

DOLLAR DIPLOMACY AND FINANCIAL IMPERIALISM UNDER THE WILSON ADMINISTRATION

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Dollar diplomacy is the name by which overseas expansion and financial imperialism have come to be known in the United States. It was first consciously promoted during the administration of President Taft by Secretary of State Knox, who entered into treaty relationships with Central and South American states for the promotion of American trade and finance to which was lent the active support of the state department and the diplomatic service. But dollar diplomacy is only incidentally a trade policy. It is primarily a financial policy. And if we may judge by the interests promoting dollar diplomacy in the United States, as well as the forms which it has assumed in England, France, Germany, Russia and Japan, trade as such is merely a guise for financial exploitation.

Financial imperialism or dollar diplomacy seems to me to be the gravest menace before the American people. Underneath other issues it is the paramount issue in the present campaign. It not only involves the ending of the splendid isolation of the United States from questionable relations with other peoples; it involves the conversion of the state department and the army and navy into collection and insurance agencies for Wall Street interests, concession seekers, munition makers, and those who would exploit weaker peoples under the philanthropic assurance of promoting their development.

RUINOUS DEMANDS IN SIX POWER LOAN TO CHINA

The most noteworthy instance of dollar diplomacy was the Chinese six power loan; a loan which was negotiated by China under duress. She needed \$30,000,000 for the rehabilitation of her finances and sought this sum in the financial markets of Europe. China found all avenues of aid closed against her except certain favored banks in each country which had the exclusive support of

the home government. Attempts to make the loan from independent bankers on reasonable terms were blocked by the respective foreign offices. Ultimately China found that she could only borrow from a syndicate of favored English, German, French, Russian, American and Japanese bankers, who formed the six power loan. They exacted ruinous terms. They refused to make a loan of \$30,000,000, and insisted (according to the best reports obtainable) that China should borrow \$300,000,000, or ten times what China needed. Now the financial integrity of the Chinese people is above question. A loan of \$30,000,000 could easily be carried by that nation. The reason the banks and the countries back of the banks insisted upon an excessive loan was that it then became possible to exact conditions which would not have been possible under a loan of a smaller amount. And these conditions involved the political integrity of China. They involved an invasion of her sovereignty. The lending powers insisted that China should turn over the expenditure of the loan and the administration of the salt monopoly to European control.

A further reason for the big loan and these exactions was the expectation that China could not meet the interest on such a loan and that her territory would be divided into spheres of influence in each of which one of the lending countries could make use of the closed door to keep out all other nations in the exploitation of the resources, railroad building and trade of the territory. For the closed door, the exclusive concession, ending with a protectorate, is one of the inevitable corollaries of dollar diplomacy. The exploitation of the resources of the country, as well as the people themselves, is far more profitable than even the making of loans, no matter how usurious the terms of the loans may be. And China's finances were in a bad condition. There was danger that the annual charges of \$42,500,000 on the foreign debt would not be met. In addition indemnity payments were in arrears to the amount of \$15,000,000. With an added debt of \$300,000,000 it was not improbable that China might go bankrupt, especially as the control of her tariffs and internal revenue systems were all to be placed in the hands of representative of the bankers who made the loan and who if we may judge by Egypt, Tunis, Morocco and Persia, were not disinclined to see China go bankrupt.

CHINA'S PROTEST TO OUR GOVERNMENT

The United States was represented in the six power loan through a group of New York banks which claimed to have been encouraged by the Taft administration to participate in the loan. That such encouragement was given was indicated by the J. P. Morgan Company after President Wilson had suggested the withdrawal of the American group from the six power loan. This action of President Wilson was in response to a protest from the Chinese government, which said that it could not assent to the exactions and usurious terms, as well as the invasion of the sovereignty which the six power loan involved. This action of disapproval was taken by President Wilson almost immediately after his inauguration in office in 1913, the loan having been negotiated during the previous year.

