

FOREIGN AFFAIRS

AN AMERICAN QUARTERLY REVIEW



OCTOBER, 1931

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The Editors.

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THE PERMANENT BASES OF AMERICAN FOREIGN POLICY

By John W. Davis

AN ATTEMPT to state the permanent bases of any nation's foreign policy opens a range for discussion too broad for the compass of a single article. History, tradition, political structure, geographical location, commercial interests, all these, to say nothing of the ambitions of statesmen and the exigencies of the moment, go to the making of a foreign policy. Some of these factors are fixed and stable. Others must change with the changing times. Rarely is there entire consistency in the pursuit of the policies to which these factors give rise. It is only in the most abstract sense therefore that any policy or the bases on which it rests can be called permanent. Yet it is possible, with the aid of history, to give a hurried summary of certain ideals and purposes which seem to have run with reasonable persistence throughout the course of American diplomacy and which cannot be ignored in predicting its future direction.

Of these, the first in point of time, if not in point of importance, is the wish to abstain as far as possible from any participation in foreign questions in general and European questions in particular. The roots of this feeling go deep into the American past. It has as its background the world situation at the time the United States of America came into being. The instruments employed by European monarchs in the midst of their quarrels and jealousies to advance their several interests, the alliances and counter-alliances, the balances of power, the armaments and counter-armaments, the treaties open and secret, were stigmatized *en bloc* by the American colonists as the European system. Looking at the turmoil it had bred and the burdens it imposed, they set up after the Revolutionary War a government republican

in character based upon ideas of human equality, personal liberty and popular sovereignty, which, whether original or borrowed, new or old, they were pleased to call American. They asked nothing more of the world at large than a chance to develop these ideas undisturbed. Between them and the turbulent shores of Europe rolled the broad Atlantic. Their homeland was an unpeopled continent of vast natural resources. And the same self-reliance which had brought them and their fathers across the waters made them confident of their power, if only they were let alone, to realize the great things the future held in store.

In such surroundings it was a priceless advantage to be aloof and neutral in a world that was torn by the contemplating of present and future wars. John Adams spoke for himself and his countrymen in the conversation he reports between himself and Richard Oswald in 1782: "'You are afraid,' says Mr. Oswald today, 'of being made tools of the Powers of Europe.' 'Indeed I am,' said I. 'What Powers?' said he. 'All of them,' said I. 'It is obvious that all the Powers of Europe will be continually manoeuvring with us to work us into their real or imaginary balances of power. They will all wish to make us a make-weight candle when they are weighing out their pounds.'"

There was no "philosophical tranquillity," as Baron von Nolcken, the Swedish Minister at St. James's, suggested to Adams in their long-distance watching of "European throat-cutting;" only a feeling that it was none of their business and that it would be fatal to the survival of the new-born nation if it took part in the *mêlée*.

This attitude, so easily understood, was erected into a dogma by Washington with his warning in the Farewell Address against implicating ourselves with Europe "by artificial ties in the ordinary vicissitudes of her politics or the ordinary combinations or collisions of her friendships or enmities;" and confirmed by Jefferson in his first inaugural declaring for "commerce and honest friendship with all nations — entangling alliances with none."

Tuned as these words were to the times and circumstances in which they were uttered, their effect upon the subsequent conduct of America has been continuous. Their weight cannot be exaggerated. They have been echoed in substance, if not in terms, by statesmen of every generation. They have been repeated and re-repeated from the platform and in the press until they have become clothed in the minds of most Americans with the dignity

of axioms. . . . When the fight over the ratification of the Treaty of Versailles and the Covenant of the League of Nations was on, they furnished the stock argument to those who opposed the Covenant, and it was only by appealing to their high authority that public sentiment, at one time overwhelmingly in favor of the League, could be reconciled to its rejection.

President Wilson himself did not challenge the general doctrine. Said he: "I shall never myself consent to any entangling alliance, but I would gladly assent to a disentangling alliance — an alliance which would disentangle the peoples of the world from those combinations in which they seek their own separate and private interest and unite the people of the world to preserve the peace of the world upon a basis of common right and justice. There is liberty there, not limitation. There is freedom, not entanglement." He denied, and those who thought and still think with him denied, that there is anything in this of abandonment or desertion of the teachings of Washington and Jefferson. Indeed, it may safely be assumed that those great men would have been the last to claim perpetual authority for their advice.

The views expressed by John Quincy Adams as early as the year 1826 do better justice to their memory. In his message to Congress announcing his intention to enter the conference with the other American republics at Panama he said that he "could not overlook the reflection that the counsel of Washington in that instance, like all the counsels of wisdom, was founded upon the circumstances in which our country and the world around us were situated at the time when it was given," and comparing "our situation and the circumstances of that time with the present day" he held that his acceptance of the invitation did not conflict with the counsel or policy of Washington. Political isolation in the strict and absolute sense was never the doctrine of Washington or Jefferson, nevertheless their warnings against permanent alliances and participation in matters not directly related to the welfare of the United States have lost little of their potency with the passage of the years.

An obvious corollary of this same teaching was the doctrine of non-intervention in the internal affairs of other nations. After proclaiming the right to set up a government of her own devising, and to pursue her course without molestation from abroad, America could do no less than concede to other nations the same rights she claimed for herself. Whether their form of government was

despotic or liberal, regular or revolutionary, their domestic politics peaceful or turbulent, was to be none of her affair. It was not unnatural that the adoption of institutions similar to her own and founded on like political philosophy should from time to time arouse her sympathetic interest; it was inevitable that when her citizens began to push abroad she should invoke for them that measure of protection to which they were entitled by the law of nations; but non-intervention on her part in the domestic affairs of other nations was to be a fixed canon of conduct to be departed from only on the gravest occasion. As Secretary Seward observed in 1863: "Our policy of non-intervention, straight, absolute and peculiar as it may seem to other nations, has thus become a traditional one which could not be abandoned without the most urgent occasion, amounting to a manifest necessity." And again: "The United States leave to the government and people of every foreign state the exclusive settlement of their own affairs and the exclusive employment of their own institutions."

That a nation thus dedicated to the policies of political isolation and non-intervention should imagine itself a permanent neutral in any war between other Powers was entirely logical, even though events from time to time have falsified the logic, as events so often do. The strain upon this purposeful neutrality came promptly during the wars of the Napoleonic era. It reached the breaking point in the War of 1812 and a century later in 1917. Yet it cannot be denied that the instinctive reaction on the part of America to any foreign outbreak has been one of neutrality, followed by the renewed assertion of the rights of neutral commerce in non-contraband goods, or, to use the later nomenclature, the "freedom of the seas." Every war of the last century and a half has provoked diplomatic interchanges on the subject, in which, not always with entire consistency, the prevalent American contention has been that blockades to be respected must be effective; that only those articles are to be treated as contraband which are adapted for belligerent uses; and that the flag of a neutral nation must protect both the vessel and its cargo. Shaken as the principles of neutrality were by the events of the Great War, and dim as the hope may be for the preservation of neutrality in future wars, it must be accepted that American thought on the subject is still dominated by the ancient tradition.

With the delivery of President Monroe's message to Congress in 1823, the Monroe Doctrine came to its permanent place in

American history. "The occasion," said he, "has been judged proper for asserting, as a principle in which the rights and interests of the United States are involved, that the American continents, by the free and independent condition which they have assumed and maintain, are not henceforth to be considered as subjects for future colonization by any European Powers. . . . We owe it, therefore, to candor, and to the amicable relations existing between the United States and those Powers, to declare that we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety."

It is worth while to quote these familiar words of this message because of the gloss that has so often been put upon them by orators and statesmen in the century that has followed their delivery. It is worth while also to notice that the sole reason put forward for the declaration was the peace and safety of the United States themselves and not the protection of the newly formed South American Republics. There was in the declaration no assertion of overlordship or of hegemony in the Western Hemisphere, and least of all of a purpose to control or regulate the domestic affairs of our American neighbors. The creation of the Holy Alliance furnished the occasion, and national tranquillity supplied the motive, but there was no pretense of a general protectorate over other American states. As Secretary Olney defined it in his Venezuelan Boundary despatch: "The rule in question has but a single purpose and object. It is that no European Power or combination of European Powers shall forcibly deprive an American state of the right and power of self-government and of shaping for itself its own political fortunes and destinies." His bellicose sentence that, "Today the United States is practically sovereign on this continent, and its fiat is law upon the subjects to which it confines its interposition," could certainly not have been intended by its distinguished author as either an interpretation or an attempted enlargement of the Monroe Doctrine. In the calmer and less controversial atmosphere of today it would hardly be repeated lest it might be regarded as rodomontade. True, the Monroe Doctrine, as Americans understand it, has come with the passage of time to apply to all non-American Powers rather than to those of Europe alone, and to acquisitions of territory by the transfer of dominion and sovereignty as well as by colonization; but such further expansions as are to be

found in the rhetoric of spread-eagle orators have no foundation either in tradition or in fact. The idea that the Monroe Doctrine is an all-embracing synopsis and epitome of our relations with our Latin American neighbors is a wholly erroneous conception.

The policies to which I have so far alluded, with the possible exception of those relating to neutral commerce, have a negative quality suitable to a nation set upon living an indoor life of oriental seclusion. Jefferson's ambition, indeed, was to see the United States a nation of self-supporting husbandmen. The national temper, however, was not adapted to such a future, and even in Jefferson's own day his countrymen were crowding into commerce and flocking to the open sea. Some were traders in time of peace engaged in nibbling into England's carrying trade, others were blockade runners in the Napoleonic wars, roving the seven seas. Under the spur of commercial ambition, American shipping thrived mightily. In the early part of the nineteenth century the American clipper ships not only met in successful competition the mariners of England but practically monopolized for a time the transport to England herself of China tea. There was an immediate need, therefore, for a positive foreign policy fixing the terms on which the new nation was to live in the trading world. The nations were still under the spell of the doctrines of "mercantilism" and trade restrictions, prohibitions and discriminations were well-nigh universal. Indeed, there was hardly a port in the Western Hemisphere outside their own country in which American vessels could lawfully trade.

To break these shackles was the first task of American diplomacy. The objective was announced in the preamble to the Treaty of 1778 with France in these words: "By taking for the basis of their agreement the most perfect equality and reciprocity, and by carefully avoiding all those burdensome preferences which are usually sources of debate, embarrassment and discontent; by leaving also each party at liberty to make respecting commerce and navigation those interior regulations which it shall find most convenient to itself; and by finding the advantage of commerce solely upon reciprocal utility and the just rules of free intercourse; reserving withal to each party the liberty of admitting at its pleasure other nations to a participation of the same advantages." This was, as John Quincy Adams called it, "The corner stone for all our subsequent transactions of intercourse with foreign nations."

So step by step, and with infinite labor, the ports of the colonies, first of Great Britain and then of Spain, were opened to American vessels upon reciprocal terms. One by one discriminating duties were removed and most favored nation treaties were negotiated with all the principal trading Powers of the world. The policy of reciprocity was deliberately adopted and steadily pursued; reciprocity in the sense of equal and impartial trade and not as the word has come to mean in its later usage — mutual or equivalent reductions of duties and imposts — the latter “a policy,” as John Bassett Moore has wittily said, “recommended by free traders as an escape from protection and by protectionists as an escape from free trade, but distrusted by both and supported by neither.”

It was left to John Hay in his negotiations in 1899 for the open door in China to secure the most dramatic of the later triumphs of this policy. Confronted by the impending partition of the territory and trade of China among foreign Powers, instead of engaging in the general scramble he chose a more effective course. Starting with the same English sympathy which had been shown by Canning when the Monroe Doctrine was promulgated, he secured in turn the assent of France, Germany, Russia, Italy and Japan to the principle of equal and impartial trade for the commerce of all nations in Chinese ports and spheres of influence. As a work of peace it was an achievement of the first magnitude. It came to further fruition at the Washington Conference of 1922, when the nine Powers there represented formally agreed to use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China.

I pass to another subject. In his inaugural address of March 4, 1897, President McKinley made bold to declare that arbitration as the true method of settling international questions “has been recognized as *the* leading feature of our foreign policy throughout our entire national history.” Note the use of the definite article. The statement is hardly an exaggeration, notwithstanding the fact that the nation of which it was spoken has fought in the course of 155 years two civil and four foreign wars, without counting the innumerable conflicts waged with the Indian tribes. Such was the aggregate duration of these major wars that it may be said without overstatement that America has devoted at least one day out of every eight of its national life to the making of

war; the remaining seven have been spent in paying the bills. In spite of a genuine passion for peace, therefore, the United States can hardly be called a pacifist nation. Yet, with unhappy stumblings by the way, it has from the making of the Jay Treaty to this date endeavored to follow the road of arbitrament rather than of conflict. It has been a party itself to over 85 arbitrations with some 25 countries; and by precept and example it has commended the practice of arbitration to mankind. It stands today definitely committed, so far as the Executive and its past professions can commit it, to the support and maintenance of the Permanent Court of International Justice; and if it has forfeited anything of its former glory as a champion of international arbitration, the loss must be charged to the account of Senatorial jealousy of Senatorial prerogative and Senatorial difficulty in making up two-thirds of the Senatorial mind.

If in the course of this brief outline I have leaned heavily on the sayings of men of earlier days it is not without reason. With all their spirit of enterprise and innovation the American people are at heart traditionalists. In matters of government they are prone to take the beaten paths. And in spite of their sense of human equality they are likewise hero-worshippers. They are accustomed moreover to written formulæ in their government, their politics, even in their business. An argument buttressed by quotation from a national hero has its battle half won from the start. Whatever the demand for a shift in thought may be, it is useless to disguise the fact that they find it easier to inquire what Washington, for instance, may have said, than to consider what wisdom like Washington's would say today.

A general survey of American foreign relations could not conclude without adverting to other important topics. Such, for instance, are the disarmament of the Canadian border; the cultivation of friendship with our neighbors to the south under the name of Pan-Americanism; the protection of the Panama Canal and the policing of the Caribbean; the problems of the Pacific and the consultative pact of Washington; and, latterly, naval disarmament and naval parity with Great Britain. These and many similar matters could not be ignored by the diplomatic historian, but the aim of this article is far less ambitious. The effort here, I repeat, is to discover, with the aid of history, those ideas which run with such persistence throughout our foreign policy as to indicate their permanent fixation in the national mind;

political isolation, non-intervention, neutrality, the Monroe Doctrine, the open door, arbitration — these threads seem to run all through the warp and woof of our national weaving. It is quite easy for the critic to show that they have been broken from time to time. They disappear from the pattern here and reappear later there — consistency is no more a virtue of nations than of men — yet without them there would be little to give coherence and unity to the design.

Is there any common bond between these policies themselves, any consistent idea which has inspired them, any common stuff out of which they have been spun? I think there can be no doubt of it. Stated in the simplest terms, the dominating desire on the part of the American people as expressed in their foreign policy has been to be free to mind their own business without interference and to permit others to do the same. This of itself is not a policy, but it is the motive by which policies have been inspired. Nor must it be supposed that there is anything unique or singular in this attitude. The people of every nation cherish the wish to work out their own destiny after their own fashion, and for this reason the mainspring of national action is always self-interest. It could not properly be otherwise. Those who, by reason of their official position, have the power to frame and carry out the foreign policies of their country are not proprietors but trustees of the power they hold. They dare not use this power to satisfy mere personal ambition or to advance their personal fortunes. They are not even free to spend it in works of unrequited charity, no matter how noble. True to their trust, they must at all points consider first and always the welfare and safety of the people they are called to serve. Self-interest, albeit the enlightened self-interest, of the nation is to be their constant guide.

This desire to be let alone is but the same idea which is embodied in the word "security," an expression used and interpreted by every people in the light of their own peculiar circumstances. To some it brings to mind the threatened boundaries between themselves and hostile Powers; to some the long lines of ocean communication on which their very lives depend; while still others look abroad to their colonial possessions and fear for the links that bind them to the mother country. Fortunately for America, she hears the march of no hostile armies along her frontiers; no blockade of her coasts can bring famine to her firesides; and while she must defend the outposts she possesses, neither the

genius of her institutions nor her past experience fosters in her any ambition to play the rôle of a colonizing Power. Indeed, taking her venture in the Philippines as an example, it would be fair to say that, while opinions differ widely as to her present and future responsibilities there, most Americans in their heart of hearts regard the original retention of the islands as a sorry blunder and devoutly wish that Dewey, after he had destroyed the Spanish fleet in Manila Bay, had weighed his anchors and made for the open sea.

But the fact that America is not oppressed by considerations such as these does not make her foreign policy any the less a search for security than that of Powers not so fortunate. Time, of course, has brought great changes since she first began to think in national terms. Her entire geography, for one thing, has altered; where she once looked out on one ocean, she now looks out on two. While she held at first but a fringe along the shoreline, she now spreads across a continent; and since the acquisition of Hawaii, Porto Rico and the Philippines, and the building of the Panama Canal, her shadow falls far beyond the confines of the Union. As she has reached out to make contact with the world, the world with its steamships, aircraft, cables and radios has advanced to meet her, until distance no longer decides the relationship between herself and the rest of mankind. Commerce has altered quite as much as geography since the day when a colonial request for episcopal guidance was answered by the brusque remark, "Damn their souls, let them grow tobacco." And finance by means of loans and fixed investments has scattered all over the globe, not the imaginary funds of "international bankers," but the collective savings of the American people, in the hope that this seed in time will bring its harvest of profit and reward. Perhaps no nation in the world has seen greater changes in the same length of time.

In view of these facts it is clear that the statement that America wishes to be free to mind her own business is not an answer to a question but merely the introduction to a series of questions that must be answered if phrase-mongering is not to take the place of reasoning in her foreign policy. In the word "security" today are wrapped up many things which could not have been dreamed of a century ago. So long as the world obstinately refuses to become static and unchangeable "never" is a dangerous word for governments or statesmen to employ. Policy must always be elastic

enough to fit changed surroundings, for the change of surroundings does not wait on policy. "I do not control events," said Lincoln, "I am controlled by them." If the foreign policies that have guided America hitherto are no longer adequate to preserve her peace and insure her prosperity, it does not necessarily follow that they should be abandoned, but it does render it imperative that they should be supplemented by further policies consciously adapted to her present needs.

Quite obviously the day has gone by, if indeed it ever existed, when America could think of her interests and duties apart from those falling to her as a member of the community of nations. The march of science, the advance in the arts of communication, the interlocking activities of commerce and finance, her own expanding needs and desires have made that no longer possible. Recent events have served to drive the lesson home even to that presumptively ignorant but ubiquitous person, the man-in-the-street. The Great War has shown him over what vast distances the sound of a cannon shot will travel, and the present depression has joined the American wheat farmer and the British coal miner in a common misery. The question is no longer whether America will join the concert of the nations. By the decrees of Providence and the pressure of inexorable events she is already there beyond hope of escape, and is permitted to consider only the manner in which she shall bear herself in that relationship.

Judging the future by the past, it is extremely unlikely that she will ever throw off her fixed aversion to alliances for peace or war with special Powers. It seems in no way necessary and would probably be most unfortunate if she did. Yet since it is no longer possible for her to sit in calm seclusion, prudence and duty unite in dictating to her a thoroughgoing, ungrudging, and generous coöperation with the rest of the world in the organization and maintenance of peace; for peace and the liberty of action it insures are the things she most needs to work out her destiny. There is no dodging the stern fact that today American security, repose, prosperity — what you will — is dependent in chief measure on America's contribution to world security. For this contribution pious aspirations and benevolent phrases are pitiful substitutes, and pharisaic self-righteousness the least helpful substitute of all. If the organization and maintenance of peace by common action has its risks, they are as dust in the balance alongside the hideous certainties of modern war. Any foreign policy that falls short of

the last effort to avert this peril can only be described as a thing limping and incomplete.

This is not, as some would have it, the dreaming of the idealist: it is realism of the most severe and practical sort. I go back again to Jefferson. On assuming the office of Secretary of State, he wrote to Lafayette: "I think with others that nations are to be governed with regard to their own interests, but I am convinced that it is their interests in the long run to be grateful, faithful to their engagements even in the worst of circumstances, and honorable and generous always."

FACING THE WORLD DISARMAMENT CONFERENCE

By Viscount Cecil

“**W**ILL this terrible convulsion when it has subsided bequeath war or peace as its heritage? In any case one would think there must be a generation of exhaustion. But will that generation bestir itself to find some guarantee against the recurrence of the curse, or will it silently pile up armaments for hoarded vengeance? That is the question on which depends the future of the human race.”

So with prophetic vision wrote Lord Rosebery in the second year of the Great War. “A generation of exhaustion.” That at first sight is a fair definition of our own generation. After twelve years’ struggle with the political and economic consequences of the war, which dislocated the finances of every belligerent state, loaded it with debts internal and external and exacerbated the prejudices of nation against nation, western civilization seems to have reached a period of lassitude which has culminated in a crisis of unexampled severity.

Let us realize what has happened. First, there was the long continued economic depression which wrought such havoc in many countries, including yours and mine. Then on the top of that has come the new crisis in Germany connected with the first, no doubt, but yet distinct from it. For whatever may be the cause of our economic difficulties, the reason for the financial crash in Germany is plain enough. It is simply the loss of trust in German solvency. It is just like a run on a bank on an international scale — one of those phenomena of human panic not uncommon in many of the relations of men, but none the less disastrous. Wellington once said that all troops were subject to panics and that the difference between good and bad troops was that the first recovered from the panic and the second did not. In financial panics experience shows that if destruction can be warded off for a certain time the panic will subside. And I have very little doubt that that is what will happen in the present case.

Nevertheless, the occurrence of the panic is a disquieting symptom. When all allowance has been made for the special circumstances which gave rise to it — German banking rashness combined with political unwisdom, and the like — it would not

have occurred if the moral and intellectual conditions of the world had been healthy. A sudden loss of confidence on the scale we have recently witnessed is abnormal. The normal thing is for men to trust one another. It is on that assumption that our commercial and financial system has been built up. It depends on credit, and credit is in essence psychological. The German crisis is a crisis of psychology and if we wish to prevent its recurrence we must apply psychological remedies.

There is evidence that that is now being attempted. The generation of exhaustion is beginning, as Lord Rosebery hoped, to bestir itself. The peoples are realizing at last that they are faced with the choice between blessing and cursing, death and life, with the condition of life the curbing of that sinister accumulation of the weapons of mutual destruction. "Hoarded vengeance." Is that too strong a term to describe the object for which a formidable body of men in Germany, exasperated by unemployment, uncertainty, the prolonged humiliation of their nation and the failure of the Allies to redeem their promises, is beginning to clamor for the right to rearm? It is the outcome characteristic of war. As Field-Marshal Sir William Robertson said recently: "War hurts everybody, benefits nobody but the profiteer, and settles nothing." History has shown that each war is but an incident in an international vendetta.

The present world situation illustrates this truth. There is the incessant demand for the revision of the peace treaties among the defeated Powers, with a corresponding nervousness of the new nations of Europe and those enlarged by the treaties regarding the integrity of their frontiers. There is the deliberate fomenting of a war psychology in Soviet Russia because of the supposed impending onslaught of the capitalist states. Poland and Rumania, divided from Russia by a frontier which has no natural defensive feature, feel driven by the menace of the half-known military machine of the Soviets to maintain strong armies and air forces. National pride militates in the United States and in Britain against the movement to reduce navies, and in Italy dictates the demand for parity with any one other Continental Power. Who will say that any one of these motives is wholly unworthy of respect, that any one of these pretexts for maintaining, developing or restoring national armaments is wholly without some foundation in reason? Yet together they contribute to create a general condition of military danger, political insecurity, industrial

depression, and financial instability which is but a sorry caricature of peace. And this will continue until we can cast out the civil demons of nationalistic hatred and jealousy by the establishment of mutual confidence and good will and the definite substitution of right for might, guaranteed by international disarmament.

This is a commonplace. It is none the less true. I recall it here because I believe the armament situation at the present time to be not only the consequence, but the cause of this lack of mutual understanding and trust. The worst aspect of that situation is not so much the vast volume of armaments itself (with two or three exceptions the principal nations are spending about the same as they did in 1913, allowing for the altered cost of living); it is the political and moral significance of those armaments. Two ominous facts stare us in the face. The first is that twelve years after the League of Nations was founded, three years after the signature of the Pact for the Renunciation of War, the nations are spending over \$4,500,000,000 a year on preparations to fight one another, and this vast expenditure is still growing. That is a colossal and sinister fact, a proof in the eyes of ordinary men and women of governmental insincerity and inconsistency which saps their faith in all covenants and pacts and obliges the organization of international society to proceed painfully and fitfully in an atmosphere of cynicism and unreality. The second fact which particularly merits the attention of serious students of international politics is the inequality of armaments as between the defeated and the victorious countries. There are few who realize the magnitude of the humiliation inflicted on Germany and her former associates, or the vast amount of their military material that was destroyed. From being the greatest military Power in the world she has become inferior to Poland or Czechoslovakia. The military clauses of the peace treaties completely suppressed the military air forces of Germany and Austria-Hungary and the navy of the latter empire. The greater part of the German fleet was also taken from her; she was forbidden any warship over 10,000 tons, any tank or heavy artillery on land. She was forced to give up conscription. The Austrian, Hungarian and Bulgarian armies were reduced to negligible proportions.

One great mitigation of the severity of these terms was given to the vanquished nations, without which it is doubtful if they

could ever have been imposed upon them. A perfectly definite assurance was given to the German plenipotentiaries at Versailles by M. Clemenceau on behalf of the Allied and Associated Powers in May, 1919:

The Allied and Associated Powers wish to make it clear that their requirements in regard to German Armaments were not made solely with the object of rendering it impossible to resume her policy of military aggression. They are also the first step towards the reduction and limitation of armaments which they seek to bring about as one of the most fruitful preventives of war, and which will be one of the first duties of the League of Nations to promote.

This essential condition of the German reductions is reproduced in the opening words of Part V of the Versailles Treaty:

In order to render possible the initiation of a general limitation of the armaments of all nations, Germany undertakes strictly to observe the military, naval and air clauses which follow.

The obligation to join in general disarmament has never been denied by responsible statesmen on the side of the Allies. American Presidents have shown by deeds as well as by words that they acknowledge that moral obligation. Only the other day the Prime Minister of Great Britain and two former Premiers, Mr. Baldwin and Mr. Lloyd George, reasserted it in most vigorous terms from the same platform in London. Yet though some progress has been made, largely through American and British coöperation, and though the League of Nations has doggedly pursued the attempt to prepare a general treaty for the limitation of all armaments, practically nothing has really been done by the Allies to implement their promises to the Germans unless the Washington and London naval treaties can be regarded as steps in that direction.

Nothing poisons and destroys mutual confidence so much in international, as in private life, as the failure to keep troth. Unquestionably, one source of the disquieting symptoms in Central Europe is the Allied failure to disarm. The acute economic distress of Germany, which as in other countries has caused a wave of xenophobia, has served to increase and popularize indignation on this point until the assumption that Germany was perfidiously tricked by the Allies into a position of humiliating inferiority has become the commonplace of German political journalism. This has created a desire among the Germans to rearm, which is by no means confined to Herr Hitler and his extreme nationalist followers. It is a demand which is a

cause of embarrassment to any German Government, even though they may know from their international experience that it is a counsel of desperate insanity. This emergence of truculent indignation in Germany has in turn had its consequence in the new fortification of the French and Belgian eastern frontiers and the stiffening of political opposition in those countries to any new military reductions. And so the vicious circle is all but complete.

It must be broken and broken now, if Europe and the world are to be saved from the almost certain dangers of a revival of the competition of armaments in its most pernicious form. If we are to find a remedy both for the immediate German crisis and for the even more serious international menace in the background, two main facts must be borne in mind. There is a general disposition in Germany to trust no one. That is one of them. The other is the answering mistrust of France, Poland and the Little Entente. And both are in great part due to the failure to effect international disarmament up till now.

Necessary as it is to cure immediate evils, it is even more imperative to remove the cause of them. It is because I am convinced that the armament situation is among the primary causes of these present discontents that I accept whole-heartedly President Hoover's repeated pronouncements that the restoration of world confidence depends chiefly on the success of the Disarmament Conference.

But it is not enough to appreciate the cogent moral and political reasons for disarmament and to clamor for the fulfilment of the victors' promises. We are not dealing with virgin ground, but with ground partly but incompletely tilled, partly encumbered with the bindweed of political habits and prejudices. The French security complex is one of those mental habits; the German equality complex another; the obsession of the Russian menace is another; and in all countries the established tradition of a military class and the vested interests of the armaments manufacturers and their press.

In view of these and many other difficult factors in the situation it is encouraging, if not astonishing, that a definite Draft Convention for General Disarmament was produced at the end of last year by the Preparatory Commission for the World Disarmament Conference, and supported by the majority of its members. I find it difficult to believe that anyone who was

familiar with the difficulties which we overcame in that Commission would wish to jettison that draft treaty, as I see so lightheartedly suggested in some quarters. It has, doubtless, its imperfections. I should be delighted to see the World Conference go a great deal further than this Convention. But the Conference will be plunged into a welter of confusion unless it avails itself of at least that which is positive and constructive in this outcome of the Preparatory Commission's work. Its main conception is right and many of its provisions are of great value. For example, I regard as indispensable to a general limitation of armaments the setting up of a permanent Disarmament Commission, on the model of the Permanent Mandates Commission, to watch over the execution of the treaty, to receive and examine regular returns on a uniform model from all states, and to guard against evasion. The creation of such a Commission will insure the continuity of disarmament evolution, and will be a buttress of international confidence. The principle that all effectives, whether conscripted or voluntary, must be subject to limitation, is clearly a good one; and the controversy about trained reserves can be reduced to small proportions when it is realized that the limitation of average daily effectives and the other statistics required by the Convention would make it easy to calculate the number of those who, as a result of previous training, would be capable at any given date of serving with the colors. The essential thing is that in estimating the fighting strength of a nation its trained reserves must be taken into account and this can be done under the Convention. The classification of warships, of airships and airplanes for limitation is also useful as far as it goes.

Perhaps most important of all is the proposal for the limitation of military budgets. That is the essential complement of any measure for direct limitation of men or of military material; for it means the limitation of invention, the curtailing of development. Short of an impracticable system of international inspection, it is the only way of insuring the limitation of material. It gives the ordinary taxpayer the whiphand; and when he realizes this and wakes up to the crushing burden of armaments costs, I believe that he will use it. I have never been very much impressed with the contention that budgetary limitation by international agreement violates the rights of the national parliament. All disarmament treaties restrict the right of national parliaments to increase armaments, and it does not

seem any worse from a constitutional point of view to limit the funds necessary to buy or make arms than to limit the arms which are the produce of such funds. On the contrary, those who want international disarmament see under this new form of the most venerable parliamentary right — the right of the purse — the most effective way of curbing and reducing expenses upon the implements of war. And that after all is the only way in which the political forces of a country can, in the name of the citizens, force down the level of armaments. The actual reductions of war material and personnel must clearly be worked out by experts.

