

CHAPTER XIV
THE ECONOMIC MENACE TO THE
BRITISH EMPIRE

In its conception and possibilities the German project for a trans-European-Asiatic railway was one of the most stupendous undertakings of history. It was comparable to the military operations of the General Staff. Potentially, at least, it was a drive at the heart of the British Empire. It involved its existence—political, industrial, financial. It meant planting the outposts of the Kaiser at the strategic centre of England's possessions. Few Englishmen saw it as such, and the average German probably thought of it only as an industrial venture demanded by the expanding needs of his country. Such men as Sir Harry Johnson, one of the best-informed Englishmen on the Near-Eastern question, openly urged that Germany be given a freer hand in the Near East, and England and Turkey and Germany reached an understanding on the sub-

ject in 1914. But the menace to England was none the less portentous. And with the wide expansion of imperialistic interests a mere menace to some vulnerable point is almost equivalent to a breach of friendly relations, as the Fashoda and Morocco incidents indicated. Nations with far-flung empires are very vulnerable. When the economic interests of nations are in constant conflict international irritations are inevitable.

(1) In the first place, the United Kingdom was endangered by German ascendancy in the Near East. England is fed by her colonies. Her industries are supplied with raw materials from all over the world. Cotton, wool, wheat, and meat come from Australia, New Zealand, India, and Egypt. With food and raw materials cut off England might be driven into submission, while her industries could be ruined. For England is far more dependent than is Germany upon the outside world. Her mills and factories, which directly or indirectly employ more than half of her people, might be closed and the entire industrial structure of England be undermined if the Mediterranean were held by a hostile Power.

(2) British investments in Egypt, Eastern Africa, Australia, India, and the Far East amount to at least \$6,000,000,000.¹ This represents government loans, investments in railroads, docks, mines, oil, plantations, and development work of all kinds. England is the great creditor nation of the world. Her overseas investments in 1913 amounted to \$20,000,000,000,² or more than the foreign investments of the rest of the world combined. And the investing classes of England come from the old aristocracy, which owns the land, the mines, the railroads, shipping, and the other financial interests of the kingdom. This investing class is powerful politically. It controls the House of Lords. It controls the Conservative party. It moulds the policies of the Foreign Office and the diplomatic service.

(3) Great Britain controls a great part of the carrying trade of the world, and British mercantile supremacy was menaced by German ascendancy in the Mediterranean. Fifty years ago England feared French control of the Suez Canal. That was one reason for its purchase.

¹ Edgar Crammond, *Quarterly Review*, October, 1914.

² *Idem*.

And German control of the eastern Mediterranean and Egypt would place British shipping passing through the Suez Canal under the possibility of differential tariffs or other restrictions. Even without military action the British flag could be driven from the eastern seas by German control of the Suez Canal.

British shipping interests and the profits of the carrying trade were also menaced by the trade route overland to the East. The Bagdad Railway was to be an integral part of the marvellously organized German railway system from the centre of Europe to the Persian Gulf. It would connect with Hamburg, Berlin, Essen, and the lower Rhine region; it would pass through Austria-Hungary, the Balkan states, Turkey, Asia Minor, and Mesopotamia. It would place western Asia and Persia in direct railway connection with German industry. It would enable German merchants to place their wares in Africa and the Far East in much less time than England could transport them by water. The Bagdad Railway would do to shipping what the trans-Pacific railways did to water transportation around Cape Horn. It would shorten it by many days. It would

substitute carriage by rail for carriage by water. Thus the Bagdad Railway threatened billions of British investments in shipping.

England's shipping amounted to 21,000,000 gross tons in 1913, or about 40 per cent. of the ocean tonnage of the world. A great part of this is employed in Oriental trade. Two-thirds of the tonnage passing through the Suez Canal is of British registry. Thus the Bagdad Railway was a maritime as well as a financial drive at the British Empire. And when we consider the extent to which German shipping had increased in recent years, and the inroads already made on what Great Britain considered her rightful monopoly of the seas, we can understand that the ship-owners of England, always alert to their interests, were alarmed at the prospect.