As a result the American bankers withdrew from the loan. They have ever since protested against the action of the administration. China, however, freed from the cordon of powers which was drawn about her, was strengthened by the action of President Wilson and succeeded in negotiating a loan that was more favorable than that originally proposed. She finally succeeded in placing a loan of \$125,000,000 in April, 1913, into which group Japan and Russia were admitted for political reasons. Under the terms of this loan the control of China's affairs by European agents was modified by the appointment of "advisers" to direct the expenditure of the loan and to supervise the revenues of the country. A British representative was placed in charge of the salt monopoly; French and Russian advisers in charge of the audit department; and a German adviser of the loan department.

For four years representatives of the powerful financial institutions of New York, comprising J. P. Morgan and Company and the Standard Oil group, have been quietly and openly protesting against the refusal of President Wilson to identify the state department with overseas finance. The demand is not made in such bald terms, for the American people would not sanction the use of the agencies of the government as a collection and insurance agency for Wall Street interests. Yet stripped of accessories, that is all that dollar diplomacy means. It means that the American banker, concession seeker and exploiter shall be permitted to negotiate any kind of a contract and once the contract is secured it shall have back of it the strong arm of the government to enforce its terms. If revolu-

tions break out that threaten the investment, if the interest is too heavy to be paid, the army and navy shall be dispatched to suppress the revolution or bring about a government selected by the financiers to insure their investments; for foreign loans and concessions are accompanied by treaties. Treaties are part of the contract of borrowing. And under the treaties the borrowing power guarantees the investments and by implication authorizes intervention by force, if necessary, to validate contracts, if it is unable to insure them itself.

THE ORIGIN OF "DOLLAR DIPLOMACY"

European international law now sanctions this right of a lending nation to interfere with the internal affairs of the borrowing nation. It is a doctrine first formulated by Lord Palmerston of England about the middle of the last century in connection with the claims of a Portuguese Jew who said he was a British citizen. Loans had been made by him to Greece. Their terms were not met, and British gunboats were sent to Greece to insure its payment. This was the beginning in modern times of the doctrine that the flag follows the investor; that the strong arm of the government may be used for policing weaker countries that fail to meet their debts. It has since been accepted as a doctrine of international law by England, France, Germany, Japan and all of the greater powers, and has been used to the limit to bring defenseless people under the subjection of the creditor nation. This is the ultimate meaning and inevitable consequence of dollar diplomacy as demanded by the financial interests of America. Some of the consequences of this policy will be referred to later.

The President's disapproval of the Chinese loan was accompanied by a statement that the administration would not sanction it because it "did not approve the conditions of the loan or the implications of responsibility on its own part which it (the administration) was plainly told would be involved in the request." "The conditions of the loan," said the President,

seem to us to touch very nearly the administrative independence of China itself, and the administration does not feel that it ought even by implication to be a party to this condition. The responsibility on its part which would be implied by requesting the banks to undertake the loan might conceivably go to the length in some unhappy contingency of forcible interference in the financial and even political affairs of that great Oriental state.

THE REAL SIGNIFICANCE OF THE WILSON POLICY

President Wilson's administration has drawn a definite line of demarcation between trade and commerce as such and dollar diplomacy. And there is a very distinct difference. The administration has said that it will do everything in its power to obtain equality of opportunity for Americans in the development of foreign trade and in the promotion of American commerce. To this end consular and other agents may be employed. But it has insisted that nothing shall be done that interferes with the sovereign rights of other governments to regulate their own internal affairs. President Wilson has insisted on the inherent right of weak and struggling peoples to work out their own internal problems free from coercion or intervention by the American people. The administration has refused to assume responsibility for, or to guarantee the financial obligations of, weaker states in their dealings with American capitalists. And the department of state has insisted that it will exercise its own right to decide each case independently as it arises and upon its merits, always with the understanding that this government is under no obligation to interfere by force or by menace of force in the financial or political affairs of other countries.

