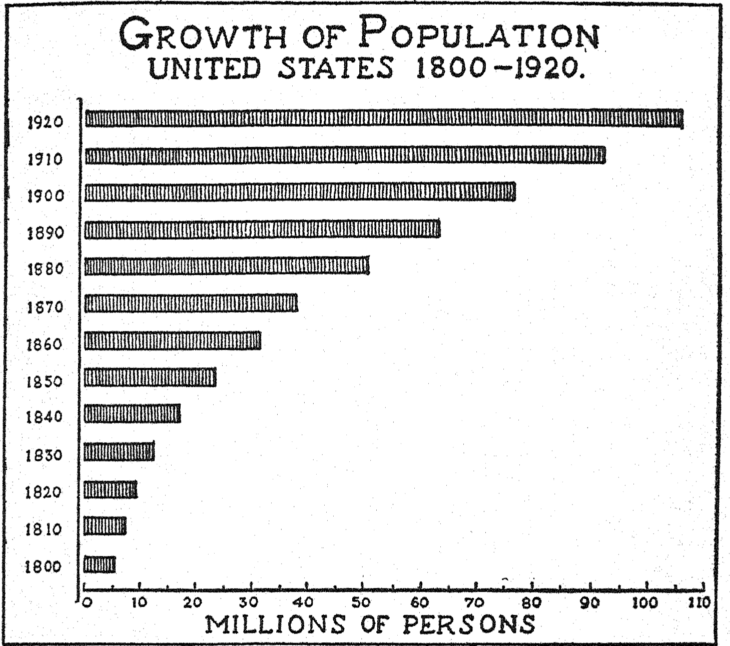
United States exports to North America go chiefly to Canada, which takes more than half of the total exports to North American countries. Add Cuba and Mexico, and more than ninety per cent of the exports to North America are accounted for.

Total exports to South America are only about half of the exports to Canada alone. Argentina, Chili, Brazil and Colombia are the chief markets. Exports to Asia are practically confined to China and Japan, the latter country taking half of the entire Asiatic exports. Almost all of the exports to Oceania went to Australia and New Zealand, in the ratio of four to one. There is practically no market for United States goods in Africa.

The change in the type of goods exported and in the destination of the exports is obvious enough. The United States is ceasing to export raw materials for the use of manufacturing countries; is making up her own raw materials; is importing those that she lacks, and is marketing the manufactured product.

6. *The Export of Capital*

The export and import of goods need involve nothing more than a transitory economic relation. The trader, at best, is none too permanent. The export of capital, on the other hand, means that American investors have taken title to mines, railways, plantations, factories, and other property of a perma-


GROWTH OF POPULATION
UNITED STATES 1800–1920.
1920
1910
1900
1890
1880
1870
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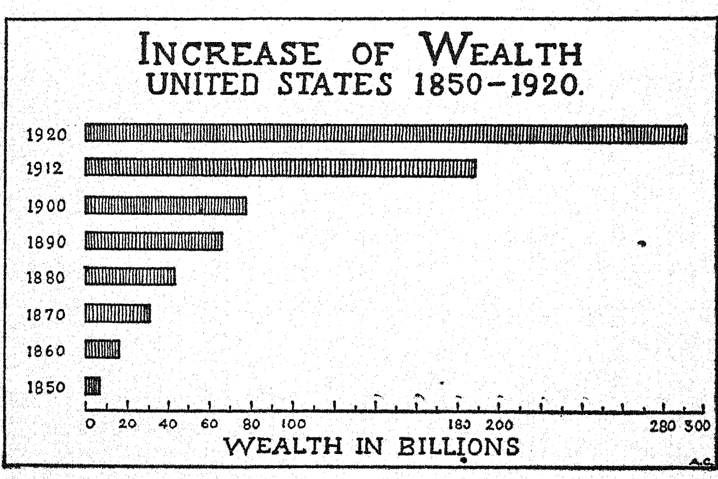
1800
0 10 20 30 40 50 60 70 80 90 100 110
MILLIONS OF PERSONS


