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IMPERIALISM IN ACTION

The institution of the Federal Reserve System during the first administration of Woodrow Wilson was an important development in the amalgamation of Capitalism and Imperialism. It realized, if not wholly, at least sufficiently for all purposes, the dream of finance-capital for a central bank. The older dream had been

a central bank completely dominated by Big Capital, an expression of the epoch when a few financial magnates maintained supremacy, often to the injury of Capitalism as a whole. But with the amalgamation of Capitalism and Imperialism into State Capitalism, with the disappearance of America's splendid isolation, and the recognition of the necessity of a united capitalist class in the struggles of Imperialism and to secure world power, the older conception of a central bank had to be modified. It could no longer be simply an instrument of Big Capital; dominantly and necessarily an instrument of finance-capital, the central bank under the new conditions had to make ample provisions for the lesser groups and interests of Capitalism, become the instrument of a larger Capitalism. The Federal Reserve System met these requirements adequately. It unified the banking system of the country, solved minor antagonisms and amalgamated Capitalism, and freed finance-capital for the struggle to secure the financial supremacy of the world.

The war offered a splendid opportunity for financial supremacy, and the Federal Reserve System, centralized in the Federal Reserve Board, responded successfully to the oportunity. Upon his resignation on August 9 as a member of the Federal Reserve Board, Paul M. Warburg, an active factor in the organization and operation of the Federal Reserve System, summarized its achievements in one sentence: "Nothing but mismanagement could wrest the financial premiership of the world from us." American capitalism has definitely emerged into the epoch of international Imperialism.

The financial supremacy of the United States in world affairs is a direct consequence of its developing Imperialism. The centralization of the banking system, itself an expression of the amalgamation of Capitalism and Imperialism in State Capitalism, was a decisive instrument of action, the war accelerating the process by means of an unusual opportunity. Mr. Warburg, in an interview in the New York *Times* of August 18, pictures the process in excellent terms. Speaking of the form of the Federal Reserve System, he says:

"From a technical and banking standpoint, it might have been a better system to have one central bank with branches. Centralization is always an economy of power and makes for greater efficiency. For political and other reasons it was essential to have the system as it is, and the proof of its wisdom lies in its success. With political economic and social conditions what they are, a central bank would be likely to become the target of constant political attacks. There would always be suspicion of too extended a concentration of control either by capital or 'politics.' The present form offers a better protection in this regard, and the present system ought therefore to be better protected and to have better chance for untrammeled development than a full-fledged central bank."

The "political, economic and social conditions" mean the epoch of Imperialism, wherein finance-capital becomes the instrument of the whole of Capitalism, and not simply of a few dominant groups; wherein the process of expropriation takes a new form, being no longer dominantly the expropriation of one capitalist by another capitalist within the nation, but the expropriation of one national Capitalism by another; and the unifying of the national forces of Capitalism for the struggle to acquire world-power. Describing the achievements of the Federal Reserve System, Mr. Warburg says:

"We have brought into effective co-ordination a large portion of the country's banking reserves. We have regulated and brought about a general understanding of modern methods of re-discounting. We have created a world-wide market for bankers' acceptances, so that American trade is now largely financed by our own acceptances instead of by foreign ones, and at the same time our member banks now have an easy means of recourse to the Federal Reserve banks in case they wish to replenish their reserves.

"We have established fiscal agency relations with the Government and perfected an instrument which has proved of the greatest value in placing our issues of Government securities. . . I believe I may say the world marvels at the ease with which we are constantly transferring hundreds of millions of dollars without creating any disturbance. Without the Federal Reserve machinery of clearing through the gold clearing fund and without the redeposit organization developed by them, acting as agents for the Government, that would have been entirely impossible.

"The Federal Reserve clearings per day amount now to over $400,000,000. For the first time in our history American banks have gone into foreign countries and opened branches—in Asia, Central and South America—as adjuncts to our growing trade."

Mr. Warburg realizes that these problems of finance are not simply problems of the banks, but of the whole of Capitalism. He realizes, moreover, the tendency toward the amalgamation of Capitalism and Imperialism into State Capitalism:

"In Europe after the war, the most efficient Government promotion of industries in many lines will be held to exist in actual Government ownership and operation. More than ever will states become solid industrial and financial unions effectively organized for world competition, driven by the necessity of perfecting a system of the greatest efficiency, economy and thrift in order to be able to meet the incredible burdens created by the war.