The refusal of the United States to sanction financial imperialism goes back to the famous Drago doctrine enunciated in 1902 at the time of the attempts of European powers to coerce Venezuela. The Drago doctrine is to the effect that a public debt carries with it no right of armed intervention or of the occupation of territory in North or South America by any foreign power. This doctrine was subscribed to by Elihu Root, then Secretary of State. It was later accepted by the Hague peace conference in 1907. Yet such acceptance has in no way interfered with the aggressions of foreign powers in other countries than those protected by the Monroe Doctrine.

Mr. Willard D. Straight, formerly of the firm of J. P. Morgan & Company, and at the present time connected with the American International Corporation, has challenged this doctrine on several occasions; and inasmuch as he has assumed to speak for the financial interests, his utterances are authoritative. In a speech before the National Foreign Trade convention in Washington he said:

I think we will see a time when the government will stand behind foreign loans; when it will be recognized that the government is the great coördinating

power which shall bring the banks and manufactures and the public together; and will announce that it will support such and such a loan so long as it realizes that the proceeds thereof are to be used for the benefit of American industry.

ENGLISH FINANCIAL CONQUEST OF EGYPT

All this sounds very patriotic and reasonable. It is a policy to which American trade and business would generally subscribe. There is every reason, it may be said, why the government should encourage overseas finance. The declarations of the financiers of England, of Germany, of Russia and for France were probably just as patriotic and just as defensible as these. Yet the history of the world during the past thirty years is full of the most brutal crimes committed in defense of this doctrine. Since 1880 over 100,000,000 people have been made subject to Great Britain, France and Germany alone at the dictation of overseas concession holders and financiers who paraded the flag of their country and the doctrine of Lord Palmerston as a justification of their claims. Millions of miles of territory have been seized, and with the exception of China and South and Central America practically every spot on the globe has been placed under the control of the financial interests of Europe. The process began in 1882 with the occupation of Egypt, into which country England went, according to Lord Cromer, at the insistence of the financiers. Egypt was loaded with debt. A spendthrift Khedive borrowed money at usurious rates. An indebtedness in excess of \$400,000,000 was created in a few years' time out of which unhappy Egypt received only \$100,000,000. The rest was kept for commissions, securities and other profits of the bankers. The interest on the debt became insecure. The natives were crushed by oppressive taxation. Finally when further taxes could not be squeezed from them, Alexandria was bombarded and Egypt occupied. Such was the motive of the English conquest of Egypt. It is set forth in state papers, and is portrayed at length in a remarkable book entitled *Egypt's Ruin* written by Theodor Rothstein.

FRANCE, GERMANY AND RUSSIA FOLLOW SUIT

The example set by Great Britain in Egypt became the model of France, Germany and Russia. The unhappy exploitation of Morocco by the allied powers nearly brought on the European War in 1911. Morocco was a free state. She was governed by a weak

and spendthrift prince. The bankers of the allied powers forced loans upon him and increased the indebtedness of this state from \$4,000,000 to \$32,000,000 in seven years' time. Colossal commissions running into the millions were taken on these loans by the bankers. The loans were accompanied by concessions for mines, railroads, docks, and all of the profitable industries of the country. The revenues of the state were placed under the control of foreign advisers. The taxes were used to pay interest on the loan. Finally the Sultan was only able to meet his needs by crushing taxes on the peasants. The peasants protested. The protest was magnified by the financial press of France into a revolution. It was said that foreigners were being butchered by the Moors. France sent an army of intervention. The country was occupied. Fez was captured. The closed door against other countries was adopted by France. Germany protested and sent the "Panther" to Morocco. England then joined with France, and as a result of the conflict Europe was on the verge of war in the year 1911.