No nation has made use of its railways for the development of commerce as has Germany. It has been the greatest single agency of German industry. Special rates are made to encourage foreign trade. Through tariffs are provided. Materials and supplies are carried below cost to develop industries or communities. The railways are closely linked with

the German merchant marine. They are operated as a unit. Transportation in Germany is an engine of industrial development just as it is of military power. And undoubtedly similar methods would be applied to the promotion of German trade in Turkey, Asia Minor, and the Near East, and for the undermining of competing nations in the Far East as well.

(4) London is the financial centre of the world. England acquired financial supremacy from the Netherland states during the Napoleonic wars. Her financial power was increased by her shipping and overseas trade. And she has guarded this supremacy most zealously. Free trade increased her economic power, for free trade made England the natural clearing-house for the shipping of every country, and the market-place to which the wealth of every clime could be brought for exchange. In her harbors goods are warehoused or transshipped to other countries without the payment of tariffs. The financial supremacy of Great Britain is closely related to and dependent upon the control of commerce and shipping. British exports and imports passing through

the Mediterranean in 1916 amounted to \$1,650,000,000. This was carried almost exclusively in British ships. It was cleared through British banks. It was handled almost wholly by British merchants. It was produced almost wholly by British labor.

Here again the Bagdad Railway touched the nerve-centre of England. And no other activity is as responsive to economic change as is banking and finance. British banks have connections all over the world. These connections reflect every change, no matter how obscure it may be. The banks form a reporting agency like a world-wide seismograph which records the slightest vibrations of the world. Such is Lombard Street. It is the nerve-centre of the commercial world.

This, too, was threatened by a land route from Hamburg to the Orient. The dislocation of shipping from water to rail, the bringing of the trade of the Orient to Germany, the possibility of developing Constantinople as a great port, meant that Berlin might become a great financial clearing-house; and Hamburg and Constantinople, working in that close scientific relationship that characterizes Ger-

man economic operations, might supplant London as a financial centre. If carried far enough, England's financial power might pass to Germany, just as in earlier centuries it passed from northern Italy to south Germany, thence to the Hanseatic cities and the Netherlands.

The opening up of a new transportation route by land, the substitution of rail for water transportation, the development of German ports in the Mediterranean threatened the economic and financial power which has come to England as a result of her long, almost unchallenged monopoly of the industry and the carrying trade of the world. And the bankers and the financiers of Great Britain form part of the ruling classes. As stated before, they are as sensitive to every economic change as is the nervous system of the human body.

(5) British industry was also threatened by the Bagdad Railway. A land route to the East was an industrial peril. During the years which preceded the war German foreign trade was advancing by leaps and bounds. In 1914 it had almost reached the total of British trade. In that year the foreign commerce of Great Britain was \$5,021,655,000; while that of

Germany was \$4,966,660,000. And the press of both countries as well as the jingo writers had been urging these facts on the attention of the people. "Made in Germany" had become a British nightmare. It had alarmed the manufacturers just as the increase in German tonnage had disturbed the shipping interests. The Bagdad Railway and its advantages to German industry was a further menace to the industrial structure of Great Britain.

For three generations Great Britain had enjoyed something like a monopoly in iron and steel, in wool and cotton, in machines and cutlery. The fact that four-fifths of her people live in towns and cities indicates how exclusively industrial she is. The Bagdad Railway would bring the products of Germany to the 110,000,000 people about the Mediterranean, as well as the hundreds of other millions of the Far East, in far less time than the output of the mills of Manchester, Leeds, and Sheffield could reach them. It was an express service. It would enable German business men with the most skilful agents in the world at their command to place their products in

the Far East—in India, China, East Africa, and the Pacific islands much more quickly than they could be brought by sea.

(6) In addition the British colonial service, which offers opportunities for the younger sons of the aristocracy in Egypt, India, Africa, and elsewhere, was in jeopardy, as were the tens of thousands of young men who annually leave the mother country to enter the foreign service.

The economic life of the British Empire is involved in the protection of the supremacy which has been built up in shipping, in industry, in overseas trade, in finance, and in the handling of the wealth of the outside world. And just as the Junkers, the business classes, the Foreign Office, and the press of Germany were united in a demand for expansion, so the same interests in Great Britain were menaced or thought they were menaced by the German drive to the East. That is why the Bagdad Railway was so portentous. That is why the control of the Mediterranean forms the keystone of one empire and the imperialistic dream of another.