INCREASE OF WEALTH
UNITED STATES 1850–1920.
1920
1912
1900
1890
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1850
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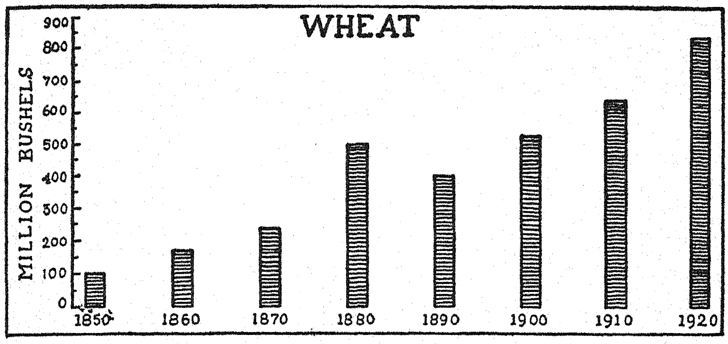
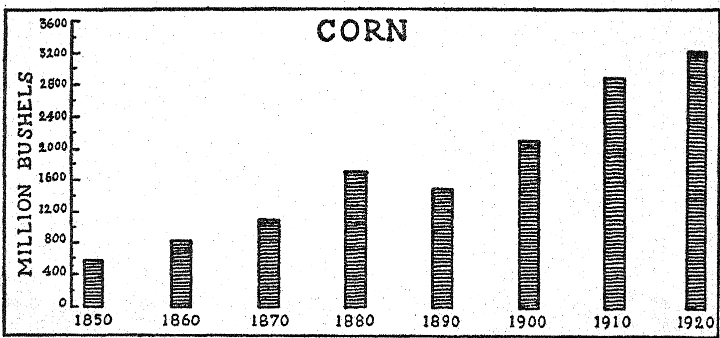
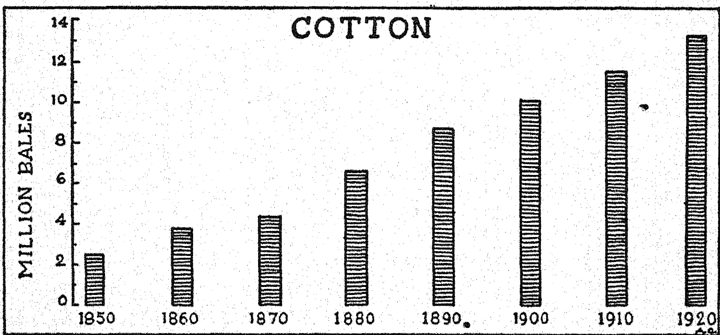
WEALTH IN BILLIONS
A.C.

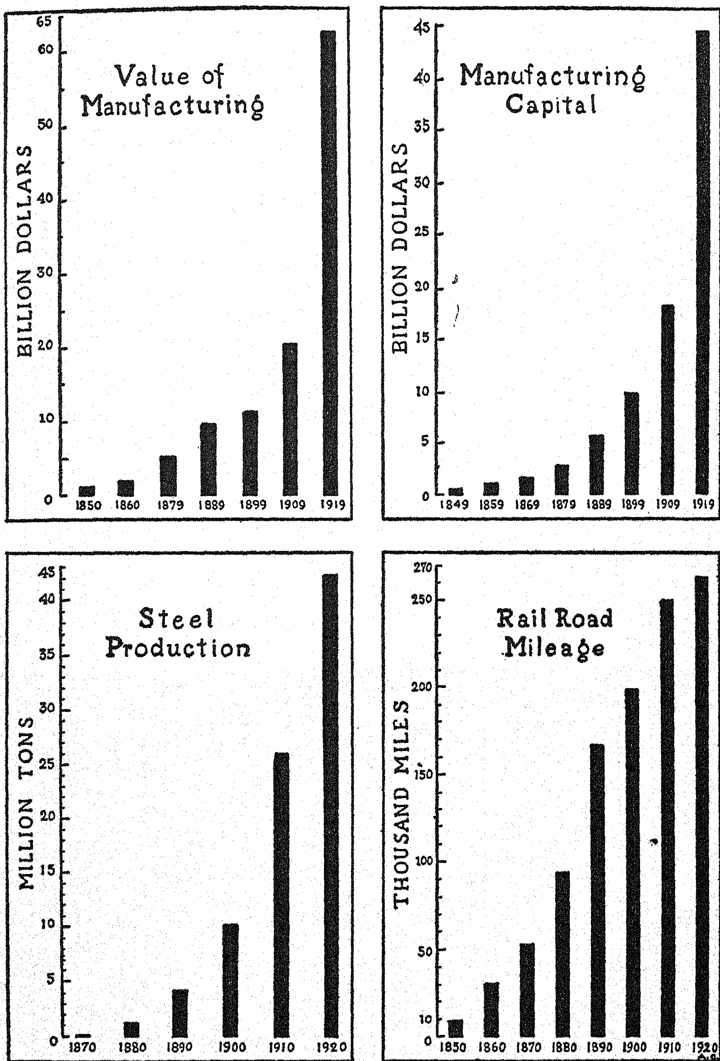
Agricultural Products
Increase in Volume 1850–1920