Here then are some of the good points of the Draft Convention. Its weakness — and this has become a matter of primary political importance in Germany — is that it contains and indeed could contain no definite provision for ending that inequality of which I have spoken, between victors and vanquished. In particular, the Germans declined to accept the Draft Convention because of its Article 53, which they think maintains in vigor the military clauses of the peace treaties as well as the Washington and London Treaties which regulate naval armaments. I do not think that was what the American and British delegations intended when they supported that article. They merely meant to prevent unforeseen interference with the existing treaties. But verbally the Germans are right. The article goes too far. It may certainly be read as reaffirming the Versailles Treaty, and it is not to be expected that a German Government would now consent to do that. Yet the actual disarmament of Germany is the main moral basis for the general disarmament movement. It would be folly to destroy that basis. The level of disarmament imposed on certain countries must, as the Allies' engagement at Versailles clearly implies, be taken as the goal at which the World Disarmament Conference should aim, however slow and difficult may be the process of winning agreement from France and her associates to a plan which ultimately means decreasing their armed strength.

Can a practical policy be evolved which will meet Germany's legitimate desire for equality in status, and at the same time provide the gradual means of attaining the lower level of armaments which alone is practicable in view of the situation in France and Eastern Europe? I believe that just such a policy has been thrashed out by a body whose importance may not be fully appreciated in the United States but which is coming to occupy more and more a place of respect in the political life of Europe.

I refer to the International Federation of League of Nations Societies. It is important and encouraging to see the international organizations of workers adopting, as they have done, a radical disarmament policy. They represent, however, only a single school of thought. The Federation of which I speak brings together delegates of very different political and religious views who, though in most cases not officially connected with their governments, do represent in a certain measure the limits to which responsible opinion in their several countries might be expected to go. When, therefore, as in the case of the disarmament program adopted recently by the Congress of the Federation at Budapest, it is found that agreement upon a perfectly definite policy has been reached between such men as Baron von Rheinbaben, the German delegate at Geneva; M. Hennessy, M. Fontaine, M. René Cassin, and M. Pierre Cot, figures well-known in French political and diplomatic life; Count Apponyi, the Hungarian statesman; M. Henri Rolin, who has frequently represented Belgium in League Committees; and myself, as representative of the British League of Nations Union; together with authoritative Italian, Polish and Dutch delegates, the political importance of the measures advocated cannot be ignored. The Resolution begins by postulating that the first World Conference can and should end in a definite treaty involving considerable reductions, which should be the first of a long series of disarmament treaties. It goes on to declare that it is feasible now to reduce the whole of the amount of money spent on armaments per annum by 25 percent during the period of the treaty. It insists that the same principles of reduction and limitation must apply to "victorious" and "vanquished" nations alike, and that next year's Conference "must begin to effect such equality." It lays down that this equality "must not be attained by increasing armaments already reduced by treaties, but by the proportionate reduction of those of other states." The consequence of applying these principles is a bold proposal — some will say an impracticable one, but I do not believe it, for "logic will out" — even among Anglo-Saxons. It is that all states must be on the same footing concerning the *type* of limitation and disarmament to which they are subject. If, therefore, certain methods of limitation, as for instance that of small arms, are held to be impracticable without a costly, irritating and politically impossible system of inspection, then they must be abandoned for all nations.

Equally those which will impose an effective and ascertainable check upon the dangers of competition must be imposed upon all.

The three definite points set forth in the conclusions of the Budapest Resolution are as follows:

Each state should be bound to limit the amount budgeted for its navy, army and air force.

The prohibition of certain material, naval, land or air, enjoined in the treaties, would apply to all states signatory to the Convention.

The observance of the obligations thus contracted by the states should be ensured by a Permanent Disarmament Commission established at the seat of the League of Nations and exercising its control equally over all nations.

I make no apology for descending from the general to the particular, from the moral and political arguments for disarmament to a practical plan for attaining it. I believe that the conclusion at which the Federation of League of Nations Societies arrived would be reached by any international gathering of fair-minded men who have had experience of the main facts of the situation and of the evolution of opinion in the principal countries on this subject. And it is of the utmost importance at this time of vigil — this eve of a great and decisive event in the world's history — that all those forces, spiritual, moral, intellectual, political and professional, which have perceived the urgent need of fighting this plague of armaments should equip themselves with practical means to gain this end, and in particular with the means of canalizing and directing towards an intelligible and attainable objective the public opinion which they are able to arouse.

The problem is to give satisfaction to the German demand for eventual equality while recognizing that security for France is essential. Obviously the way to do this is to strike at the aggressive powers of the states which have not been disarmed while leaving their defensive powers untouched. No one, for instance, would wish to interfere with French fortification or even with the numbers of their troops provided they are equipped with weapons useless to attack field defenses. On the other hand, who can say that air bombers are anything but aggressive? What is the use of heavy land artillery or tanks except to overwhelm or traverse trenches? In the absence of air attack what reason is there for the existence of marine monsters of thirty and forty thousand tons, except to attack other ships of similar size? How long are we to submit to the cruel and treacherous attacks of submarines on

unarmed vessels? All these weapons and machines have been forbidden to Germany and her old allies. Why? Because the expert advisers of the victorious Powers at Paris decided that they were not necessary for strictly defensive purposes. But if in German hands they would be chiefly valuable for aggression, can their character change in the hands of other nationalities? Let us "scrap the lot," and in doing so we shall reduce the cost of armaments by at least the 25 percent suggested.

I have spoken above of the acute financial and economic crisis through which America, in common with the principal nations of Europe, is passing this year. I have stated my conviction that armaments are in large part the cause of the trouble. But I believe no less strongly that if those at the direction of the political and financial destinies of nations have clear heads and a right intention the shock which the peoples have suffered from this crisis can be used to good account in order to create the psychological conditions of success for the first World Conference for the Reduction of Armaments. If such is the result, good will indeed have come out of evil; and the ordinary citizen who has too long allowed cynicism or mental lethargy to excuse him from an active interest in the defeats and victories of peace, may live to bless the material losses and inconveniences which forced him to face the truth.

FRANCE AND THE HOOVER PLAN

By Hamilton Fish Armstrong

FRANCE feels herself today in a very strong position, but the best French observers while conscious of that strength are also conscious of its responsibilities and dangers. France has an opportunity, many of them believe, to come to a real understanding with Germany, perhaps for the first time since the war; but they know that she must use discreetly her power to direct European affairs at this critical juncture. For if French statesmen either fail to be firm enough with Germany or press her too hard they may let slip the golden opportunity for reaching an understanding or may throw her into the arms of the extremists, Right or Left. The purpose of these notes is to set down what Frenchmen believe to be the governing factors in the situation: particularly as it has been affected by President Hoover's proposal for a year's holiday in war debt and reparation payments.

The French papers have commented frequently on Mr. Hoover's assertion that the economic and the political can be separated into water-tight compartments, and that the United States can mix in one and not in the other. They recall the difficulties in which he found himself over the theory that reparation receipts and debt payments had no connection, when in their eyes they plainly were two pockets in the same pair of trousers. They recall his belief, enunciated at Indianapolis as recently as June 15 last, that the United States could recover independently from the economic crisis, a belief which evaporated suddenly in the hot sun of reality. Similarly, they say, he is letting his wish father his thought when he asserts that a European settlement can be reached on purely business lines. Nevertheless, while rejecting the theory that states are governed by enlightened self-interest, divorced from passions of greed, revenge, fear, hope, prejudice and all sorts of traditions of friendship and enmity, the French recognize that the present crisis, while political in its implications for the future, is predominantly economic. And even if they did not recognize it, the Banque de France and the group of great French banks which form the nucleus of French financial strength are possessed of and control the resources which compose the principal cards in the hands of French political negotiators, whether at Berlin or London or Washington.

The private opinion of many French bankers regarding the world financial situation may be reported somewhat as follows. In the first place, they reject for the time being Germany's claim that she should receive further loans or credits. They cannot get rid of the belief, apparently, that since 1924 she has been deliberately letting herself drift toward the present crisis, and that now that it has arrived she has thrown herself on the mercy of the financial world in the hope of being freed of reparation payments. They see the proof of this contention in the extravagant and unsound financial policy of German municipalities and of the Reich itself, a policy which Mr. S. Parker Gilbert frequently denounced while Agent-General for Reparation Payments. In particular, they criticize Germany's accumulation of short-term debts. At the present moment German banks have short-term loans from abroad amounting to between 5 and 6 billion marks. A year ago they amounted to about 10 billion marks. Contrary to sound banking principle, the sums thus borrowed were tied up in building and other projects — many of them unproductive — and became "frozen." Had the borrowed money been used to finance commercial transactions based on the actual exchange of goods, at home and abroad, the difficulties of Germany would not have been overwhelming even if foreign bankers had called their loans; it would have sufficed for the German banks in turn to cancel their acceptances and other commercial credits.

French bankers do not think the world's difficulty is to find credits but to find borrowers. When it was suggested by the French Government that a great loan be made to Germany the first question asked was, Who would buy a German bond today? There was no answer. From this time the feeling began to grow in France that the only signature still good among the states needing capital in large amounts was Great Britain's. France made it plain that she was at any time ready to open a large credit for Great Britain, either alone or jointly with the United States. Pride, she said, should not prevent London from asking for it. She denied that prestige was involved. After all, France has a deep regard for the experience and capabilities of British international finance, which was already established and proficient long before she had begun to learn the art. Then too she remembers what happened to the franc in 1926 and has no illusions that her present situation will last indefinitely. She was ready to loan money to England in a perfectly matter-of-fact way, without

strings, with no gestures of magnanimity, hoping merely to maintain the best of relations with London, so that sometime when she herself is in difficulties she might count on reciprocal support from across the Channel. In the event, the Central Banks of France and the United States opened a credit to the Bank of England in the amount of \$250,000,000.

Many French observers (and others too) seem to be profoundly relieved that the proposal to make a large long-term loan to Germany failed. Here is where the political factor enters in. If a loan had been made to Germany simply on Berlin's verbal assurances of peaceful collaboration with France and respect for the treaty situation, such assurances could have been disregarded by whatever succeeding German Government felt so inclined. On the other hand, if the loan had been made in return for an explicit written agreement, Germany would never have forgiven France and the possibility for a sincere rapprochement of the two peoples would have vanished. As it is, Germany is left to put her own house in order, by stringent financial measures and with the friendly counsel and assistance of the world banking community, but without the false stimulus of a loan which could never have been disposed of to investors.

A factor in the situation which gives even more power than usual to European business and banking interests is that all the governments concerned in the current negotiations are weak. Dr. Brüning is weak, despite the result of the Prussian plebiscite; so is M. Laval, so is Mr. MacDonald. Even the position of Mr. Hoover would not be called iron-clad. Moreover, all the governments concerned except Germany have heavy deficits to face in the coming year. In France the prospective deficit is very important politically because general elections are to be held in May 1932. Many believe that M. Laval would fall if Parliament were in session today. He made a success in London; but he faces the necessity of imposing new taxes, and that fact is uppermost in the minds of the deputies who are busy putting their political fences in order for next spring. In general, too, the French are skeptical about the value of the merry-go-round of official visits that marked the months of July and August. Granting that it may have had a psychological value, they doubt that it was a manifestation of serious statesmanship except in so far as the visits of Secretary Stimson and Secretary Mellon were concerned. It leaves the participants exhausted, as they themselves

admit; others add that it destroys their perspective, makes them dizzy and gives them indigestion.

When President Hoover put forward his proposition for a moratorium of war debt and reparation payments he awakened contradictory emotions in Paris. On the one hand, all but the strongest French nationalists admitted his generous motives; they felt that it would be alien to the best French traditions not to join in the demonstration of international solidarity which he suggested. On the other hand, they were profoundly shocked on learning that he had in mind the suspension of all inter-governmental payments, including the "unconditional" part of German reparation payments. By reason of a very strong attachment which the French have for the execution of written agreements, and also because of the circumstances under which the Young Plan was negotiated and ratified, they were taken aback by the abrupt demand that the Plan be set aside, both as regards its provisions for German payments and as regards the machinery which it had authorized for meeting just such an emergency as the President said had arisen. It cannot be concealed that part of the French worry arose out of the fact that the precedent now seemed set for an American president, or anyone else in a position of particular power at a given moment, to precipitate the abrogation of a treaty which he considered an obstacle to relieving a dangerous situation, without recourse to legal procedure or even to negotiation; this policy of the ultimatum the French found most unpalatable, and not a few cries went up in the French press that a new dictatorship was in course of erection.

Under the Dawes Plan the total German annuity (without taking account of variations in the index of prosperity) was 2,500,000,000 marks. The Young Plan reduced it to an average annuity of about 2,000,000,000 marks. The French share was reduced proportionately, or by about 20 percent. When the Young Plan came up for ratification the French Parliament accepted it only because it opened the way for the "commercialization" of a part of the German debt. This had been done by dividing the annuity into two parts, one "unconditional" and thus "mobilizable," amounting to 612,000,000 marks, the other "conditional," amounting to an average of about 1,400,000,000 marks. The conditional part was subject to a moratorium and might be paid in reichsmarks instead of in foreign currency. The amount of the unconditional part, which was not subject to a moratorium and which had always to

be paid in foreign currency, was intentionally made so small that there could be no doubt as to Germany's ability to carry through the payment of it. Under the new allotment of the German annuity France was to receive enough to pay her debts to the United States and Great Britain, plus an annual payment of 420,000,000 marks for reconstruction purposes. This latter represented interest on a capital sum of 42,000,000,000 francs; the French claimed, of course, that actually they had spent an immensely larger amount on restoring the devastated regions. The Chamber of Deputies was influenced to accept the sacrifice involved in the Young Plan because in dividing up the unconditional payments among the creditor nations the Young Committee had agreed that France should receive 500,000,000 of the total of 612,000,000 marks comprising that section of the annuity.

French opinion was much excited on learning that President Hoover proposed the postponement of the section of reparation payments which the Young Plan had marked down as unpostponable. It was felt that France had made concessions under the Young Plan in exchange for that stipulation, and that it was unfair to suggest subsequently that the bargain be broken. The French Government had to take account of this feeling, which permeated all parties.

With complaints of this nature already ringing in their ears the statisticians of the French Government set themselves to figure out what the Hoover Plan would cost France, and what it would cost the other nations involved. The sums that each European state would normally have received and paid out in the year July 1, 1931 to June 30, 1932, and the net loss of each under the Hoover Plan, are shown in the following table (all figures in gold marks)¹:

FRANCE

<i>Receipts from:</i>		<i>Payments to:</i>	
Germany.....	806,400,000	Great Britain.....	272,100,000
Czechoslovakia.....	3,200,000	Italy.....	3,500,000
Jugoslavia.....	2,600,000	United States.....	209,900,000
Greece.....	300,000		
Rumania.....	2,100,000	<i>Total</i>	485,500,000
<i>Total</i>	814,600,000		

Net loss to France: 329,100,000 marks.

¹ This table does not pretend to be complete; it does not include every intergovernmental debt suspended under the Hoover Plan. But it includes all major items and the general picture it gives is accurate. In figuring reparation receipts service charges fixed by the Young Plan have been deducted.

Japan would have received 13,200,000 marks from Germany. As she has no war debt to the United States or Great Britain that sum represents her loss under the Hoover Plan.

FOREIGN AFFAIRS

GREAT BRITAIN

<i>Receipts from:</i>		<i>Payments to:</i>	
Germany.....	346,600,000	United States.....	669,700,000
Czechoslovakia.....	1,400,000		
Belgium.....	3,100,000		
France.....	272,100,000		
Greece.....	7,200,000		
Italy.....	90,700,000		
Jugoslavia.....	6,100,000		
Portugal.....	7,200,000		
Rumania.....	5,100,000		

Total..... 739,500,000

Net loss to Great Britain: 69,800,000 marks.

ITALY

<i>Receipts from:</i>		<i>Payments to:</i>	
Germany.....	192,300,000	Great Britain.....	90,700,000
Czechoslovakia.....	3,100,000	United States.....	61,800,000
France.....	3,500,000		

Total..... 198,900,000

Total..... 152,500,000

Net loss to Italy: 46,400,000 marks.

BELGIUM

<i>Receipts from:</i>		<i>Payments to:</i>	
Germany.....	103,300,000	Great Britain.....	3,100,000
		United States.....	33,400,000
		<i>Total</i>	36,500,000

Net loss to Belgium: 66,800,000 marks.

JUGOSLAVIA

<i>Receipts from:</i>		<i>Payments to:</i>	
Germany.....	79,300,000	Great Britain.....	6,100,000
Bulgaria.....	400,000	France.....	2,600,000
		United States.....	1,000,000
<i>Total</i>	79,700,000	<i>Total</i>	9,700,000

Net loss to Jugoslavia: 70,000,000 marks.

RUMANIA

<i>Receipts from:</i>		<i>Payments to:</i>	
Germany.....	12,300,000	Great Britain.....	5,100,000
Bulgaria.....	1,000,000	France.....	2,100,000
		United States.....	3,400,000
<i>Total</i>	13,300,000	<i>Total</i>	10,600,000

Net loss to Rumania: 2,700,000 marks.

GREECE

<i>Receipts from:</i>		<i>Payments to:</i>	
Germany.....	6,700,000	Great Britain.....	7,200,000
Bulgaria.....	6,000,000	France.....	300,000
Czechoslovakia.....	1,800,000	United States.....	1,000,000
<hr/>		<hr/>	
<i>Total</i>	14,500,000	<i>Total</i>	8,500,000

Net loss to Greece: 6,000,000 marks.

From this table it appears that of all European countries France loses most by the Hoover Plan. Her net sacrifice is not nearly so great as that of the United States, which foregoes receipts amounting to about a billion marks, but it is materially in excess of Great Britain's. As a matter of fact, if the American and French losses are compared on a *per capita* basis it will be found that they are equal; the Hoover Plan costs each American and each Frenchman 8 marks apiece. The 329,000,000 marks which France will not receive this year would have gone a long way toward balancing her budget. The same condition obtains in Yugoslavia and Belgium, the two countries which with France are most seriously affected by the Hoover Plan. The budgets of all three will show heavy deficits this next year; the German budget will probably show an excess. The French point out, therefore, that the determination of these states to examine the Hoover Plan in detail rather than to swallow it whole, as they were urged to do, was not frivolous but was based on serious considerations of national interest.

In the end France accepted the Hoover Plan, having secured recognition, in form at least, of the inviolable character of Germany's unconditional payments; it was decided that Germany should make these payments, but that France at the same time would loan an equal sum to the German Railway Company. France also asked that special arrangements be made regarding the completion of the Guaranty Fund required under the Young Plan, which stipulated that in case Germany asked for a moratorium France must make deposits to the value of 500,000,000 marks with the Bank for International Settlements to compensate the other creditors who would be affected by the suspension of conditional payments. Now the suspension of reparation payments did not deprive Germany of the right to declare a moratorium on July 1, 1932. Was France, after having been deprived of reparation receipts during a year, to find herself called upon to turn over 500,000,000 marks to the B.I.S.? The American Gov-

ernment apparently discovered some justice in French fears on this score, and it was agreed that instead of having to make the total deposit at one time France might make it in monthly payments. Further, France asked that some arrangement be made to extend financial help to the smaller countries whose budgets were being thrown out of kilter by the suspension of reparation receipts. The position of Yugoslavia was pointed out as being peculiarly acute. As Serbia was entirely occupied by the enemy after 1915 the Serbian Government had no opportunity to incur very large war debts; thus while the Hoover Plan deprives Yugoslavia of 79,700,000 marks it releases her from payments of only 9,700,000 marks, a net loss as large as Great Britain's and larger than Belgium's. In this matter France was not able to make arrangements which either she or the smaller states concerned felt very satisfactory; it was simply agreed that the Central Banks of the Powers are to investigate and if possible give credits to the countries which are particularly hard hit.

During the time that the negotiations leading to France's acceptance of the Hoover Plan were pursuing their troubled way the British and American press showed signs of great impatience. Perhaps it was not generally understood abroad that the relationship of Paris toward a prospective Germany bankruptcy was different from that of London or New York. French investments in Germany are insignificant. Other countries have made short-term investments there as follows (estimates of July 19, 1931):

Great Britain.....	1,800,000,000 marks
United States.....	1,500,000,000 "
Switzerland.....	750,000,000 "
Holland.....	500,000,000 "

Taking account of smaller sums from other countries, we may estimate the total short-term foreign capital invested in Germany today at between 5 and 6 billion marks. Of this total France is responsible for only about 300,000,000 marks. When one expresses surprise at the smallness of this sum in view of the present strength of French finance, bankers in Paris point out that France has never formed the habit of close financial relations with Germany. Political tension precluded anything of the sort before the war; French funds were placed in other countries, notably in England, whence a part of them flowed in turn to Germany. Since the war the same habit persists, and French foreign investments are mostly made in London or New York.

A word or two, now, to explain the French attitude on a matter closely related to the question whether or not fresh money should be put at the disposal of Germany. It is a favorite statement in London that France and the United States fail to make "proper" use of their large gold reserves, and it seems to be imagined that if they would show the right spirit the world economic crisis would be brought to a more speedy end.² In French ears this sounds like an assumption that the flow of gold from one country to another is regulated by factors definitely within the control of Central Banks. It is categorically stated in Paris that the Banque de France (and the same statement is made for the Federal Reserve Bank) has not been seeking to attract foreign capital, but that on the contrary it has tried to promote the export of domestic capital. In both cases, it is pointed out, a "cheap money" policy has been followed. The French and the American discount rates have regularly remained below the discount rate maintained by the Bank of England, as the following table indicates:

OFFICIAL DISCOUNT RATES

	<i>New York</i>	<i>Paris</i>	<i>London</i>
January 1, 1930.....	4½	3½	5
July 1, 1930.....	2½	2½	3
January 1, 1931.....	2	2	3
August 1, 1931.....	1½	2	4½

Despite this fact gold has flowed from London to Paris and New York. This merely means that capital prefers to be in those banking centers where it believes the economic and financial situation is sound and where it considers that it is safe. In recent weeks this fact became particularly marked, when the United States and France, together with Belgium, Switzerland and Holland, were the only countries whose credit was not shaken. In further reply to foreign criticism of French handling of the gold situation it is pointed out in Paris that the Banque de France has not converted its stock of foreign currencies into gold. Since the middle of 1929 this stock has remained with practically no variation at about 26,000,000,000 francs. Further, the French Government in April 1930 reduced the stamp tax on foreign bonds from 2 to 1 percent, and it has also reduced the income tax on foreign securities from

² The London *Times* of August 9, 1931, for example, wrote of the world-wide trade depression as being "largely due to the failure of the United States and France to make proper use of their huge gold reserves," and went on to say that if they continued their present practice of the gold standard the rest of the world would sooner or later be compelled to adopt another standard.

25 to 18 percent. These measures were designed to facilitate the issuance of foreign bonds in France and slow down the importation of gold.

It has already been stated in the course of this attempt to report the French viewpoint that Frenchmen have a lively recollection of the difficulties in which they found themselves in the first part of 1926. The "flight from the franc" had carried the pound sterling up to 245 francs. The coalition French Government under M. Poincaré adopted the following fiscal measures, to assure the balancing of the budget, to start immediately the amortization of the public debt, and to attract and retain foreign capital:

1. Increase of the turnover tax from 1.30 to 2 percent.
2. Increase of the income tax on securities from 12 to 18 percent.
3. Increase of the real estate tax from 12 to 18 percent.
4. Increase of the tax on salaries from 8 to 12 percent.
5. Increase of the tax on industrial and commercial profits from 10 to 15 percent.
6. Increase of the tax on agricultural profits from 8 to 12 percent.
7. Increase of the transportation tax from 15.33 to 32.50 percent.
8. Creation of a 7 percent tax on real properties the first time they changed hands after the introduction of the tax.
9. Increase of indirect taxation and death duties from 50 to 100 percent.

In addition, there was created the "Caisse Autonome d'Amortissement de la Dette Publique" (Autonomous Sinking Fund Bureau of the Public Debt), and special revenues were assigned to it. Following the adoption of these measures French fiscal receipts increased as follows (the figures include all the revenues of the French state, including these of the "Caisse Autonome"):

1925.....	29,417,000,000 francs
1926.....	39,845,000,000 "
1927.....	47,737,000,000 "
1928.....	52,000,000,000 "
1929.....	56,922,000,000 "

The increase in receipts in 1926 and in 1927 is ascribed by French experts almost wholly to the increase in taxes; subsequent increases in receipts are put down to the growth of business.

The French public, remembering the measures to which it submitted in order to cure the 1926 crisis, asks why Germany, which was relieved of all internal debt by the eclipse of the old mark, which has now been relieved of almost all foreign debt payments by the Hoover moratorium, and which has received

financial help from abroad in unprecedented amounts, should not be expected to make the same rigorous effort, the same sacrifices, that France made under M. Poincaré. The French people, who are frugal and hardworking to an extent which the tourist in Paris cannot imagine, have strongly ingrained in them the idea that any state can pull itself out of financial difficulties if it has sufficient will-power to cut expenditures to the bone.³

They are waiting to see whether while the United States, England and France continue to carry a heavy public debt (a load augmented by the suspension of reparation and war debt payments), Germany, almost completely free from payments on account of public debt, will now turn resolutely to put her finances in order. If in June 1932 there is evidence of this having been done, France maintains that she will be the first to feel and express satisfaction and relief, and that she will find in the economic regeneration of her nearest neighbor, and in the calmer political atmosphere which she hopes will simultaneously appear there, full recompense for the sacrifices she agreed to make in common with Germany's other creditors.

³ The advice of the London *Times* to the British Government presumably holds good also for the German Government. On August 9, 1931, the Financial Editor of the *Times* wrote as follows: "The principles of sound finance require that a country should keep its expenditure within its income whether the latter be small or large. This is what is meant by sound policy in high finance, though in private life the same principle is called common sense."

CARTELS AND THE BUSINESS CRISIS

By Louis Domeratzky

IN OUR present economic impasse certain of our industrial leaders and economic writers show a tendency to favor some form of "managed" industry as a solution of our difficulties. The most pronounced manifestation of this tendency may be seen in the more or less organized efforts to obtain relief from the restrictions of our anti-trust laws, and in connection with this subject particular emphasis is placed on the evils of the unrestricted production of essential raw materials. Another indication may be seen in the effort of some of our important industries which produce raw materials to obtain additional tariff protection or even embargoes against foreign competition. In so far as its general tendency is to restrict competition, the effort to get legal sanction for resale price-fixing might also be regarded as a part of the general movement, although in this connection the immediate aim is to fight concentration in retail distribution.

In the arguments favoring a mitigation of the rigors of our anti-trust laws, the cartel is generally pointed out as an institution which we might incorporate in our economic structure with considerable benefit. The cartel may not always be mentioned specifically, but it is definitely implied in the course of action which is described as likely to follow changes in the anti-trust laws. For unless we assume that our producers and distributors have in mind some understanding about prices, production, selling terms or markets, what would be the use of making such agreements legal?

If we analyze the tremendous amount of economic and pseudo-economic literature which purports to shed some light on the present economic slump, we find that the price decline is assigned a most conspicuous place among the causes or effects. This is not to be wondered at, considering the fact that the price decline is at once the most tangible and the most dramatic manifestation of the crisis, if we include the decline of security values. The producers and distributors most affected by the slump in prices are generally more prominent and articulate than the handful of objective investigators who are inclined to look for more fundamental factors and who draw unorthodox conclusions as to the lack of

balance between production and consumption, with its suggestion of radical social changes. The man who has lost a large part of his security holdings, commodity reserves or other invested capital in the slump, is not likely to listen seriously to an academic interpretation involving a wider distribution of purchasing power among the masses of consumers, which he is likely to interpret as necessarily implying a curtailed return for capital. Now a price decline naturally suggests the remedy of price-fixing or production restriction by agreement, which are the essential features of the cartel, but to the American producer this in turn suggests unwelcome attention from the Department of Justice and the alleged harshness of our government policy as compared with the more liberal, not to say friendly, attitude of some of the more advanced European countries. An American industry that has been taken to task by the Federal Trade Commission or the Department of Justice for "conspiracy in restraint of trade" is inclined to envy the lot of its competitors in a country like Germany, for instance, where an action similar to one which is prosecuted in the United States would bear the more dignified name of cartel and would be sanctioned by custom and law. The German Government, for example, instead of bringing action against the organization for restraining competition, provides a special law regulating such activities and also a special court which passes on the rights and obligations of the constituent members. If one of them should withdraw from the cartel for insufficient reason, or if he should violate any of the provisions bearing on fixing of prices or production, the court will order him to rejoin the organization and probably fine him for breach of contract. It is quite true that, as will be described further on, the recent attitude of the German Government toward price-fixing organizations has not been so friendly, but this may be a passing phase, induced by the present economic crisis, and may not persist when conditions become normal.

Another reason why the cartel is of so much greater concern to us now than it was in pre-war times is that our economic relations with the outside world, especially Europe, have become so much more intimate. Not only do some of our industries participate in international cartels, with the approval of the Federal Trade Commission in virtue of the Webb-Pomerene Law, but through their foreign branch factories they also take part, sometimes reluctantly, in national cartels and similar industrial agree-

ments in foreign countries. When, further, we take into account the closer personal relations developed through individual business contacts and through such organizations as the International Chamber of Commerce, we can hardly be surprised to find that the American business man is manifesting considerable curiosity about the environment in which his foreign competitor is carrying on his business and is sometimes inclined to idealize foreign conditions or at least overestimate the importance of some foreign institution and the possibility of its being adapted to American conditions. In the case of the cartel, we may say that while it is still a very important factor in a number of European countries, and is receiving a good deal of attention in England as a possible solution of industrial difficulties, its relative importance is perhaps not as great as is generally imagined. Just at present there is a tendency to question its efficacy as a factor in the price situation, particularly in the international field.

Before we enter upon a more detailed statement of the present position of the cartel and analyze the reasons for its failure to operate successfully in the present crisis, it might be advisable to describe its character and background and give some idea of the extent to which it has been adopted abroad.