"In this world of the future we shall have to maintain our own position, and it requires on our part thorough organization and steady leadership. Under our democratic system this cannot be furnished by changing party governments, but can only be provided by fairly permanent, non-partisan and expert bodies. These bodies must combine the judicial point of view with that of active and constructive business minds. They must be able to act as expert advisers to Congress and to the industries concerned. They must break down the suspicion and prejudice of Government against business and business against Government. They must stand for the interest of all against the exaction or aggression of any single individual or group, be it called labor or capital, carrier or shipper, lender or borrower, Republican or Democrat.

"Our ability to handle effectually the great economic problems of the future will depend upon developing boards and commissions of sufficient expert knowledge and independence of character. This will be possible only if both Government and people fully appreciate the importance of such bodies, so that the country may find its ablest sons willing to render public service worthy of the personal sacrifice it entails. . . .

"It appears inevitable that America will be one of the dominating financial powers in the coming era of peace. Indeed, if we play our cards right and if the war ends within a reasonable time, we should be the dominating financial power of the world. When peace comes we should command the three essentials that would assure us an unassailable strategic commercial position—the raw materials, the ships and the gold.

"The world at large is indebted to us. Nothing but mismanagement could wrest the financial premiership of the world from us."

This is an excellent description, by a dominant actor on the stage of finance-capital, of the characteristics of Imperialism. "More than ever will states become solid industrial and financial unions effectively organized for world competition"; boards of experts are to become the real governing factor in State Capitalism, since the problems are complex and technical, and continuity of policy, (which the laggard bourgeoisie of Finland wish to secure by means of a Prussianized monarchy), is indispensable to

Imperialism; "organization and steady leadership" are prime requirements, and "under our democratic system this cannot be furnished by changing party governments." This is precisely the important characteristic of Imperialism,—the reaction against democracy and the parliamentary system. "Changing party governments" are fundamental to bourgeois democracy and the parliamentary system; the abrogation of their function, by centralizing actual power in an administrative dictatorship and administrative boards, means the end of the parliamentary regime. Imperialism requires a unified Capitalism, a centralized banking system acting through finance-capital, and a centralized administrative control, parliaments being degraded to an "advisory" capacity.

The acquisition by American Capitalism of "the financial premiership of the world" necessarily means a transformation of its foreign policy. The indications of this transformation have been many, and are multiplying.

In 1913, the Administration declined to support American participation in the Six-Power Loan to China, President Wilson declaring that the terms of the loan "touch very nearly the administrative independence of China." At the time this action was considered a fundamental departure fom accepted policy in foreign affairs, and the initiation of a new democratic era in international diplomacy. But in July of this year the government approved the proposed loan of $50,000,000 to China by an American financial group, agreeing "to make prompt and vigorous representations and to take every possible step" to insure China's fulfilling its financial obligations. Moreover, the bankers are throughout to be guided by "the policies outlined by the Department of State." This is a unity of government and finance-capital characteristic of Imperialism.

The Six-Power Loan was to be secured by China's pledge of the salt tax, an internal levy, as security; its administration was to be reorganized under foreign auspices, and if this proved unsatisfactory, representatives of the powers making the loan might assume entire control of the tax—terms which, in the words of

President Wilson, "touch very nearly the administrative independence of China." But this was not the crux of the issue; the decisive feature was the political character of the loan, the governments of the bankers becoming its guarantors. The new American loan to China is based on no security at all, and in that it differs from the Six-Power Loan; but is identical in its political character, the American government becoming its guarantor. This is a political transaction; and political loans have been a fruitful source of international antagonisms. In these financial transactions of Imperialism, a government pledges all the resources of diplomacy, and as a final resort its military might, to assure the security of loans and investments in undeveloped nations.

This transformation in foreign policy is in accord with the new position of the United States as a financial world-power, and is latent with dangerous international complications.