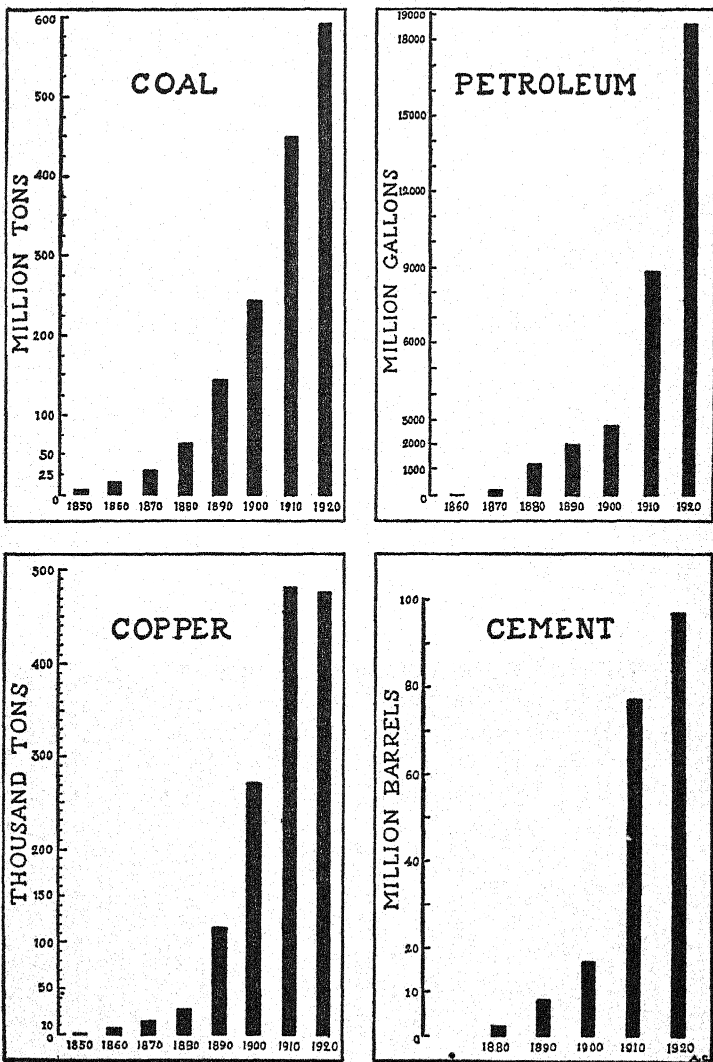




INDUSTRY
1850-1920



MINING
Increase in Production 1850-1920



nent character lying outside of the territory over which the United States Government exercises jurisdiction. American business enterprise has passed beyond the political boundaries of the United States and is seeking business opportunities in Mexican oil fields, Cuban sugar plantations and Central American railroad systems.

This stage in economic development has frequently been described.[1] The leading industrial countries of Europe have all experienced it at the point where the economic surplus could find a more profitable investment market abroad than it could find at home. At the beginning of the present century the United States had reached this point in its economic development, and the experiences of the war compressed into a decade a process that would have extended, ordinarily, over a much longer period. Today the United States, as a leading investing nation, finds itself, not only with some twenty billions of dollars of economic interests abroad, but with a steadily growing demand for further investments. The United States has become, and must remain, an exporter of capital so long as there are surpluses of capital seeking investment and markets in which such investments can be made.

During the years 1904 and 1905 large Japanese loans were floated in American and European financial markets, and in March, 1907, when $115 million of these loans were refunded, half of the load was carried by American banking firms. These transactions may be described as the first real adventure of the United States financiers into the fields of international financing.[2]

United States investors, in 1900, held about $500 million worth of foreign securities, distributed as follows: Canada, $150 million; Mexico, $185 million; Cuba, $50 million; other Latin-American countries, $55 million; Europe, $10 million, and China and Japan, $5 million.[3] As an offset to these security holdings, there were about $3,000 million of foreign money in-

[1] Hobson, "Export of Capital," chs. I and II. U. S. National Monetary Commission, "Publications," v. 20, p. 155 ff.