II

If we consider the cartel in its essentials as an economic organization, and ignore for the moment the finer distinctions, we find that it is merely a voluntary association of independent producers or distributors created for the purpose of restricting competition by fixing prices, terms of sales, production, markets, or any other phase of production or distribution; it aims primarily at depriving the individual producer or distributor of the possibility or inducement to enter into injurious competition with the other members of the cartel. Perhaps we might also say that the cartel represents a step further in the development of a trade association than is legal in the United States under our anti-trust laws, but which in many foreign countries is looked upon as a logical outgrowth of the trade association idea. This, in its simplest terms, is a national cartel. The international cartel is merely a further extension of the same development to include producers or distributors in two or more foreign countries. Naturally, the international cartel is likely to be more difficult of achievement

and more complicated in operation, but essentially it is merely the international form of the national cartel.

Now let us return to a consideration of the origin and causes of the cartel movement and examine its achievements and possibilities, especially from the standpoint of our own economic future.

In Germany, the classical land of cartels, the institution is regarded primarily as having developed out of the slump which followed the impetuous and not very sound industrial growth inaugurated after the victorious outcome of the Franco-Prussian War. The large indemnity obtained from France and the stimulus that came from political unification furnished the basis for an industrial and financial boom; this was quickly followed by the famous crisis of 1873, considered by some economic historians as the first comprehensive crisis in the modern economic world. The fact that the cartel development was greatly stimulated by the crisis gave rise to the theory that it was merely an emergency movement, the "child of necessity," in the same way that some economists were inclined to stress its dependence on tariff protection because of the fact that many cartels came into existence after the adoption by the German Empire of the protective tariff of 1879. Whether the cartel was a means of escape from the cut-throat competition that generally develops during a slump, or whether it was an attempt to take full advantage of the benefits of the protective tariff of 1879, cannot be proved by merely citing the statistics of cartel development. Judging from our own experience with industrial amalgamations, we might say that probably both factors are likely to influence such a movement; we are likely to witness an acceleration of the movement toward combinations when there is a considerable number of "distress" firms to be picked up by those which are economically strong, as well as in times of prosperity when promoters are attracted by the profit-making possibilities of some of the independent concerns and manage to amalgamate them with their stronger competitors or form a new and strong competitive group.

Without going any more deeply into the merits of the various factors advanced as being responsible for the cartel movement in Germany, we may say in general that the cartel has been an important factor in the economic life of that country from the crisis of 1873 to the present, making allowances for the economic disturbances of the war and the recent rise of the more intimate

forms of amalgamation, which more or less resemble our trusts. In view of the fact that practically every industry of national importance capable of being cartelized is already directly or indirectly connected with one or more cartels, there has naturally been a slowing up in the movement, for lack of material, we might say.

In Germany, where the cartel psychology and philosophy are most developed, the cartel is regarded as being in the nature of a protection for the small producer against his stronger competitor or the trust. The theory is that by compelling the large producer to enter a cartel where in the adjustment of production and distribution policies the interests of the aggregate of small and medium size producers must be given consideration, a barrier, more or less temporary, is built up against the onrushing tide of industrial concentration. This has been the underlying aim of the government in connection with the policy of compulsory cartels. It is quite true that in the heavy industries the impetus for organization, and perhaps the determining influence on cartel policies, comes from the larger units; but the fact that, by and large, the success of a cartel depends on the degree to which an industry is organized means that the smaller producers must be given a voice, even if in some cases this leads to their being absorbed by the larger units.

It is rather remarkable that in the United States the anti-trust laws, which are intended to protect the small independent producer as well as the general consuming public, form the chief obstacle to the organization of cartels.

While Germany has been the leading exponent of the cartel idea, it is safe to say that hardly a country of economic importance in Europe is not affected to some extent by the cartel movement, although the institution is not always known by the same name. In France, for instance, it is better known as a "comptoir," with the emphasis largely on joint selling. Belgium has a number of highly developed cartels, and has figured in the international cartel movement for a good many years. The same is true — though to a lesser extent perhaps — of Switzerland. In Italy, the development of modern large-scale industry is a comparatively recent phenomenon, but the country is making up for lost time and is beginning to take a prominent part in the international phase of the cartel movement. In Great Britain the cartel is still looked upon somewhat askance by more conserva-

tive industrialists, raised on the doctrine of economic individualism and British domination. However, the economic difficulties experienced in Great Britain since the armistice, and particularly her failure to regain her prominent pre-war position and to meet the competition of the more aggressive countries, are beginning to influence public opinion; and today men in prominent official positions are inclined to come out in favor of amalgamation and other forms of organization to facilitate the modernizing of British industrial methods and the elimination of uneconomic competition. This change in public opinion is being brought about not only by contemplation of the sad state of certain basic industries like coal and cotton, but also by the conspicuous prosperity of some of the more modern industries like chemicals and rayon, where the influence of what we might call the Continental attitude toward amalgamation and elimination of competition has been very strongly felt.

III

The international cartel of which we now hear so much is no more a post-war development than its domestic prototype, but it is receiving far more attention at present very largely because now it is functioning in an entirely different economic environment. The strong emphasis on the economic phases of the World War, the tremendous financial problems involved, the highly popularized and not always deep discussion of "control of raw materials," "European customs unions," etc., have made the average man much more sensitive to economic movements than he was before the war. At present he is quite ready to accept the implication that the big international combinations effected or planned by the international captains of industry and finance often outweigh in importance the political activities of the various governments; that there is a sort of economic supergovernment, not the pre-war "international finance" that was supposed to be responsible for most of the world's ills, but a more enlightened, more efficient but also more influential force that sometimes goes over the heads of the governments and is strong enough to ignore the politicians who are guided by popular sentiment. He believes that this economic "superstate" was responsible for the fact that German and French potash producers started to negotiate for the restoration of the world potash monopoly at a time when he, the man in the street, thought that it was not safe for a Frenchman

and German to come within striking distance of each other. And he remembers that it was only a short time later that the German steel producers took the initiative in approaching their recent enemies in regard to the organization of the raw steel cartel.

In the face of an overproduction crisis, and in the absence of inimical legislation (as in most European countries), it is quite logical that producers should get together to regulate competition in such a way as to enable everybody to make a little profit or perhaps merely to protect themselves against losses. While special circumstances, sometimes due to an overdeveloped sense of individualism, may delay or entirely prevent the successful outcome of the negotiations, they result as a rule in the formation of a cartel of one kind or another. This, of course, presupposes that the product in question lends itself to cartelization. It is quite obvious, for instance, that while it would be comparatively easy to regulate the production of a highly standardized product like steel rails, it would be much more difficult, if not impossible, to bring about a similar organization among the producers of ladies' hats, where the instability of the product would prevent any agreement regarding prices and where the predominating element of taste and skill would make it impossible to keep out new competitors. The ideal product for cartelization should be basic, capable of standardization, and hence offering advantages of large scale production; further, it should be subject to control by means of natural factors like scarcity of raw materials, or by patents or other means which would prevent new competitors from interfering with the rules of the cartel.

When we look at the outstanding international cartels we find that most of them are based on factors such as those just described. There is, for instance, the Franco-German potash cartel, which deals with a commodity in universal demand and subject to financial and government control. In the Continental Raw Steel Cartel and the European Rail Cartel we have the same elements (with the exception of government participation), but with the additional control involved in the fact that large amounts of capital would be required to start new steel mills. In the electric bulb cartels the patent element is a strong factor, as well as the financial obstacles in the way of new enterprises. The dye-stuff, copper, plate glass, and bottle cartels all embody one or more of the elements essential for the formation of a cartel. It is not intended, of course, to lay down a hard and fast rule, but

past experience would seem to indicate that an organization, the primary object of which is to eliminate or control competition requires certain economic or legal factors to enable it to perform its function.

Another feature of the cartel is that its members are financially independent. An organization involving one unit's financial control over another is no longer a cartel; it may be a trust, a "community of interests," a "konzern" or a "fusion," depending on the degree of financial interrelation, but not a cartel. This is rather an important point to keep in mind, as there is an inclination to group under international cartels all combinations involving the international control of a commodity, like the Swedish-American Match Trust, the margarine combination, etc. These are no more cartels than are our own large oil corporations with their international ramifications.

The methods by which the cartel controls competition depends on the circumstances. In some cases it is done through fixing of prices, which involves a highly developed degree of standardization and a rather elaborate organization to enforce the provisions of the cartel; in others it is achieved through a joint selling organization, so that the individual producer, by being prevented from coming in direct contact with the final consumer of his product, is deprived of the temptation to break the rules of the cartel. Price cartels, while very direct, are not very easy to maintain, as the individual producer is not always sufficiently imbued with a belief in the permanence of the cartel or hard enough pressed financially to sacrifice the good will involved in direct contact with the consuming market. Another difficulty about price cartels is that unless they also include the fixing of terms of sales, credits, packing, etc., they are not always in a position to prevent competition. The really effective price cartels are those which maintain central selling organizations.

The territorial cartels restrict themselves to a division of markets; in the international field they generally provide that the domestic markets of the constituent countries be inviolable unless domestic production is insufficient to take care of requirements. Theoretically the neutral markets are divided with a view to economic and efficient distribution, but we understand there are a good many exceptions.

When an industry is suffering from overproduction and at the same time is not in a position to fix prices, it sometimes resorts

to the formation of a production cartel, the object of which is to limit production and thereby bring about a more lucrative price level. This type of cartel is not very easy to organize, especially when the industry includes large and aggressive producers who are not inclined to sacrifice their advantages in the competitive struggle and to slow up their pace to accommodate the economically weaker units. The problem of allotting quotas among the members leads to great complications and has contributed rather frequently to cartel mortality.

The international cartel, from a technical standpoint, does not differ essentially from the domestic cartel, except that since it treats the industries of the constituent countries as a unit it implies a sufficient degree of organization in the domestic field to assure compliance with the provisions of the control of competition in the international field. In the case of some countries membership in the international cartel may consist of a single domestic cartel, as is the case of the German representation in the Continental Raw Steel Cartel; while in the case of less organized countries it is likely to be made up of the separate producers, perhaps under the informal leadership of the larger producers.

Another thing to be kept in mind is that many domestic cartels — and indirectly the corresponding international cartels — include in their membership not only single firms but also large combinations, in some cases controlling a very large share of the total domestic output of the commodity in question. This range in the size and importance of constituent members is one of the chief points of weakness in the organization and maintenance of cartels. In order for a cartel to be successful in controlling competition, its membership must be as comprehensive as possible. Among the German students of the cartel movement there is a division of opinion as to whether a cartel is monopolistic in its essence. We need not examine the points in controversy since we are interested primarily in the economic phase of the movement and need not burden ourselves with fine points of technique. It would seem, however, that if we admit the basic function of cartels as regards elimination or control of competition, we cannot escape the conclusion that the tendency of the cartel must be to leave out as few actual or potential competitors as possible. This inclusiveness often leads to dissension growing out of differences in interest and viewpoint, due largely to differences in financial strength and traditions. Almost inevi-

tably the big producer, operating on a large-scale basis with modern equipment and strong financial backing, has different ideas as to the chances of getting a proper share of the market than the smaller and less efficient concern. The latter would probably require for its own protection that the minimum price be adjusted to the production costs of the weakest members of the cartel; the strong producer, on the other hand, would like to see it fixed at a more moderate level, in order to promote consumption and give him an opportunity for profit by his large scale production methods. The same difference of opinion is also bound to arise when it comes to working out the details of restricting output, where there may be a very sharp division of opinion, not only as to the separate quotas to be allotted to each plant, but also as to the capacity of the market. In some cases these differences are settled under the pressure of some crisis, only to come up again when the market begins to move upward, so that many a cartel goes under when the emergency responsible for its birth has passed and when the stronger and more aggressive concerns decide that they would gain by playing a lone hand. It has happened, especially in the case of a cartel that enjoys an actual or approximate monopoly, that the stronger members bought out the weaker concerns merely to get hold of their allotted quota and add it to their own quota in order to utilize more fully their own equipment; the less efficient plants were in this way gradually eliminated. This has been the case particularly in the German potash cartel, which will be described later. In order to cope with this divergence of interests the better organized cartels resort to different methods, such as penalties for overproduction, compensation for underproduction, joint selling agencies, central statistical bureaus, etc.

The point we should like to make here is that the cartel, as an economic instrument for the limitation of competition, has had a rather stormy career, is in general far from perfect, and is probably not the ultimate form of industrial association. In fact there is reason to believe that some countries have already gone beyond the cartel stage.

IV

The international cartel, like its national prototype, originated long before the World War, although our own interest in international economic developments at that time was not sufficiently

wide to bring it to public attention. As a matter of fact, some of the more or less prominent international cartels are revivals or post-war versions of the pre-war organizations. This is true of the European rail cartel (known before the war as the international rail cartel), the aluminum cartel, the electric bulb cartel, and the cartels dealing with such commodities as carbide of calcium, plate glass, bottles and enamel ware.

The World War proved fatal to many of the international cartels, particularly because Germany had been very prominently connected with the movement. It was some time after the Armistice before the political atmosphere was calm enough to allow the start of reconstruction. Since Germany was most anxious to resume her international economic position, she took the initiative in opening negotiations and probably received a few snubs from her less economically minded former enemies. This was particularly true in connection with commodities like potash and steel, for the respective positions of the producing countries had been drastically shifted by the peace treaty. All Germany's post-war plans and activities were, to say the least, scrutinized with considerable anxiety by her former enemies as well as by neutrals who had succeeded in improving their international economic position at her expense. The first international cartels in which she participated were naturally included in the scrutiny. This fact, indeed, served to give the movement too much emphasis, particularly as regards its possible effect on the international economic position of the United States.

The first post-war international cartel to come into the full glare of the limelight was the Continental Raw Steel Cartel, which started operations in October 1926, following several years of negotiation. It is true that the Franco-German potash agreement, which came into effect in 1924, was in some way more dramatic, since it dealt with a monopoly commodity of vital importance to our agriculture and since it was particularly symptomatic of Germany's anxiety to rebuild her economic structure. The steel cartel, however, is a more typical international cartel, both from the standpoint of the number of countries involved as well as from the angle of cartel technique, and this despite the fact that it lacks the basic advantages of the potash cartel.

The European steel industry was in a most serious condition after the Armistice, not only because the military demand for

steel had fallen off, but also on account of the dislocation caused by the shift of the Lorraine and Saar plants to France and the expansion of the world's steel production as a result of war demands. The construction of new plants in Germany and the reckless competition fostered by the demoralization of currencies in France and Belgium introduced new complications, so that when Germany's currency was stabilized by the Dawes Plan the German steel producers found themselves at a considerable disadvantage in the export trade and were naturally anxious to come to some sort of agreement with their chief competitors. The fact that France was the strongest rival and that at that time there were quite a number of other economic as well as political problems outstanding between the two countries did not make things any easier. The negotiations taxed to the utmost the not inconsiderable skill of the German delegates, among whom Fritz Thyssen, the chairman of the board of the Vereinigte Stahlwerke, Germany's counterpart of our United States Steel Corporation, is credited with having played the most prominent part. The rather complicated structure of the cartel and the clever provisions designed to reconcile the various conflicting interests and at the same time take care of the chief protagonist, testify to the difficulty of the task.

The Continental Steel Cartel is a production cartel; it merely limits the output of the member countries, and provides a rather complicated system of penalties for overproduction, compensations for underproduction and provisions for frequent revisions to take care of future developments. It has a good many shortcomings, even from a purely technical viewpoint, as the German negotiators were fully aware; but it was the best that could be done under the circumstances. In order to induce France to join it was necessary to make her quota somewhat out of line, as shown by the fact that the French producers have been getting the lion's share of the compensations for underproduction. At the time of the agreement, Germany was utilizing only about 50 percent of her capacity, while the French plants, stimulated by inflation, were working at about 75 percent. Germany had to accept a quota far below her capacity, but succeeded in getting in a provision by which her share would increase more rapidly with improvement in the world demand and the consequent increase in the total output allowed by the agreement. In actual practice, however, the increase in demand has been confined

largely to the German domestic market, so that German producers have been paying most of the penalties and the French producers have been receiving most of the compensations, or, as some of the dissatisfied element among the Germans express it, the German producers were subsidizing the French to undersell them in the world markets. A certain amount of relief has since been given to the German producers through a reduction in the penalty rate, but that has not reconciled them fully to the way the cartel has operated. The chief defect is the failure to include a price-fixing provision; the German representatives were very anxious for this but it proved out of the question on account of the conflicting interests. Many attempts have been made to get the same results indirectly through the organization of centralized sales cartels for semi-manufactured products, but with a few exceptions these have been unsuccessful. Not only is the cartel defective technically, but it also lacks comprehensiveness, even from a purely European viewpoint, since the British producers are still outside and are likely to stay out for some time. For the last year or so the cartel has largely existed only on paper. The attempts to organize subsidiary cartels have failed; the penalty provisions for overproduction remained unenforced for a considerable period and have lost their force in view of the general falling off in production. No definite action has been taken so far to place the cartel on a more permanent basis, beyond prolonging it on its present basis until the end of September.

Such is the famous Continental Steel Cartel, representing the outstanding steel producers of Continental Europe, but with a combined production capacity considerably below that of the United States. Even the most ardent exponents of the cartel idea are ready to admit that its effect on prices has been very slight and that its continued existence is due more to its potentialities than to actual accomplishments.

We find a striking contrast in the Franco-German potash cartel. While potash lacks the basic importance of steel, the Franco-German potash situation is ideal for the creation of a successful cartel. The potash cartel is based on a practical monopoly of an essential product and comes close to being an agreement between two governments instead of between private producers.

Like steel, potash was vitally affected by the territorial provi-

sions of the Versailles Treaty. The transfer of Alsace to France put an end to Germany's pre-war monopoly of this commodity, which had operated through the Kali-Syndikat, an organization which was set up by a special law and which included in its membership some of the German states as owners of potash mines. The Alsatian mines, which became almost entirely the property of the French state, entered immediately upon a very aggressive campaign and made a strenuous bid for the markets formerly held by Germany, particularly those in the United States. In this competition the German industry found itself at a disadvantage, burdened as it was by a tremendous excess capacity and by the demoralization of the German currency. The French producers were favored by the higher yield of the Alsatian potash; also, according to their German rivals, they were receiving a government subsidy. Between 1919 and 1923, the Alsatian producers increased their exports to the United States tenfold and their total exports only about fourfold, which justifies the supposition that they had intentionally picked out a tender spot and were strengthening their position for eventual negotiations with the German producers.

The Germans were not slow in starting negotiations, although the political atmosphere of 1919 was not propitious to the healing of economic wounds. By the agreement finally concluded in August 1924, the American market was divided on the basis of 68.8 percent for Germany and 31.2 percent for France. The French share was considerably in excess of actual French shipments in 1923. There was much grumbling on the part of the stronger German producers, who attributed the yielding policy of the German negotiators to their anxiety to take care of the weaker members of the German cartel. The more definite agreement which was negotiated in 1926 to run for ten years divided the world market on the basis of 70 percent for Germany and 30 percent for France, with some additional contingent concessions to France in case the sales should reach a certain level. An interesting point about the Franco-German potash cartel is that the agreement bears the signature of the French government organization in which the ownership of most of the Alsatian mines is vested, while the Kali-Syndikat, the German signatory, owes its legal existence to the German potash law of 1919, by which all German potash producers must belong to the organization. This gives it a rather special position among international cartels and

has been a factor in the legal action taken by the United States against the operations of the selling agency of the cartel.

The international aluminum cartel was created in 1926 for a period of two years (later extended for another three years) to replace the old cartel broken up by the war. It includes the producers of Germany, Great Britain, France and Switzerland, with their affiliated organizations in other European countries. Its object is to "stabilize" prices, encourage exports, and pool patents and processes. It has not been successful in maintaining prices; indeed, it has been compelled to reduce prices three times since its organization. An interesting feature of the operation of this cartel is that it has served to concentrate the world control of aluminum in two organizations. It is also worthy of remark that here is another example of the German Government's participation in industry, for the German output, somewhat less than one-fourth of the European output, is produced mostly in government-owned plants, developed largely during the war as a result of the scarcity of copper. In spite of its non-aggressive price policy — dictated, it is claimed, by actual or potential competition from American producers and their foreign subsidiaries — the international aluminum cartel is far from leading an undisturbed existence. Recent negotiations between Germany and Switzerland over aluminum exports from the latter country indicate that the renewal of the cartel at the end of 1931 is by no means assured.

The chief interest in the copper cartel is that it is largely an American institution; the American producers play the leading part and the Webb-Pomerene act of 1926 forms the basis for the entire organization. It is essentially a price cartel, providing theoretically for a very rigid control of supply, attained by a practical elimination of independent middlemen. Recent fluctuations in the price of copper may be accepted as conclusive proof that while there may be some difference of opinion as to the reasons for the inability of the cartel to stabilize prices, there is none as regards the facts.

The foregoing description of a few of the outstanding cartels is not meant to be exhaustive but rather representative. There are a number of international cartels which seem to lead a more or less normal existence and have succeeded in overcoming some of the difficulties of internal organization. We might mention the rail and tube cartels, which have succeeded in establishing them-

selves as controlling factors in the international trade in those commodities. Then there is the nitrate cartel, organized last year, which involves practically the entire European production of synthetic nitrate and the Chilean production. It is true that it is not on a very secure basis, considering that the present organization is to run only for one year beginning August 1930 and that all attempts to renew it have so far failed. The fact that the basis of the international cartel is an agreement between the German and British producers and that in those two countries the industry is highly concentrated financially would indicate the possibility of a permanent agreement. On the other hand, we must keep in mind the fact that nitrates have a political as well as economic aspect, and that the expansion of the industry may be dictated in some cases by reasons of national defense; nor can we lose sight of the expansion program of the American producers and the complications introduced by the Chilean product.

v

After this description of the origin and functions of the cartel, it remains for us to consider its recent progress, and particularly the part it has played in the present economic crisis. Whatever difference of opinion there may be as to the merits of the cartel as an institution, there is general agreement that its essential function is to restrict or eliminate competition. This function is sometimes justified by broad social considerations, as is the tendency in the United States in connection with the agitation for the conservation of natural resources, or it may be regarded from the narrower viewpoint of its influence on the earning capacity of a particular industry. The significant fact is that here we have, on the one hand, an institution specially devised for dealing with a serious evil resulting from our competitive system; on the other hand, we face a world crisis the outstanding characteristic of which is a ruinous price decline in the principal world commodities ascribed by many competent observers to absolute or relative overproduction. It would therefore seem fair to evaluate the cartel, in its international aspects at least, on the basis of its behavior in the present crisis. If it should be found that it has failed in these times to perform its essential function, we might be justified in questioning the value of the institution as a whole.

When we examine the situation of the outstanding world commodities we find that the behavior of the cartelized com-

modities has not differed essentially from that of the free commodities during the recent price decline. Taking up the metals, whose price fluctuations during the last year or so has been most spectacular, we find that a commodity like copper, subject to the strictest kind of price control, has fluctuated at least as violently as zinc or tin, which have been subject only to partial and ineffective control, or lead and silver, which are free from cartel restrictions entirely. It is true that the European aluminum cartel has managed to maintain prices, but these prices have been repeatedly reduced under pressure of competition and curtailed demand and some doubt is expressed as to its fate after the expiration of the present agreement at the end of 1931. There have also been rumors of unofficial price cutting. The Continental Steel Cartel, in spite of its prominence and theoretical importance, has not been in a position to influence steel prices to any extent through its curtailment program; the attempts at direct price-fixing for steel products through subsidiary cartels have been definitely abandoned. Even the Spanish-Italian mercury cartel, which is practically a government monopoly, has been unable to hold prices at a remunerative level, and has been suffering from an accumulation of stocks.

We also find that in spite of the pressure exerted by the price decline several prominent industries have found it very difficult and in some cases impossible to establish or renew international agreements. The negotiations for the renewal of the zinc cartel, which expired at the end of 1929, have only recently resulted in an agreement to go into effect on August 1, and providing for a production cut of 45 percent. This is to remain in force until the end of 1932, subject to automatic renewal. The rayon industry, which was most disastrously affected by the slump, is still without an international agreement, despite the close financial relations existing between the outstanding producers of Europe and despite the extreme concentration of the industry along national lines. The utmost that has been accomplished so far is an agreement between the chief foreign competitors in the German market. No perceptible progress has been achieved toward an international agreement on cement, and the League of Nations report on the coal situation is not very optimistic as regards the possibility of a cartel for that industry. The tin and sugar restriction agreements are too recent to furnish a basis for judging their effectiveness. The international nitrate cartel, which has been

organized only for a year, will probably not be renewed in its original form. Even a thoroughly cartelized industry like the German potash industry is suffering severely from overproduction and some of the constituent corporations have been forced to drastic curtailment. When we consider the fact that all these industries are suffering extremely from their inability to market their output at reasonably remunerative prices, and that they possess the essential characteristics for successful cartelization, we are justified in questioning the effectiveness of the international cartel as a remedy for a disastrous price decline. It may be argued, of course, that none of the cartels cited above had reached a state of perfection at the beginning of the slump, and, therefore, that their breakdown or ineffectiveness should not be accepted as a valid basis for the indictment of the whole cartel idea. The logical reply would be that very few economic organizations ever reach a state of perfection, and that it is inconceivable that any industry scattered among a number of countries and involving any considerable variation in scope and environment could ever form a perfect voluntary organization.

It is interesting, too, that while the cartel has not made much headway during the last few years, industry has developed considerably along the lines of international financial concentration. This is true not only of the electrical industry, particularly in its public utility aspect, but also of the non-ferrous metal industry, where progress in financial interrelation has been made by Great Britain, Germany and Belgium, as well as the United States. In the same direction we have the gigantic combination of the Dutch and English margarine and soap interests (Unilever), with its world-wide ramifications covering raw materials as well as retail distribution. The rayon industry, in spite of its inability to reconstruct the old international agreement, has gone a long way toward international financial concentration, as evidenced by the German-Dutch combination (AKU), the close relations between the latter and the Courtauld interests, and the increasing participation of the two groups in the Italian rayon industry. Similar tendencies are to be observed in the linoleum and lead pencil industries. Considering the fact that national industrial combinations have grown much faster than the international ones, and that the present slump will probably accelerate the process, we may express some doubt as to whether the international cartel is to be the principal factor in the organization of

industry along international lines. Rather is there good reason to believe that the international combination, involving financial interrelation, will play a very conspicuous if not dominant part in the future.

When we turn to the national cartel, we find that while there has been no serious attempt to dislodge it from its dominant position in Germany, where it has reached its highest development, the present economic disturbance has served to attract unfavorable attention to its price-fixing function. The fact that the price level of cartel-controlled commodities, particularly those of general consumption, has failed to reflect to any considerable degree the general decline in the prices of raw materials and other world commodities made it necessary for the German Government to take advantage of the emergency clause of the constitution, not only to carry out certain financial measures, but also to force arbitrary and horizontal reductions in the price of articles of general consumption, many of them trade-marked articles, subject to price-fixing or cartel control.

In the case of some recalcitrant cartels, the German Government has made use of its bargaining power as a large consumer to force them to come to terms. Under the present emergency decree, the government enjoys much wider powers in dealing with price-fixing than under the cartel law of 1923; its actions are not confined to cartels and it does not require a decision of the cartel court to bring about the desired price reduction. The present situation is of course abnormal, and it is unlikely that an institution which has played so important a rôle in German economic life will undergo fundamental changes on the basis of an emergency decree. The fact remains, however, that the whole subject of cartel control has been under examination in Germany for some years and it is quite possible that the present action of the government will have some influence on future cartel policy.

In conclusion, it may be said that the cartel, in its national as well as international aspects, is still one of the outstanding factors in the economic life of several of the most important countries of Europe. But the existing international cartels have exercised so little influence on price levels during the present price decline that it may be seriously doubted whether the cartel is adapted to perform its price-stabilizing functions in a serious emergency. Some of our industries are already participating in international cartels, and there is a strong probability that with

the increase in our foreign branch factories and other methods of economic contact more of them will become involved in the movement. From a domestic standpoint, however, the political obstacles as presented by our anti-trust laws are so formidable that the question of adapting the cartel to our economic conditions is likely to remain one of mere academic interest for some time to come. When we do reach a stage of economic development where public opinion would approve a fundamental revision of our policy toward restraint of trade, it is quite possible that the cartel will have been replaced to a considerable extent by an economic organization involving a much closer financial relationship and somewhat resembling our trusts.

HINDENBURG

By Karl Tschuppik

AT THE outbreak of the war people had almost forgotten that there was a general named Hindenburg. Sixty-seven years of age, he was living at Hanover, enjoying the repose of a retired soldier.

His career had been that of any gifted officer of the Prussian General Staff. Born at Posen in 1846, the son of a soldier father, he became lieutenant in a foot regiment of the Guards in 1866 and took part in the battle of Königgrätz. In 1870 he went to the front as adjutant of a battalion, and his regiment fought in the sanguinary battle of St. Privat. At Sedan the regiment remained in reserve, as did the entire corps of the Guards. Hindenburg thus was a spectator of the great encircling movement which closed in upon MacMahon's army like a huge ring. While passing with the troops through the little town of Carignan he was told by a saddler from whom he bought a riding whip that Napoleon III was with the army, which was now completely surrounded in a deep dale. He reported this to headquarters, but could not make them believe it. After Sedan, his regiment marched on Paris. In September 1870 it was quartered at Craonne and Corbény, at the foot of the *Winterberg*.

Hindenburg was destined to see this hill again forty-eight years later, during the battle of Soissons and Rheims, in May 1918, when he was to observe the movements of his troops from this height. But in 1871 First Lieutenant Hindenburg got to Paris. He himself has told us how, after the armistice, he rode with a few hussars, without being interfered with, through the Champs Elysées, across the Place de la Concorde, right into the court of the Louvre, and how he was "ravished by the sight of the historical monuments in which France is so rich." When the German Emperor was proclaimed at Versailles, Hindenburg was present as delegate of his regiment. "The South Germans," he says, "were loudest in their expressions of joy over the German Empire; we Prussians observed a more reticent attitude in that regard, for historical reasons. . . ." The struggles of the Commune in Paris made a deep impression on him. After the end of the war he started upon the work of peace. In 1873 he entered the War Academy; among his teachers was General von Bern-

hardi, who has become known as a military writer. In 1877 the temple of Prussian military science opened its gate to him: he was called to the General Staff.

