

has become the element by which the world will either be knit together or sprung apart.

Our own isolation, our relations in the Pacific, in the Caribbean and the southern seas, have been founded upon British sea power and the balance of forces in Europe. Those conditions are changing, as Mr. Roland G. Usher has so ably pointed out, and our isolation has become a geographical illusion. If things change radically in Europe, it means a change in our whole history, and the destruction of British sea power would be one of the great crises for America.

That power will probably survive this war, but its end is in sight. The future development of the submarine will probably make command of the sea an impossibility. The world will then face this question: For a hundred years one nation has controlled the seas, and on the whole has used that control in the interests of freedom. It has been a dictatorship, but a fairly wise one. If it falls what will take its place? Shall we have, instead of one supreme power, five or six competing powers? If we have that, we shall have substituted anarchy for autocracy, and the race for armaments may be expected to grow more severe. The worst prospect we can conceive is a world in which a number of nations had an equal chance to dispute the command of the sea. That command must either remain with a wise free-trade empire, or it must pass to a world organization. When the Diaz of the seas abdicates, we do not want Villas, Zapatas, Obregons, and Carranzas to fight for his scepter. We have to choose between internationalizing the sea and the maintenance of British supremacy upon it.

The Germans, speaking through Dr. Dernburg, dispute British sea power, and they have at least had the wisdom to recognize that the world is not ready to accept German sea power as a substitute. Their proposal to neutralize the oceans and the straits is the germ of the only idea which can save the world from the competitive anarchy arising from the dissolution of England's supremacy.

It is a proposal that England and the United States are bound to consider with the utmost seriousness. They are forced to look ahead and ask themselves whether British sea power can be maintained, whether the cost of maintaining it would not outweigh any benefit from it, and what is to be substituted for supremacy if it is to be relinquished. It is our problem as well as Great Britain's, for there can be no question that the hopes and interests of both countries lie together. It may well be that we can save the world endless pain if we face the problem together, and try to anticipate it. The command of the seas will pass as a result of technical inventions. It can pass as

a matter of deliberate will guided by reason, or it can pass with a terrible crash in a world dissolution. Far-seeing Englishmen realize how narrowly they have probably escaped a terrible fall. If there is any foresight in statecraft it will prepare now for the greater crisis which will allow for the passing of sea power.

The end of this war will be the opportunity to begin dealing with what is more important than all the crooked national boundaries of Europe. We shall all need Germany's aid and advice and good will in this supreme world problem. That is why the luxury of revenge cannot be indulged in. Germany may have done all the wrong conceivable, but the nations have still to live with her and to reckon with her. They cannot for their own safety leave in the heart of Europe a festering sore. Magnanimity has become an absolute practical necessity. For the issues which the war has revealed but which it will not settle require all the available good sense of the world for their solution.

Our Balance of Trade

THIS country has at last a balance of trade such as should gladden the hearts of those who believe that we ought to sell everything to foreigners and buy nothing from them. In the last four months our excess of exports has been more than \$550,000,000, and there is no present sign of a change in the tide. A year of such operations and our foreign trade will show a balance of a billion and a half on the "right side" of the ledger. From 1901 to 1914 the average annual excess of exports was less than half a billion; and in those years we had to remit sums variously estimated at one hundred and fifty to two hundred millions, to cover the expenses of Americans traveling abroad. Americans are now staying at home; hence the major part of our export excess must represent the repayment of our foreign debts or the creation of offsetting credits abroad. In fact, we know that both processes are taking place. American securities are returning in a volume progressively increasing. It has been estimated that a billion dollars in value have thus come back to us in the last twelve months. And foreign issues are being floated in our money markets—for France, for Switzerland, and, so it is rumored, for England.

Despite all this evidence of our progress toward a strong position in international finance, our domestic economic situation remains unsatisfactory. Practically all the indicia of prosperity give unfavorable readings. Business failures are more numerous than a year ago, bank clearings are less, the freight movement on our railroads is at a low

ebb, in the country as a whole building is stagnant, and railway and other forms of developmental construction are practically at a standstill. Is it mere coincidence that domestic depression attends our advance toward the position of creditor nation, or is the relation one of cause and effect? If the latter is the case, perhaps we are paying dear for the satisfaction of seeing our railway and industrial shares in American hands.

There is nothing in finance more solidly established than the principle that the free investment fund at any given time is definitely limited, and that the volume of new development in any country is narrowly dependent on what is done with this fund. Further, the investment fund can be made to flow from one country to another, through financial manipulation, private or public. What was the service performed by the late J. Pierpont Morgan for which there were heaped upon him greater rewards and greater honor than we ever bestowed upon any other private financier? Primarily the extension abroad of the market for American railway securities which made it possible for us to tap the international investment fund, and therewith to equip ourselves for great productive enterprises. The tables have now been turned. The financial statesmen of England and France need the international investment fund for military use, and are siphoning out such parts of it as we control. And this is the essential meaning of our favorable balance of trade.

The private investor has his choice between placing his funds at the disposition of domestic production, through purchase of shares in new American enterprises, and of placing them at the disposition of foreign states, through buying back American securities held abroad or taking shares in foreign loans. The American enterprises offer no better security or greater chances of profit than before; American securities from abroad and shares in foreign loans are to be had at exceptionally favorable terms, in view of the low prices at which they are offered and the premium on American exchange. From the national point of view the situation is nevertheless unfortunate. We are still in the stage of economic expansion, and our prosperity is based on the premise of a certain amount of new development work each year. If such work fail to appear, we have widespread unemployment. We are not yet ready to assume the rôle of a creditor nation, and to have such a rôle forced upon us by external circumstances is nothing on which to congratulate ourselves.