Recent negotiations with Mexico are another indication of the policy of Imperialism. The Mexican government's most difficult problem is to limit the power of foreign capital, which secured a strangle hold upon the country's resources (and politics) through the concessions of the Diaz regime. The new constitution, accordingly, declares that "all contracts and concessions made by the former government from and after 1876, which shall have resulted in the monopoly of land, waters and natural resources of the nation by a single individual or corporation, are declared subject to revision, and the executive is authorized to declare those null and void which seriously prejudice the public interest." Ownership in lands or waters may be acquired only by Mexicans "by birth or naturalization," and in Mexican companies subject to the sovereign authority and laws of Mexico; ownership may be acquired by foreigners "provided they agree before the department of foreign affairs to be considered Mexicans in respect to such property, and accordingly not to invoke the protection of their government in respect to the same, under penalty, in case of breach, of forfeiture to the nation of property so acquired." All this is simply the assertion of the sovereignty inherent in a

nation, and undisputably recognized by the law of nations. The problem of foreign capital is a crucial problem in Mexico, the prevailing conditions making it practically an appanage of international Imperialism. The raw materials and natural wealth of Mexico are to become factors in the promotion of Mexican capitalism and national supremacy, not the means of exploitation of international finance-capital and Imperialism—this is the policy of the new Mexico.

Early this year the Mexican government promulgated a law imposing a heavy tax upon the development of oil, a very important industry, the foreign owners of which having been one of the most reactionary and brutal factors under the Diaz regime, and counter-revolutionary. American and British interests have more than $300,000,000 invested in the oil production of Mexico, and they unanimously declared that the new tax was confiscatory. They appealed to Ambassador Fletcher, who discussed their grievances with the American department of state. In April, Ambassador Fletcher transmitted a note to the Mexican government, declaring the tax law to be "confiscatory," that it was "taking property without due process of law," and that "it became the function of the government of the United States most earnestly and respectfully to call the attention of the Mexican government to the necessity which may arise to impel it to protect the property of its citizens in Mexico divested or injuriously affected by the decree above cited. If Mexico insists upon the execution of the law, there can be only one result."

This interference in the sovereign affairs of a nation is in accord with the finest traditions of imperialistic diplomacy. The power to tax is supreme, and cannot be abridged by any foreign power except through conquest. According to the Constitution of Mexico, the fundamental law of the land, the government has the power to impose this tax; if foreign investors consider the tax illegal, they should have recourse to the Mexican courts for redress, if any. That is the procedure in all strong and independent nations. Instead, these investors adopt the imperialistic means of asking their government to bring political pressure to

bear upon the Mexican government—to violate its own constitution, and act as if it was the fundamental law only when it wasn't abrogated by the power of a foreign government.

This attitude of the investors was emphasized by an interview recently in the New York *Times,* in which a representative of oil interests in Mexico brazenly and unashamed proposed a conspiracy to compel the American and British governments to intervene in Mexico. This was the plan of the conspiracy: the Allied navies require a vast amount of oil, and most of it now comes from Mexico; if the Mexican government insists upon imposing the tax, the foreign oil interests will cease production, the Allied navies will be irreparably injured; and the Allied governments will be compelled, as a war measure, to intervene in Mexico. The tactics of highwaymen are mild in comparison with this proposed conspiracy. These investors are out to secure rights not accorded Mexican citizens, to acquire a privileged status above the law, and to use the military might of their governments as an instrument to promote their rapacious plans of plunder.

Using governments as instruments of finance-capital is an essential procedure of Imperialism. Accepted as a policy, it becomes an implacable producer of antagonisms latent with the threat of war.

Imperialism necessarily abrogates the sovereignty of a nation upon which it would prey. The Lansing-Ishii Agreement concluded between the United States and Japan last year, is of a character to impair the sovereignty of China. The heart of the Agreement is this: "The Governments of the United States and Japan recognize that territorial propinquity creates special relations between countries, and, consequently, the Government. of the United States recognizes that Japan has special interests in China, particularly in the part to which her possessions are contiguous." The Chinese government, very rightly, complained of an agreement concerning China about which China was not consulted, and declared it would not recognize the Agreement. Special rights based upon "territorial propinquity"—this is a

policy of Imperialism. True enough, the Agreement declares: "The Governments of the United States and Japan deny that they have any purpose to infringe in any way on the independence or territorial integrity of China." But since Japan voluntarily accepted the policy of the "open door," formulated by John Hay, Japan has fought an imperialistic war against Russia concerning control of Chinese territory, and has closed the doors, and double-bolted them, in Eastern Inner Mongolia, South Manchuria, Fukien, Shantung, and lesser places.

The whole of Capitalism is now in the orbit of Imperialism. Imperialism molds the destiny of the nations. In the days to come, Imperialism will determine all things and rend the world in the savagery of its struggles—unless revolutionary Socialism directs the hosts of the proletariat to the conquest of Capitalism and Imperialism. F.