[2] "Annalist," v. 16, p. 452.

[3] Fisk, "Inter-Ally Debts," p. 306.

vested in American securities, chiefly railways.[1] Sir George Paish puts the total of foreign investments in the United States at $6,000 million.[2] The Bankers Trust Company suggests the possibility of $7,000 million.[3] This situation left the United States a heavy net debtor to the outside world.

Within the next decade the volume of United States foreign investments climbed rapidly. In 1909 it was $2,000 million, and by 1913 it had reached $2,500 million.[4] Half of this amount was in Latin America and more than a quarter in Canada. The war with Spain, 1898, had given the United States the Philippines, Porto Rico, and a temporary protectorate over Cuba; Hawaii had been annexed during the war, hence the political basis for economic expansion had been laid at the same time that the economic developments of the United States provided a large fund of investible surplus.

The United States was still a net debtor to the outside world in 1913, but the total of United States investments in foreign countries was increasing far more rapidly than the total of foreign investments in the United States.

The war of 1914 greatly expedited the transformation of the United States from a debtor into a creditor nation. During the war years, the United States not only bought back some three billions of American securities owned abroad, but, in addition, advanced to the outside world, in the form of materials, credits, etc., some nine billions of dollars. During the four and a half war years the exports of the United States were $22,974 million, while imports were $11,166 million, leaving a balance of eleven billions in favour of the United States.[5]

This tendency toward foreign investment, stimulated by the war, continued to operate even after the depression of 1920–21 cut short post-war prosperity. D. R. Crissinger,[6] Comp-

[1] Hobson, "Export of Capital," ch. VI. "Yale Review," v. 9, pp. 265–285.

[2] U. S. National Monetary Commission, supra, p. 175.

[3] Fisk, supra, p. 310.

[4] Ibid., p. 306.

[5] American Economic Association, "Proceedings," 1920, p. 22.

[6] "Economic World," n. s. v. 24, p. 413. "Review of Economic Statistics," v. 4, p. 246 ff.

troller of the United States Treasury, summarized "Our contributions to financing the outside world" between August, 1914, and August, 1922, in this way:

	Millions
American securities repurchased from abroad..........	$ 3,000
American Government loans..........................	10,000
Interest accrued on the above......................	2,000
Commercial credits extended abroad.................	3,000
Dollar securities bought from foreign countries......	2,731
Foreign money securities sold here..................	620
Foreign currencies bought by America..............	500
	$21,851

Post-war exports of United States capital have been large. Foreign securities floated in the United States totalled:[1]

$ 622	million	in	1920
675	"	"	1921
897	"	"	1922
398	"	"	1923
1,208	"	"	1924

The flotations for 1924 included $567 million to Europe; $244 million to Canada and Newfoundland; $207 million for Latin America and $189 million for Asia.[2]

These foreign securities, sold on the American market, "do not present the entire outward movement of capital." "In addition, a large number of short-term bank credits were opened during the year and a considerable amount of direct industrial investment was made. It is extremely difficult, however, to obtain accurate data for these items."[3]

Besides these security purchases and credit transactions, United States interests have continued the expansion of their holdings in Canada and in Latin America. "An American Corporation took over the telephone lines in Spain." American interests bought the Anglo-Chilean Nitrate and Railway Co. from British holders.[4]

[1] U. S. "Federal Reserve Bulletin," v. 10, p. 96. U. S. "Commerce Reports," Jan. 26, 1925, pp. 184–186.

[2] Ibid., p. 186.

[3] Ibid., p. 184.

[4] Idem.

Capital exports for 1925 promise to exceed those for 1924. On March 13, 1925, the New York Times carried a list of pending foreign loans running over a billion dollars and predicted that the total of foreign securities sold in the United States in 1925 would exceed a billion and a half.

The decade following 1914 has witnessed the repayment of practically the entire debt owed by American business to foreign investors, and the piling up of obligations totalling more than twenty billions, held by American business men and by the United States Government against the business men and governments of foreign nations.

7. *United States Government Credits*

United States foreign economic assets are about equally divided between the obligations of European governments to the government of the United States and the commercial credits, investments, and enterprises of the business world. This economic classification leads to a geographic classification. United States government credits have been granted almost exclusively in Europe; United States foreign business assets are chiefly in the Americas.

