

# Capital Investments After the War

By W. W. SWANSON.

It is a matter of supreme importance to Canada that the flow of capital after the close of hostilities shall once more be directed to productive enterprise in this country. Wonderful as the achievements of the Dominion have been since the outbreak of war, in financing its own requirements, we shall require, with increased population and renewed industrial activities, large sums of capital from abroad. Up to August, 1914, the Dominion had received from abroad not less than \$3,000,000,000, by far the greater part of which had come from the United Kingdom. Although there has been much talk in the financial press, of the country relying upon its own financial resources to a much greater extent than in the past, it is clear that we must be a borrowing nation for many years to come.

Since the outbreak of hostilities the so-called unfavorable balance of trade has been completely reversed, exports exceeding imports for the last fiscal year by about \$500,000,000. This is a matter of congratulation, to be sure, since the country has been compelled to find its own funds to finance the war, and has relied upon productive effort to meet interest due the United Kingdom. Contrary to generally accepted opinion however the mere fact that imports exceeded exports, before the war, brought no disadvantage to this country. Canada, Australia and the Argentine, will be, for a generation to come, still in the pioneer stage of economic development; and during that period will imperatively require heavy supplies of outside capital. In that event the balance of trade is likely in a few years to swing once more against the Dominion. But that should give no cause for concern, being a quite natural result of the stage of economic development that the country has attained. Let it be kept in mind, in this connection, that even the United Kingdom—the richest nation in the world before the war, as far as fluid capital was concerned—had a heavy balance of trade against it. To the uninitiated, it was a constant enigma that Great Britain, year by year, imported hundreds of millions of dollars worth of goods more than it exported, and yet the exchanges were usually in its favor. This simply meant that the United Kingdom had laid the world, through capital investments abroad, under tribute.

Intelligent publicists must perforce pay far more attention than they ever gave before the war to this fundamental problem of the effect on political relations and economic world progress, of capital investments abroad. Broadly speaking, there have been two types of such investments—the kind that has contributed so much to the industrial progress of Canada, and the type that has kept the Balkan States and Turkey-in-Asia in turmoil. It is the latter form of international investments, so largely tinged by political color, that has been a continual menace to the peace of the world. In this connection it may be well to point out that the United Kingdom during the course of the struggle, in addition to financing its own requirements, has come to the aid of its Allies to the extent of \$8,000,000,000; while the United States has advanced to the Entente, Belgium and Italy, an approximately equal sum. This means that the two greatest democratic powers in the world, whether under formal agreement or not, must work together for the preservation of peace in Europe, where they have so much at stake.

A concrete study of modern history, stripped of its glamour and romance, demonstrates that the root causes of the present struggle were largely economic in nature. Germany arrived late on the international stage, and determined to seize by force what she had lost by internecine quarrels during the last three hundred years. Again, contrary to generally accepted opinions, Germany had made really astonishing progress in colonial expansion up to the outbreak of war. In Asia Minor, in South-west and South-east Africa, in the Pacific, and in China, the Fatherland had not only extended its trade, but planted its flag. Not content with the fruits won by economic progress and diplomatic activity, Germany—as the London lectures of Professor Hans Delbrueck, among other things, show—had determined to employ military might to achieve that place in the sun which its historical blunders had precluded. Imperialism, colonial ambitions and trade jealousies largely account for the German policy with respect to commercial concessions in Morocco, the construction of the Berlin to Bagdad Railway, and the seizure of Kiao Chou. "Realpolitik" was the stern prin-

ciple which Germany applied to the exploitation of her military power throughout Africa and in the Near and Far East.

It is strange that capitalistic enterprise, which has done so much for the progress of humanity, should have been largely responsible for the outbreak of war. At the beginning of hostilities the United Kingdom had invested in all parts of the world somewhat more than \$26,000,000,000, and was enlarging those investments at the rate of about \$1,000,000,000 per annum. These investments, both from the political and the economic point of view, made for substantial progress. The railroads of America, both of the United States and Canada and the Argentine, were largely built with British capital, as were those of Australasia and India. Immense engineering enterprises were undertaken and made possible by England's wealth, everywhere throughout the world. As is well known English capital was invested abroad either in the form of bankable funds, including gold, or material goods. Canadians are well aware that through the use of English money, enormous supplies of construction materials were imported from the United States. However, roundabout the process might have been in last analysis, it consisted merely in an exchange of goods for goods—British products being exported everywhere and paid for with the fruits of the labor and enterprise of those nations that secured them. In no way could English investors be said to have done anything other than stimulate the economic life of the countries that secured British capital, as well as helping to maintain stable government.