II

The great General Staff of the German Army was more than the modern offices of military engineers. Its intellectual foundation had been laid during the classical era of German philosophy. Without Hegel, the originator of the idea of evolution and of the dialectic method of reasoning, there could have been no thought of Karl von Clausewitz's *Buch vom Kriege*, the military science Bible of the Prussian General Staff. Moltke, too, was a born scholar. By his war plan of 1866 he turned the traditional doctrine of the War Academy upside down. The deployment from separate points of assemblage and the envelopment of the enemy by means of separate armies was based on logical reasoning. Time was too short and the space too restricted to make it advisable to concentrate an army of a quarter million men according to the established Napoleonic tradition, and to secure for it the supposed advantages of the "inner line." Moltke's decision was a new idea, born of necessity. The Prussian General Staff raised this idea to the rank of a theory. The further development of the "Theory of Envelopment" and its consummation in the "Strategy of Annihilation" was the work of Moltke's greatest successor, Count Schlieffen. This consistent thinker and inexorable critic of the German wars saw the model for all warfare in the battle of Cannae (B.C. 216). In that battle Hannibal with his 50,000 warriors inflicted an annihilating defeat on the army of the Roman consul Terentius Varro, 69,000 strong. Despite his numerical inferiority, Hannibal had thrown two lines around the Roman army. In his book entitled "Cannae," Schlieffen studied the campaigns of Frederick the Great, Napoleon and Moltke with special reference to the question as to how far the strategy of these generals implied the idea of a battle of annihilation. After that, "Cannae" became the formula of the Prussian General Staff, the avowed aim of the theory embraced by the latter being the destruction of the hostile army by means of rapid advance and envelopment. Schlieffen himself lived to draw up the plan for a German war on two fronts. His faith in "Cannae" inspired his scheme of enveloping the enemy in a grandiose battle in France. This faith became so strong as to dispel all political scruples.

Without envelopment no victory, and without concentric deployment no envelopment; the decision to march through Belgium was implied in the "Cannae" idea. Quite consistently, in Schlieffen's plan of development, the right wing of the German west army was made as strong as possible, and the left wing very weak; Schlieffen did not fear the possibility of having to retreat before the French Rhine army in Alsace-Lorraine, if that should be necessary.

There is no denying the fact that the Moltke-Schlieffen tradition was discarded during the first years of the young emperor's reign. William II, who by nature was not Prussian, did not select the heads of the great military institution according to ability and merit. Count Waldersee, Schlieffen's successor, had nothing of the spirit of his predecessors. His figure in history is that of the comic hero in the Chinese operetta-campaign. Nor was the younger Moltke, a nephew of the great chief of the General Staff, equal to his high office. Under his direction, Schlieffen's plan of deployment was altered for personal reasons. The Kaiser could not bear to think of even temporarily exposing the imperial provinces of Alsace and Lorraine, or parts of them, to the danger of a French invasion. Moltke had to strengthen the left wing of the west army and to weaken the right wing in proportion, so that it became too short to extend round the army of the enemy in the west beyond Paris. The Anglo-French victory of the Marne was the logical consequence of this illogical modification of Schlieffen's plan.

Hindenburg belongs to that older generation of Prussian officers who began their work under Moltke the elder. When Hindenburg returned to the General Staff in 1885, after temporary duties in Stettin and in Königsberg, the first Moltke was still its chief, and Schlieffen was director of the operative department. During the next eight years Hindenburg remained at his desk and continued to lecture: he was on the General Staff, he taught tactics in the War Academy and was in the Ministry of War. In 1893, he became commander of an infantry regiment; in 1896, chief of the general staff for the Eighth Corps in Coblenz; in 1900, commander of a division; and in 1903, commanding general of the Fourth Corps in Magdeburg.

In 1911 Hindenburg sent in his resignation. His age was sixty-four years; he was in perfect health and vigor. On the occasion of his retirement there was a rumor that, during the manœuvres,

he had not sufficiently pandered to the Kaiser's dilettante predilections and had fallen into disgrace for that reason. In Hindenburg's memoirs, we read: "Since the insignificant event of my retirement has given rise to false rumors, I will state definitely that this step was not occasioned by any incident either of an official or of a personal nature."

III

It was on August 22, 1914, that Hindenburg received an urgent telegram from the Kaiser's main headquarters. Just a question: was he ready for immediate employment? His answer: "Am ready!" This telegram to Hindenburg had been preceded by another one, addressed to Brigadier-General Erich Ludendorff. In the latter Count Moltke, chief of the General Staff of the army, asked for Ludendorff's help: "I know of no one else in whom I have such explicit confidence as I have in you. Perhaps you may yet save the situation in the east. . . . With your energy you may preserve us from the worst. . . ."

What was it that had happened in the east? The German forces in the east were very weak, in accordance with the General Staff's plan of two fronts. Four corps, one reserve division, and one single cavalry division had to hold in check two Russian armies. Either one of these was superior in strength to the entire German army in the east. Rennenkampf's Niemen army amounted to 246,000 men and 800 guns; Samsonoff's Narev army, advancing from the south, consisted of 289,000 men and 780 guns. The German eastern army was 210,000 strong and had 600 guns. Taken by surprise in consequence of the sudden appearance of the Narev army, which marched by night, hiding itself during the day in the vast wooded country, General von Prittwitz, the German commander-in-chief in the east, had broken off his fight against Rennenkampf's Niemen army and was considering a retreat behind the Vistula. His intention of abandoning to the Russians the entire territory to the east of the Vistula created the greatest consternation in German headquarters. General von Prittwitz and his chief of staff, Count Waldersee (the younger), were relieved of their posts by telegraph.

Ludendorff had distinguished himself by his initiative during the storming of Liège and had thus attracted the attention of headquarters. He, too, had been attached in time of peace to the Great General Staff, but had given offense by insisting on a fur-

ther addition to the army. He was transferred to the troops in 1912. In the hour of need Moltke brought him to the fore again.

It had become the rule in the German army to give each commanding general, from the division downward, the assistance of an officer of the General Staff. The general had the power of command, the staff officer was the guiding spirit. Napoleon had never considered such things as age or years of service. But the strict order obtaining in the German army made it necessary that the commander-in-chief should have more years of service and higher rank than the commanders of the corps. Thus, the officers of the General Staff who were attached to the latter had not only to do the real thinking, but, because of their relations with one another and because of their perpetual contact with headquarters, they were the generally nameless but none the less real leaders of the battles. In the western theater of war, for example, there were, up to the spring of 1918, ten armies concentrated in three "army groups." These army groups were commanded by three princes: Crown Prince Rupprecht of Bavaria, the German Crown Prince, and Crown Prince Albrecht of Württemberg. The actually responsible persons, however, were distinguished officers of the General Staff, such as General von Kuhl, Count von der Schulenburg, and others, whose names are hardly known in history.

It was on the morning of August 23, 1914, that Hindenburg first set eyes on General Ludendorff, who had been attached to him. The two men quickly reached an understanding. During their journey to Marienburg they pondered over plans for the coming battle. Hindenburg and Ludendorff were in much worse plight than Hannibal. Among all the critical situations recorded in the history of warfare, one could look in vain for an equally desperate case. According to Stendhal's simple definition, Napoleon's military art consisted in bringing it about that on the battlefield his soldiers should outnumber the army of the enemy in the proportion of two to one. This ingenious principle is identical with that observed by robbers lying in wait for passers-by at the street corner in the ratio of 2 to 1, a hundred paces from ten policemen on their beat. What good are the policemen to the unfortunate man who has been robbed, when they arrive three minutes later? But to return to Hindenburg and Ludendorff: the best they could do under the most favorable circumstances and by means of an extremely hazardous manœuvre was to

arrange that their entire fighting strength should attack only half of the enemy forces, so that the ratio would be 1 to 1, while the other half of the enemy troops was threatening Hindenburg's army in the rear. There was just one chance of bringing this about. The two Russian armies of Rennenkampf and Samsonoff were separated by the Masurian chain of lakes. But the distance between them was slight: Rennenkampf occupied a position at a distance of about thirty miles from the German troops, which had fallen back, and less than sixty miles from Samsonoff. The success of the manœuvre which Hindenburg and Ludendorff planned depended entirely on the possibility of withdrawing the two corps which were facing Rennenkampf and uniting them with the other contingents of the German east army against Samsonoff. If they should succeed in consolidating their forces against Samsonoff without starting Rennenkampf on the march, there would be a chance that they might defeat Samsonoff. In that case, the second half of their difficult task would then be to employ the same troops over again in an attack on Rennenkampf's army, which had been at rest all the time. If Rennenkampf moved, everything would be lost.

It has been said by many critics of German tactics in the World War, including Professor Hans Delbrück, the well-known war historian, that only a gambler could have dared to risk a battle under such perilous conditions. Hindenburg and Ludendorff did risk it. Samsonoff's army was annihilated; the Russian commander blew out his brains in the midst of his surrounded troops. The battle of Tannenberg was a complete Cannae. The second part of the operation, the battle of the Masurian Lakes, was not quite so successful. Rennenkampf by flight escaped envelopment and annihilation. Nevertheless, these two victories became of supreme significance in Germany's destiny. This was not on account of the material facts and the immediate consequences of the victory. For important as it was to have destroyed one Russian army and driven the other back from the German frontier, this was, after all, only one blow on the gigantic hide of the Russian bear. What imbued these victories with special significance was something totally different. On the battlefield of Tannenberg was born the popularity of Hindenburg and of Ludendorff, as also the unshakable belief — which was to become in the end so fatal — that these twin commanders were invincible and infallible. On the battle ground of Tannenberg was laid the foundation for

the coming omnipotence of the Supreme Command of the German Army, of the veneration of Hindenburg, and of the practical dictatorship of Ludendorff. One has to know the German people, with their propensity for hero worship and their poorly developed political sense, if one is to understand the devoted way in which they tied their fate to the two names of Hindenburg and Ludendorff.

Uncritical veneration of successful commanders is, by the way, not an exclusively German trait. Churchill's memoirs tell us that about the end of 1916 there was in England, too, a moment of confusion, showing itself mainly in the "absurd convention" that "the Generals and Admirals were more competent to deal with the broad issues of the war than abler men in other spheres of life. The General no doubt was an expert on how to move his troops, and the Admiral upon how to fight his ships, though even in this restricted field the limitations of their scientific knowledge when confronted with unforeseen conditions and undreamed-of scales became immediately apparent. But outside this technical aspect they were helpless and misleading arbiters in problems in whose solution the aid of the statesman, the financier, the manufacturer, the inventor, the psychologist, was equally required. The foolish doctrine was preached to the public through innumerable agencies that Generals and Admirals must be right on war matters, and civilians of all kinds must be wrong."¹ Germany's whole tragedy is summed up in these lines written by an Englishman.

The Germans have but a poor knowledge of their own history, or they know it only from distorted accounts. Otherwise they could not but have been mindful of the hard struggle which Bismarck had to wage against his own generals in the two wars of 1866 and 1870-71. His great skill and strength lay in his ability to maintain the supremacy of the political power over the conduct of war as against both the king and the generals. The superiority of the Entente in the World War consisted in nothing but that. Lloyd George and Clemenceau not only placed the supremacy of political considerations beyond all doubt, but, in their unchallenged power, they encroached even upon the military domain and took the reins there too. It was civilians and statesmen who finally put an end to the senseless old-style offen-

¹ Winston S. Churchill: "The World Crisis, 1916-1918." New York: Scribner, 2 vols., 1927. Vol. I, p. 249.

sives. The memoirs of Prussian generals and books by apologists for Germany's conduct of the war express envy of the Entente's political leadership. What they say amounts to a lament something like this: Ah! if we could but have had men so sure of their aims! This praise arises out of a misapprehension: it takes account only of the final result, the victory, but not of the way by which Lloyd George and Clemenceau attained it. It is idle to speculate how these two men would have acted in a situation like that in which Germany found herself. But this much is certain: under the leadership of such men, neither Hindenburg nor Ludendorff would ever have been in a position so to transcend his proper rôle as to make the tremendous weight of his military authority and universal popularity decisive even in the political sphere.

IV

The "Cannae" of Tannenberg became a turning-point in German history. From then on, the German people knew only one commander, only one hero — Hindenburg! — with his chief of staff, Ludendorff, at his side. The Kaiser and the other war leaders disappeared in the glamour of his name.

But at the end of 1914 William II was still autocratic enough to make most important decisions in his own discretion, even contrary to the will of the people. The chief of the General Staff, Moltke the younger, had completely broken down after the battle of the Marne. The Kaiser appointed Falkenhayn, the Prussian war minister, as Moltke's successor. Falkenhayn did not belong to Schlieffen's school; he espoused a "strategy of limited aims" and rejected Hindenburg's and Ludendorff's plans for a great offensive on the eastern front. In the spring of 1915, the general situation made it necessary to transfer the war's center of gravity to the east; the Kaiser and Falkenhayn left the western theater and moved to Pless. The breaking of the lines of the enemy near Gorlice was a great victory, it is true; the front-line of the Russians was rolled up and forced back a great distance. But Falkenhayn's frontal warfare put the crown of success beyond his reach: there was no Cannae! Victories and conquests notwithstanding, Russia's strength remained unbroken. Hindenburg stuck to his idea that any great action in the west ought to be preceded by the overthrow of Russia. Falkenhayn rejected that idea. He had a plan of his own. That plan involved his unfortunate decision to storm Verdun, the strongest fortress

of the French. While this most terrible of all battles was raging, two things happened which essentially changed the aspect of the war. On June 24 the Anglo-French offensive on the Somme ushered in the first great battle of matériel in the west. The sacrifices of Verdun had been in vain. The Entente gained a new partner: Rumania entered the war. In the summer of 1916 the German line of defense had everywhere been pressed back.

In this hour of need the Kaiser called Hindenburg and Ludendorff to Pless. The events leading up to this moment form one of the most curious chapters in Germany's conduct of the war. William II even then had no intention of filling the highest post in the army on strictly impersonal grounds. But at last the voice of criticism penetrated even his cabinet; it came from Falkenhayn's immediate entourage, from the operative department of the General Staff. Colonel Bauer and the younger officers of the Supreme Command saw "with utter horror," as Colonel Bauer himself admits, how incompetent Falkenhayn was. Hard as they undoubtedly found it to transgress the rules of Prussian discipline, they decided to make Count von Plessen, the first adjutant of the Kaiser, see that a different man ought to be at the head of the army. Now the Kaiser no longer had a choice; he had to entrust Hindenburg with the direction of the army. Ludendorff remained Hindenburg's first adviser, with the explicit assurance of "full co-responsibility."

v

There were now two soldiers of the first rank at the head of the German Army. With firm hand, they disposed of one of the most serious crises: Rumania was got rid of, and the battle of the Somme was drowned in mud and blood. The so-called Hindenburg program greatly increased Germany's strength. New systems of defense and attack rendered it possible to cope with the enemy's increasing superiority in war materials. In February 1917 the Germans succeeded in evading the dreaded Nivelle offensive by the clever move of the "Alberich" manœuvre. As Churchill says: "The great military personality which Germany had discovered in her need, armed in the panoply and under the ægis of Hindenburg, by one sure stroke overturned all the strategy of General Nivelle."² Hindenburg had the highest

² Churchill, Vol. I, p. 278.

aim in view: he conserved and consolidated Germany's strength for a decision in Schlieffen's sense.

Here lay the tragic significance and also the critical point of the Hindenburg-Ludendorff strategy: would Germany be strong enough to inflict an *annihilating* defeat on her enemies? This question was not to be answered by a soldier alone. Germany was now in need of a statesman of the first order, one able to play up to the generals. Germany had no such statesman. Bethmann-Hollweg, who was longing for a conciliatory peace rather than counting on an overwhelming victory, was overthrown by the Supreme Military Command. The apostles of submarine warfare were responsible for bringing about the break with America. The majority of the Reichstag allowed itself to be guided by the will-to-victory of the generals and admirals rather than by the voice of political insight and reason. The political leadership failed completely when Dr. Michaelis was appointed as Bethmann-Hollweg's successor. The Kaiser had lost his self-assurance and had become a silent man. The Reichstag passed the platonic "Resolution of Peace," but lacked the courage to fight for its opinion. The Supreme Command of the Army, now the only source of energy, got into the way of commanding in the sphere of politics, too.

Historical truth makes it necessary to say that, in this decisive development, Ludendorff's will was more powerful than Hindenburg's. Quite properly, history speaks of "the Ludendorff dictatorship." Hindenburg himself describes his relation to Ludendorff, his junior by nineteen years, as that of a "happy marriage," in which all thoughts and plans were common property. Quite unlike Ludendorff, he admits with high-minded candor that he has neither taste nor talent for politics. "Maybe," he says, "my inclination for political criticism was too weak, maybe my feeling as a soldier was too strong. At any rate, this feeling is at the root of my aversion to everything diplomatic."

The truth is that neither Hindenburg nor Ludendorff had any intention to become dictators of belligerent Germany. But as there was a complete lack of political leadership — neither the Kaiser nor the Chancellor nor the Reichstag giving expression to a clear program or to a definite will — the leadership automatically fell to the two generals.

They were not statesmen: they were soldiers. And they were soldiers of a school on which the past was shedding its evening

glow. Their dependence on Schlieffen's ideas now assumed a grim significance. The goal perpetually dangling before their mind was the great victory demanded by the strategy of annihilation. The idea of conciliation, of a modest peace, was foreign to them. Many months were spent on the preparations for the March offensive of 1918, "the greatest battle in world history." It was the most magnificent exhibition of force that has ever been seen on any battlefield. This colossal effort died away at Amiens. Schlieffen's two disciples were not able to break the resistance of the defending forces which had gained greatly in strength through the conditions of the modern battle of matériel. The German Army, overtaxed and well-nigh exhausted, was worn out at last by the repeated attempts to renew the offensive, undertaken to break the enemy's line and clear the way for a large operation. These desperate attempts ended in a sudden collapse, and the Supreme Command called for a truce.

VI

Ludendorff disappeared out of the life of the German nation. Like a self-willed comet, he went on pursuing his eccentric course. The causes of the German collapse were a sealed book to him. He persisted in his conviction that the old Prusso-German state had been perfection, and that the right had been entirely on Germany's side. He became obsessed by the delusion that the German catastrophe was the work of evil spirits. There is no bridge leading from this island of a deranged mind to the new Germany.

Despite his seventy-two years, Hindenburg stood by the side of his nation in the darkest days. This scion of an old aristocratic family that had been established for centuries in the Mark of Brandenburg and in the service of the Prussian kings must have fought a hard fight with himself, in the face of the German revolution, in order not to lose his faith in the future. He tells us in his memoirs what gave him strength in these hours of dire calamity: "I had the firm confidence in the best of our nation that they would have the strength of mind to succeed in blending new ideas with our precious inheritance from the past for the benefit of the common weal. This was the unshakable conviction with which I left the bloody battlefield from nations." This conviction made it also possible for Hindenburg to shake hands with the chosen representative of new Germany, with Friedrich Ebert, the Social

Democrat. An eyewitness of this scene wrote at that time: "Hindenburg, because he has a great heart, placed himself under Ebert. He sees not what separates but only what unites. He placed himself under Ebert without grumbling, without any great ado. Modestly, seriously, quietly, Hindenburg did what he regarded as his duty."

How many faithful followers of the king, without any profit to their cause, made a cheap show of irreconcilability in those days, cursing Germany, while she was lying prostrate, racked with pain and shaken by the fever of revolution! How many are there even today who persist in their undying hatred and close their eyes to the historic fact that the Hohenzollern monarchy dug its own grave. It is in the nature of Hindenburg's character that this Prussian general has a more human, a more liberal, and a more unbiassed judgment than the politicians entangled in struggles of interest and of party. In a proclamation issued by the socialistic Workers' and Soldiers' Council of Cassel in November 1918 we read: "Hindenburg belongs to the German people and to the German Army. He led the army, and he did not forsake the people in their darkest days. His person is under our protection." Much more important than this protection, of which he stood in no need, is the respect which animated this proclamation.

All the same — who would deny it? — when the parties of the Right agreed on Hindenburg as their common candidate for the coming election of the President of the German Empire, the German republicans felt somewhat uneasy. The contrasts between classes and parties are much sharper among the German people than in any other of the great nations. This is a consequence of Germany's history. The Germans were not so fortunate as to be united in one national church. The cleft produced by the religious and economic progress of the united Empire after 1871 created a large industrial proletariat without in any way modifying the underlying feudalism of the ruling classes. This social conflict transformed the German people into two hostile nations. The German Republic today is not only suffering from the fact that it is the child of painful defeat; it is suffering to an even greater degree from clefts and chasms dividing the people. Democracy, too, has to put up with compromises. It is a difficult task to keep the bearers of the idea of republican democracy — the Social Democrats, the Center, and the Democrats — together

on a common plane. One cannot wonder, therefore, that before the presidential election the republican-democratic parties did not succeed in finding a man to set up as a shining symbol of the new Germany. Hindenburg's democratic opponent, Dr. Marx, at that time the leader of the Center Party, was a colorless person whose name lacked lustre.

In his appeal before the election, Hindenburg wrote: "I believe I have done my duty in difficult times. If this duty now demands that I am to act as President of the Reich, according to the fundamental principles of the constitution, without respect to parties, persons, classes and callings, I shall not be found wanting. Our nation, bound in chains and rent by discord as it is, cannot be liberated by war or sedition. What we need is unremitting labor under peaceful and quiet conditions. What we must do in the first place is to cleanse our commonwealth of all those who have made politics a business of gain. I extend my hand to every German who is mindful of his dignity as a German and who stands for religious and social peace."

On April 28, 1925, Hindenburg was elected President of the German Republic. During the six years of his presidency he has kept all his promises. The privileges of a President of Germany are more limited than those of a President of the United States, but greater than those of the Head of the French Republic. During the first years of Hindenburg's term of office there were indications that he meant to restrict himself, with tact and dignity, to the duties of representation. As time went on he grew, as did his office. He has won the confidence of republican Germany by the way in which, as if it were a matter of course, he has respected every inch of the constitution to which he had sworn, warning off all tempters who wanted to make use of his name for political purposes.

It would be a mistake, however, to see in this confidence which Hindenburg enjoys on the part of the republicans a guarantee that the present régime in Germany will never be changed. Hindenburg has spent sixty out of his eighty-four years under the rule of the Hohenzollerns, and no one can expect this old general to give himself heart and soul to the new order of things. Bonds of sentiment attach him to the Prussia of William I — to those years of development when Bismarck was the arbiter of the empire, and when the Prussian king was a plain and unassuming nobleman. Hindenburg always stood on different ground from that of the generals frequenting the court of William II. His sense of duty,

inspiring him to serve the state "faithfully and loyally," dates from the *ancien régime*. This sense of duty has made it easier for him to place the service of the state above the oath which he had sworn to William II. "Faithfully and loyally" Hindenburg served William I; "faithfully and loyally" he fulfilled his duties under William II; "faithfully and loyally" he supports the new constitution which the German people made for themselves after the collapse of the monarchy.

The German Republic, however, is by no means proof against change. It is the offspring of a prudent match entered into by the Social Democratic and the Roman Catholic Center parties. This coalition seemed strong enough to safeguard the republic against reactionary assaults and to insure Germany's development along the lines of pacifism and in harmony with the rest of Europe. It was the Socialists and the Center Party, or rather, it was Socialist and Roman Catholic Germany that made it possible for Stresemann to carry on his policy of international conciliation and thereby slowly to regain for Germany the confidence of the world.

All this underwent a change in the German Republic in consequence of Stresemann's death and the September elections of 1930. A great number of the impoverished middle class, who had hitherto attached themselves to the moderate parties, now went over to the extreme Right and joined Herr Adolph Hitler's National Socialists. His party has become a power within the state — especially since, in addition to its extensive following, it also enjoys the moral and material support of those who carry on heavy industry in Germany, and who intend to make use of the National Socialists as a protection against genuine socialism.

Without any doubt, it was these changes wrought in the picture of Germany through the September elections which ushered in the serious crisis from which the Germans are suffering today. Germany has to depend on foreign credits; she is in need of loans. In the last analysis, these loans are not granted by governments nor even by banks: they are granted by tens of thousands of small and large investors and capitalists, by private citizens in thousands of towns and villages. Such subscribers are guided exclusively by one paramount question: "Will the money I am going to invest be safe?" How do Mr. O'Connor of Chicago and Mr. Smith of Pittsburgh feel regarding the safety of money

that is to be invested in Germany? At this point, then, the line of politics intersects the line of economics. Economic life is dependent on the confidence of foreign countries; and this confidence rests, in its turn, on domestic policy. In the main, Germany's policy prior to 1930 inspired confidence abroad; Stresemann was generally trusted as being a good European, and therefore business in Germany was readily financed. The effect of the September elections was like drawing a veil and revealing a new face of Germany. National Socialists hurled loud declarations of defiance against the international treaties; Stahlhelm parades and processions of soldiers were arranged in order to rouse the military spirit; speeches by generals playing the rôle of politicians and by swashbuckling professors completed the picture. In the hope of attaining to political power and of thus getting rid of high wages and socialist taxes, German heavy industry countenanced in every possible way the clamor of the ultra-conservatives. Could it be true that a reactionary *coup*, a constitutional revolution, was imminent? People in Germany were convinced that it was so. Prudent German capitalists and investors transferred their funds to Switzerland, Holland or to the United States. The amounts thus sent abroad grew to millions. Was it to be wondered at that the other countries began to take measures of safety—that they closed the doors of their banks to Germany and gave notices of withdrawals to terminate existing credits?

American investors cannot be expected to investigate Germany's ability to engage in war, or to find out whether there is more behind the blustering of the extreme nationalists than an irresponsible playing with words. General Ludendorff has published a sensational pamphlet in which he shows convincingly that, if war were to break out tomorrow, Germany would be absolutely done for. He points out that Germany could not possibly overcome the superiority of her enemies in technical armaments; nor could she improvise a trained army, fit for war service. There would be no time for defenseless Germany to turn her industrial equipment to practical account for purposes of war: on the second day of mobilization, her industrial plants and most of her towns would collapse in ruins under the superior air fleets of her enemies. However, the actual facts of Germany's situation did not prevent the expression by parties of the Right of their belief in her ability to carry on war from shaking the confidence of other countries and thus giving rise to a serious crisis.

What was Hindenburg's attitude during these critical times? He took his stand "faithfully and loyally" on the basis of the constitution; he has "faithfully and loyally" supported the Brüning Government. But everyone in Germany knows that, if a change of cabinet should bring the parties of the Right into power he would support just as "faithfully and loyally" a Hugenberg-Schacht government. The decision, however, is not for Hindenburg to make, but for Brüning. To a distant observer, it might seem that Dr. Brüning's government, in facing the storm raging among the parties of the Right, has shown no great amount of courage. Brüning's mistakes—his approval of the plan of a customs union with Austria, and his attitude of non-interference towards Stahlhelm day at Breslau—had their origin in his desire to calm this tempest on the Right. It is quite true there is no country in the world where the tension between Right and Left is as great as it is in Germany. Under the influence of the economic crisis antagonisms of a hundred years' standing, never fought out, have produced an explosive atmosphere which, without the restraining influence of the Reichswehr and the state police, would be bound to find vent in civil war. The embarrassing necessity of having to carry on a government on the top of powder barrels has compelled the chancellor to walk in felt slippers. But it has become apparent that this policy of caution has not proved altogether a success; for it was precisely this nervousness of the Brüning Government that inspired the revolutionary parties of the Right with new courage. Brüning had to recognize the fact that there are things in the world which cannot be reconciled under any circumstances; for example, a heroic policy, conjuring up pictures of war, cannot be reconciled with an economic policy, involving foreign loans. The one aim destroys the other. The one psychology is directly antagonistic to the other.

Germany's emergence from the present crisis depends on whether sober and practical insight will prevail over the old-fashioned heroic views of life. President Hindenburg would like to reconcile what is irreconcilable. In him lives the memory that the German people were united in the war. He has learned to appreciate the value of German social democracy; but he would not like to burn the bridges leading to the Right. What is now needed is a *new* symbol by which Germany can be won to an understanding with the world. President Hindenburg is a symbol of yesterday.

THE INDIAN VILLAGE AND INDIAN UNREST

By C. F. Strickland

CITIZENS of industrialized countries find difficulty in realizing the extent to which India has remained agricultural. Out of India's 330 millions of inhabitants 300 millions are rural, and no less than 240 millions are directly supported by cultivation or the keeping of livestock. Their innumerable villages are scattered over immense areas, with few metalled roads and a scanty allotment of post offices and schools. The provision of these conveniences in every village would involve a scale of taxation heavier than India at her present stage can endure. The peasant is consequently a man of simple ideas, which, despite the changes slowly brought about by vernacular newspapers and the spread of primary education, are not far distant from those of his grandfather or indeed from those of a thousand years ago. He is undoubtedly on the move, and in certain areas of the northwest which contain many ex-soldiers of the European war the demand for the education of boys, and still more remarkably of girls, indicates a new outlook and new values. In several districts of Bombay, too, where an intensive political campaign has recently been carried on, the villager has begun to question the justice of the taxation system (with regard to land rather than salt, the latter duty being a selected object of attack and no real grievance) and to adopt methods of passive resistance. Similarly in Oudh, the region lying in the center of the great northern plain, the payment of rent to landlords is being refused. But elsewhere, with rare local exceptions, the peasant remains quiescent and is occupied with other than political thoughts.

Three matters principally occupy his mind: the state of his crops, the attitude of his money lender, and some current religious ceremony in his own or a neighbor's household, usually a marriage or a circumcision. What lies beyond this range is in the power of God, or perhaps of that remote *Sarkar* (government) which is embodied in the local police officer or irrigation engineer. Save when a mystic saint, a Gandhi whose name is repeated with veneration from mouth to mouth, directs him (he believes) to commit some act of defiance, he leaves guidance of the world's destiny to higher powers.

The Indian peasant ordinarily owns from 3 to 20 acres. In some provinces the tenant class is larger, but only in the south of India is the landless man, often a pariah or outcaste, a major problem. The tenant's holding also will be of the same size, and his status is not necessarily below that of the peasant-owner; but owners predominate, and, except in tracts favored with canal irrigation, draw a bare subsistence from a tired soil. The outstanding feature of an Indian village is poverty — due to conservatism and ignorance, to weak stamina and indebtedness, but due above all to the pressure of population, to that relentless flow of births which makes each improvement in agricultural production the occasion for a still more minute subdivision of the land. The average holding throughout India is 6 acres, split up into 20 or even 50 fragments in every direction around the village site. Cultivation is done with a wooden plough as in the days of Abraham, the surface of the soil being torn open a few inches deep by the plough's narrow iron tip. The yield of wheat averages (as in America) 13 bushels to the acre, of cotton about 100 pounds (in America it is 175 pounds); and the Indian peasant is living on 6 acres, not on 250. An industrious man, he works early and late during the sowing and harvest seasons, though his occupation leaves him idle for 100 days or longer in the year; but his methods are unprogressive, and the arguments and practical demonstrations of agricultural experts make little impression on him. Out of 300 million acres cropped, the last published records show that only 10 million were sown with improved varieties of seed, and except among a few tribes with whom the care of cattle is traditional, puny cows wander over the bare common with a retinue of wanton scrub bulls. Malaria, cattle disease, infant mortality and plague are decreed by fate, and it is useless if not impious to struggle against them.

