

INTRODUCTION: RECENT IMPERIAL EXPERIENCE

One by one the principal nations of Europe emerged from Feudalism, passed through the commercial and the industrial revolutions, and entered the stage of financial imperialism. In the course of this transformation the centre of economic power shifted first from landlords to traders and manufacturers, and later to bankers.¹ During this process, Western Europe evolved an economic system under which the road to income and power lay through the control of various forms of industrial wealth: resources, tools, machinery, banks, stores—the “jobs” upon which the masses of men depended for a living.

The owners of the new wealth, or “capital” as it was called to distinguish it from the “land” that made up the bulk of property in an agricultural society, became, through their ownership of industrial capital, the masters of the very large economic surpluses arising out of machine production. Upon their shoulders rested the responsibility for investing these surpluses within the home market or of exporting them into some undeveloped, foreign territory.

The masters of investment were not wholly free to make this decision. Economic necessity dictates that every modern industrial society must develop foreign markets for its surplus products; must control sources of food, fuel, minerals, timber, and other raw materials; must secure business opportunities for the investment of surplus capital. European capitalists were therefore compelled to seek markets, raw materials, and investment opportunities, many of which lay in the Americas, Africa, Asia, and Australia, where the business opening, or the return on invested capital, yielded the greatest net advantage.

¹ Hilferding, “Finanzkapital.” Hobson, “Evolution of Modern Capitalism.” Veblen, “The Engineers and the Price System.”

At these points of maximum return, goods were sold and capital was placed.

By 1914 economic interest had compelled the chief business groups of Europe to establish large foreign holdings in one or more of the undeveloped continents—Africa, Asia, Australia, the Americas.¹ Proceeding upon the dictum that “the flag follows the investor,” each one of these industrial nations organized a military and a naval machine large enough to protect the foreign interests of its traders and investors. Between 1870 and the beginning of the World War, the building of this military machine constituted the largest single charge on the budget of each of the principal European nations. After its establishment, the military machine was used, first, to play a more or less active rôle in the internal life of those countries in which the owners of the military machine held important economic interests; and second, to defend the property of the investors against a possible attack from any rivals who might be inclined to interfere with their holdings.

The rôle which the investing country played in the life of the undeveloped territory varied all the way from minor political intrigue to the establishment of sovereignty. The most successful of the industrial countries (Britain) secured an empire “on which the sun never sets,” including some of the choicest garden spots of the earth. Lillian C. Knowles² has recently made a study in which this imperial process is carefully described.

Economic expansion and the development of financial imperialism were not confined to Europe. Following the opening of Japan to western influence, the same processes were repeated there. A feudal and agricultural society was converted through the industrial revolution into a commercial and manufacturing community with a growing economic surplus, an increasing population, a capitalist or investing class, and a corresponding broadening of imperial interests.³

¹ Hobson, “Export of Capital.” Hobson, “Imperialism.”

² Knowles, “Economic Development of the British Overseas Empire.”

³ Viallate, “Economic Imperialism,” p. 72 ff.

This process of discovering foreign markets, of establishing permanent foreign economic interests and of exercising political pressure upon the regions in which the economic interests exist, has found its chief expression in Europe, yet it is not peculiar to any nation, but corresponds to a certain stage in the development of economic surplus. J. A. Hobson¹ notes that imperialism "implies the use of the machinery of government by private interests, mainly capitalist, to secure for them economic gains outside their country." W. S. Culbertson² describes imperialism as "an over-seas economic expression of western civilization." The first of these definitions interprets imperialism as a business venture; the second presents it as an inevitable phase of capitalism. Historically it would be correct to say that imperialism signifies the rise of the trading class to power. Looked at from this angle,³ imperialism becomes a phase through which society passes at a certain stage in its economic development.⁴

The United States, like Japan and the countries of Europe, has been passing through those economic stages which followed the commercial and industrial revolutions; like the nations of Europe, it has established a system which places surplus wealth in the hands of a small, private investing class; like them, it has been engaged in multiplying capital at home. To what extent has it followed their example in seeking foreign markets, in exporting capital, and in opening new fields for American enterprise on foreign shores? The answer is to be found in the recent economic and diplomatic history of the United States.

¹ Hobson, "Imperialism," p. 100.

² "Annals," v. 112, p. 124.

³ Wissler, "Man and Culture," p. 347.

⁴ Lenin, "Imperialism, the Final Stage of Capitalism."