

# The Economic Union of Central America

(Written for the Journal of Commerce by Prof. W. W. SWANSON.)

The Hon. Walter Runciman announced recently in the House of Commons that the United Kingdom was already devising ways and means to retain permanently such trade advantages as she has secured during the course of the war over Germany. In South America and the Far East especially has Britain strengthened her position in finance and commerce. British manufacturers have made immense strides in the chemical and electrical trades since August, 1914, and here as elsewhere methods are being devised to consolidate and protect this business after the war. The German electrical industry has made great strides in the past ten years chiefly because of the close association of the banking power of the country with industrial enterprise. The Consolidated Electrical Corporation of Germany got contracts all the way from Bombay to Valparaiso because German banking capital was forthcoming to finance the enterprises. English manufacturers will, in the future, work in close cooperation with British financial institutions and fight the Germans with their own weapons. Already strong in South America, Africa and Asia, England will hold a yet stronger position in these continents after the close of hostilities. The German Junker ruling caste, which we have been only too inclined to believe slow-witted and dull in matters of trade and commerce, realizes the meaning and the scope of world-changes after the war, and is preparing to meet them. This it proposes to do by forming a trade alliance in Central Europe as a counterpoise to England's power elsewhere.

## The Change in the German Landed Aristocracy.

We have made many mistakes in estimating the relative value of certain social forces in Germany, and nowhere have we made greater blunders than in our estimate of the work and ideals of the Prussian Junkers, the landed proprietors who have formed the backbone of the German military system. We know that they have been arrogant and selfish, class-conscious and brutal, obstinate and proud. But we have not realized that a profound change has also taken place in the economic position of this class. They are no longer mere landowners, they have intermarried with the manufacturing and trading classes, and have a direct stake in the economic expansion of Germany on industrial lines. Still the bulwark of the Hohenzollern clan they realize that the people can be made docile and obedient only by providing them with work and wages adequate to the higher standard of living to which the artisans of Germany in the last generation have attained. They desire above all to make Germany strong as a military power, and realize that an agrarian policy alone will not do that, since financial power is of almost equal importance for war as food power. Because of the changes in their own economic position, therefore, as well as for military reasons, they have begun to think of politics in terms of trade as well as of land.

The Junker class was responsible for the last visit of the Kaiser to Constantinople, whence he returned in triumph with important Turkish concessions, and especially with the concession, valued above all others, to complete the Bagdad railway. This road, when completed, will permit Germany to dominate the valleys of the Tigris and the Euphrates, and will open up an enormous territory for German exploitation. By the irony of fate the greater part of the capital required for its construction has been secured from Great Britain and France, particularly from the latter country. England, however, has insisted on controlling the terminus on the Persian Gulf, in order to protect India. The complete control of the railway, however, was essential to German's plans of future expansion, and was one of the direct causes of the war, for this devastating struggle is fundamentally economic, and not political, in nature.

The quarrel with France over Morocco can be explained on similar grounds. Germany's deposits of iron ore, vast as they have been, were rapidly becoming exhausted; and iron is the most vitally necessary raw material of the industry of to-day. Germany, shut out from the Americas by the Monroe doctrine, looked to the Near and Far East and to Africa, for compensations. She found them in Kiao Chou in China, a military base that made her supreme over an enormous territory, rich in ores and

other raw materials, and the most remunerative trade of the Flowery Kingdom. Foiled for the moment in making Morocco politically her own, she was yet able to obtain valuable economic rights in North Africa. For the last decade she has stood in the way of the realizing of Cecil Rhodes' great project—the Cape to Cairo railway. And in the Near East she had mapped out a sphere of influence that gave her dominion over one of the richest undeveloped territories in the world. Not only so, but she had placed herself in a position to shortly dominate the Suez and the Persian Gulf, and with these, Egypt and India. The Prussian Junkers were in a fair way of realizing their dream of German world empire.

## The New Customs Union.

In great measure the war has destroyed all these bright hopes and expectations. Germany's hold on the Far East has gone; and it is scarcely probable that, in our generation at least, she will regain what has been lost there. One after another her colonies in Africa are falling into the hands of Britain; and "what we have we hold." The terms of peace will exclude her entirely from Morocco. What, then, is left? German Junkers and statesmen turn longing eyes to the Balkans, to Turkey in Europe and Asia. They still see a great future for Germany in the Near East, a future that can be made sure with the help of Austria.

## The Role of the Dual Monarchy.

Recently, and again at the instigation of this Junker caste which we have fondly imagined was mediaeval in mind, narrow in outlook, and stupid in national policy, the Kaiser visited Vienna. Coincident with that visit three Austrian ministers were swept into political oblivion. On his return to Germany it was triumphantly announced that a Central European Customs Union had been formed, to include, in the first instance, Austria-Hungary and Germany; while later all the Balkan States that have been friendly to the Central Powers, will be taken in. Finally, by mere economic pressure, "buffer" States like liberated Poland will be included, and States that are destined to become mere satellites of the Central Empires—the Scandinavian countries, Holland and Switzerland. Thus the old German Customs Union, first formed in 1834 and consolidated in 1870, is to be further extended to include all the States North, Central and Eastern Europe.

