

things prove to be a shrewd political move. German courage to-day is based on those fears.

No one in his senses suggests that the Allies should make peace at any price. The suggestion is that they should define not in abstract phrases but in fairly concrete terms the price of peace. If the price is not vindictive and Germany nevertheless rejects it, the fighting can go on and nothing will have been lost. Ultimate power would still be with the Allies. But whenever terms are accepted, the real education of the German people will begin. They will have to ask themselves why conquering armies have not won a war, and the pomp of victory may seem less real. They will think of the deaths in every family, the army of cripples. They will begin to pay their taxes. They will realize that to maintain their army, build more dreadnoughts than England, and meet their debts is beyond human power. What if they can gaze upon an autonomous Poland with high national feeling, what if they can point to precarious concessions and markets in Turkey? How much complacency is that likely to produce in a nation where four million social democratic voters have been educated to question the autocracy of Prussia?

Trade With South America

DURING the Pan-American conferences of the past week attention has been called by several speakers to the present opportunity for increasingly intimate business relations between the United States and South America. Until recently Pan-Americanism has been largely a political movement. Our friends to the South have been talking amiably about association with the United States, but they bought and sold chiefly in Europe. Our own business men were sentimentally interested in their southern neighbors, but their practical energy was bent upon satisfying the expanding home markets and in supplying Europe with raw materials and manufactured specialties. Such trade as there was between the two American continents was largely financed abroad. The United States bought in larger amounts than it sold and the debit balance was settled in pounds sterling. Thus while many Americans were proclaiming the desirability of the political separation of the American world from Europe, the two continents were unable to transact their routine business with each other except through London banks.

The weakness was recognized, but the remedy was supposed to be simple. Our exporters could capture the South American market as soon as they found it worth while to study its needs, which would be as soon as they were manufacturing a sufficient exportable surplus. Only recently has it been understood that in order to build up an American ex-

port trade with South America, both effective selling agencies must be established, and equally effective agencies for promoting and financing the trade. The outlook for increasing commerce with South America has become more encouraging not merely because American manufacturers are needing a foreign market and are preparing to seek it, but because in other respects the organization of business in this country is becoming more adequate to the complicated task of building up over-seas commerce. And this better preparation is largely a matter of an improved organization of private credit and an increasing disposition to use it for the development of American business with foreign countries.

By the improved organization of private credit we do not mean merely the steps which have recently been taken by American banks to establish branches in South America and to handle exchange direct between New York and the large South American cities. We mean also the systematic attempts which are now being made to meet European competition for South American trade by extending to South American countries the same opportunity to borrow money in this country that they have hitherto enjoyed in France and England. If the United States is to sell largely of its manufactured products to South America, its business men must be prepared not only to grant adequate credits on individual orders, but at least in some measure to lend to South Americans the money with which the purchases are made. The resources of our sister republics are still undeveloped. For another generation their purchasing power will depend on their ability to build new railroads, to utilize their water power, to open up their lands and mines and to initiate the other kinds of business which require the permanent investment of large amounts of capital. They have been making their purchases in Europe because European bankers were lending them the money. If they are to divert their purchases to this country they will require similar accommodations from American finance. Trade follows not in the wake of the flag but in the wake of the loan.

American bankers could not for the present have even considered the extension of sufficiently large credits to South America were it not for the radical alteration in the organization of international finance brought about by the war. It has temporarily turned the European nations into borrowers and forced the United States into the position of lender. The Allies have been obliged to husband their resources in credit as carefully as Germany husbanded her resources in cotton or copper. When the London Stock Exchange was reopened, the issue of foreign securities was prohibited without the permission of the Chancellor of the Exchequer. British investors were pressed to sell their holdings of

American securities and invest the proceeds in the war loans of their government. Recently in order to maintain exchange the government itself has been inviting the holders of American stocks to deposit them and to accept compensation in its own paper. In France, through the coöperation of some of the large private banking houses, French investors were induced to deposit their shares in American corporations as the security for a credit negotiated in this country. In these and other respects the financial policies of the two governments sought to subordinate the use of private credit to the public emergency. They needed the assistance of private credit not to finance their sales to undeveloped countries, but to finance their purchases in the United States and elsewhere.

A similarly radical alteration has taken place in the character of American financial activity. For the first time the business problem of the country has been that of financing not an unmanageable volume of domestic trade, but an even more unmanageable volume of trade with foreign countries. The private lending resources of the country were employed to the very limit in the interest of its commerce. Great quantities of American securities were brought back from Europe. A series of minor grants of credit culminated in the flotation of the great loan to the Allies. This huge transfer of capital was merely a conspicuous example of the type of business transaction which had been characteristic of the relations of European banks with South American and other undeveloped countries. Large amounts of private capital were placed at the disposal of the French and English governments to enable them to pay for American goods which they could buy only in the United States and which we wanted to sell. Instead of borrowing in Europe in order to get money with which to carry on American domestic business, Americans were lending to European purchasers in order to supply them with money to pay for their imports. It was not an exchange of goods against goods but of credit against goods, and it should have been sufficient to teach American business men a needed lesson about the mechanism of modern foreign trade. The country exporting the goods must export the capital.

