

WORLD CRISES — PAST AND FUTURE

BY VICTOR S. YARROS

SIGNIFICANT things have been happening in the world—or, rather, inevitable and foreseeable consequences of certain causes have been materializing, and the statesmen, diplomats, economists and publicists have been constrained to reopen issues long neglected or deliberately blinked at.

What has been done, however, is woefully insufficient. Much more remains to be done, and with more courage and determination than have been manifested in recent months.

Let us briefly review the developments and note their implications.

Germany, because of the world depression, widespread unemployment, delining foreign trade and crippling rates of taxation, found it impossible to carry out the heavy obligations imposed upon her by the so-called Young reparations plan—the scheme that superseded the Dawes plan and was intended to lighten the post-war economic burdens of the reich and at the same time free it of galling foreign control.

The Young plan was supposed to have been intelligently based on Germany's actual capacity to pay. Such capacity presupposed *a large favorable trade balance and at least moderate prosperity with decent living standards.*

Under the Young plan, which the German statesmen loyally accepted and endeavored to fulfill, the reich had the right to propose a moratorium, or suspension of reparation payments, for a time, as well as the right to suggest an inquiry into its economic and financial conditions by a neutral agency—the Bank of International Settlements. But there were good reasons, not in any degree selfish, why the German statesmen in power did not deem it wise to ex-

ercise the rights referred to. The modern world is a complex unity. Loans, credits, trade, investments make it that. A nation that proclaims its insolvency, or inability to discharge assumed international obligations, runs the danger of alarming millions of its own citizens as well as hosts of foreign investors and creditors. Panic means "the flight of capital"—the withdrawal of deposits, the refusal to extend short-term credits, the frenzied conversion of national into foreign currencies,—in short, a crash and collapse fraught with the peril of civil war, chaos and anarchy, as well as of economic confusion and demoralization.

President Von Hindenburg, after anxious deliberation, elected, instead of the expedients contemplated by the Young plan, the alternative of a direct appeal to the President of the United States. In that appeal—subsequently made public—the United States was requested to initiate measures of aid and relief in behalf of Germany, not alone for her sake, but for the sake of order, peace and progress the world over. No specific steps were suggested, but it was plain that Germany urgently needed, at the very least, a reparations moratorium.

President Hoover lost no time in proposing to the recipients of the German reparations such a moratorium, coupled with one on the payments to the United States, but limited to one year only. That was an inadequate, stop-gap measure, but Mr. Hoover had to consider the probable reaction of Congress, and especially of the isolationists, irreconcilables and standpatters of that body, and to make sure of the eventual approval of his proposal by congressional majorities.

Had his cautious and simple plan been promptly and wholeheartedly accepted, its effects would have been highly beneficial. But French opposition, with the delays and negotiations it entailed, resulted in the practical nullification and obliteration of the intended economic benefits of the moratorium. The flight of capital from the reich took place. The dread of currency inflation and of bankruptcy spread like a mid-summer forest fire. Banks closed their doors. Foreign creditors declined to renew their loans. Industry and commerce faced ruin. The moderate and sensible cabinet, menaced by bitter and watchful right and left foes, was forced once more to appeal to the other powers for assistance, economic and moral.

The Paris and London conferences followed. These conferences appear to have been cordial enough, but the agreement reached at London by representatives of seven powers could not, and did not, reassure Germany. What it obtained was merely a breathing space. Germany may get needed short-term credits, but this measure will not solve its pressing problems.

Inevitably, sincere and enlightened men everywhere are asking themselves, What next? After the breathing space, what? Is the world now prepared to think and act radically and courageously? If so, what is to be its course and its program? What features in that program will be essential and what of secondary importance?

To answer these questions correctly, let us take a glance at the general world situation.