Since he pursues such an economy, it is not surprising that the peasant is in debt. Indebtedness is widespread and in most cases hereditary. Judged by European or American standards the sum is not large, but it differs from the debt of western farmers in being unproductive. Failure of the harvest, death of cattle, litigation, a reckless marriage, or the education of children may be the first cause, but all of these sooner or later contribute their share. Debts incurred for clearance or equipment of land are extremely rare. The money lender is a Hindu of the commercial or priestly castes, the peasant himself being a Hindu, Mohammedan, pariah, or of one of a hundred diverse beliefs. Rates of interest are high, rang-

ing from 12 percent on a land mortgage to 100 percent or more on an advance of seed. In themselves these rates are not altogether unfair, the peasant being unpunctual or crafty in evading payment. What is wrong is the entire economic system of uncontrolled borrowing and unintelligent agriculture, and it is easier to condemn than to amend the system.

Let us examine the balance sheet of an imaginary cultivator. Ram Chand possesses 6 acres, of which two were mortgaged by his father (on the occasion of Ram Chand's wedding) for 150 rupees.¹ Four acres, including these two, are irrigated from a well in which he holds a one-third share: the remainder depend on rain, which is uncertain. Two overworked oxen are maintained for the well and the plough, and one buffalo cow gives milk and a little *ghee* (clarified butter) for the family. His income may be \$100, in the form of wheat (\$50 from 2½ acres), cane (\$20 from ½ acre), cotton (\$8 from ½ acre), corn (\$10 from 1 acre), and pulses and millets (\$12). With a wife and two children, Ram Chand will consume in the year the whole of his wheat and half of his corn, millet and pulse. He will sell his cane, cotton, and the balance of the cheaper grains, thus obtaining \$39 in cash. Land tax at \$1 per acre takes \$6,² and \$33 remain for clothing, amusements, education, house repairs, and the food, such as salt and spices, which is not produced on his own land. Clearly he is insolvent, and even the sale of dairy produce which is urgently needed at home will barely make good the deficit. But he is also in debt. For various reasons described above he owes \$80 to a money lender, with interest at \$20 per annum and almost certainly more. Only a bumper crop can help him to reduce this amount, and in the meantime he must sell his surplus produce to his grain-dealing creditor, or buy from him whatever he requires. In neither case is he free to question the price or quality.

The picture is gloomy, and it is not overdrawn. The average Indian cultivator is insolvent (there are of course exceptional persons and areas), and survives only by underfeeding himself and his family and by borrowing. The two processes are carried on alternately. The tenant, who pays from a quarter to a half of his produce to his landlord as rent, has naturally an even smaller net income; on the other hand he pays no land tax, the landlord

¹ The rupee is worth 36 cents.

² A somewhat prosperous man has been selected, growing richer crops than the average peasant. His land tax is consequently also above the average (50 cents per acre). The yields are based on actual instances. The prices are those of 1927, before the worst of the depression.

frequently supplies the plough cattle or assists to provide them, and the usurer is less lavish in advances to a non-owner on occasions of ceremonial extravagance. Where the landlord is reasonable, the tenant may be happier than the peasant-owner. But landlords are of many types.

Let us turn from Ram Chand, on the whole a prosperous example, to the consideration of the average peasant. What burdens does he bear and by whom are they imposed? The land tax, which was originally a rent taken by the Crown from all occupiers, dates from long before British times and disappears in the mist of tradition. Hindu and Mohammedan rulers exacted it in kind, the more moderate demanding from one-sixth to one-third of the total crop. It is now a cash payment, fixed for thirty years at a time, except in Bengal where it was fixed at a permanent figure 150 years ago; the average rate in all India is now fifty cents on the cultivated acre. Omitting the more valuable crops such as jute, opium, tobacco and cane, the average produce per acre was \$20 before the depression, and the land tax therefore represented a fortieth part of the gross produce.³ Another eight cents per acre may be added as the due of the county authority for local roads, schools, hospitals, etc.

No other tax falls directly on the peasant. Indirectly he must pay the salt tax, another inheritance from his ancient rulers. A family of five, together with the cattle, consumes fifty pounds of salt per annum, at a total retail cost of fifty cents; half of this represents the tax, an excise duty levied by the government at the source of production. There is no tax on native tobacco, and the excise on alcoholic liquors is paid only by those who drink them. The import duties on foreign cloth, matches, and household utensils are from 10 to 15 percent *ad valorem*, and in each case a cheaper equivalent of domestic manufacture is available. The burden of taxation, including land tax, falls at two dollars per head, or ten dollars on a family of five, and distressing though such a deduction must be on an income of \$100, it is not in itself unconscionable or obviously unfair.

The share of the landlord is less uniform in amount and in the manner of its exaction than that of the government. The tenant pays no land tax, but his rent, in cash or kind, may vary from an

³ The Government may legally take half the net produce, *i.e.*, the surplus amount after meeting all costs of cultivation and the maintenance of the cultivator and his family. If a cash rent is paid, half of this will normally be demanded from the landowner. The share actually taken is always much less.

amount exactly equal to that of the land tax (the landlord being content to have idle land kept in good condition) to \$10 or \$15 per acre in canal-irrigated districts. The tenant is courted in the sparsely populated tracts, and may be grossly oppressed where no alternative tenancy is visible without migration to an unfamiliar climate amid an alien caste or tribe. Oppression takes the form of unauthorized succession dues, marriage contributions and an infinity of "cesses" dependent on the whim of a landlord or his resident agent. The evil is greatest in Bengal, where the fixed land rent has led to the heaping of many superimposed feudal burdens on the head of the unfortunate peasant; it is grave also in Oudh, where mild *Jacqueries* periodically break out, and on the southeastern coast in Malabar, where Mohammedan tenants a few years ago committed gross atrocities on the Hindu landlords and their co-religionists. Repeated legislation to define or forbid the feudal dues has been unsuccessful in removing the cause of complaint, and there can be no question that agrarian feeling in the provinces mentioned has become steadily more intense during the last thirty years. The solution of this problem will be one of the most puzzling tasks before a self-governing India.

While taxation, however unwelcome, excites no bitterness in the mind of the villager, and while the resentment against pressure by the landlord, though strong, is limited to a few areas, the usurer is becoming daily more unpopular everywhere. He is for the most part the creature of British rule. Under the Mogul emperors, and still more in the period of confusion which followed their downfall, the increase of population was slight, cultivable land was abundant, and the instability and erratic procedure of government rendered the recovery of debts uncertain. There was therefore comparatively little lending and little debt. The establishment of regular law courts, the cessation of war and famine, and the growing spirit of confidence under the British régime made usury a safe occupation. In thousands of villages today the oldest peasants will point to the brick house of the money lender towering above their plain earth or palm-leaf cottages, and will say: "Our fathers remembered the day when his grandfather was the menial keeper of their harvest-reckonings, who removed his shoes as they passed." He is now the wealthiest man in the village, often the most powerful. The trouble is not that the usurer lends at high rates of interest, compounding the interest every six months, or that he occasionally fakes an entry. The root of the

trouble is that he lends without discrimination for good and bad purposes alike, provided the security is adequate, and the reckless peasant lacks the self-restraint to abstain from extravagance or to insist on repaying when his pockets are full. The same story is told in Malaya, where the Chinese shopkeeper suavely entangles the spendthrift Malay, as well as in Palestine and the whole of Asia. Unfortunately indebtedness is not the end of the story. The indebted farmer, knowing that he cannot clear his account, and that his creditor will not eject him, makes no attempt to improve his agricultural production, his personal health, or the customs of his family.⁴ Any addition to his income will merely pay a little more of the interest without touching the swollen principal. He therefore continues in the old rut and remains depressed and insolvent.

It is frequently stated that the Indian peasant is now awake, that he is turning angrily against the government which has been oppressing him, and that Mr. Gandhi's clarion call has roused him to fight for "India a nation." A more careful analysis of the economic position in the villages indicates that though the peasant is undoubtedly becoming vocal and demanding a change, the essence of his claim is economic, and so far as he blames the government, his complaint is not of extortionate taxation but of negligence. The landlord and the usurer are eating up his substance, and the government, he feels, is doing nothing or not enough to defend him. Unlike the Indian liberals, who continually urge the government to undertake constructive or even violent legislation on the villager's behalf, Mr. Gandhi and his followers have for political reasons turned the villager against certain taxes or restrictions — the land tax, the salt excise, the prohibition of grazing in reserved forests. Tactically this policy is prudent; it utilizes the peasant without antagonizing the wealthier classes. Politically it may secure the Nationalists' object, but economically it confers no benefit whatever on the peasant. The complete abolition of the land tax and the salt duty would save an average peasant family from \$5 to \$10 per annum, but it would paralyze the government of the country through loss of revenue. Self-governing India would be entirely unable to abandon such large sources of income. Meanwhile the peasants would remain in

⁴The Asiatic creditor may be willing to acquire the land, but seldom desires to cultivate. He is of a softer breed. He ordinarily leaves his debtor in possession, as tenant or nominal owner, and rackrents him steadily.

bondage as before, the owner to the usurer, the tenant to the landlord; the real disease of their life would be untouched.

There is abundant evidence to support this view. "Gandhi Rule" was proclaimed by various aboriginal hill tribes, who forthwith proceeded to graze their cattle in the forests, and in one case actually attacked the police with bows and arrows. They expressed no hostility to government as such, but clamored for the right of free grazing. Dacoities have become numerous in the Punjab, the Central Provinces and in Berar, the objects of attack being landlords and the money-lenders. Tenants, however, are seldom courageous enough to attack their landlords, and their method in the United Provinces (Agra and Oudh) and elsewhere has been to refuse the payment of rent. "Any form of taxation," a Swaraj speaker had taught them, "is a relic of the ancient and forgotten régime." But to them taxation meant rent, and they thrashed the emissaries of the landlords. Refusal of land tax is a different and more serious matter, but this movement has only assumed importance in a few west coast districts adjoining Mr. Gandhi's home. In any case the economic plight of the peasant must be remedied by studying it as an economic problem; attempts to deal with it along political lines will land the duped villagers in a deeper morass than before.

No scheme for the reform of the landlord can be produced in a few moments. A growing section of liberal opinion is in favor of his expropriation, with or without compensation. Action, however, must be taken by the provincial governments, within whose jurisdiction the matter lies, and when the political and nationalist struggle is ended the agrarian question will soon come to the front. The points to be borne in mind are, first, that few landlords (there are honorable exceptions) are performing any worthy function by financing their tenants, and second, that the flotation of loans required for the compensation of expropriated landlords would immensely exceed the credit of self-governing India. On the other hand there seems to be no likelihood of a British Government in India seriously tackling the landlord question.

Indebtedness is not, except in minor respects, a matter for legislation. The fellah in Egypt and Palestine, the Malay in Malaya, the Sinhalese and Tamil in Ceylon, are in debt through their own weakness of character, the perversity of their old customs, and the lack of a reasonable system of controlled credit. Indian debt is due to exactly the same causes, and the remedy lies

in building up the peasant's character, altering his customs, and supplying the required credit system. Steps have been taken in every orderly country of Asia (except Turkey) to provide co-operative credit in town and village, when and where the people are fit to use it, and great benefits have already been conferred on the peasantry. Debts have been repaid, better farming taught, and the most obvious roads of extravagance have been blocked or made less easy. But character is the foundation stone of the building, and character is not formed in a day. The Indian peasant dares not ignore public opinion and squander less than the usual sum on his son's wedding. Priests and beggars are fed, bands engaged, fireworks released, and an orgy of noise and futility endures for a week or more. Public suspicion likewise attends the first man who adopts a new variety of seed or a new agricultural implement. Even those who guard against malaria with quinine or against smallpox by vaccination were long regarded as somewhat odd, though this prejudice is slowly diminishing. Religious superstition also plays its part. Every cow, good or bad, is equally holy in Hindu eyes; consequently worthless cows abound, and good milk is scarce. All pigs are loathsome to the Mohammedan and are little favored by the higher Hindu castes. As a result of these superstitions surplus milk products and many other foods are wasted. Education has meant to the villager a means of sending a younger son into government service as a clerk, not a means of understanding natural science and agricultural processes. Health, especially in women and children, was an accident of fortune and infant mortality might even be "churchyard luck." What the peasant does not grasp is that these things mean money, and that he can no longer afford to retain obsolete ideas and practices in the modern world.

But he is beginning to realize this fact. He is realizing it slowly, and with many backslidings, but progress is being made. He is now organized, in many thousands of villages, in little coöperative or mutual groups for the control of rural credit, improvement of agriculture, better breeding of cattle, and even the reform of his social customs in respect of expenditure and sanitation. The government assists the new development with all its power, but if the peasant is driven, he will not permanently maintain the higher level of practice. Only what he does himself will be permanently done. He must learn how to learn. A real interest in government lies far ahead. The village is still the

world to many peasants, and though the ancient council of elders, so often pictured as the parliament of a Golden Age, was probably as uneven in its justice as any other primitive institution, it really meant government to the people of ancient India, and its reconstitution in a modern form would do more to create Home Rule in the peasant's eyes than the most grandiose of national assemblies. Village councils or "panchayats" have been brought into existence in the majority of Indian provinces, and function with varying success. They dispose of petty civil and criminal cases, and have the power to levy a local tax for sanitation, lighting, or road maintenance. Taxation, however, is unpopular and is seldom imposed. Even the county or town authorities (district boards and municipal councils) which for fifty years have been endeavoring to teach the principles of local government, undertake fewer duties and raise lower taxes than advanced countries. A comparison by a rural economist of Kanatalapalhi village in Madras with Torre San Patrizio in Italy showed that the total of local rates in the former amounted to \$80 and in the latter to \$3,000. Similarly, Major Jack found the rates of a Bengal village to be 8 cents per head while those of a Japanese village were \$3 per head. Local government in India, then, is modest in its enterprises. Schools, hospitals and metalled roads are fewer in proportion to the population than in Europe or America, because the peasant does not yet recognize the advantage of taxing himself to obtain them. His reluctance is due to his ignorance and poverty, neither of which can be removed except by means of these same instruments with which he will not equip himself. There is thus a vicious circle, which cannot well be broken at one point, but only contracted by patient pressure from all the forces of enlightenment.

Nationalism is always shortsighted, having narrowed its gaze to a single goal of ambition. In Egypt, China and India alike the enthusiast shouts for freedom, too often postponing the battle against internal evils until the foreign question has been settled. The danger is that when the national leaders are victorious, and their country is in their hands, they may find it impossible to apply to their own backward people the democratic or parliamentary principles which they themselves genuinely admire. They are thus compelled to establish an oligarchy which it is difficult for mortal men afterwards to relinquish. India will be confronted with that obstacle. The peasant feels a

strong interest in village affairs and a mild concern at the proceedings of the county body, but pays very little attention to provincial and national councils except when his own taxation or the rival claims of religions come under discussion. The former at least is a good basis for political thought, but insufficient for national purposes. A country must be governed, even when it is self-governing, and at the present moment the villager tends to look on government as an automatic business in the hands of remote persons with whom he need not interfere except on the two occasions described. The budget of a Nationalist financier, deprived of the land tax, the salt duty, and the liquor excise, will be a brilliant study in high tariffs, since no practicable reduction of the army or of the pay of officials can make up the deficit. And since the importation and consumption of luxuries is not enough to yield a large customs revenue (in addition to the 30 percent duty already paid), the high tariff must be laid on articles of general consumption and will be paid by the villager! When the villager realizes this, he will understand his part in government.

Two further measures would help the peasant to become a politically-minded citizen. He is ordinarily illiterate, and may be misled in political matters by a vernacular newspaper (recited in the village meeting house) or by a partisan orator. Propaganda reaches him by accident, and both sides are rarely presented to the same man. A national radio system, sending out the views and opinions of all parties under the control of an impartial board, and connected with a communally owned receiver in the meeting house, would give him genuine education, and there should be no difficulty in raising village subscriptions to pay for the installation.⁵ The peasant knows that he is ignorant, but he does not feel assured that schoolteaching will give him the knowledge that he wants. Oral instruction by radio in the evening is likely to appeal to him. Radio advertisement, incidentally, will of course be strictly taboo. The villager requires no higher standard of life at present; the result of a rise would be further debt, not higher production.

The second measure is of a constitutional nature. India is hampered not only by a great variety of religions and races but also by a multiplicity of tongues. The legislative council of

⁵ The Indian Broadcasting Corporation, after failure as a private company, has recently been placed under a public utility board but has not yet embarked on rural propaganda as outlined above.

every province includes men who speak not only different dialects but substantially different languages. The result is that though a representative who knows only his own vernacular language is entitled to have every speech, question and resolution translated for his benefit, he is unwilling to delay the work of the council to this extent; and since the majority of the urban members know and speak English, a rural man of equal intelligence but less formal education finds himself helpless. He surrenders his seat at the next election to an urban man with a technical rural qualification.⁶ Now urban men do not really represent the Indian village. They lack familiarity with agricultural details, their mental approach to a new problem is quicker, more versatile, less balanced. The village should be represented in the legislature by rural men, and these will be men who know little English. The provincial legislature, then, must speak the vernacular, and this is only practicable if the vernacular is the same for all members. Provinces should be reshaped along linguistic lines, so that the rural leader may suffer no embarrassment from his lack of English. The normal tongue in use will be that which he uses at home.⁷ The rural man will then speak freely, his numbers will enable him to dominate the legislative bodies, he will educate himself in politics and broaden his outlook, and in provincial government at least the Indian village and the villager will come to their own.

⁶ For similar reasons the villager was scarcely represented at the Round Table Conference. There were a few big land owners, several lawyers of rural origin, and a crowd of patriotic townsmen. The Congress party, if present, would have been no better.

⁷ It is assumed that in a self-governing India the British officials who remain will conform to the same rule of procedure.

THE FOREIGN STAKE IN CHINA

By George H. Blakeslee

FOR some centuries foreigners have been gradually expanding their trade with China and increasing their investments there. They have built western cities in that eastern land, they have constructed railroads, founded banks, placed their steamships upon the interior rivers, and established strong commercial companies. The rivalries of foreigners during the past hundred years to obtain economic privileges, concessions and spheres of influence have led to at least five wars and constitute a substantial chapter in the story of modern diplomacy. The conviction has been widespread, and still exists, that China offers rich rewards to traders and investors of other lands. Even in our own country there are many who would agree with the oft-quoted statement of President Roosevelt that "our future history will be more determined by our position on the Pacific facing China, than by our position on the Atlantic facing Europe." In view of this belief and of the position which citizens of outside countries have won for themselves in China, it may be well to consider what are the actual interests which foreigners possess there, and the financial value of these interests.

The size of the foreign stake of each country in China depends largely upon the amount of its investments and its trade. But the importance of this stake to each country is measured by the proportion which its China investments and trade bears to its total foreign investments and trade.

The British and the Japanese have the largest investments in China, each having a total in the neighborhood of \$1,250,000,000.¹ The Russians are generally ranked third, although there is great difficulty in making an estimate of the value of their holdings, due in part to the meagerness of the data, and, in even greater measure, to the uncertainty whether their chief asset, the Chinese Eastern Railway, should be valued upon the basis of the original cost of construction, upon the total amount of money expended, including annual deficits, or upon the present cost of reconstruction. With this explanation, their investments might be placed anywhere from \$200,000,000 to \$400,000,000. American investors come next, although, in the opinion of some, they

¹ All figures are in American gold dollars unless otherwise stated.

should be rated above the Russians; their holdings amount to about \$250,000,000.

The total of the investments made by all foreign countries in China is estimated by Dr. C. F. Remer to be approximately \$3,000,000,000. Viewed by itself this is a large sum of money; but when compared with foreign investments in certain other undeveloped countries it is only a moderate amount. It is, for example, less than three-fourths of the investments which Americans alone have made in Canada. The investments made by the British, while important and substantial, are less than those which they have made in a single Latin-American country, Argentina. Our American investments in China, although they have increased strikingly in the past two years, are noticeably small in comparison with our holdings in several other countries. They amount to less than $1\frac{1}{2}$ percent of our total foreign investments, according to the statistics of January 1931; only $4\frac{1}{4}$ percent of those which we have made in the countries to the south of us; and only $5\frac{1}{2}$ percent of our holdings in Canada. On the other hand, Japan's investments, while practically the same in amount as the British, are much more important to Japan than the British are to Great Britain, for practically all of Japan's foreign investments are in China.

The most complete data for the British investments appear to be those collected by the Royal Institute of International Affairs, in preparation for the Conference of the Institute of Pacific Relations held at Kyoto in October 1929. To supplement information already available, questionnaires were sent to British firms in China, a large majority of which returned the desired information. It was found from these reports that the British investments amounted to at least £190,000,000; and it was estimated, after making proper allowance for the investments of the firms which did not answer the questionnaire, that the total was approximately £260,000,000 (\$1,264,900,000). These British investments center in Hong Kong, a British possession, and in the cities of the Yangtze valley, especially in the International Settlement at Shanghai. The substantial character of these investments may be seen from the extent of the British real estate holdings which are estimated to amount to \$400,000,000. In addition there is the value of the buildings, many of them imposing structures: banks, offices, and factories. The British share in the Chinese Government loans amounts to about \$165,000,000;

investments in railroads to \$95,000,000; and in mines to \$10,000,000. The importance of British participation in shipping is shown by the fact that in 1929 over 44 percent of China's coast-wise trade was carried in British steamers. These investments of Great Britain form an important economic and financial stake in China, and to one visiting Hong Kong and Shanghai they are most impressive; yet they total less than the British investments in some other countries, and considering the enormous size and population of China they are not relatively large.

As to the Japanese investments, there have been several recent studies which are in general agreement, and which are more detailed and complete and therefore presumably more accurate as to totals than the estimate of British investments. Mr. Odagiri, Director of the Yokohama Specie Bank, in 1929 placed Japanese business investments and loans in China at \$1,264,815,000. A more recent estimate, based in part upon the statistics of the Research Department of the South Manchuria Railway Company and of the Japanese Creditors Association for China, places the total at \$1,271,769,000 (figuring the value of the yen at 50 cents). Some three-fourths of these investments are in South Manchuria, where Japan has her leased territory, including Dairen and Port Arthur, and her South Manchuria Railway. While the railway itself is Japan's chief asset, she has, in addition, large interests in coal and iron mines, steel mills, factories and hotels. The coal and iron mines are of particular importance to Japan, in view of her lack of those mineral resources which are so essential to the life of an industrial nation. In 1927, 91 percent of the iron ore produced in China, including Manchuria, came from properties which are under Sino-Japanese control; and most of this, either as ore or as pig iron, is consumed by Japanese industries. As for coal, the Fushun colliery, operated by the South Manchuria Railway Company, is the largest open cut coal mine in the world, and will be able to supply any deficiencies in the Japanese market for many years to come. Outside of Manchuria, Japanese investments are increasing in Shanghai and in other central and northern Chinese ports such as Tientsin, Hankow and Tsingtao, where Japanese firms are in active competition with other foreigners and with the Chinese. In shipping, the Japanese are second only to the British. But it is in cotton manufacturing that Japanese interests have been developing most rapidly. In January 1930, Japanese owned and operated 43 cotton mills in

China which had a capitalization of over \$120,000,000, and contained 39 percent of all the cotton spindles in that country. These mills are making greater profits than the Chinese factories or than similar cotton mills in Japan. Viewed as a whole, Japanese investments appear to be in a different class from those of other countries; they are not a financial luxury, but seem to be essential for the maintenance of the present economic status of Japan.

Russia's investments, which are largely limited to central and northern Manchuria, consist for the most part of the Chinese Eastern Railway, that section of the Trans-Siberian Railway which runs through Chinese territory. In the old Tsarist days Russia poured money into Manchuria with a lavish hand. A group of foreign experts in Manchuria during the World War estimated that Russia's total investments in China had amounted to about \$750,000,000. But a large proportion of this stake has been lost — the railway from Changchun to Port Arthur, now known as the South Manchuria, to Japan, and the treaty-port concessions in Tientsin and Hankow to China. The present value of Russian investments is estimated by the Far Eastern Economic Research Foundation of Tokyo at about \$232,000,000. The chief problem in regard to Russian investments is to determine a proper valuation for the Chinese Eastern Railway, a task which at present, due to the Sino-Soviet negotiations now taking place at Moscow, has political as well as economic importance. According to the original contract agreement in 1896, the Chinese Government was given the privilege, after 36 years from the opening of the road, "to buy back this line upon repaying in full all the capital involved, as well as all the debts contracted for this line, plus accrued interest." This provision was supplemented by the Sino-Soviet Agreement signed at Mukden in 1924, which stipulated that China might at any time redeem "the said railway with Chinese capital, the actual and fair cost of which to be fixed by the two contracting parties." The cost of the actual construction of the railway has been variously estimated, the greater number of estimates lying between \$175,000,000 and \$200,000,000, the latter sum being the approximate figure of the Chinese Eastern Railway statisticians. But construction cost does not include the additional expenditures made by the Russian Government, especially the unpaid interest on the railway bonds held by Russia, and the many annual deficits which were paid out of the Russian Treasury. In 1921, a well qualified official, who was in a

position to know the facts regarding the finances of the Chinese Eastern Railway, estimated that the Company was then indebted to the Russian Government to the extent of about \$425,000,000, including interest. More recent estimates place the total investment of the Russian Government in this road, including unpaid interest, advances for deficits, and other payments up to 1924, at well above \$500,000,000. On this basis the valuation, as of 1931, including unpaid interest, would be much higher. But much of this money, even of the sums included in the construction costs, was spent for purposes which can hardly be charged to the railway, such as expenditures for schools, churches, police, railway guards and the construction of the Russian section of the present city of Harbin. If the value of the road be placed at the present cost of replacement, it has been estimated that \$50,000 a mile, or a total of approximately \$50,000,000 would be ample. An additional factor, increasing the difficulty, is that the Chinese Government, according to the Sino-Soviet Agreement of Mukden in 1924, is to come into complete possession of the railway, without cost, sixty years after the opening of the line in 1903. That is, China will have a legal title to the road, in any case, in 1963. It is surely a problem for banking experts to determine the present value of Russia's investment in the Chinese Eastern Railway, when within 32 years this investment will cease to be Russian and will become Chinese.

American investments in China are comparatively small, amounting to scarcely one-fifth of those of either the British or the Japanese. The total is probably in the neighborhood of \$250,000,000, although some estimates would place it not much over \$200,000,000. The difficulty in determining the exact amount is due both to lack of detailed data, especially in regard to missionary investments, and to uncertainty as to the items which should be included under the term investment. The National Foreign Trade Council, of New York, estimated the total investments of Americans in China, in October 1930, at approximately \$265,000,000. The total was composed of business investments, \$125,000,000; missionary and other non-commercial investments, \$75,000,000; and loans and debts, \$65,000,000. This estimate is in general harmony with one made by the Department of State in December 1927, which placed business investments at \$95,000,000, and philanthropic and missionary at \$52,000,000. The latter estimate, which did not deal with loans or debts, was con-

servative at the time, for it did not include American funds placed in business enterprises which were owned by other than Americans, or in missionary and philanthropic properties which were registered as Chinese. Since the report was made between \$40,000,000 and \$50,000,000 of additional American money has been invested in business in China. The Department of Commerce in November 1930 issued a bulletin summarizing American direct business investments in foreign countries, which placed such investments in China at \$113,754,000; but the bulletin concerned itself solely with one class of business investment, and to its estimate there should be added at least a sum between \$20,000,000 and \$30,000,000, representing the direct business investments of American citizens residing in China, which were not included in the report. Recent estimates of unpaid loans and debts vary from about \$30,000,000 to \$65,000,000. For general and comparative purposes, it is adequate to place America's investment stake in China, including business, mission, and philanthropic investments, and loans and debts due from the Chinese Government, at between \$200,000,000 and \$250,000,000, with the probability that the latter figure, all factors included, is nearer the correct total.

These business investments are largely in Shanghai, the economic and financial center of China, although there are American interests also, of smaller value, in Tientsin, Hankow, Mukden, Hong Kong, Canton and other cities. Until recently the leading investment has been in the petroleum business; six American petroleum companies, with the Standard Oil Company of New York in the lead, have a total direct investment in China amounting to nearly \$43,000,000. During the past three years, however, American capital has entered China in larger amounts, especially in the public utility field. In 1929 the American and Foreign Power Company purchased the municipal electrical properties of the International Settlement of Shanghai for 81,000,000 taels. At the time this was equivalent to \$53,678,700, but due to the rapid decline in the value of silver and the consequent depreciation of the tael the purchase has been completed for approximately \$32,000,000. The International Telephone and Telegraph Company, in 1930, purchased the Shanghai Mutual Telephone Company, which operates in the International Settlement and the adjoining French Concession, and plans to expend some 22,000,000 taels on immediate improvements. American interests

have also taken the lead in commercial aviation. A Sino-American company, the China National Aviation Corporation, with a capital of \$10,000,000 (silver), has obtained the contract to carry mail and passengers on the leading routes in central China: from Shanghai via Nanking to the upper Yangtze cities; from Shanghai via Tsinan and Tientsin to Peiping; and from Shanghai, with intermediate stops, to Canton. The main routes provided for in the contract are already in operation, and have become highly popular.

American missionary and philanthropic investments are much larger than those of any other country. Estimates of the total investments vary from \$52,000,000, made by the Department of State in December 1927, to from \$70,000,000 to \$80,000,000, made by several more recent investigators. A further idea of the missionary and philanthropic stake may be gained from the total of the annual gifts from America. The amount recently expended in a single year by American Protestant missionary societies in China is stated by the secretary of the Foreign Missions Conference of North America to be about \$6,400,000. The statistics, with the exception of those for one society, are for the year 1929. These figures do not include the Roman Catholic missionary expenditures, nor the sums for such philanthropic work as that of the Peking Union Medical College, which represents an investment of some \$10,000,000, nor such gifts as that of the Rockefeller Foundation to the China Medical Board in 1928, which amounted to \$12,000,000. In the latter case, however, the endowment fund was not invested in China.