Once the war is over, Europe will not continue to finance its American purchases by borrowing American money. It will pay for all that it needs from this country in manufactured goods. But its ability to sustain anything like its old volume of exports of capital is more than doubtful. French, British and German trade will be handicapped by an enormous burden of public expenditure and debt, which, whatever its effect on the level of prices, will certainly diminish the rate at which capital will be accumulated. For many years the surplus of Europe will

have to be devoted to the work of reconstruction. But if it cannot export capital in the same volume, one of the supports will be removed from its export of goods to South America and other relatively undeveloped countries. At least a part of this capital will have to come from elsewhere, chiefly from the United States. This country will be financially more self-sustaining than ever before in its history and will be in a correspondingly better position to use its savings to create foreign markets. The available lending power of American banks will be substantially increased by the better organization under the Federal Reserve act of the credit and currency system of the country. American business will consequently be in a much better position to compete for a larger share of the South American trade.

Thus the European war has created for the republics of North and South America a new bond of mutual dependence. The need and at the same time the opportunity exists for more intimate commercial and financial association. The Americans will be rendered in all business affairs somewhat more independent of Europe. They will transact a larger proportion of their total trade without European intermediation. This business should be financed by American capital, its balance should be settled in American money, and its cargoes should to an increasing extent be carried in American ships. The closer economic coöperation and increasing independence will have a beneficial effect both on the political relations among the American republics and upon their joint relation to Europe. It will mean not any corresponding increase of political isolation of the Americans from Europe, but the gradual establishment between the political systems of the two hemispheres both of a more equal partnership and a better understanding of what the contribution of each should be to an international concert.

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The Meaning of Nationality

ONE of the most serious obstacles in the way of international peace and of the international organization which must precede it is the prevalent confusion of mind on the subject of nationality. There has been much talk in the last hundred years on both sides of the Atlantic about the principle of nationality and the rights and destinies of nations, but very little attempt has been made to subject the conceptions "nation" and "nationality" to any strict analysis. Men are not purely logical animals, and there are few spheres where they are less logical than in politics. It is not surprising that they should be ready to spend their devotion and pour out their lives in thousands for a cause or a principle of which they have never tried, and would not be able, to give a rational account. There is indeed a natural reluctance to submit what we feel to be intimate and sacred to the cold analysis of reason or to "peep and botanize" in a field where other men have shed their blood without doubt or question. Nor should I venture to suggest discussion on the matter at all had I not come to feel that it is only after having grasped the distinctive meaning and value of nationality, and having disentangled it from other conceptions with which it has unhappily become associated, that men will ever begin to see their way towards a better political organization of the world and the effective prevention of war.

There are two great difficulties which confront the inquirer into the meaning of nationality. The first is the difficulty of nomenclature. The whole question has become confused owing to the loose use of words. Different words are used to express the same idea, and the same word is used to cover several different ideas. For instance, the most vital distinction in the discussion is that between citizenship and nationality—between the perfectly clear and definite conception of legal and moral obligation conveyed by the words citizen and civic, and the vaguer and more intimate conception of nationality. The distinction is really a very simple one, and is familiar to every thinking person who lives, as English-speaking people do, in a community in which nationality and citizenship are not co-extensive; it is familiar, in fact, to everyone who has not what I make bold to say is the misfortune to live in the confined atmosphere of a "national state."

Yet this perfectly simple distinction is obscured by the fact that the words state and nation have become specialized for Americans in a way exactly contrary to that in which British citizens, whether English or Canadian or Indian, are beginning to

think of them. If the British commonwealth is ever federalized it will not consist of United States but of Dominions; and no one is ever likely to speak or think of its component members, spread over five continents, as a "British nation." British nationality is a non-existent thing. The British commonwealth, like the American, consists of a congeries of nationalities, many of which, like the French Canadians, the Dutch South Africans and the Indian Moslems, have close national affinities, racial, linguistic or religious, with nationalities outside. A distinguished English thinker wrote a book the other day under the title "Towards International Government," making proposals for the enlargement of The Hague tribunal after the war. But in reality international government is a thing which we have long had with us. English-speaking people on both sides of the Atlantic are perfectly familiar with the exercise of authority by a single government and a single system of law over peoples of many different races and languages and at many different levels of intellectual development. It is only the backward or backsliding governments of Central and Eastern Europe which find it difficult to recognize the duty of meting out equal justice to the different nationalities under their sway. The problem before The Hague is to organize not international government—for that concerns the internal policy of the various sovereign states—but interstate government. And the way to promote its solution is not by attempting to minimize the inherent differences between nation and nation, or to empty the conception of nationality of all its wealth of traditional meaning and association, but to disentangle from it the clear and familiar conception of civic obligation, and so to enable men, whatever their nationality, more and more to think of themselves as citizens of the world and responsible, through the actions of their government, for the welfare of the world as a political whole.

There is a second difficulty. The real reason why nationality has never been clearly analyzed is because its manifestations are so various and disparate as to defy definition. We speak of the "sentiment" or the "principle" of nationality. But sentiments and principles, as the psychologists tell us, are not ultimate things. They are compounded or have grown up, under the influence of environment, out of instincts and dispositions which are inherent in man's nature. The sentiment of nationality is thus in every case a composite growth, due partly to innate qualities and partly to a social tradition in which environment has played its part. Thus