The sums now owing by European governments to the government of the United States total about $12 billion. Nine and a half billions of this amount represent original war loans; about a billion represents credits due for surplus war supplies sold by the government of the United States to European governments, and the balance covers accrued and unpaid interest.

The principal debtors are Britain, with a total indebtedness of $4,577 million; France, with a total indebtedness of $4,137 million; Italy, with an indebtedness of $2,097 million, and Belgium, with an indebtedness of $471 million. Armenia, Austria, Czechoslovakia, Esthonia, Finland, Greece, Hungary, Latvia, Lithuania, Poland, Roumania, Russia and Jugoslavia owe much smaller amounts.[1]

[1] U. S. Treasury Dept., "Annual Report," 1923/24, p. 230.

8. *The Distribution of Business Investments*

United States business investments abroad represent so novel an experience that they have not as yet been made the object of such exhaustive studies as J. A. Hobson's "Imperialism," or C. K. Hobson's "Export of Capital." Still, the Department of Commerce has made several estimates, the Guaranty Trust Company and the Federal Reserve Board list and publish state, municipal and corporate bond-issues floated by foreign interests in the United States, and a number of private studies have dealt at considerable length with investments in particular regions.

W. R. Ingalls [1] estimates the total of the United States commercial investments in foreign countries at $2,977 million in 1916, and $3,993 million in 1920. The investments for 1920 are distributed as follows: South America, $535 million; Central America, $93 million; Canada, $1,450 million; Mexico, $800 million; Cuba, $525 million; Europe, $470 million, with scattering investments in other countries.

The Bankers Trust Company [2] distributes the "investments of the American people in foreign countries in 1923" as follows: North America, $3,556 million; Central America, $4 million; South America, $823 million; West Indies, $354 million, making a total for the Americas of $4,737 million. In the same table, the investment in Africa was placed at one million; in Asia, $476 million; in Europe, $2,194 million, and in Oceania $22 million.

Department of Commerce estimates on United States investments run very much higher than those of the Bankers Trust Company, and seemingly with good reason. It is difficult to understand, for example, how Central American investments can be written down at four millions, and investments in the West Indies at $354 million, in the Bankers Trust Company table, when United Fruit Company properties in Central America and United States sugar properties in Cuba alone would far exceed these amounts.

[1] Ingalls, "Wealth and Income," ch. III.
[2] Fisk, "Inter-Ally Debts," p. 310.

The Department of Commerce estimates of United States foreign investments at the end of 1924 are as follows:[1]

	Millions
Europe	$1,900
Asia and Oceania	690
Latin America	4,040
Canada and Newfoundland	2,460

9. *New Fields for American Enterprise*

Foreign trade and the export of capital have opened up new and vast fields to American enterprise. The great stores of natural resources, the large capital equipment, and the technical efficiency of United States industry create surpluses which are finding better paying investment opportunities outside of the United States than inside the country. The pressing demand for certain raw materials, such as rubber, oil and silk, which are not produced in sufficient quantity within the United States, forces American enterprises to seek out and hold the sources of such products. The war loans, the largest single item among United States foreign assets, have placed sixteen European countries in a position of debtor to the United States Treasury.

The United States, like other industrial countries which are passing from the supplying of raw materials to the marketing of manufactured commodities, faces the necessity of making this adjustment in its economic relations. United States exports in 1922 were more than a sixth of the total exports of the world. In 1922, they were $3,765 million, as compared with $3,190 million for the United Kingdom; $1,673 million for France; $783 million for Japan and $443 million for Italy. Although these exports comprised only a small percentage of the total volume of American economic products, the United States has taken a position as one of the competitors in the world struggle to establish and maintain foreign markets.

The post-war income of the United States is estimated to be as great as the combined incomes of Great Britain, France, Italy, Russia, and Germany. There is no satisfactory way of estimat-

[1] U. S. "Trade Information Bulletin," no. 340, p. 12.

ing investible surplus for these countries, but the relative position of the United States is evident enough.[1]

10. *Political Implications of Economic Imperialism*

The United States Government and United States investors hold claims against foreign governments and foreign properties aggregating more than twenty billions of dollars. The bulk of the government loans are in Europe, and most of the business investments are in Canada and Latin America. These facts are not controverted. They are merely a statistical record of American business abroad. Regarded from a social standpoint, however, they are the economic structure of American imperialism.