The foreign trade of China for 1928 and 1929 each year exceeded \$1,500,000,000. About three-fourths of this total was divided between Japan, the United States and the British Empire, in the order named. From the official figures of the Chinese Maritime Customs, however, it would appear that the British Empire has the largest share, provided Hong Kong be included with Great Britain, the Dominions, and the other parts of the Empire. These figures give the British Empire, for the four years 1925-28, an average share of China's trade of 31 percent; Japan with Korea, 29.9 percent; and the United States, with the Philippines, 16.5 percent. But Hong Kong is a distributing center for the commerce of all countries; and it has long been realized that in order to ascertain the actual amount of the trade of each foreign state with China it would be necessary to unscram-

ble the Hong Kong trade and credit each country with its proper share of it. During 1930, fortunately, the Government of Hong Kong began to publish reasonably adequate reports which give imports and exports according to countries of origin and destination. On the basis of these statistics, for the twelve months ending May 31, 1931, the British Empire had 16 percent of the total Hong Kong trade; Japan, 8.7 percent; and the United States with the Philippines 6.9 percent. Although these returns are not regarded as complete, they doubtless give a fairly accurate idea of the proportion of the trade attributable to these three leading countries. If then the 84 percent of the Hong Kong trade which is non-British be subtracted from the total China trade credited to the British Empire, and the proportionate shares of the Hong Kong trade belonging to Japan and to the United States respectively be added to the figures of their trade with China, it would appear that Japan leads in the China trade, with the United States and the British Empire almost tied for second place.

But there is a further factor which makes it evident that the actual amount of American commerce is even greater than it would seem to be from this computation: goods sent from America to China by way of Japan are often credited in the Chinese Customs statistics to Japan rather than to the United States. An illustration may be found in the exports of raw cotton. In 1927 Japan was credited with exporting some 200,000 bales of cotton to China, but since Japan produces no cotton these bales must have come largely from America and India. Mr. Julean Arnold, American Commercial Attaché in China, has estimated that the American trade which was credited to Japan amounted, in 1928, to about \$30,000,000.

The money value of the China trade of each of the three leading countries, as compiled from their commercial statistics for 1929, which include their direct trade with Hong Kong and South Manchuria, is as follows: Japan, \$500,000,000; United States, \$338,000,000; Great Britain, \$160,000,000. One is impressed by the fact that America's trade is surprisingly large in comparison with its investments in China, and that Great Britain's is noticeably small.

Of greater significance, however, than the money value of the annual trade with China, is the proportion which this trade bears to each country's world commerce. In 1929 the trade of Japan

(including Formosa and Korea) with China was 24.4 percent of her total world trade; that of the United States, only 3.5 percent; that of Great Britain, only 1.6 percent. Japan's stake in the China trade is therefore seven times more important to her than America's China trade is to America, and fifteen times more important than the British China trade is to Great Britain.

The trade of other countries with China is relatively small. But that of Soviet Russia deserves consideration; it has been increasing recently, causing much anxiety in commercial circles. Statements are frequently made that north and central Manchuria are being flooded with Russian products at lower prices, considering quality, than Chinese, Japanese or other foreign imports, and that Soviet contracts are pending with the Nanking Government for great quantities of petroleum at prices which other importers can not meet. But the last published commercial statistics should not be disturbing to anyone. For 1928 and 1929, the Sino-Soviet trade amounted to only 5.4 percent and 5.5 percent respectively of the total Chinese foreign trade, a much smaller percentage than Russia enjoyed before the World War. It is true that Soviet Russia dominates the commerce of Mongolia and Chinese Turkestan and that it may come to provide the greater part of the imports along the Chinese Eastern Railway. It may even challenge the foreign firms in other parts of China, especially in the petroleum field. But at present its trade is not proportionately large.

The question naturally arises whether it is desirable or possible to increase the stake which the foreign nations now hold in China. So far as investments are concerned, China needs substantial amounts of money for railroads, motor roads, public utilities and factories, but large foreign loans will probably be delayed until adequate financial security can be given, and that will depend upon peace and stability of government. As for trade, it has long been common to draw an alluring picture of the commercial possibilities of China. Anyone with pencil and pad can figure out startling results by multiplying some single small purchase by 450,000,000. One is reminded of the oft quoted suggestion that if every Chinese should wear a gown one inch longer, the increased demand for cotton cloth would be enough to keep all the cotton mills in America busy for a year. Equally hopeful is the recent estimate of the happy results for the United States should each Chinese be persuaded to buy one California prune each week! One

can prove that if the people in China should each buy an additional five dollars' worth of American goods a year, it would add some seventy-five percent to the total exports of the United States. And these optimists can point to the encouraging increase in the total foreign trade of China, which has developed from 158,000,000 taels in 1880 to 2,397,000,000 taels in 1929. But the pessimists, or higher critics as they would prefer to be regarded, insist that the exceptionally low economic level on which the mass of the Chinese live, and the disturbed political conditions in China, make any notable increase in the purchasing power of the Chinese highly improbable — at least in the near future. Foreign exporters, however, still seem to be optimistic, for trade commissions have gone to China during the past year from Great Britain, Japan, Germany and Canada, attempting to lay the foundation for the hoped-for commercial expansion of the future.

Any increase in trade, however small, would be appreciated by each of the industrial nations, including our own, but the one country to which its investments and trade in China are of supreme importance is Japan. Count Uchida, when Minister for Foreign Affairs, stated in the Diet that Japan, with a large population in a small territory, could only insure her existence by economic coöperation with China; and Viscount Ishii, in his recent Memoirs, writes, "Japan can not exist without China." The Japanese view of her stake in China, as compared with that of her leading economic competitors, was well expressed to the writer by one of the foremost Japanese diplomats, who said, "Japan's interests in China are vital; British interests in China are substantial; American interest in China are" — then he hesitated, and thinking doubtless of our missionary and philanthropic investments, smiled and added — "sentimental."

I. FOREIGN INVESTMENTS IN CHINA

(approximate)

Great Britain	\$1,250,000,000 ¹
Japan	\$1,250,000,000 ²
Soviet Russia	\$200-400,000,000 ³
United States	\$250,000,000 ⁴

¹ Based upon estimate of a committee of the Royal Institute of International Affairs, 1929. See W. J. Hinton, "Present Economic and Political Position of Great Britain in China," *The Annals*, Vol. 152, Nov. 1930; D. K. Lieu, "Foreign Investments in China," Shanghai, 1929.

² M. Odagiri, "Japanese Investments in China," 1929, a pamphlet published under the auspices of the Japanese Council of the Institute of Pacific Relations; M. Odagiri, "Japanese Loans to

II. FOREIGN TRADE OF CHINA, 1927-1929

(in million *haikwan* or *customs taels*)¹

	1927	1928	1929
British Empire			
Great Britain	133.06	174.82	193.48
British India	64.58	66.68	72.29
Canada	14.15	17.76	40.63
Australia and New Zealand	1.92	3.48	7.13
South Africa	0.33	0.38	0.55
Straits Settlements	32.54	32.00	35.44
Total	246.58	295.12	349.52
Hong Kong	382.27	408.20	388.06
Japan (including Formosa)	502.63	547.89	579.56
Korea	75.57	64.70	55.44
United States	288.54	332.74	368.67
Philippines	10.63	11.62	12.59
Russia	99.76	118.28	75.35
France	66.13	93.62	74.50
Germany	59.70	78.52	89.53
Grand total direct foreign trade	1,931.55	2,187.32	2,281.46

¹ The average value of the *haikwan* tael in American money was as follows: in 1927, \$.69; in 1928, \$.71; in 1929, \$.64.

China," *Far Eastern Review*, March 1931; Toshi Go, "Japanese Investments in China," *ibid*; R. H. Akagi, "Japan's Economic Relations with China," *Pacific Affairs*, June 1931; D. K. Lieu, *op. cit.*; "Second Report on Progress in Manchuria to 1930," Dairen, 1931, p. 55-6.

² Chinese Eastern Railway, "Statistical Year Book," 1929; "China Year Book," 1931, p. 209; M. Bakhmetieff, "The Issue in Manchuria," *Slavonic Review*, Dec. 1929, p. 308; D. K. Lieu, *op. cit.*; "Second Report on Progress in Manchuria to 1930," p. 33-4. Certain figures in the text were kindly furnished by Dr. C. Walter Young and Mr. Toshi Go.

³ C. F. Remer, "American Investments in China," Honolulu, 1929; P. D. Dickens, "American Direct Investments in Foreign Countries," Washington, 1930; M. Winkler, "Prosperity and Foreign Investments," Foreign Policy Association Information Service, May 1930; *ibid*, "America's Stake Abroad," Feb. 1931. Much of the data has been obtained by personal correspondence.

ITALY'S ENTRANCE INTO THE WAR

LA NEUTRALITÀ ITALIANA (1914), L'INTERVENTO (1915): RICORDI E PENSIERI. By ANTONIO SALANDRA. Milano: Mondatori, 1928-30, 2 vols., pp. 478, 386.

By Sidney B. Fay

"THE Italian Government will employ all its efforts to preserve the peace; and, in case of war, it will begin by adopting a waiting attitude and will finally join the camp toward which victory will incline."¹ This shrewd prophecy, made in 1912 by M. Poincaré to the Russian Ambassador in Paris, was precisely realized in 1914-15. It was an easy logical inference from the secret engagements, hardly reconcilable with one another, which Italy had entered into on the one hand with the Central Powers, and on the other with France in 1902 and with Russia in 1909. It seemed to sum up the policy of *sacro egoismo*, to use Signor Salandra's later phrase.

But did Italy really use the terrible struggle of her engulfed neighbors to extort, "by blackmail" as Count Berchtold said, the best possible bargain for her own selfish interests by secretly bidding up one group of Powers against the other? Was she pushed into the war by Italian public opinion, or by the nationalist newspapers, or by pressure and bribes from the Powers opposed to Germany and Austria? Or was she deliberately led in by a resolute ministry, perhaps against the wishes of the parliamentary majority if not of the Italian people, at a moment carefully selected so as to give widest realization to Italy's national aspirations? And could Austria, by making more timely and more generous concessions, as urged by Germany, have held Italy to her own side, or at least have prevented her from going over to the side of the enemy?

These questions and many others are greatly illumined, if not absolutely settled, by Signor Salandra, the Prime Minister from March 1914 to June 1916. His memoirs in many respects resemble Sir Edward Grey's "Twenty-five Years." Like Grey, he is charmingly disarming in his admission that he may have made mistakes and in his effort to present events as they seemed to him at the time they occurred rather than to justify his actions in the light of later developments. He insists frequently that he is not writing an apologia but a contribution to history. Like Grey also, he is

¹ René Marchand: "Un Livre Noir." Paris: 1922, Vol. I, p. 365.

generously free from personal rancor and post-war vindictiveness. He rejected in 1914 "the legend that the war had the character of the defense of the democracies against imperialist militarism," put forward as propaganda by Italians who urged immediate intervention on the side of France; and he condemns as lacking in moral and juridical force the clause in the Treaty of Versailles which makes Germany and her allies alone responsible.²

Salandra's two volumes, taken as a whole, deal mainly with three topics: his Cabinet's immediate declaration of neutrality; its eight months' work of moulding public opinion, of making ready the woefully deficient army, and of negotiating secretly with both groups of Powers to secure the fullest possible realization of Italy's aspirations; and, finally, the internal Cabinet crisis of May 1915, after which Italy at last abandoned neutrality and entered the war.

Though Italy and Austria had been allied for more than thirty years the long-standing hostility between them had increased rather than diminished in the opening years of the new century. The mutual hatreds arising from the wars of the Risorgimento still lived and were further inflamed by Austria's unsympathetic treatment of her Italian subjects, by the failure of Hapsburgs to return Italian royal visits, by Italy's flirtation with France and Russia, by the Libyan War, and above all by rival ambitions in Albania, the Adriatic, and other parts of the Near East. To prevent these Balkan rivalries from disrupting the Triple Alliance, the two Powers had adopted in 1887 as part of the Treaty of Alliance the famous Article VII. This provided that if either Power found it necessary to modify the *status quo* in the Balkans "by a temporary or permanent occupation, this occupation shall take place only after a previous agreement between the two Powers, based upon the principle of a reciprocal compensation for every advantage, territorial or other, which either of them might obtain beyond the present *status quo*." These were the two essential points: a previous agreement and reciprocal compensation.

In 1914, however, Count Berchtold, and still more his intransigent ambassador in Rome, Mérey, were convinced that Italy would disapprove their plan for destroying once and for all the menace to the very existence of the Dual Monarchy arising from the Greater Serbia propaganda and the Sarajevo assassination. They even feared that if they divulged their plan to Italy

² Salandra, Vol. I, pp. 138, 194 ff.

beforehand Rome would let hints of it leak out at Belgrade and St. Petersburg, and so thwart its success. They therefore failed to observe the "previous agreement" stipulation in Article VII.

On the afternoon of Thursday, July 23, slightly before the fatal ultimatum was handed in at Belgrade, an Austrian official announced to the Consulta in Rome that Austria was making demands on Serbia as a result of the judicial inquiry at Sarajevo, and was insisting on a reply within forty-eight hours, "for we cannot tolerate the habitual procrastinations of the Belgrade Cabinet." What these demands were was not indicated; they would be published next day. It happened that San Giuliano, the Italian Minister of Foreign Affairs, and Flotow, the German Ambassador to Italy, had left the capital because of the heat and sickness, and had sought coolness and repose at Fiuggi. Here San Giuliano learned by telephone of the Austrian communication, and at once begged Salandra to come there for a conference. Salandra came. Next morning, July 24, while he was conversing with San Giuliano and Flotow, a telephone call from the Consulta announced that the Austrian official had brought the text of the ultimatum. It was read over the telephone and written down, sentence by sentence, by a secretary. The three men turned pale as they listened. They had visions of an imminent catastrophe. When Flotow said that until that moment he himself did not know the text of the ultimatum, adding "Vraiment, c'est un peu fort!" the two Italians doubted whether he was telling the truth. But documents published later, as Salandra justly recognizes, show that Flotow was in fact telling the truth. So great had been Austria's precautions, even toward the ambassador of her own German ally.

San Giuliano and Salandra, after long conversation with Flotow, decided at once upon the attitude they would adopt. That same day they telegraphed to their sovereign, and to the Italian ambassadors in Vienna and Berlin, that Austria, according to the spirit of the Triple Alliance, had no right to take such a step at Belgrade without previous agreement with Italy; that the ultimatum by its terms and its tone was an act of aggression and provocation toward Serbia and indirectly towards Russia; and therefore, if it resulted in a European war the *casus foederis* did not arise and Italy was not bound to aid Austria. But at the same time they added significantly that this "does not exclude the

possibility that it might suit us to take part in a possible war whenever this should correspond with our vital interests.”³

In a supplementary telegram to Victor Emmanuel the same day they sought his approval of their policy for the moment: no *casus foederis* obligation to Austria; not even diplomatic support until Berchtold accepted Italy's interpretation of Article VII concerning reciprocal compensation; hands free in both directions; and the securing of compensation in case of a possible, “but not probable,” participation in a general war, a participation to be decided freely, pro or con, in due time. During the following days they did their best to avert a general conflagration. They accepted with alacrity all of Sir Edward Grey's proposals for preserving peace. They made an excellent proposal of their own, which unfortunately was submerged in the precipitate course of events.

At the same time they were weighing the pros and cons of joining one side or the other in case of war, and concluded that the dangers and uncertainties in either direction were too great. Moreover, Austria, in spite of urging from Germany, had hesitated to accept Italy's interpretation of Article VII. Italy had declared that the only satisfactory compensation would be a cession of some of the irredentist regions still under Austrian rule, such as the Trentino. But Berchtold stubbornly refused to consider for a moment giving up an inch of the Hapsburg heritage.

Accordingly on July 31, as Austria had already declared war on Serbia, the Italian Cabinet virtually decided on neutrality, though the decision was not published until the following day. During the Cabinet meeting, Barrère, the able French Ambassador in Rome, passed in a note urgently requesting a word with San Giuliano. The latter left the meeting for a moment and gave Barrère a reassuring hint, if not a definite statement. This enabled the French, who ordered general mobilization next day, to shift their troops from the Alpine frontier to the north for use against Germany.

Salandra's adoption of neutrality had at first the approval of the great majority of the Italian people, stunned and confused as they were by the appalling events. Hardly a soul wanted to take up arms in support of the detested Austrians, now guilty of an aggression against Serbia without previous agreement with Italy and followed by such terrible consequences. But during the next

³ Salandra, Vol. I, p. 77.

weeks and months the Italian people, unenlightened by the close-mouthed Cabinet which preferred secret action to public talk, gradually divided into three groups as to the policy which they thought the Cabinet ought to follow.

The Absolute Neutralists wished to adhere permanently and unconditionally to the policy of peace. They were comprised mainly of the official Socialists and the Vatican Roman Catholics, alike in having international ideals and affiliations though otherwise at opposite poles.

Opposed to the Absolute Neutralists were the Interventionists, who believed that Italy should take advantage of the opportunity to join the Allied side and complete the work of the Risorgimento by routing Austria and thereby getting all of the Trentino, Trieste, Dalmatia, the domination of the Adriatic, and even further advantages. This group was made up of Republicans and Freemasons who by tradition were sympathetic with France; of Nationalists, more numerous among the professors, students, and educated classes than among the illiterate masses; and of the Reformed Socialists, together with a small fraction soon led by Mussolini, which split off in September from the official Socialists and were more inspired by nationalism than internationalism.

Between these two groups were the Conditional Neutralists, who believed, as proved to be the case, that Austria, as a bribe to keep Italy neutral, would eventually be willing to grant "something," even if not everything which the Interventionists claimed. They preferred to get something in this way rather than to run the frightful risk and cost of descending into the arena. Only in case it proved impossible to get "something" would they be willing eventually to abandon neutrality. This group was made up of bankers and industrialists who had borrowed heavily from Germany and feared devastating economic losses; of many Roman Catholic patriots who disliked Republican France but were not close adherents of Vatican policy; and of a great many members of Parliament and officeholders, political opponents of Salandra, who owed their position to his predecessor, Giolitti, and looked for Giolitti's early return to power. In fact, these Conditional Neutralists were often known as Giolittians, especially after the publication of Giolitti's famous letter on January 24, 1915, urging the possibility of getting "something" (*parecchio*) with the aid of Count Bülow, who had recently come on a special mission to Rome. The aims of each of these three groups was ardently

championed in their respective newspapers,⁴ and frequently gave rise to serious demonstrations. The suppression of these and the preservation of public order was one of the many difficult tasks to which the Salandra Cabinet had to address itself.

Meanwhile, during the summer of 1914 the Prime Minister and San Giuliano pursued in secret their purposes, little influenced by public opinion and not even always consulting their colleagues very fully. They were both convinced, and their conviction was shared by Cadorna, the Chief of Staff, that for the time being it would be suicidal for Italy to intervene, because of the deplorably deficient state of the Italian army. A considerable part of the forces were still in Africa, and it soon became painfully clear that, even for the rest of the army in Italy, the munitions and other supplies used up in the Libyan War had never been properly replaced. The work of refurnishing and enlarging the army would take months, and this made it impossible for Italy to enter the war before the spring of 1915. Otherwise Northern Italy would run the risk of being overrun by Austrian troops and the Italian army would have to withdraw from the frontier. Better an active neutrality than an inactive war.

While devoting themselves to the prime task of preparing the army, the two men did not fail to sound out secretly the diplomatic possibilities, being careful not to tie their hands in either direction. On August 11, while the German armies were sweeping through Belgium, they made the sibylline declaration in London: "The Italian Government, out of loyalty to Austria and Germany, desires eagerly to maintain a scrupulous and impartial neutrality; but, in view of the dangers which may derive to Italy from a change of equilibrium in the Balkans, in the Adriatic, in the Mediterranean, and in Europe in general . . . it believes it possible that it ought to decide to participate in the war along with England, France and Russia."⁵ To Poincaré this sounded like a bid to have the English and French fleets destroy the Austrian navy in the Adriatic.⁶ But for various reasons no formal negotiations for intervention resulted immediately from the Italian declaration. England and France deemed it wiser not to press Italy too strongly for the time being. At St. Petersburg,

⁴ Cf. Gabriel Maugain: "L'Opinion Italienne et L'Intervention de L'Italie dans la Guerre Actuelle." Paris: Champion, 1916. Giuseppe Bruccolero: "Dal Conflitto Europeo alla Guerra Nostra: Diario di un Giornalista." Roma: Italia 1915.

⁵ Salandra, Vol. II, p. 152.

⁶ Raymond Poincaré: "Au Service de la France." Paris: Plon, 1928. Vol. V, p. 78 ff.

however, Sazonov, the Minister of Foreign Affairs, was full of zeal and projects (at first) for securing Italy's aid to relieve the Austrian pressure on the Russian and Serbian armies. But he was gradually restrained from London and Paris. Formal negotiations for Italy's intervention did not begin until March 4, 1915, when she presented at London the detailed proposal which became the basis for the Treaty of London.

In the negotiations with Austria, Berchtold grudgingly consented to accept Italy's interpretation of Article VII, as San Giuliano was informed on August 1. But this did not result in any immediate active steps to give the interpretation a practical application by defining the precise compensation which Italy should receive. Both parties preferred to let the subject drop for the time being, Berchtold because he foresaw that Italy would demand far more than he would be willing to concede, and Italy because she feared that the thorny question might lead to a diplomatic rupture before the Italian army was ready.

Salandra seems to have been convinced, and quite rightly, that Austria would never grant — unless completely defeated — all that he was determined Italy should receive to fulfil all her national aspirations. The Battle of the Marne convinced him that France and her allies would ultimately win, since the German strategic plan had failed, and with the continuance of the war the advantages would be increasingly on the side of the greater sea-power and man-power of Germany's enemies. Therefore he must secure from the future victors full promises of the rewards which Italy would receive in compensation for the risks and costs which she would incur by taking up arms against the Central Powers. With this in view he drew up a detailed statement of Italy's conditions, and sent it on September 25 to his ambassador in St. Petersburg for his comments, but not for presentation to Russia and the other Allies until later. Salandra does not mention this in his memoirs, but we know of it from the Bolsheviks who partially deciphered it later and published it.⁷ It is interesting because it foreshadows very closely, even at this early date just after the Marne, the program of demands which was formally presented at London on March 4, 1915, and which in turn was eventually embodied with slight modifications in the Treaty of London of April 26. When in due season he had the assent of the Allied

⁷ "L'Intervento dell'Italia nei Documenti Segreti dell'Intesa." Roma: Rassegna Internazionale, 1923, p. 49 ff.

Powers to these conditions safely in his pocket, when the army was finally ready, and when winter snows no longer made operations in the Alps impossible, he would intervene on the winning side, even though the war might still be a long one. Such was his plan. But would he be able to carry it out? Could he overcome the opposition of the Absolute Neutralists and the Giolittians who were strongly entrenched in the legislature?

Salandra was not unaware of the parliamentary difficulty, and took steps to meet it. In October he reorganized his Cabinet, replacing several weak men by stronger ones. At San Giuliano's death after long illness, he himself took over temporarily the foreign portfolio, and issued a declaration which gave comfort to all groups in the country: to the Neutralists and Giolittians by saying, "Our policy will be tomorrow what it was yesterday," and to the Interventionists by adding, "but this does not exclude, in need, readiness for action; free from preconceptions, prejudice and sentiment, we must have no other thought than exclusive and unlimited devotion to our country, to *sacro egoismo* for Italy." He then persuaded an old and tried friend to accept the Foreign Office. Sidney Sonnino, the Protestant son of a Jewish banker and a Scotch mother, was greatly respected for his ability, patriotism and wealth as well as for his wide experience and European connections. But because of his extreme reticence he was no more popular with members of the legislature than with journalists and the public. In July 1914 he had been inclined to side with Germany as the probable victor; but in November he was thoroughly in accord with the program of his chief.

At the opening of the Chamber of Deputies in December the Prime Minister was enthusiastically applauded when he spoke of the necessity of protecting Italy's vital interests and securing her just aspirations. But a couple of days later Giolitti caused even more of a sensation by stating that on August 9, 1913 (in reality on July 9) he and San Giuliano had prevented Austria from attacking Serbia by issuing a clear warning that such an unprovoked attack would be regarded as releasing Italy from the obligations of the Alliance. His statement, aside from some errors of fact, was something of an exaggeration, which may explain in part Salandra's astonishing statement that up to that moment neither he nor any of his Cabinet had ever known a thing about this welcome precedent of 1913 for the attitude adopted in 1914. Giolitti has stated in his memoirs that his only purpose in making

this revelation was to strengthen unity of feeling in Italy and justify her in the eyes of Europe, by showing that Austria had received due warning from him in 1913 of what she might expect from her action after Sarajevo. But many of Giolitti's party followers interpreted his action as a hint that he was about to open the parliamentary battle with a view of returning to power and securing "something" from Austria.

In these circumstances, and in view of Austria's extension of power in the Balkans, Salandra and Sonnino deemed it wise on December 9 to reopen negotiations with Austria in regard to Italy's due compensation under Article VII. Prince von Bülow also appeared on a special mission in Rome, where he had many influential friends, hoping to bring about an agreement between Salandra and Berchtold which would at least keep Italy neutral. He was followed by Mathias Erzberger, who represented the Roman Catholic Party in Germany and was in close touch with the Vatican. It soon appeared that it would be possible to get "something," but not at all everything which was comprised in Italy's "just aspirations." Under pressure from Germany, and with the advance of the Russians toward Przemyśl, Austria finally was willing to concede the Trentino, though she would not hear of giving up Trieste, "one of the lungs of the Dual Monarchy." But there then arose a conflict as to when effective occupation of the ceded territories should take place. Italy insisted on immediate occupation, fearing that if the Central Powers should ultimately be victorious they would not carry out the agreement, and that if they should be vanquished the victors would feel under no obligation to do anything for a country which had kept itself in a safe neutrality while they themselves were fighting a life and death struggle. Though Austria made a few further eleventh hour concessions they were not taken seriously by Salandra. He had already secured promises of far more from the Allied Powers.

Italy's formal negotiations with the other camp began on March 4, 1915, with Salandra's presentation at London of a detailed program. He was very insistent on absolute secrecy, and chose London rather than Paris or St. Petersburg because, as he says, the reputation of the British Foreign Office and its head was a guarantee against any "leak." Probably also he fixed on London because England had no direct interests contrary to Italy's, whereas France and Russia had very lively interests in

the Mediterranean and the Balkans, especially on behalf of the Jugoslavs. Salandra's program provided for: an Italian declaration of war on Austria and a mutual agreement not to make a separate peace; an immediate military and naval convention, with the coöperation of an Anglo-French fleet in the destruction of the Austrian navy; Italy's acquisition of the irredentist regions, and also a suitable part of Germany's African colonies and of Turkey, if the latter were to be carved up; a fifty million lira loan from England; the exclusion of the Pope from the peace conference; and, above all, absolute secrecy in the negotiations. After strong objections from Sazonov, and with some modifications, notably in regard to Trieste, and after Italy had given her promise to enter the war within a month after signing, this program was accepted and embodied in the secret Treaty of London signed on April 26.

Meanwhile the excitement in the country had been growing by leaps and bounds. All sorts of rumors were afloat. The feverish military preparations, the gradual calling up of soldiers by classes, and the shifting of troops to the north looked like war. On the other hand, it was known that Bülow was securing greater and greater concessions for Italy from Austria, which it was hoped would lead to a satisfactory settlement. The Socialists talked of a general strike to prevent war, but Gabriel D'Annunzio came from Paris and in a fiery speech at Quarto, commemorating the great deeds of the Garibaldians, he exhorted his countrymen to complete by war the glorious work which Garibaldi had been forced to leave unfinished. The military situation abroad added to the excitement and uncertainty. The Dardanelles had been bombarded, but the landing operation looked very dubious. The Russians, who had advanced so successfully in the early spring against the Austrian fortresses and the Carpathians, had then been disastrously defeated and thrown back.

Amid all this excitement the Salandra Cabinet found itself in a predicament. Sazonov, who a few months before had strongly opposed Italy's entrance into the war at all, was now most urgent that she should begin to fight as soon as possible to relieve the pressure on the Russian armies. By the Treaty of London Italy was obligated to declare war within a month after the date of signing, *i.e.*, before May 26. But the Italian General Staff wanted as long a respite as possible to perfect its final preparations. Parliament was to meet on May 12. Salandra postponed it until

May 20, in order to give the military men more time and so that he might clear up the parliamentary problem with which he was faced.

The Cabinet could not declare war without calling together the legislature and securing its approval of the necessary war expenditures. But it seemed likely that the majority were opposed to war. Giolitti had come to Rome for the session, enthusiastically received by his supporters, but insulted and threatened by the Interventionists. Some three hundred deputies had called upon him or left their cards, indicating even more clearly that the majority in the Chamber shared his disapproval of entering the war. In an audience with the King the veteran leader set forth at length all the dangers and disadvantages of an Interventionist policy.

Under these difficult circumstances Salandra adopted the King's suggestion of having a talk with Giolitti, but got from him nothing except a repetition of the fears and arguments he had already expressed at the Quirinal. Salandra asserts in his memoirs that Giolitti had been completely informed of the diplomatic situation. But Giolitti has asserted with equal emphasis that he was told nothing of the Treaty of London. However this may be, Salandra concluded from the interview that he could not count on having a majority on May 20 to approve the policy he had entered upon. Therefore on May 13 he and his Cabinet tendered their resignations.

The King then summoned in turn several eminent leaders: Manfredi and Marcora, the Presidents of the Senate and Chamber of Deputies; Giolitti, many times Prime Minister; Carcano, a member of Salandra's own Cabinet; and Boselli, the oldest among the deputies. One and all refused the task of forming a ministry. Thereupon, on May 16, the King declined to accept the resignation of the Salandra Cabinet. By its resignation it had strengthened its hands. The next day Giolitti departed to his home, "considering that his mission was finished." When Parliament met on May 20 it approved almost unanimously the Government's proposals. General mobilization was ordered on May 22, and the declaration of war was handed to Austria at Vienna the next day.

Salandra protests in several passages that he did not "bargain" and bid up the two groups of Powers against each other. But one who follows the story chronologically, instead of topically as

he treats it, gets the impression that he doth protest too much. And certainly to the Powers with whom he was negotiating secretly, who could not know what he was saying to the opposite camp, his procedure looked like bargaining. He nevertheless acted with undoubted skill in the most difficult circumstances and solely with an eye to Italy's highest interests as he saw them.