In normal times it is probably wise to permit investment to take its course under the guidance of the motive of profit. If domestic enterprises do not pay so well as foreign, it is no doubt futile

to try to keep funds at home. In times of international crisis, on the other hand, the self-sufficiency of the private-profit motive is extremely doubtful. During the early months of the war we might have bought back at bargain prices a large part of our securities held abroad; but our practical men of affairs, out of regard for the general interests of our financial system, placed barriers in the way of our doing this. Let us recall the closing of the Stock Exchange and other restrictions upon exchange transactions. No one has questioned the wisdom of this policy, widely as it departed from the principles of a strictly individualistic financial order. By its restrictions upon the flotation of foreign industrial issues, the British government has placed on record its distrust of the private-profit motive. The subordination of private finance to public need in France and Germany requires no comment. In such a time as this the advantage lies with the country that succeeds in drawing to itself the greatest possible share in the international investment fund; and private efforts cannot be counted on to achieve this end.

We are not at war, and the subjugation of finance to our national use appears comparatively less pressing. Nevertheless we are sharing the distress produced by the war, and in larger measure than is needful. Purely negative means, such as restrictions upon the financing here of foreign public loans and foreign private enterprises, would of course be ineffective. They would merely accelerate the influx of our own securities. But it would not be difficult to devise positive measures appropriate to the end in view. Offer the investor domestic opportunities attractive enough to tempt him. This we could do through governmental action. There remains in this country a vast field for enterprise under governmental auspices. The development of Alaska and of the natural resources of the public domain will suggest what the possibilities in this direction are. The shares in private developmental undertakings cannot compete for funds with our returning securities and foreign loans; but shares in governmental enterprises—that is, government bonds—would be snapped up eagerly.

Such a policy would result in reducing our favorable balance of trade. More of our wheat and meat would be bought by our own workingmen, instead of being sent abroad; many of our factories, instead of working up military supplies for foreign use, would be assigned to the production of articles of necessity for our employed workingmen, and of construction materials for our permanent enterprises. We should make less progress in the direction of becoming a creditor nation, but greater progress towards domestic prosperity.

"In Justice to—"

"In justice to General Gorgas it should be stated that there is no foundation whatever for the statement that he is to receive a salary of \$50,000."

THIS correction was made to the newspapers by the Rockefeller Foundation. It refers to the work General Gorgas is to do fighting the typhus epidemic in Servia. It is intended to quiet the report that he was leaving the government service because of a large retainer offered him by the Foundation. The public is informed that it would be an injustice to General Gorgas to suppose that he will receive a large salary. There is something curious about the fact that an organization bearing the name of Rockefeller should feel called upon to dispel the idea that money was what moved General Gorgas to undertake a work which may well prove to be the greatest humanitarian enterprise and the noblest act of internationalism performed during the war.

If the Rockefellers were logical about the philosophy in which they have prospered, how could they suppose there was any injustice in paying General Gorgas an enormous sum for his enormous services? Weren't we all told in our textbooks that incentive depended upon profit, that any limitation upon what a man could accumulate would destroy the enterprise and the courage of the community? Weren't we told that the great American fortunes are the necessary reward of effort and risk and foresight? And now we are confronted with General Gorgas, who will take a risk greater than that of any capitalist, who has raised foresight into an exact science, who will conduct an organization affecting a whole nation, who will secure for his helpers hundreds of men and women devoted to nameless service, who will undergo exertions and hardships to which the management of oil properties is a parlor game, and yet when it is suggested that this superb and skilful service is to be measured by money, the Rockefellers say the imputation is unjust.

Why is it unjust? If the theory of the big fortunes is that big service requires big rewards, certainly no man would deserve a bigger one than General Gorgas. He has demonstrated that the tropics can be opened to Western civilization, and in the large perspective of history this may prove to be as important as the discovery of America. Of course General Gorgas would probably be the last one to claim all this work as his own personal triumph. He has stood on the shoulders of numberless scientists, and been aided by men who remain anonymous. But so have the Rockefellers. They themselves are neither pioneers, nor prospectors, nor chemists, nor could they have done their work without the cooperation of thousands.

The individual men Rockefeller and Gorgas have supplied just that individual genius required to consummate what natural conditions and social development have ripened. The Rockefellers as a result are the possessors of the greatest personal fortune known to man; of General Gorgas it is considered an injustice to say that he receives a salary of \$50,000—a salary smaller than is paid for writing Mr. Hearst's editorials, an income smaller than is paid to the owners of choice lots in the Bronx, an amount smaller perhaps than is paid to the best dancers of the fox trot.

In the light of comparisons like these, how is it possible for economists, lawyers, editors and other public men to keep on arguing that our society is rationally organized because wealth is the reward of service, accumulated wealth is a measure of service, because great fortunes are the only bait to great enterprise, because human initiative depends upon the stimulus of profit? Surely our present distribution of wealth is not the result of intelligent planning, it was not devised on the theory which textbooks use to justify it. It was not devised at all; it is a growth of accident and custom and blind compromise, and its only real claim to respect is that it exists. The sooner we realize that no profound principle is at work which says that society can only be conducted as it is now being conducted, that there is nothing in the nature of man or the structure of matter which requires a range of income from that of the Rockefellers to that of an overworked girl in a cannery, just so much sooner shall we be able to devote ourselves to remedying our irrational distribution of wealth. No more dramatic indictment was ever made against that distribution than when the Rockefellers begged people not to believe that General Gorgas was asking for a large salary.

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