To the humanitarian, the lover of justice and of peace, the advocate of international co-operation, the state of the civilized world cannot fail to be rather disheartening. The tension and serious controversies between France and Italy; the deadlock in negotiations looking to real reduction of armaments; the grave doubts entertained concerning the success—even the limited success—of the next conference on armaments; the defeat of Briand in the race for president of France; apprehensions and suspicions aroused by the proposed Austro-German customs-union; the dread and hatred of Russia and the egregious misrepresentations of the policy of the Soviet government; the recrudescence and continued spread of Nationalism and extreme Protectionism; the tragic helplessness of statesmen and business leaders in the midst of a severe economic world crisis—all these and other phenomena are as symptomatic as they are disturbing and alarming.

Whither, then, are we drifting? What significance can we now attach to the Briand-Kellogg war-renunciation pact? What is the value of the many conciliation and arbitration treaties now theoretically in full force and effect?

Several writers, including military authorities, have written grave books on "the next war." Some of these believe that war will come in 1935. All agree that the next war—to be fought chiefly in the air and with aid of poison gas—may destroy the present civilization of the world and usher in a long period of barbarism and moral chaos.

Now, we may not believe—the present writer emphatically does

not believe—that the next war will wreck and ruin our civilization. In their zeal and enthusiasm for peace and good will, too many indulge in rhetorical extravagance. Science, art, technique cannot be destroyed by any war, no matter how extensive and protracted it may be. But the next war, if suffered to come, will wipe out millions of lives and billions upon billions of treasure. What sane nation, government or person can desire such results?

If no one does desire them, what is the matter with the nations and the governments today? Why is the world drifting into conflicts and complications that almost inevitably lead to war?

There is no problem, writes Sir Josiah Stamp, the British economist and statesman, that cannot be solved by clear, honest, unprejudiced thinking. Is the world incapable of such thinking? Or, if the world can and does think straight and efficiently, are its troubles due to a lack of moral courage? Do we know better than we do, and, if so, why cannot we manage to live up to our convictions?

For years, since the end of the great war, Americans have advised European statesmen, publicists and civic leaders to think *scientifically* instead of *politically*, and to settle economic questions in the light of economic principles, not in that of supposed party advantage or temporary popularity with the ignorant and blind elements of the population. This is good advice. Are Americans prepared to practice what they preach? If not, their preaching is Pecksniffian and highly offensive to Europe.

Let us attempt in this article to thrust aside politics, nationalistic bias and all kinds of cant, and to ask what remedies the sick world needs in order to recover and resume the rate of progress that was interrupted by the world war. It is indisputable that the first steps to be taken are essentially economic in character.

To begin with, the ten or twelve million men and women now idle through no fault of their own must be re-employed in productive industry. How can this be effected? There can be no increase in the supply of goods without a previous increase in demand. We hear much about overproduction—and, indeed, many industries, including agriculture, have heavy surpluses and reserves which they cannot dispose of even at the cost of production. Yet the overproduction is really underconsumption. Millions of people everywhere want and need more goods than they now enjoy, but this

need is not convertible into effective demand. They cannot buy the commodities they need and want.

How can demand for goods be stimulated and increased? is the real question to be put and answered.

There are those who assert that millions of persons are afraid to spend their incomes freely, and that the remedy lies in more liberal and confident spending. There is some truth in this view. The banks and savings banks report exceptionally large deposits, despite reduced rates of interest on commercial deposits. Fear of unemployment doubtless renders many unwilling to buy non-essential articles and anxious to save as much as possible. Who can blame them? And how can their apprehensions be removed? Pollyanna speeches by politicians will not have that effect. Suppression of ugly facts will not create confidence where it is now lacking. What, then, can and should be done?

Scientific economists and broad-minded financiers are satisfied that the two measures best calculated to encourage spending, promote trade and production, and re-employ idle labor are these:—

Reductions of the present sky-scraper tariffs.

Downward revision or cancellation of the reparations and war debts settlement.

That the present tariffs are too high, is the opinion of the great majority of impartial and competent students of economic questions. Fifteen nations have increased their tariff rates in the last eighteen months. Some of them have acted thus by way or retaliation, and others in the erroneous belief that fanatical protectionism and isolation serve national interests. Certainly the higher tariffs have benefitted no nation and injured all. The prosperity which the politicians promised as the result of higher duties has failed to materialize. Matters, on the contrary, have gone from bad to worse. Lower tariff duties would stimulate international trade and at the same time reduce the waste incident to artificial production.