The United Kingdom, Holland and France, were the great lending powers that furthered the progress of the poorer nations in this manner—capitalistic enterprise that brought social and material gains to both creditors and borrowers among the nations. On the other hand, Germany, also a wealthy nation—the second in point of wealth in Europe before the outbreak of war—lent itself, in addition to the type of enterprise described, to investment ventures of a quite different nature. Russia, Japan and Italy, debtor nations themselves, curiously enough took part in capitalistic ventures abroad. We do not by any means intimate that the United Kingdom and France, as far as foreign investments were concerned, were given over wholly to altruism; but nevertheless, in the main, English, French and Dutch capital was placed abroad for essentially productive ends. It was quite different, however, with the type of investment that concerned itself almost entirely with securing concessions and commercial privileges from corrupt or unstable political powers.

Reduced to its simplest terms, much of this so-called investment process degenerated into a scramble to secure special privileges and a favorable trading position in the countries to be exploited. In Turkey, in Morocco, in Asia Minor, in China and elsewhere—notably in Mexico—capitalistic enterprise took the shape of securing franchises and monopolies. Necessarily this involved an immense amount of intriguing, in which corrupt governments were bribed to sell to concessionaires valuable privileges away below their actual market value. Central American Republics, Mexico and South America, on this side of the water, proved fertile fields for European financial enterprise of this nature. This involved a continual menace to the free political development of

## LINCOLN'S PLEA FOR THRIFT.

The following is an extract from an editorial which recently appeared in the New York Evening Mail:

"Teach economy. That is one of the first and highest virtues. It begins with the saving of money."

That was Abraham Lincoln's advice to the America of his day. It is good—supremely good—advice for the America of our day.

If Lincoln were living to-day he would plead with that convincing force which has left an impress upon the world—for thrift. He would plead for the elimination of every form of waste in our individual lives. He would plead for an end to that reckless consumption which in the past has marked too large a part of the American people as spendthrifts.

the Americas. Everyone will recall how Germany attempted to secure a foothold in Venezuela on the pretext of collecting claims for bankers and industrial interests of the Fatherland. At that time the Monroe Doctrine was put to a supreme test. President Roosevelt cut the Gordian knot by ordering the Kaiser to withdraw his fleet at short notice from Venezuelan waters, the United States guaranteeing to make the South American Republic fulfill its just obligations. Mr. Roosevelt had no intention of permitting German Kultur to secure a stranglehold on Venezuela under the guise of a debt-collecting expedition. Nevertheless, this incident threw into sharp relief the menace to the political life of this continent through permitting predatory and unscrupulous European capitalists furthering, under the guise of concessions, the political interests of the States behind them.

It was a common enough ruse of the European Powers, as well as of Japan, to carry forward political aspirations under the guise of securing mining, railroad, oil and other concessions. The controversy over the control of the North China Railroad and the Manchurian Railroad, between Russia and Japan, centered not so much around the economic exploitation of that vast and fertile territory, but around ultimate political control. The same is true of the intrigues carried on in the Turkish Empire, especially in the building of the Bagdad Railway. Capital investments which depend for profit upon special privilege, monopolies and concessions, always carried with them the threat, real or unintentioned, of political control or influence in the countries concerned. This has been true of China, of the Balkans, of Morocco, and the Near East. It is safe to say that the rivalries and jealousies based upon concessions of this nature, were the real cause of the present war.

Up to 1870, it was not the custom of the Great Powers to protect their subjects in capitalistic adventures abroad. It is well known that the English and French capital, for example, that was poured into Egypt in the decade 1870—1880, went unprotected by England and France until a new conception of the relation of private enterprise to political prestige and political penetration was developed. It was after 1870, also, that Germany appeared upon the scene in the guise of a colonial Power. Germany, more than any of the other nations, developed the doctrine that political protection and the flag must follow trade and commerce. This led to the placing of loans with tottering and corrupt governments, because it was felt that interest and principal could be collected by the help of military power. Profit was the first object sought in capitalistic ventures of this nature; but ambitious governments soon discovered that economic exploitation was the quickest and most direct road to political control. As long as the United States and the great European Powers lend their support to the collecting of claims carrying extortionate interest rates, or making concessions valid that have been secured for next to nothing, or with no relation to their market value, we may expect that capitalistic enterprise will remain an impelling motive for future wars.

The only solution is to make the industry and commerce, and the exploitation of the undeveloped countries of the world, free to enterprise and capitalistic ventures irrespective of political power or prestige. This does not mean that the United Kingdom, the United States, France and the other Powers, shall not help their nationals to make good valid claims—it merely means that claims based upon extortion, intrigue and threat of military control shall be thrown upon the rust heap. Only that way lies sane political and economical progress in the field of international finance.

Lincoln's plea for economy applies with new force to this day and generation. Never has it been so essential to the life of America and the good of the world that every American shall increase his productive powers and reduce his consumption.

Lincoln's advice to America—the America which he so mightily helped to preserve—is:

"It is not merely for to-day, but for all time to come that we should perpetuate for our children's children that great and free government which we have enjoyed all our lives in order that each one of them may have through this free government, an open field and a fair chance for industry, enterprise, and intelligence; that they may all have equal privileges in the race of life, with all its desirable human aspirations."

And one way in which every American can do his part toward handing down this heritage, unrestricted and unencumbered, is by making thrift a daily habit.