STALEMATE AND RECONSTRUCTION IN AUSTRALIA

By Edward Shann

THE view was expressed in these pages not long ago¹ that the future of Australia lay with Mr. Scullin, the Prime Minister. If he sided with the militant left wing of the Labor Party, offering bounties and subsidies to win the support of the impoverished wheat-farmers, a big drive towards socialization would result. If, on the other hand, he sided with the moderate Labor elements and led the party into the paths of financial rectitude, recovery without revolution was still practicable.

Perhaps the writer of the article in question overestimated the influence which one puny mortal may exert upon the mass action of a nation. Mr. Scullin's choice, if it has been made, has not had any such decisive effect. He has broken with the moderates and driven into opposition Messrs. Lyons and Fenton, the lieutenants who led his Cabinet during his absence at the Imperial Conference. Yet to-day he is presiding over a Premiers' Conference that seems on the verge of agreement to balance within three years the Commonwealth and State budgets and to set on foot a national drive for stability on the long-sought basis of common sacrifice. This is surely a right-wing policy, if not the very policy that Sir Otto Niemeyer advised. None the less the menace of communism very evidently is not laid. Mr. J. T. Lang, the Labor Premier of New South Wales, still mutters thunderously on the extreme left. His consent to the principle of equal sacrifice is cynically formal and evasive. And no one is sure whether the Federal Labor Government in its negotiations with the assembled Premiers seeks financial stability or an electoral opening by which it may destroy the Nationalist control of the Senate and win a new lease of power as well as office. But financial reserves are running low. Default is, at best, but three months off, and every constructive impulse drives the conservative elements in Australian business life to make the most of the preferred basis of reconstruction.

How is one to explain the "stalemate" of the last six months, and this paradoxical regrouping of the center and left in shaping a conservative program? Many and diverse tendencies are joined in the new cult of a *via media*. In the first place there are

¹"The Australian Crisis," by Q, *FOREIGN AFFAIRS*, April 1931.

strong but elastic ties that operate to reshape the Labor Party itself — a disciplined loyalty to “the movement” which survives every internal discord, a sensitiveness to electoral trends rather than to political or economic theory. The Labor Party is so truly a movement that at times its followers’ greatest trouble is to know just where it is or even which of two claimants is its Executive. Early this year “the movement” was brought up with a round turn from advocating “credit extension,” “the goods standard” and all such euphemisms for inflation. It had found them to be the rottenest of platform timber. At Federal by-elections in New South Wales, and later at a general election for the State Assembly in Tasmania, they brought the Labor Party nothing but disaster.

A second factor making for the postponement of decisive steps may be found in the Australian banks’ reluctant but powerful support of existing governments, even when exposed to abuse and childish follies at their hands. They have shipped gold to London to the amount of nearly £30,000,000 in eighteen months in support of our overseas credit. They have supported conversion loans totalling £60,000,000 in March and December of 1930. They have conceded to the governments first call upon their London funds to meet interest payments there and in New York. They have found the governments short-term credits of £23,000,000 in London and £26,000,000 in Australia. They have paid out many millions to keep the Government Savings Banks supplied with liquid funds. Both the Commonwealth Bank, the quasi-central reserve bank, and the ten big Australian trading banks have thus used every available means to maintain confidence in the Australian pound and to underpin the structure of government finance. In addition they have extended their advances to private customers to the limit of available securities. Neither vituperation nor downright stupidity on the part of political leaders — the latter reaching its nadir in Mr. Lang’s repudiation plan — have turned the banks from their duty to the Australian community to maintain the basis of mutual confidence between honest men.

Perhaps this tenacity in the bankers goes far to explain the flexible policy pursued, with one exception, by the Labor governments of the Commonwealth and states. These rulers, though trained as Labor leaders, are but human. Why should they be in haste to dispense with such capable financiers? “So long as this comfortable and well-handled craft will carry us,” their actions

seem to say, "we need not launch into doubtful weather and uncharted seas on our own, perhaps cranky, vessels."

The third factor in postponing a collapse has been the Australian climate. This capricious mistress has deigned to favor both the tough elasticity of Labor policies and the tenacity of the banks by a continent-wide mood of record productivity which has lasted — *absit omen* — ever since December 1929. Never has Eastern Australia seen such a fruitful fall as that merging, as I write, into a mild winter. The sheep population of Australia has for more than six years exceeded 100,000,000, a feat not achieved before. It has now definitely passed the record of 1891 that stood for 38 years, 106,400,000. A wheat crop of 200,000,000 bushels was harvested last summer (November 1930–February 1931), beating a record of 179,000,000 bushels gathered in 1915–16. The dairy farmers — "cow cockies" we call them — are building up an unprecedented output of butter for 1930–31 as the crown of their steady advance from an average production of 197,000,000 lbs. in the five pre-war years (1910–14) to an average of 282,000,000 lbs. for 1925–29. In spite of prices heavily reduced by the slump overseas this abundant production of wool, wheat and butter has maintained the sterling value of Australian exports of merchandise at about £80,000,000 for 1930–31, only twenty per cent short of that of the previous year.

In the political spinning of these three strands into a twisted but still unbroken thread Prime Minister Scullin has played a voluble but vacillating part. His debating power, thoroughly attuned to the second-rate caliber of the present House of Representatives, makes him a force of some magnitude at Canberra, the bush capital where the Federal Parliament meets when it must. But in Cabinet and in the party caucus Mr. Scullin is quite overshadowed by the enigmatic and resourceful Treasurer (the Hon. E. G. Theodore) whom he restored to power soon after his return to Australia in January.

II

A few facts about Mr. Theodore's recent career in Federal politics call for notice. In June 1930 he resigned the Federal Treasurer-ship. Mr. Justice Campbell of the New South Wales Supreme Court, sitting as a Royal Commissioner in Queensland, whence Mr. Theodore had passed into the national arena, had reported in very adverse terms on the purchase, by a Queensland government

of which Mr. Theodore was a leading member, of certain mining leases at Mungana. The present (anti-Labor) government of Queensland, however, found legal obstacles to immediate action upon the charges laid in Mr. Justice Campbell's report against Mr. Theodore and his associates. While it was carefully removing them by legislation, Mr. Theodore, despite his resignation of Cabinet rank, continued to play an active part in the inner councils of the Federal Labor Party and is said to have greatly impressed the realist in Sir Otto Niemeyer. Some were surprised when Mr. Theodore espoused in November 1930, during Mr. Scullin's absence, the left-wing policy of inflation or "release of credits." In his first term of office as Federal Treasurer (November 1929 to June 1930) he had rejected such plans with scorn as promising nothing but bad wages to the workers. But a leader without a following and a following without a leader exercise, as is well known in political science, an irresistible mutual attraction.

In resisting inflationary proposals the Acting Treasurer, Mr. J. A. Lyons, had the long-range support of the Prime Minister. By wireless and by cable Mr. Scullin, evidently under British influence, fulminated against "dishonest and disastrous" resolutions in caucus. So supported, Mr. Lyons was able to stand up to the forces Mr. Theodore mobilized against him. But on the return of the Prime Minister in January the backing in the party caucus of the center and all but the extreme tip of the left wing enabled Mr. Theodore to persuade Mr. Scullin that the Mungana charges had fizzled out and that his (Mr. Theodore's) unquestionable talents might again with propriety be employed in the country's service. He was reinstated as Federal Treasurer. Thereupon the moderate leaders, Messrs. Lyons and Fenton, resigned and there came to an end the period of stalemate in Federal politics during which the left wing had vetoed economy to balance the budget and the moderates had vetoed inflation of the note issue.

Yet the unexpected continued to happen. Instead of turning decisively to the left "the movement" split into two violently hostile camps, the one acclaiming Mr. Theodore and his gospel of fiduciary issues, the other announcing a new creed, the Lang plan, and threatening with excommunication every Labor member, federal or state, who refused to pledge himself to that plan. What was this Lang plan?

Australians are children of petulant stocks bred in an impulsive

climate. They are capable of magnificent energy when there is nothing else for it. But they have been spoilt too long with "easy money" from an indulgent mother-country. After a generation of prosperity it is not easy to take up the gruelling task of adjusting public and private spending to a suddenly reduced national income. Yet one section after another, since bad times came again, has readily pointed out how all could be set right at the expense of the other fellow. The manufacturer blames the industrial arbitration courts' awards of high wages and easy conditions to his employees. Hence, he says, the high costs and the high protection they necessitate. "Give me freedom of contract and all will be well!" The farmer blames the customs tariff or the railways which charge him high freights on all he buys or sells. "Give me low duties, low freights and a fighting chance!" What, in that event, would be the railway deficits, already above ten million pounds per annum, not to mention the customs revenue? The Lang plan is another such short cut evolved out of the imaginings of city wage-earners and civil servants. Its authors and supporters were too hasty and too blind to the realities of finance to figure out whether it would bring their countrymen inland a new working basis in private and public affairs. Their first concern, confessedly, was to "alter the face of society." But to judge by the state elections in Tasmania and in party conferences generally, Australians in the mass want a fair partnership in recovery rather than an "altered face."

Mr. Lang, as Premier and Treasurer of New South Wales, first propounded his "plan" on February 9 of this year before a Premiers' Conference at Canberra. Let us pay no more interest to British bondholders, he moved, until "Britain" (note his confusion of investing subjects with their government) has dealt with Australian debts as America dealt with hers. Let us reduce the interest on all government borrowings in Australia to three percent and replace the gold standard by "a currency based on the wealth of Australia, to be termed the goods standard."

The Premiers, being assembled at Canberra in search of a plan to balance budgets and to restore confidence both here and abroad, would have none of Mr. Lang's heresies. Even Mr. Theodore, as Federal Treasurer, turned upon his fellow Laborite from New South Wales with an acid prediction of the immediate results of such wild talk. Repudiation, he said, would not only

accentuate unemployment and dry up all supplies of loan money.¹ Mr. Lang's proposals would result, said Mr. Theodore, "in financial panic and probably a run on the New South Wales Government Savings Bank, which will be unable to meet all demands unless the Commonwealth Bank comes to its rescue. The financial crisis precipitated in this way will leave the New South Wales Government without financial resources and render it unable to pay anyone."

"Treason to Labor!" cried Mr. Lang, and took the plunge. In full command of the state party machine he solemnly expelled from "the movement" the Federal Labor members from New South Wales constituencies who would not accept the Lang plan. Mr. Theodore as member for Dalley (N. S. W.) was the first to be put out. Then Mr. Lang carried his campaign into the neighboring states of Victoria, South Australia and Queensland in an attempt to capture the whole of the Labor Party. For a time he seemed a victor on all fronts. In the true style of a dictator he amplified his commands. He put forward on March 17 a project of legislation to bring within his plan interest payments under private contracts. This bill proposed, in addition to a reduction of interest on government bonds to three percent, a similar reduction in the rates which banks might legally pay to depositors or charge on advances, and in those which mortgagees might charge for money lent on mortgage. Though passed through the lower house in the New South Wales legislature the bill was promptly rejected by the Legislative Council. But no legislative curb could prevent Mr. Lang, in his executive capacity as State Treasurer, from defaulting in the payment of interest to British and other overseas bondholders. This he did at the beginning of April. The Commonwealth Government at once paid the interest, fulfilling its guarantee of the state debts in terms of the Financial Agreement of 1927 and the constitutional amendment (105A) under which that agreement was given binding force.² Part of the amount so paid the Commonwealth stopped out of moneys due from it to the state of New South Wales. For the balance it sued the state before the High Court of Australia. The case stands part heard and raises the ominous prospect of federal execution upon a recalcitrant state.

¹ Its first effect had been to spoil Mr. Theodore's hopes of a £12,000,000 loan for unemployment relief and a wheat bonus.

² Commonwealth Statute No. 1 of 1929.

As Mr. Theodore had predicted, these alarms and excursions created panic among the depositors in the New South Wales Government Savings Bank. Savings banks in Australia are, with insignificant exceptions, government institutions, repayment of the deposits being guaranteed, in the last resort, out of the Consolidated Revenue. During the almost unbroken run of prosperity enjoyed by Australian communities from 1903 to 1929 they piled up over £200,000,000 of deposits. These they laid out in loans against homes and farms and as advances at call or short notice to State Treasurers or in purchases of government bonds, keeping some twenty percent of their deposit liabilities in liquid assets. But when hard times came again their deposits, as Sir Otto Niemeyer noted in August 1930, began to shrink with the drain on savings that unemployment causes.

Their depositors, moreover, being marginal converts from hoarding to banking, soon showed apprehension when Labor politicians railed against banks and bondholders. Was not the Government Savings Bank the biggest bondholder in New South Wales, having £30,000,000 in the bonds that Mr. Lang was trying to reduce to three percent? Early in February it was rumored that Mr. Lang was refusing to pay the interest he owed to the Savings Bank on such holdings. The decline in depositors' balances in the New South Wales Government Savings Bank showed unmistakable signs of fear at every fresh revelation of the Lang plan. At Easter Mr. Lang boasted to a conference of his section of the Labor Party that his interest proposals were the first step in the socialization of credit and finance. Withdrawals from the Government Savings Bank at once jumped to half-a-million pounds a day. Very naïvely the Savings Bank Commissioners (the Executive Board) "reassured" the public by double-paged advertisements in the newspapers. Panic gathered fresh volume. On the last day which saw the Savings Bank doors open for business (April 22) a million and a half pounds Australian (nearly \$5,770,000) were paid over the counters.

Suspension of payment, affecting a million depositors, was a mortal blow to the Lang plan and to its author's hopes of an Australian dictatorship over the Labor Party. How long, men asked, before the other phase of Mr. Theodore's prediction shall come true and the State Treasury prove empty?

The failure of the New South Wales Savings Bank had a sobering effect on all shades of political opinion. It was a peep over the

precipice. For a moment the panic looked like spreading. A run on the Commonwealth Savings Bank, a somewhat anomalous annex of the Commonwealth Bank, began in Sydney and was only checked by the courageous intervention of Sir Robert Gibson, Chairman of the Commonwealth Bank Board.³ The Board, announced Sir Robert, would employ all the resources of the Commonwealth Bank, as a bank of issue, to support the threatened institution. The panic was stayed but the prestige of government banking generally was badly hit. When the Senate rejected or shelved a string of federal bills put forward a little earlier by Mr. Theodore, with the object of resuming political control of the Commonwealth Bank and of the note issue, not a dog barked.

III

In this chastened mood of public opinion it became known that the Commonwealth Bank Board had notified the various governments that short-term credits would not be granted by the banks in excess of the £25,000,000 needed to carry governments to the end of the financial year (June 30). The Loan Council, a joint meeting of Treasurers with statutory control of all borrowing, thereupon appointed a committee to review the economies made and to be made in government expenditure and to report what further steps were necessary to balance the budgets within three years. The committee was empowered to coöpt such expert advisers as it deemed fit.

The terms of reference to this committee marked some advance in the readiness of political leaders to take counsel. An earlier committee had been employed by the Loan Council in January and February of this year "to investigate the financial position of Australia and prepare information for consideration by the Premiers' Conference." But when this committee ventured to draw conclusions from that information and to indicate the lines along which economies in government budgets might be sought its reasonings were ruled out of order by the Prime Minister and its leading official members heavily snubbed by their political chiefs. Decisions about policy were for men of high estate, not for experts and Treasury officials. Yet the terms of reference of the May committee and, *a fortiori*, to its sub-committee of expert advisers, confined both to the budgetary

³ This Board, on our smaller stage, corresponds to the U. S. Federal Reserve Board.

problem — not mentioning the wider one of a basis for economic reconstruction applicable in private as well as public finance.

As things turned out at the Premiers' Conference (May 26 to June 10) this was sound procedure. Government budgets may prove the doorway to financial self-reliance. They certainly form a manageable field of investigation and political action, but they do not include all industry. Nor would it be wise to extend their economic or legal influence over it. The myriad problems involved in reducing costs in private industry are probably best handled each in its own setting. A lead, almost certainly a decisive lead in this process, was given in January last by the Commonwealth Court of Arbitration, the leading tribunal for the legal fixation of wages. Wages payable under its awards had for some time been falling automatically each quarter in accordance with the index-numbers registering the fall in the weighted average price of food, groceries and house-room. This process, obviously, left the real incomes of the employed wage-earners unchanged. And the spread of unemployment showed such wages to be above those at which the labor force of the community could be profitably kept at work. To bring such wages as it defined into conformity with the changed purchasing or employing power of the nation, the Commonwealth Court of Arbitration on January 22 reduced by ten percent the real wage payable as basic or minimum wage in the main callings subject to its jurisdiction. Slowly that lead is being followed by State wage-fixing tribunals, excepting in New South Wales. The exception is the kernel of a wider problem.

Let us return to the Loan Council Committee and its budgetary riddle. The following table gathers into a focus the conflict between a declining total of Australian incomes and the scale of public expenditure in which a generally reckless and intractable policy had involved the Commonwealth and States.

NATIONAL IMPOVERISHMENT AND GOVERNMENT EXPENDITURE
(in millions of pounds)

	National Income	Government Expenditure	Interest, Sinking Fund, Exchange & Unemployment	Total Deficits, Com- monwealth & State
1927-8	650	187.4	57.8	3.8
1928-9	645	189.1	61.6	3.6
1929-30	564	194.3	64.4	11.1
1930-31 (estimate)	485	196.9	77.2	31.15
1931-32 (estimate)	450	197.5	84.3	39.08

The subcommittee advising the Loan Council consisted of five under-treasurers, from the states other than New South

Wales, and four economists. It sat during May in Melbourne under the chairmanship of Professor D. B. Copland, Dean of the Faculty of Commerce in the University of Melbourne. On May 23 it reported that the total deficits of the Commonwealth and states would amount, if they went on as they were doing and overseas prices did not rise, to £31,150,000 for the current financial year and to £39,080,000 for the year 1931-32. But the banks' warning as to short-term credits meant that such continued spending in excess of revenues would not be financed. Any attempt to finance it by new central bank credits would certainly destroy confidence in the Australian pound and renew the flight of capital. Such flight had gathered some volume during 1930 until checked at the end of January last by rising exchange rates, and thereafter by restored hopes of financial reconstruction. A return to inflationary methods would involve, in Australia as in post-war Europe, rising interest and exchange rates and probably a complete collapse of budgetary control. The committee therefore set out various means by which the prospective deficits for 1931-32 might be reduced. The first to be considered were government economies.

Taking as a standard the total reduction in the federal basic wage since 1928 — twenty percent — they applied this to wages and salaries in the government services as in June 1930. Some cuts had already been made, notably in South Australia. If such expenditure were brought down by twenty percent in all, including the cuts already made, the saving, together with a smaller fall in the cost of materials used by the departments, would amount to £8,900,000. Pensions, including old-age, invalid and war pensions, could be cut by £4,200,000 and still provide a scale of payments above those obtaining in Canada and New Zealand. Thus economies could provide £13,000,000 to go toward reducing the 1931-32 deficits of £39,080,000. Drastic taxation of incomes and of lower-priced entertainment tickets, still further increases in the sales tax and in primage could, the committee calculated, be made to produce an additional twelve millions of tax-revenue. Even so — and the imposts involved would be very severe — the gap remaining would be £14,000,000.

Could so much be asked and so dangerous a deficit left to threaten the stability of the currency while one income-element, interest on bonds, mortgages and other fixed money claims, was defended from loss? Other income-elements were exposed to

cuts, taxes and the stress of financial depression. Bondholders and mortgagees might pay taxes, but the fall in prices had increased the real value of their incomes. As they would lose most by a currency collapse it was equitable to ask from their least-affected incomes some contribution to the severe sacrifice needed to ward off that collapse.

The sub-committee applied this reasoning to holders of internal bond issues only. External bondholders they definitely excluded. They have no responsibility as Australian citizens for the financial position. Their relation with Australian governments is purely contractual.

In levying on interest from fixed money-claims it was imperative to find the method which would have least harmful economic reactions. That was where Mr. Lang had blundered to his fall. The sub-committee evidently hesitated between increased taxation of income from property and a reduction, voluntarily initiated, of interest on the internal debt. The method of taxation, though familiar and in accord with the rough modern canon of ability to pay, seemed likely, as a permanent feature of the budgets, to force up rates of interest and to make future conversions possible only at rates that offset the danger of further increase in taxation. Increased rates of interest would be a serious obstacle to recovery in private enterprise and production, without which all efforts to balance budgets may be stultified.

Half the internal debt of Australia, which totals £556,000,000, comes due for conversion within the next six years. This fact seems to have influenced the sub-committee in its decision against annually imposed taxation of all property incomes and its preference for a great conversion of the whole debt. It proposed "a great patriotic movement" to convert the debt into new bonds bearing a rate of interest reduced by $22\frac{1}{2}$ percent. The loss of income by bondholders now paying taxes would be 15 percent, the new bonds being exempt from the $7\frac{1}{2}$ percent extra tax on income from property levied last year when Mr. Lyons was Acting Treasurer, and from future additional taxation. Such new bonds would be, in effect, tax-compounded bonds giving the bondholder security from special burdens for the currency of the loan or for a stated term.

In reckoning the relief to the budget from such a conversion the sub-committee allowed for the loss of income-tax revenue and for reduced interest to be charged by governments to farmers and

semi-public corporations which have received advances from governments out of loan money. The net relief to the budget would then be about £5,500,000 — not a large contribution, it might seem, from the “great patriotic movement backed by a large volume of consent on the part of bondholders” without which, the sub-committee predicted, a successful conversion would be impossible. But that contribution from the bondholders, in the opinion of the sub-committee, would prove the keystone of the arch of sacrifice. “The sacrifices asked from wages, salaries and pensions are so great that they would not be accepted if any other income-element escaped. Nor may the menace of currency collapse be ignored while the deficit to be met by borrowing remains so large.”

The plan put forward by the under-treasurers and economists thus provided for: first, a saving of £13,000,000 by cuts in government expenditure on salaries, wages and pensions; second, an additional £12,000,000 from taxation; and third, £5,500,000 by conversion of the internal debt. These gains, totalling £30,500,000 would leave a gap of about £9,000,000 still unprovided towards the hypothetical deficit of £39,080,000 for 1931–32.

This gap, the sub-committee recommended, should if necessary be met by borrowing. Its size might prove less formidable in fact than in anticipation. The basis of the calculation which showed the deficit was hypothetical only. Things could not go on as they had been in 1930–31. And any revival of business confidence as a result of determined measures to balance the budgets would, even in the absence of improved prices overseas, bring with it an adjustment of enterprise to changed circumstances. Lower costs would mean more employment and before long a better balance of trade. With a bigger surplus of exports two elements of public expenditure, namely unemployment relief and overseas exchange, which have been mainly responsible for the stubborn rise shown in the middle columns of the table above, would come under better control. The high value of sterling exchange would not vanish in a night. Indeed, in view of the stimulus it affords to exports it would be well to await rising prices overseas for Australian exports before seeking to bring the rate back to par.⁴ But some relief from the pressure of these items, now costing governments over £20,000,000 per annum, might be looked for soon after the adoption of a plan promising early equilibrium in the budgets.

⁴ It is now £130/10/— Australian to £100 sterling.

IV

Such was the Copland Plan, as it has been called after the chairman of the sub-committee which drafted it. Its announcement at the opening on May 25 of the Premiers' Conference, to which the Loan Council referred it, produced a mild confusion of parties. Mr. Lang, seeing in it a proposal to reduce interest payments, claimed it as his own plan, pooh-poohing the excrescences upon it — economy and taxation. He had, he argued, already made cuts in New South Wales expenditure almost to the standard set by the economists. Indirect taxation and pension reductions were Federal matters. Hurrah for interest reduction! The Labor Premiers generally were so eager for conversion of the internal debt to lower interest rates that they straightway talked of compulsion to effect it. They met with little opposition and some support from their Nationalist colleagues when they argued for extending this interest reduction to private contracts.

A week's deliberations, however, unearthed difficulties in the way of such an alteration in the scope and method of the plan. The conference found its draftsmen entangled in an all-round reconstruction of private as well as public budgets. The Nationalist leaders in the Federal Parliament, whose control of the Senate makes their coöperation necessary to any legislation needed to implement the plan, wrote to the Prime Minister that they could not countenance a compulsory reduction of interest on government bonds. "This is repudiation and default," they held. They pointed to the sharp fall in the value of Australian government securities on the stock exchanges as evidence of its evil effect on the public credit. "Persistence in the advocacy of this policy will, we fear, make an honorable voluntary conversion impossible and greatly prejudice the success of any new loan to assist the farmers and the unemployed."

Labor Premiers in Australia have been even more inveterate borrowers than the Nationalist. Not having forsworn the habit, they were closely touched by the reference to loans in aid of farmers and unemployed. Moreover, their proposals to cut all interest rates by direct legislation logically implied similar measures cutting all wage rates. Labor supporters would not like that. Towards the end of the second week the Conference had got back to the Copland Plan, voluntary conversion backed by the certainty of heavy taxation of those refusing to convert, together

with such economies and taxation as would reduce the deficit to manageable size by June 1932.

At this stage the Prime Minister invited the presence of the Nationalist leaders, as "additional members," at the Conference. They came and, after pardonable reference to the tardy approach of the Scullin Government to the problem of budgetary equilibrium in seeking which they had for ten months offered coöperation, renewed that offer on the basis of the Copland Plan. Mr. Lang grew restive at such agreement amongst his party and class foes. Instead of carrying the Conference and the whole country headlong into his own camp he found himself isolated and his arch-rival in the Labor Party, Mr. Theodore, within "cooe" of success in winning national support on non-party lines for a plan of reconstruction without revolution. The rebel in Mr. Lang sprang to arms when on June 10 the Prime Minister moved the adoption of a short report drawn up by himself and the Commonwealth Treasurer (Mr. Theodore) in consultation with the Opposition leaders. It read as follows:

The conference, including the leaders of the Opposition in the Federal Parliament, having most carefully considered the financial position of the Commonwealth and the states, and recognizing the national inability to meet existing Government charges, is unanimously of the opinion that to prevent national default in the immediate future and a general failure to meet Government payments, all expenditure, including interest on Government securities and other interest and expenditure upon Government salaries and wages, pensions, and other social services, must be substantially reduced. These measures, drastic as they may appear, are the first essentials to the restoration of prosperity, and the re-employment of our workless people. The necessary sacrifice is due to national inability to pay, and it must therefore be shared by all. The conference has accordingly provided a conversion plan under which bondholders may make their contribution to the general sacrifice by themselves accepting the lower rate of interest which the existing position makes unavoidable. The conference, therefore, appeals to all sections of the people to recognize the position, and in the interests of the nation to accept the sacrifices which are involved. A national appeal executive, consisting of the Prime Minister, the leader of the Opposition, and the chairman of the Commonwealth Bank Board, is appointed by this conference to direct the conversion loan.

"But the conversion loan will not succeed unless it is placed on a compulsory basis!" cried Mr. Lang. He would not ask the people of New South Wales to make further sacrifices on the gamble that the conversion might reduce interest. He met with the coldest silence. He and his protégés were in a weak position both inside and outside the Conference. The expert committee had

pointed out — twice over — that New South Wales had habitually “done herself” rather well in the luxury of government services. She could well, with the same effort, make an appreciably greater reduction than the other states. “The general costs of government in that state have been at least £1 per head higher than the average of the other states. It is clear then that further reduction of expenditure of £2,000,000 to £3,000,000 is possible for New South Wales above that provided by the uniform cut.”

General knowledge throughout Australia of this overpaying and overmanning of the New South Wales public service spoilt the appeal of Mr. Lang’s loyalty to “the people of New South Wales.” The statement of the Conference report that the drastic measures recommended were the first essentials to the restoration of prosperity and the re-employment of workless people could not really be gainsaid. Mr. Lang’s contention that the measures proposed were not arbitrary enough carried no conviction in face of the destructive results he had achieved by his own more arbitrary “plan.”

Finally Mr. Lang was brought to agree to the adoption of the report, thereby made unanimous, by the acceptance of a reservation which merely saved his face:

That the Government of New South Wales shall not be obliged to take the necessary steps towards the reduction of 20 percent in all adjustable Government expenditure, as compared with the year ended June 30, 1930, including all emoluments, wages and salaries paid by the Government, whether fixed by statute or otherwise, unless and until the conversion loan shall have been successfully and effectively carried out.

The reservation has a double edge. In its first sweep it cuts the ground from under the feet of reluctant converters. It makes them aiders and abettors of the most reckless and shortsighted financier in Australia — the Treasurer who has lived from hand to mouth without a budget, who has chosen to default and has stood by, helpless, while the bank guaranteed by his government collapsed. It thus adds to the patriotic impulses already ranged behind the conversion loan and the whole Copland Plan every desire to rid New South Wales of a premier who has brought disillusionment and disgrace upon his own state and discord into his party throughout the Commonwealth.

It is notorious that Mr. Lang can obtain no credit from the banks and that his ability to pay his public service depends on his collection of taxes and other revenue. This collection cannot long

continue in sufficient volume. Should the plan of reconstruction succeed — and its success may well be stimulated by Mr. Lang's evident prayers for its failure — the prestige of the Federal Government will be raised and its power to enforce the decision of the High Court in its suit for the recovery of the interest Mr. Lang has not paid will be thereby strengthened.

Yet there remain many doubts. At the last minute Mr. Theodore revived the project of a fresh loan out of which, now that his "fiduciary issue" is dead and disowned, he hopes to win the marginal farmers to Labor by the bait of a bonus on wheat production. Such a bonus would inevitably be an annual one. It would thus put off the day of balanced budgets to gain which such sacrifices are to be asked, under the Plan, from civil servants, pensioners, taxpayers and bondholders. Was it for the Labor Party's election funds that the Conference toiled? Mr. Lang will no doubt deny the success and effective achievement of the conversion loan until all the bonds of all the governments have been converted and interest cut to zero. Will economic forces bring a speedy reduction in "other interest?" What will be the verdict of the Queensland courts on the Mungana case? Can Australia coerce Sydney out of its extravagant "standard of living?"

But, despite such doubts, there is in Australia today some prospect of a united national effort towards reconstruction. We may be a hard-mouthed people, difficult to guide, but there is a chance that we may take the bit in our teeth and bolt in the right direction. Will we do it with the present Prime Minister still in the saddle? Sometimes a little nervousness on the part of the jockey has that effect. Perhaps with other colors up "the mount" would jib.