This grandiose scheme is to be launched on its way at the close of the war. The Union will not be merely economic in nature, but will be, also, a great military confederation able to defy the strongest combination of hostile powers. Germany's economic expansion will grow apace. Turkey will be developed for food supplies; the Balkan States and the Turkish Black Sea coast will furnish minerals; and Mesopotamia will be irrigated and cultivated scientifically so that Germany will be no longer dependent upon American cotton supplies. In a word we will find within this Confederation all the elements necessary to make it self-sustaining, and free it from the dangers of Britain's sea power. Germany will make unrivalled progress, safe and secure from perils by land or sea; for an immense tributary territory will supply her with food and all kinds of necessary raw materials.

## The Customs Union and the War.

Not even Germany's enemies will deny that there is imagination and vision in this great scheme. It will break down many present trade barriers, and will usher in free trade over an immense area. It may even be that the States concerned, from the purely economic point of view, would stand to gain enormously. Free trade between Holland, Sweden, Denmark, Norway and Belgium on the one hand, and the Central European and Balkan States on the other, would undoubtedly bring a greater measure of prosperity to all. But the whole plan rests upon a triumphant conclusion of the war for Germany and Austria. It needs for its fulfillment huge war indemnities, and freedom, on the part of Germany, to work its will on prostrate Europe. For, even if it be granted that the States concerned would benefit by joining such a Union, they would never surrender the right to order their economic life as they deemed best save at the command of an all-powerful and

triumphant Germany. Therefore, Europe must be prostrate before the feet of the Central Powers if the plan is to be put into effect.

But the indications are that Germany cannot win this war, and that indemnities will be paid not to, but by, Germany. In that event, with her materials and plant reduced in size and value, with crushing debts to meet at home and huge indemnities abroad, the scheme will fade away like the "baseless fabric of a vision." It will be a sheer impossibility for the Germanic Empire to abolish their tariffs against one another, much less against Neutral States. Money in huge amounts will be required to repair the damage wrought to her economic structure; and Germany will find it impossible to get the capital necessary to complete the Bagdad railway or to build canals in Mesopotamia, even granting that she is still permitted to exercise paramount power in the Near East. And the Quadruple Entente will never permit Turkey to enter any Teutonic Customs Union.

## Change in Germany Itself.

Although, as we have pointed out, the Junkers of Germany have allied themselves with the trading and industrial classes to an extent little realized abroad, yet their whole economic theory is still based upon the proper proportioning of industry and agriculture within the Fatherland. If the Customs Union became an accomplished fact, Hungary and the Balkan States would become the granary of the Federation, and all of Germany would become a country of tall chimneys, as are the provinces of Westphalia and Silesia to-day. The Junkers of East Prussia would bitterly oppose the entrance into Germany of untaxed grain and other foodstuffs from Roumania, Hungary and Turkey, for it would mean the death blow of their influence as a landed aristocracy. It is safe to say that, even if Germany should emerge from the present struggle a victor, this great plan could not go into effect without the bittered opposition from certain classes within the Fatherland itself.

## What of Austria and the Entente?

Moreover, this "made in Germany" plan is unpalatable to Austria to-day, and only direct necessity can make her adhere to it. Austria has hopes, as well as Germany, of becoming a great manufacturing State. She has already highly-developed industrial technique; great resources of raw materials and food supplies; and an expanding population. So great has been her opposition to the Kaiser's scheme that, as has been said, three of her most able Ministers resigned, rather than countenance it. Austria may be bullied into the Customs Union, but will never enter it of her own free-will.

In the meantime the Allies are indirectly favoring the German project. Russia has officially, through Sazonoff, proposed the formation of a Customs League of the Allies, aimed against Germany. The scheme has been taken up unofficially in England, Italy and France; and, if carried to completion, would undoubtedly do enormous damage to Germany and reach her in her most vulnerable point—her foreign trade. On the other hand, it would divide Europe into two permanently hostile camps; would involve fresh burdens and increased military expenditures; and would prevent a satisfactory settlement of the issues of the present struggle. For an enduring peace cannot be built upon foundations of mutual suspicion and hate.

## CHARLES TELLIER, INVENTOR OF COLD STORAGE

The enormous shipments of food stuffs now being sent from this continent to the Allies, most of which are piled up in cold storage warehouses on the Atlantic sea-board, call attention to the man who invented the cold storage of food. Despite the complaints which are sometimes levied against the abuse of the cold storage system, it is probably the greatest economic invention of modern times and the discoverer of the system was a greater benefactor to humanity than he who gave the world the telephone, electric light or wireless. Charles Tellier, the man who conferred this boon upon humanity and made possible the feeding of millions, died of starvation. Tellier was born at Amiens, France. Some forty years ago he perfected a cold storage system for the preservation of vegetables, meats and fruits, but his invention was stolen from him by unscrupulous associates. He was sensitive and proud and retired into obscurity and spent his life trying to invent other useful devices. Some few years ago it was learned that he was starving to death. The French Government then summoned him to Paris, conferred upon him the Cross of the Legion of Honor, and carried on celebrations in his honor. Tellier then went back to his garret and a few months ago died of starvation.