The recent conference at Washington of the International Chamber of Commerce, although not quite free to voice its sentiments, adopted resolutions favoring tariff reductions. At the conference of the Chamber of Commerce of the United States, held at Atlantic City, noted speakers, representative of leading industries, also demanded tariff reductions. If the politicians are op-

posed to this measure of relief, business, science and labor will have to fight them openly and vigorously.

Moreover, it is becoming clear that, if tariff reductions are postponed because of political obstruction and demagogic sophistry, the world will be forced to seek regional and other compacts, or customs-unions, as alternatives. Such development, unfortunately, in the present state of European nervousness and restlessness, cannot fail to arouse political apprehensions. France, for example, dreads an Austro-German customs union because it thinks that such a union would be "the first step to the Anschluss," or political merger, favored by certain schools in Austria and Germany. The announced Italo-Austrian-German commercial accord has also excited fear and alarm in certain countries. Objections are raised to all attempts, real or fancied, at evading the favored-nation principle. But that principle is inconsistent with isolationist tariffs and other barriers to trade. Economic realities have a way of surmounting political superstitions and prejudices. If the world needs freer trade, the sky-scraper tariffs will not long prevent that consummation. But it is better for the world that freer trade should come by agreement and full realization of all the consequences sought, not after much suffering.

As regards liberal and candid revision of the war debts-funding settlements, and a five or ten year moratorium on reparations and allied payments, again, economists and other experts who are not in politics believe that these steps are unavoidable as well as sound and constructive. The burdens imposed by the settlements are unquestionably too heavy. Conditions have changed, moreover, since the settlements were concluded, and the same is true of the so called Young reparations plan for Germany.

There are such things, to be sure, as international honor and the sacredness of obligations deliberately assumed. But there is nothing in ethics to bar a restudy and revision of settlements with the consent of all parties and in obedience to necessity and realism.

If world trade and world welfare would be benefitted by a radical revision of the debt settlements, that conclusion must eventually force itself into the most reluctant minds. The world wide depression is certain to emphasize and accentuate political differences, and such differences, in an atmosphere of gloom and dis-

content, are full of menace. The situation calls for clear, honest, realistic thinking and appropriate action.

The three steps just outlined would remove the present formidable obstacles in the way of armament reduction. President Hoover, in his address of welcome to the International Chamber of Commerce, urged the business interests of the world to work earnestly for such limitation and for drastic reduction of army and navy budgets. Huge armaments, he justly affirmed, themselves constitute threats to security and peace. Nations suspicious and distrustful of one another will not reduce armaments, and huge armaments engender distrust and suspicion. Billions can be saved by armament reduction, but no power cares to take the initiative in reduction, and none can be expected to act separately and thus, at least theoretically, weaken its national defences. But fair international agreements for limitation and reduction of armaments are not open to the charge of one-sidedness and discrimination. When *all* reduce, *none* suffers any disadvantage or any loss of prestige equivalent to palpable and physical disadvantage.

The European reaction to President Hoover's appeal was decidedly unfavorable. America, it was said, was again tendering good advice to the old world, but unwilling to act upon the same advice or make the smallest concession to its debtors and to the poorer nations generally. There was no connection, it was contended, between armament limitation and the economic ills of the world. This was obviously fallacious. There *is* a connection there, and a vital one. Armament compacts, if genuine and radical, and economies in national defence would release billions now wasted for industry and trade. Confidence would be inspired by such significant and progressive compacts, and confidence always stimulates commerce and production.

But the fact must be faced that Europe will not reduce armaments and stop waste unless the United States offers drastically to revise the war debt settlements and unless a movement is launched for revision and reduction of tariff rates. If the United States stands pat, Europe will stand pat, for money is always found somehow for defence and for preparedness. The present menacing drift will continue, and what G. H. Wells has well called the race between education and catastrophe will end in a victory for the latter.

In addition to the measures already indicated, the following are increasingly favored by thoughtful men and women.