This is financial imperialism. Egypt, Tunis and Morocco are not isolated cases. The Boer War was the result of the exactions and demands of the gold mine owners and the diamond mine owners in South Africa. They wanted to be free from taxes. They desired cheap labor. They fomented local troubles. The great mining syndicates owned or controlled portions of the English press, and finally lured the British government into South Africa to give greater value to the mining concessions and to subdue the natives into willing workers at starvation wages. Germany plundered Turkey and Asia Minor by the same means. She secured the concession for the Bagdad railroad. Her bankers made \$25,000,000 in commissions and saved \$41,000,000 in construction costs. These, however, were charged against the Turkish government. Germany practically controlled the revenue system of Turkey; and the Deutsche Bank, the representative of German finance, became the real ruler of Turkey and Asia Minor, and reduced that state to a condition of subjection through its many political and financial ramifications.

Financial penetration reduced Roumania and Bulgaria to the same abject subjection to Germany. The Japanese-Russian War, it is now admitted, was largely the result of the clamor of financial interests seeking to exploit Manchuria.

AMERICAN FINANCIAL DOMINATION OF MEXICO

All these powers are a unit in their desire for a strong government in Mexico which can be controlled in the interest of the great financiers who own the gold, silver, copper, oil and other mineral resources of the country. They own the railroads, the public service corporations of the cities. They have great plantations. The combined concessions and claims of foreign financiers in Mexico aggregate not less than \$3,000,000,000, or about four times the total wealth owned by all the Mexicans of Mexico. Many of these grants and concessions were obtained by bribery and corruption under the Diaz régime. Even the lands of the Mexican people were stolen from them. The people were driven with machine guns from their common lands which they had occupied for centuries, in order to force them to work in the mines at beggarly wages. Mexico was a foreign feudatory owned by foreign financiers who had the backing of their state departments in their support of Diaz and later Huerta, and who are actively interested in the overthrow of Carranza, just as they were in the overthrow of Madero. American concessionaires hold the largest stakes in Mexico. It is a Mexican saying that the capital of Mexico is not Mexico City, it is New York.

FINANCIAL IMPERIALISM DEMANDING DOLLAR DIPLOMACY

It is as a panoply for such offenses as have been committed in Egypt, Tunis, Morocco, Turkey, Asia Minor and China that dollar diplomacy is being insisted on by the great financial interests of America. It demands the backing of the state department, and the use of the diplomatic and consular service. When these fail it demands a great navy to enforce its claims, collect its debts and insure its concessions. Dollar diplomacy means that American sovereignty shall penetrate into weak states, overthrow revolutions and rebellions, and substitute a strong privileged government for a government by the people, if such government by the people insists on the regulation of its own internal affairs for the benefit of the state. The financiers of America are especially insistent because America has now become a great creditor nation. Our banks are bulging with surplus wealth. The resources of the national banks alone are in excess of \$14,000,000,000. Interest rates at home are falling. The

Federal Reserve Act is reducing interest still further. Wall Street will not permit domestic investments in the things Wall Street owns, in mines, railroads or the great industrials like sugar, tobacco, the packing industry, wool, cotton, and copper, for investment at home means competition with the things Wall Street owns.

An outlet must be found for the surplus wealth of America. It can only be found overseas. Overseas investments, however, will only be made with the army and the navy as an insurance agency. And this is what the new privilege, the privilege of financial imperialism, is demanding. It is demanding that the United States shall become a partner in the placing of loans with foreign governments; that it shall aid in the securing of concessions and privileges for the building of railroads and the acquisition of mines; that the State Department shall negotiate treaties with other countries securing favored contracts for American financiers coupled with treaty provisions that in case of the failure of the contracting power to live up to its obligations the United States shall be empowered to intervene and see that the terms of the contract are carried out. Dollar diplomacy means entangling international relationships, not on grounds of mutual political interest, not on grounds of advancing the peace and well-being of the world,—dollar diplomacy means that the relations of the United States with the outside world shall be determined by the pecuniary interests of a small group of financiers who now control the credit of the country and whose prospects are menaced by surplus capital seeking investment at home. Dollar diplomacy means not only these things; it means that the country must commit itself to a great navy, to militarism, possibly to universal military service, in order that we may be ready to meet any one of the great powers with which we may come into conflict in the further partition of the world, in the division of which the great powers of Europe have heretofore had an unchallenged monopoly.