Economic activities are reflected sooner or later in the realm of politics. It is therefore only a question of time when foreign investments will modify foreign policy. This is a commonplace in Europe, where empires like Britain and France are accustomed to deal with the political issues arising out of foreign investments. The problem is new, however, in the United States. Less than a generation has elapsed since the United States first became an investing nation; it is only in the last decade that the political problems of foreign investment have presented a real issue in the public life of the United States.

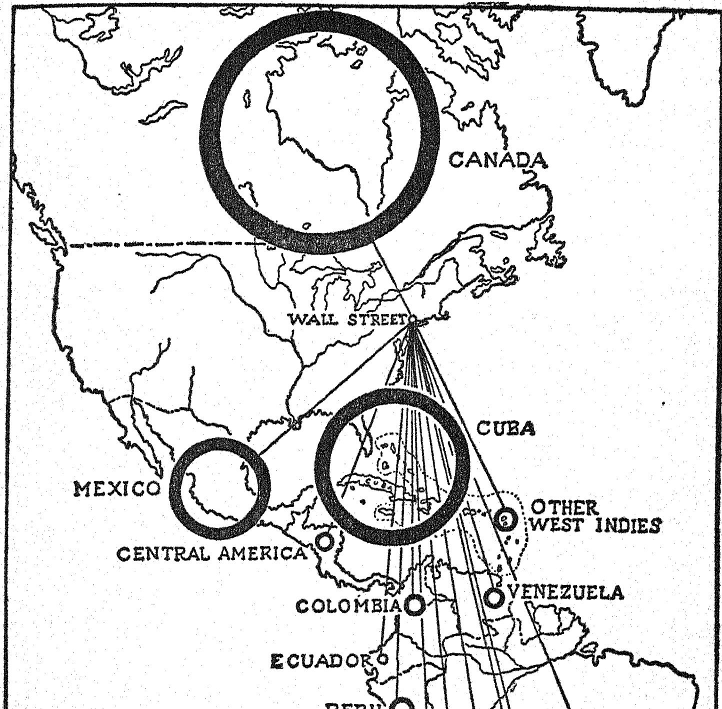
While it is not possible to assert that there is an inexorable sequence in the relation between economic investment and diplomatic policy, the experience of the United States during the last dozen years, confirmed by previous experiences of European financial empires, would indicate a development which might be briefly described as follows: (1) Migration of capital takes place, but without any political implications, as in the economic relations between the United States and Canada. (See Chapter II.) (2) Capital, migrating to foreign countries, soon makes demands upon the foreign governments within whose jurisdiction investments are located. These demands are made under the authority of concessions, bankers' contracts, and the like. While the distinction between non-political migrations of capital and capital migrations in response to concessions

[1] Fisk, supra, p. 265.

is not very sharp, it ordinarily appears in modified political behaviour. Bolivia is now in the twilight zone between peaceful migration of capital and political control by American bankers. (See Chapter II.) (3) American interests have been working for three decades to secure concessions in China. The efforts to control oil in the Near East have covered more than a dozen years. (See Chapter III.) (4) The influx of American capital and the participation of its representatives in local political activity leads to active interference with the internal affairs of foreign countries, such as Hawaii and Mexico. This interference has taken the form of the encouragement and subsidizing of revolution. (See Chapter IV.) (5) Where United States investors do not receive satisfactory treatment from local authorities they apply to the United States Government for support. In a number of such cases, the armed forces of the United States have intervened in the internal affairs of countries like Haiti, Santo Domingo, and Nicaragua. (See Chapter V.) (6) After a territory has accepted United States control, military occupation ceases. (See Chapter VI.) (7) The sequence is completed by the armed conquest of territory (the Philippines, Chapter VII) and by the purchase of territory (the Virgin Islands, Chapter VII) without consulting the wishes of the populations that are transferred to American sovereignty.

This cycle is best illustrated in the relations between the United States and the Caribbean countries, since it has its freest expression where a strong country is dealing with a weak one. The war established important economic relations between the United States and her European peers, resulting in a heavy mortgage debt held by the United States against Europe. (See Chapter VIII.)

Throughout this whole process economic interests work hand in hand with the officials of the United States Government. In the course of this co-operation a technique of imperialism has been developed which is now well advanced and which is accepted and practised alike by Democratic and Republican administrations. (See Chapter IX.)



UNITED STATES INVESTMENTS IN THE AMERICAS

Circles Show Approximate Volume