Ratification by the Senate of the pending resolution for American entry into the Court of International Justice. For the present, this is the minimum in the way of American recognition of the imperative need of international co-operation for the promotion of peace and confidence. Ultimately, one cannot doubt, the United States will join the League of Nations, since experience has removed certain early objections to such action. The constitution of the League may have to be amended in some respects, but it is certain that the members of the League will consider sympathetically any suggestion by the United States looking toward progressive changes in the covenant.

Pending formal membership in the League, the United States should agree to confer with the great powers the moment war seems to be contemplated by any government in violation of existing pacts and pledges, and to take effective steps, in conjunction with other nations, toward the preservation of peace.

The Senate dreads even purely consultative pacts, but this is part of the isolationist policy, a policy now dead and buried in fact.

The demand of Europe, and especially of France, for security would be met, in part, by these two simple and sane measures on the part of the United States—entering the World Court and signing a consultative pact. The pledge to withhold all aid and comfort from an aggressive government; to suspend financial and commercial dealings with such a government; to waive certain theoretical claims on the high seas might well follow the two steps mentioned.

So much for the international aspects of the present grave situation. The national aspects cannot be treated adequately in a short paper, but some measures which the great and industrial nations will have to adopt—the sooner, the better—may be indicated.

Business requires more control than it has had, but preferably voluntary control. Germany and France have organized Economic Councils with advisory functions, and these agencies have already proved their value. This country, too, needs industrial and trade councils, regional and national. The Trade Associations, now languishing and uncertain of themselves, may be converted into such councils, provided congress sanctions the latter and suitably revises

the old and ambiguous anti-trust laws. We cannot afford economic waste, but combination preventative of waste may breed other evils, quite as serious, such as oppression of the consuming public. To permit combination is not to permit uncontrolled combination.

With better organization of industry, better adjustment of demand and supply, should and will come increased security for labor. Insurance against unemployment will have to be extended and improved. Great corporations are already experimenting with such insurance, and more should do so. State insurance is not inevitable, though many believe it to be morally certain. Employers can escape paternalism only by taking the initiative and meeting just demands in their own way. Bread lines, soup kitchens, congested lodging houses, charity and doles are unflattering commentaries on a civilization that has been too proud of its achievements to attend to its weaknesses and drawbacks.

Labor must be protected as well as capital and management. Labor should be invited to appoint members of utility and corporate directorships. That would constitute a safeguard against abuses, and would make for true democracy and solidarity in economic life.

If we dislike communism and state socialism, we must fortify and improve the so-called capitalistic system. Even the head of the Catholic Church advocates reconstruction of the present system, if it is to live and prosper in competition with other systems—systems naturally less congenial to the American spirit and temper.

Old age pensions, now paid in some American states, will have to be established by all. Such pensions are not demoralizing doles. They are a modern and sensible substitutes for poor-houses. Society cannot let its aged members starve and freeze, and the course of decency and sense is to provide for them by means of a sound pension system designed to keep families together and maintain their dignity and self-respect.

Society must seek to live up to the gospel of Service, which it glibly professes but fails, to carry to its logical consequences. There is too much speculation; too much greed; too much respect for success achieved by dubious or dishonest means. What moralists and scientific economists teach, business life must exemplify and illustrate, not, as now, often mock and contradict.

There is every reason to believe that the foundations of a free industrial and political system can be saved. Property, private

enterprise, the right of contract, of organization, of combination, are these foundations. With them go civil liberties and rights. There is no ground for claiming, on the basis of the extraordinary Russian experiment, that economic justice is incompatible with respect for individual and minority rights, for human dignity and reasonable freedom of self-expression.

But many of the unpleasant and ugly superficial characteristics of the present liberal civilization must be done away with. Business must be socialized in the moral sense of the term, not the political or administrative. Fraud must be eliminated, and gambling in order to get rich without labor discountenanced. Unfair and unnecessary privileges must be abolished, and equal opportunity assured to all.

The present civilization is on trial. Another unnecessary world war attributable to selfishness, hate, malice, aggression, pride and arrogance may cause several nations in Europe and America to turn to Fascism or Bolshevist Communism.