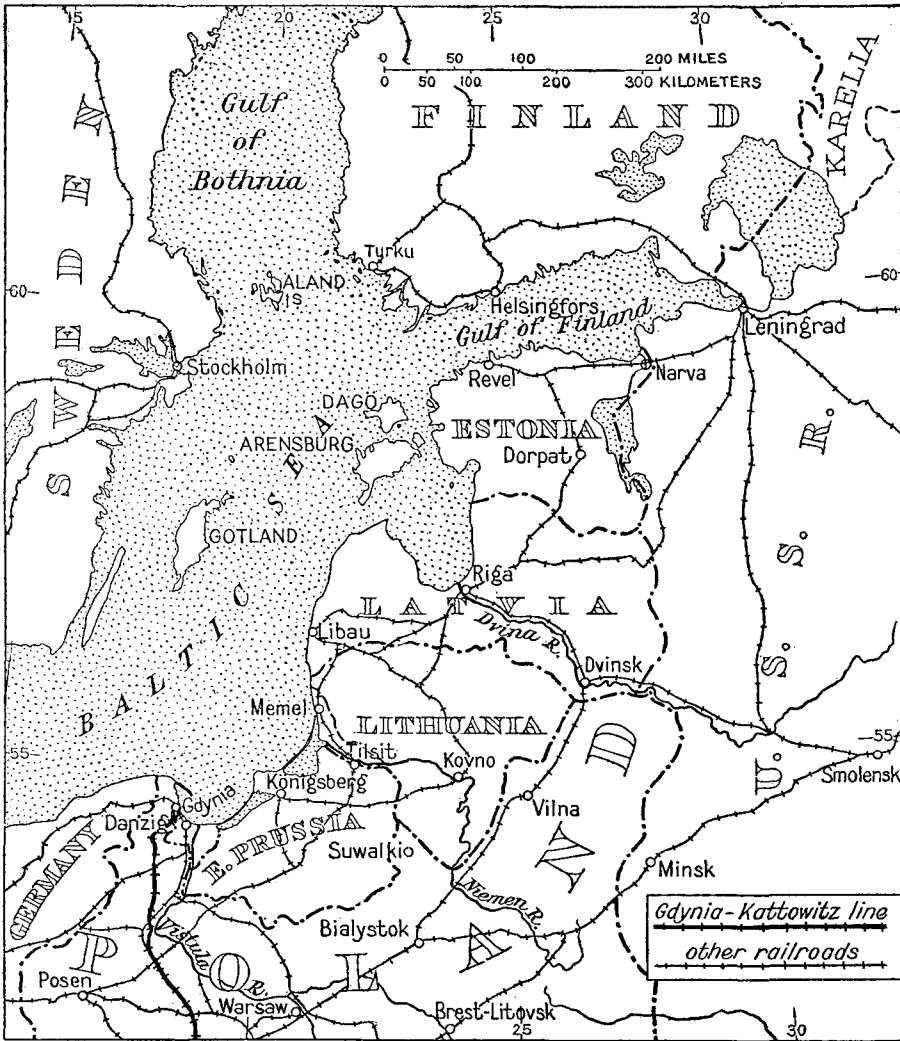
THE BALTIC STATES, GERMANY AND RUSSIA

By Otto Hoetzsch

ON APRIL 23, 1908, Germany, Russia, Denmark and Sweden concluded the so-called "Baltic Agreement," by which those four states, all of them with Baltic littorals, mutually guaranteed the existing status of this sea and its coasts. The attitude of the two smaller states was purely defensive. Nor was that of the two larger ones aggressive, though owing to their extensive area and hinterland they were bringing forward all possible pressure to strengthen their respective Baltic coastlines. In the case of Germany this pressure was not of any great moment, for, in addition to her coastline extending from Flensburg to Memel, she had another outlet on the North Sea. But for Russia the Baltic was of much greater concern and importance. Her territory extended, it is true, from Libau as far north as Tornea and thus embraced a very considerable part of the entire Baltic coast. But it included two "bottle-necks," the Gulf of Finland and the Gulf of Bothnia. Indeed, for Russia the entire Baltic coast was in the nature of a bottle-neck, a fact which made itself felt in various ways. For the Baltic is nothing but an inland sea, very inadequately and indirectly connected with the ocean by a third bottle-neck, the Sound, between Denmark and Sweden. And behind this narrow coastline on a remote inland sea extended the vast territories of the Russian Empire.

These geographic considerations which were so important before the war hold good in every respect as far as concerns the states which today touch the Baltic. Due to the defeat and dissolution of the Russian Empire, together with the peace treaties of Brest-Litovsk and of Versailles, and due to the emergence of the theory of the right of national self-determination, there are now twice as many of them as when the Baltic agreement was signed: Finland, the Soviet Union, Estonia, Latvia, Lithuania (with Memel), Poland (Danzig), Germany, Denmark and Sweden. The name "border states" which has come to be applied generally to Finland, Estonia, Latvia and also to Lithuania is very fitting, since it denotes not only their "geopolitical" character but also their problematic and precarious situation among the Baltic states in general. Thus some definite groupings become

discernible: there are Denmark and Sweden, with their former situation hardly modified; there are the new "border states;" there is the new Polish state, now an ascendant Baltic Power; and finally there remain Germany and Russia, with their main



tendencies and needs still the same and, in their nature as Great Powers, still bringing the same pressure to bear on the Baltic coast with its river-mouths and harbors.

The situation existing today is regulated by the Treaty of Versailles ¹ and by Russia's peace treaties with Estonia (February

¹ Articles 87-93, 99-108, in some respects also 109-114 and 116-117.

2, 1920), Lithuania (July 12, 1920), Latvia (August 11, 1920), Finland (October 14, 1920) and Poland (October 12, 1920, and March 18, 1921). To these treaties must further be added the settlement of the Aland question, with which the Council of the League of Nations had to deal. Sweden demanded a plebiscite regarding this group of islands, which is of great importance to her, but the Council awarded them to Finland, subject to certain guarantees.

It was at the expense of Germany and Russia, then, that the post-war reorganization was effected. It rested, so far as the victorious Western Powers were able to have their way, on the idea of the French *barrière*. In other words, the two great nations, the Germans and the Russians, were to be permanently separated by a chain of states which on account of their small size could be expected always to remain dependent on the Western Powers. The question remained as to whether England and France were to act as a unit in dealing with this situation, or whether there might perhaps be separate spheres of influence, so that England could exert her power along the coast, in Riga and Tallinn (Revel), and France hers mainly in Poland.

The new independent Baltic states established in this manner between 1917 and 1921 were threatened by Bolshevism; but they proved strong enough to hold their own against it. They have developed considerably and exist today as small or medium-sized democracies, largely agrarian and of a constitutional and parliamentary character. What are their individual traits? What is their attitude or "orientation" in foreign politics? And what is the attitude of Germany and Russia towards them and towards the new situation on the Baltic in general? First of all we must give some idea of their size and population:

	Area in square miles	Population as estimated 1929 or 1930	Density per square mile
Finland.....	149,926	3,634,047	24
Estonia.....	18,362	1,115,000	61
Latvia.....	25,000	1,900,045 (a)	76
Lithuania.....	21,489	2,340,038	109
Memel.....	1,026	146,000	143
Poland.....	149,958	30,737,448	205

(a) 1930 census figure

Here we have, then, four small states and one that can be called medium-sized or even large, *i. e.*, Poland, which protrudes into the Baltic area with a coastal strip barely forty miles long.

Finland's inhabitants are partly of Finnish (89 percent) and

partly of Swedish (11 percent) descent. It is an agrarian democracy, the great majority of the farms being small or of medium size. Its industry is insignificant, the number of workers amounting to only about 150,000; but its commerce is important, the principal exports being butter and lumber. One of the essential problems with which it must cope is the question how far it can live by means of its own grain crops, which have to be raised on very poor soil, for on this depends in part how it is to maintain its independence. Finland's cultural achievements have been most remarkable: as far as civilization and culture are concerned it might be a nation of western Europe. Alike towards what is Swedish and what is Russian the Finnish people observe a consistently negative attitude. But that only serves to accentuate their isolation, unable as they are to build up a well-organized modern economic structure with an extensive industry and a large middle class, due to the fact that the enormous Russian hinterland is no longer open to them for lucrative economic exploitation as it used to be before the war.

To Finland foreign trade is a vital question. The greater part of her imports she receives from Germany; next come the imports from England, amounting to half the value of Germany's. Then follow those from the United States, Sweden, etc. Soviet Russia, Finland's nearest neighbor, is far down, in eighth place. In 1930 imports from Germany amounted in value to 1,935,000,000 Finnish marks, and imports from Russia to only 131,000,000 Finnish marks. As for exports, first place is held by England (2,103,000,000 Finnish marks), with Germany and the United States following in that order. Russia is sixth, taking Finnish goods to the value of only 243,000,000 Finnish marks.

These figures become intelligible only if viewed against the background of Finland's general social structure. Although the country has always been largely composed of small and medium-sized farms, the Social Democratic Party has been astonishingly large ever since universal suffrage was introduced. Out of 200 representatives in the present parliament there are 66 Social Democrats, as compared with 59 Agrarians, 42 Conservatives and 21 Swedes. This fact, that there is a large Social Democratic Party in a country almost wholly agrarian, indicates an insecure and even dangerous agrarian system. The agrarian reform carried out as far back as twenty years ago has resulted in the rise of a group of small farmers whose lot is far from satisfactory; nor has

it decisively improved the condition of the numerous small tenant-farmers.

That is why the Finnish internal political situation is really less stable than it appears to be. A country depending so largely on commerce and shipping has of course been hit by the present economic crisis, and the uncertainty of the political situation has thereby been augmented. Simultaneously the prevalent antagonism towards communism has increased. The attitude of the farmers, born of economic distress and hatred of communism, has found its expression in the curious Lappo movement, a religious-agrarian movement of an ultra-conservative character. In 1930 it grew to large proportions and was on the verge of carrying out a Fascist *coup d'état*, but it has now been repressed under the influence of President Svinhufvud, a statesman of ability and moderation. Neither the economic nor the political tension, however, has definitely been eased. Indeed, Russia's agrarian policy and various aggressive movements on Finland's part have brought the antagonism of the two countries to a dangerous point. It is therefore quite natural that Finland should always emphasize the fact that she is a member of the League of Nations and turn it to profitable account, especially as an assurance of territorial integrity and of financial aid in case of war.

So far, Finland has not succeeded in strengthening her position in foreign affairs by association with other states. With the more southern Baltic states she has practically nothing in common. She feels herself barred from Sweden and the so-called "Scandinavian orientation" by the domestic opposition to the Swedish minority and by the Aland question, as well as by the fact that Sweden makes no overtures and prefers to play a passive rôle in European politics. The sentiments of the Finnish people as a whole are inclined to turn strongly in favor of Germany, which is natural as a result of the intimate and extensive commercial relations existing between the two countries. They admire England. But towards Soviet Russia their attitude is thoroughly hostile, nor is the general antagonism lessened by the fact that they have not relinquished their claim to the neighboring autonomous Soviet Republic of Karelia with 250,000 inhabitants, which though it is now part of Soviet Russia belongs racially to Finland. Russia means to keep it for the sake of access to the Arctic Ocean.

Estonia and Latvia can be dealt with more briefly. These two countries were fashioned out of the three Russian governments of Estonia, Livonia and Kurland, in which large landowners of ancient German lineage formed the ruling class, with the bulk of the population Latvian in the south and Estonian in the north. This class of landed proprietors used to furnish the Russian Government with countless officers and officials. The Latvians, or Letts, form part of the Lithuanian group, whereas the Estonians are Finno-Ugrians. When these territories were reorganized into two independent states the old economic and social structure went to pieces. The great German landowners were expropriated, and today Latvia and Estonia are agrarian democracies. The consequences of this agrarian revolution have been accentuated by the separation of the two countries from the vast Russian hinterland.

Estonia, which for the past two years has had the lowest living costs in Europe, is a country of small farms. Its industry (mainly paper) is insignificant, and its exports consist mainly of lumber and butter. Foreign trade, however, shows the influence of the economic depression, having decreased during the past year by almost fifty percent. Germany stands first on the list of countries exporting to Estonia, being followed by the United States, Russia and England. As far as exports are concerned, England is the best customer, though the figures for Germany are only slightly lower. Thus, we have here again the curious fact that Russia, the nearest neighbor, occupies only the third or an even lower place, whereas two more distant countries, Germany and England, are far more important and are in active competition with each other. Despite Estonia's small population the government has minorities to deal with, the Germans, numbering 18,000, being the most important. It must be conceded that the problem of minorities, which is of such great importance throughout Eastern Europe, has found a satisfactory and promising solution in Estonia in the form of cultural autonomy.

Latvia is another state in which there is a curious balance of power between Agrarians and Socialists. We find here, too, the results of an agrarian revolution, far-reaching social and national changes, a ruling class of small landowners struggling with a powerful social democracy, the loss of an artificially developed large-scale industry in Riga and Libau, some industry on a small or medium scale, also some commerce, for which Riga and the

Gulf of Riga offer excellent export facilities. The economic crisis is felt very painfully in Latvia, although it must be added that the little state's stability is not in any way endangered. In the matter of imports, Germany stands first, followed by Poland, England, Russia and the United States. As far as exports and foreign markets are concerned, what has been said of Estonia holds good here, too. The separation from the Russian hinterland is felt here even more than elsewhere, particularly as a result of Russia's monopolization of foreign commerce, which seriously interferes with the development of Riga. In Latvia, too, there are minorities, including 73,000 Germans who play an important part in the Latvian Parliament and who are turning their cultural attainments to good use in a country which is still deficient in such matters.

Both countries have a scanty population, and the increase is slow; there is plenty of land, but natural resources are poor. The civilization of both is that of Western Europe, and the "orientation" of such culture as they possess is in the direction of the west. Whether they will prove able to maintain a complete existence of their own remains to be seen, which puts them in a different category from Finland where there can be no doubt on this point. It will naturally be asked whether they might not combine into a single stronger state. Differences in language and nationality stand in the way, and there is a further difference in the "orientation" of the foreign policies of the two countries. To Estonia, its relation to Russia is by far the most important factor; to Latvia, on the other hand, Lithuania and Poland are also important. It will be remembered that by the Peace of Riga, already mentioned, the district of Vilna was included in the Polish territory, bringing the Polish frontier up to the Dvina, so that three-quarters of Latvia's southern frontier borders on Lithuania, and the remaining quarter on Poland.

The importance of these two small countries bordering on the Baltic is self-evident for geographical reasons. This was impressively demonstrated on the occasion of the decennial jubilee of the Latvian navy — which, by the way, is a real fleet — by the presence of Estonian, Finnish, German, Danish and Polish war-ships, as well as by ones from Norway, England and France. No invitation was sent to the Russian navy to be represented.

In Lithuania the situation is more complicated. The Lithuanians are of the opinion that their state is still incomplete; they

vigorously maintain their claim to the territory of Vilna, which was taken away from them by Poland with the final silent consent of the League of Nations. One of the most dangerous factors in the general situation of Eastern Europe is that the Vilna question has not been settled to this day — neither by formal decision of the League, nor on the basis of national self-determination. For Vilna is at the root of Lithuania's generally hostile attitude towards Poland, which in turn exerts a decisive influence on the conditions and tendencies of the Baltic states in general.

The Lithuanians, too, like the other peoples described, have gone through an agrarian revolution. Agriculture is the dominating interest. They cultivate grain and flax, raise cattle and export lumber. Industry is practically non-existent. As far as foreign trade is concerned, Germany is most important to Lithuania in every respect, furnishing nearly one-half of all imports and taking three-fifths of the exports; other countries follow a long way behind. Russia (which, of course, does not directly adjoin Lithuania, being separated from it by the Polish territory of Vilna) figures on the list with only a very minute percentage.

The political situation of Lithuania has not yet quieted down and is still far from stable. The strong anti-Bolshevist tendencies of the agricultural democracies of the other border states here assumes a half-Fascist character; it was most pronounced under Valdemaras's dictatorship, but has not really changed much even since the fall of that undoubtedly able statesman. In a word, the political régime is similar to Poland's pseudo-Fascism under Marshal Pilsudski.

The internal political situation is further complicated by the fact that the country is Roman Catholic (90 percent), and that the Christian Democrats who comprise the clerical party are very strong. It was really the clergy who brought about Lithuania's national regeneration, yet their attitude towards the prevailing Fascist régime is hostile; moreover, the government has not as yet succeeded in arriving at a complete agreement with the Vatican. To the disturbed situation in general must therefore be added an incessant strife between government and clergy, and between Lithuania and the Vatican. This conflict is of great importance, because the Christian Democrats incline to seek an understanding with Poland over the Vilna question, with a view to creating a united front against Russia. On the other hand the Fascist

Government and the parties supporting it have entered into ties with Russia to a degree unknown in any other of the border states. The Soviet peace treaty with Lithuania was followed on September 28, 1926 by a pact of non-aggression and neutrality which was renewed May 6, 1931. Indeed, Lithuania might almost be regarded as Russia's ally.

The inclination to come into close relations with Russia are, however, adversely affected by two circumstances. First, as already mentioned, Lithuania is not contiguous to Russia, being separated from it by a broad strip of Latvian and Polish territory; secondly, Lithuania's access to the Baltic Sea is too inconsiderable to serve the Russian hinterland. Lithuania's own share of that coast is really restricted to the district of Polangen, but this has been increased toward the south by the separation of the district of Memel from Germany, with the result that the length of the Lithuanian coastline has been doubled. It will be remembered that when this was done there was a proviso and guarantee that the district should be under autonomous (*i. e.*, German) administration, as stipulated in the Memel Statute dated March 14, 1924, and as finally sanctioned by the Council of Ambassadors on May 8, 1924. We shall not enter into details regarding the complicated form of government bestowed upon the district of Memel at that time. Suffice it to say that it is of so intricate a nature, and Lithuania pays so little regard to the provisions for autonomous rights, that, just as in the case of the Vilna question between Lithuania and Poland, the Memel question has remained to this day the subject of endless quarrels between Germany and Lithuania, as the League of Nations well remembers. There can be no doubt that this Memel question, affecting as it does the status of the river's mouth and the port of Memel, is a highly important factor in the general Baltic situation, so much so that there has been considerable discussion of ways and means to bring about a definitive agreement between Germany and Lithuania. Such projects do not exclude consideration of the questions of the Corridor and Danzig.

At this point we are brought face to face with the powerful rôle which Poland plays in the Baltic question. It would be out of place to describe Poland at as much length as the other countries, for she is not really a Baltic state. Her seacoast measures only forty miles, and even this meager access to the sea she owes to the peace treaty, which created the anomalous entity of Danzig

— a state which is to belong and then again is not to belong to Poland, which is to be united to Poland and nevertheless is to remain intrinsically independent and autonomous. Such a solution could have permanence only if Poland showed the utmost good will; it is intolerable to Germany, because it involves the loss of territory that is unquestionably German.

What it is most important to point out in the present connection, however, is that Poland, as a glance at the map will show, extends to the west around part of the territory of Danzig, up to the Baltic, and that in this outlying part of her territory Poland has developed a port of her own, which she is determined to make, by hook or crook, her principal port on the Baltic. Not more than three years ago, Gdynia, which has since acquired such notoriety, was a miserable fishing village with a few hundred inhabitants. Today, it is a rapidly growing town with all modern improvements and an ultra-modern port. This port, in itself a dangerous competitor of Danzig, is destined by Poland to be a permanent and integral part of her economic life. Evidence of this is found in the important railroad now under construction from Kattowitz northwards to Gdynia, of which only a short section is still unfinished. In the spring of 1931 this whole railroad was taken over by a French company, a railway loan being floated in France for the purpose. The crux of the matter is that this south-to-north pressure, by means of which Poland, aided by France, tends to establish direct connections with the nations of the west and to figure as a Great Power, breaks the east-and-west connection of Germany proper with East Prussia, beyond the Vistula. Furthermore, Poland is brought into conflict with Germany through Gdynia's competition with Königsberg, formerly the Baltic terminus of the German line of communication southward to Odessa, via Prostken, Bialystok, Brest-Litovsk, Rovno, Kasatyn and Shmerinka. The strategic advantages of the Kattowitz-Gdynia line are self-evident, as regards the supply of war materials by France both to Poland and to Rumania. And on the sea, from Cherbourg, Le Havre and Calais, through the North Sea, and around the Skagerrack into the Baltic and to Gdynia, France, Poland's ally, is not confronted by any naval Power which is her equal. The French navy is superior to the navies of all the other countries along that coast, and the Polish navy, small as it is in itself, means something in combination with it.

Thus the picture today is totally different from that of 1914.

Several new Baltic states have been called into being at the expense of Russia and Germany, and although they are independent they cannot do without those two Great Powers. Russia has lost almost all her former coast on the Baltic, retaining merely the small bit extending from Narva to Leningrad and thence a short distance towards the northwest, on the innermost recess of the Gulf of Finland. Germany's Baltic coastline has been broken in two by the Polish wedge, and she has also lost the district of Memel. Poland is taking her place as one of the principal Baltic Powers. The position of Sweden and Denmark remains the same, but they are pondering over these changes and wondering about the final outcome.

This new situation has been created by the policy of England and France since the war. It was generally believed, as already stated, that England would establish permanent bases in the north, and France in Poland. England, however, has shown an increasing lack of interest in the Baltic. So long as Russia remains as weak as she is today these borderland territories are not of so much importance to England. Under present conditions her principal interest in them is commercial: Finnish, Estonian and Latvian exports, especially dairy products, are the very things England needs to import. The ties between France and Poland are stronger. On the whole, however, France has been less active politically in the Baltic countries than is usually supposed.

One need only recall the discussions before the League of Nations to realize that there has been no permanent and satisfactory solution of the Baltic problem, especially at its most sensitive points — Vilna, Memel and Danzig. The future depends almost entirely on what becomes of Russia. This has an important bearing on the pertinent question whether the Baltic states, after having been atomized and endowed with independent organizations of their own, ought not somehow to come together again, so that — in the language of Herbert Spencer — differentiation could be followed once more by integration. Signs may be seen pointing in that direction both in the field of commercial policy and in the narrower field of foreign politics. A customs union exists between Estonia and Latvia, even though so far it has not borne any practical results. Commercial agreements are in force between Latvia and Lithuania, between Estonia and Lithuania, and between Finland and Estonia. In addition to the so-called "Baltic Clause," some of these agreements contain also the so-called

"Finnish Clause," *i. e.*, the stipulation that Russia shall not be entitled to demand any special favors which the Baltic states may concede to one another. The same applies to the commercial treaties of these states with Germany and with Poland, and this so-called "Baltic Clause" keeps the way open for a customs union or — if that is unattainable — for trade preference in the sense of the Geneva discussions and a regional agreement at least between Latvia and Estonia, with the possible inclusion of Finland.

But all this taken together is only a very small step on the road leading to the consolidation and union of these small states. It has been frequently suggested in the press that if they united in a "Baltic Bloc" they would have greater power, *e. g.*, at Geneva, than they can exercise separately. But the practical outcome of numerous talks, visits, newspaper articles and conferences between their representatives has been absolutely nil. Natural conditions have prevented the formation of a block of border states under Polish leadership, because Finland lies in a totally different sphere, while for Estonia and Latvia the Russian colossus is more important. These difficulties in the way of rapprochement have been rendered unsurmountable owing to the Polish-Lithuanian conflict over Vilna. There are influences at work, directed especially by political groups closely associated with the Roman Catholic Church, which aim at a reconciliation between Poland and Lithuania, but so far results have been negligible. The relations between Lithuania and Poland seem fixed on an unsatisfactory basis, and are a real danger to the peace of Europe. Poland herself is weakened, both politically and ethically, by the situation, notwithstanding the fact that she is in actual possession of Vilna: no one can take Vilna away from Poland by force.

Thus a would-be architect of a Baltic Bloc would have to choose between a Bloc without Poland, a Bloc under Polish hegemony and a Bloc including Russia and under her leadership. One need say nothing more to show the incompatibility of these political ideas. Nor has the so-called Litvinov Pact of February 9, 1929, in which, under Russia's leadership, the Baltic states of Finland, Estonia, Latvia, Lithuania and Poland, together with Rumania, mutually pledged themselves to the Kellogg Treaty, made a more intimate association any more likely.

The states described, after all, in no way form a homogeneous

group. The natural groups are: Finland-Sweden-Denmark in the north; Estonia-Latvia-Lithuania in the south; Poland on the way to becoming a Great Power; and the two defeated Great Powers, Germany and Russia, each determined to retain their influence over the Baltic and the Baltic question. This division would be more apparent even today but for the fact that the Soviet monopoly of foreign commerce makes it very difficult to establish a really close association between Russia and other states and, on the other hand, because the interests of the Baltic states in agricultural exports are in violent conflict with the agrarian commercial policy of Germany.

It is a precarious situation. The Baltic states are endeavoring in every way to secure and consolidate their independence. Nowhere in Germany is there the slightest tendency to advocate the conquest of them by force, nor would this indeed be possible. The same holds good for Russia; she has no desire at the present moment to see the existing condition of things changed. Denmark and, above all, Sweden, are observing an essentially defensive attitude as spectators, although it must be added that Sweden is very much on her guard against Bolshevism and is worrying about it. We have already stated why it has not been possible so far to effect a Finnish-Swedish rapprochement, which on some counts would seem so natural.

Let us return now to our point of departure, the Baltic Agreement of 1908. Would it be possible, as things are today, to renew it, thus assuring the safety of the states adjoining the Baltic? One can raise the question but not answer it. However, it is enough to bring it forward in order to indicate the direction in which an accord must be sought. The old points of view remain the same. No one is going to assail the right of the smaller Baltic states to the independence which they have attained. But it also remains a fact of undiminished importance that Germany and Russia, the largest Baltic Powers, cannot do without coasts and harbors. There is, as already mentioned, this difference between the two: Germany suffers from smarting wounds (Danzig, Memel), while Russia has been cut off from the Baltic almost completely.

No one can say that either Germany or Russia has brought influence to bear on the Baltic states to change the existing situation during the ten years since the termination of the war. Germany's relations with Lithuania, Latvia and Estonia are good, and quite satisfactory from the economic point of view. The

fundamental opposition between democracy and Bolshevism separates these border states from Russia. But this has not prevented the establishment of political relations, especially (as already noted) between Russia and Lithuania, but also between Russia and Estonia and — to a lesser degree — Latvia. Between Finland and Russia, it is true, there is no mutual toleration or coöperation.

It really ought to be possible, no matter how deeply rooted all these differences and conflicts are, to stabilize the relations between the states adjoining the Baltic, even if they cannot be brought into harmonious collaboration. But, of course, more important than even the Finnish-Russian relations have been and must remain the relations between Poland and Germany. This German-Polish question is a problem by itself. The Powers of Western Europe, and especially France, can best promote general peace and security in northeastern Europe by refraining from using the countries involved as the wrestling-ground for their world rivalries. Until this happens it will be quite impossible to propose any constructive plan for the solution of the problem of the Baltic Sea and the Baltic coast.

TIBET'S POSITION IN ASIA TODAY

By Sir Charles Bell

FROM the earliest dawn of accredited history the mountains and deserts of inmost Asia have sent out forces, moral, intellectual and physical, that have overrun large tracts of the earth's surface. The hardy nomad, finding his scanty pasture insufficient for his growing herds, must needs sally forth to subdue the soft-living peasants outside, and to possess their land. But the times of nomadic conquest are long past. It is some six hundred years since the Mongols created the largest empire that history can record. Today the movement is in general reversed. It is the nations outside, overpeopled or ambitious, and strengthened with the weapons of modern science, who press in upon the nomads still living their old-world existence. Yet these large, hidden areas continue to make themselves felt in the movement of world forces.

To realize the present relation of Tibet to the Powers that encircle her one must understand something of her geography and of the course of events that has shaped her destiny. The million square miles over which she is spread constitute the highest territory on the face of the earth. Inhabited plains and valleys succeed one another ten thousand to fifteen thousand feet above the level of the sea. Here dwell the peasants and the herdsmen, while the latter also range still higher up the mountain sides. A hard country, breeding a hardy people, who in consequence went out and overran the territories of their neighbors in China, Turkestan and India.

In the seventh century of the Christian era Buddhism commenced effectively to penetrate the country. After a temporary setback in the tenth century, it had by the end of the eleventh established a firm hold, and this has grown stronger and stronger with the passing centuries. This Buddhism came from Nepal, Kashmir and India, and in a lesser degree from China. Hinduism having by then recovered its ascendancy in India, the Tibetan importation was encrusted with Hinduism and Hindu Animism, and further mingled with the Animism of Tibet itself. Thus it was, and remains, considerably removed from the religion of the Founder himself. But it would be a mistake to imagine — as many western writers have done — that it is sheer demonolatry

with a thin Buddhist veneer. For we have here a real form of Buddhism, suited to the needs of the people and grafted very firmly on their hearts and lives.

One has only to hear or read the old pre-Buddhist songs and other records, tales of war and pitiless savagery, and then to read the records of the last five hundred years, or better still to dwell in modern Tibet, in order to realize the magic change which Buddhism has wrought on the Tibetan mind. Buddhism forbids fighting and the taking of life. Once it had adopted Buddhism, the Tibetan nation, formerly aggressive, always raiding and often conquering their neighbors, in fact one of the strongest military Powers of Asia, fought no more to subdue foreign territory. The soldiers melted away and priests, housed in enormous monasteries, took their place. The Tibetans scarcely defended their own country. It was a great change of heart. Has Christianity done as much to instill the love of peace among the nations of Europe?

As the martial zeal of the Tibetans declined they were subjected to invasions by Mongols and Chinese. The former gradually ceased their incursions after the third Dalai Lama converted the leading Mongol chiefs to the Tibetan faith during the latter half of the sixteenth century. Later raids were planned merely to help one part of Tibet against another: a family affair, for Tibetans and Mongols are closely akin.

The occasional entry of Chinese troops into Tibet did not destroy Tibetan independence, for they were as a rule unopposed by many of the loosely-knit tribes composing the country. Such Chinese garrisons as were from time to time established from 1720 onwards at Lhasa and elsewhere were unable to hold down this large and mountainous country, and indeed made no serious attempt to do so. The Chinese overlordship, commencing early in the eighteenth century and ending in 1912, was often little more than nominal. The Chinese endeavor to control the foreign policy of Tibet sprang mainly from two reasons. Firstly, the Chinese desired the country as a barrier on the west. Secondly — from 1642, when the supreme authority of the Dalai Lama was established — they sought his spiritual backing to restrain the turbulent Mongols from invading their northern provinces.¹

¹ Mongolia obtained its Buddhism from Tibet alone; it is spiritually subordinate to the Dalai Lama. The head of its Church, the Grand Lama of Urga, was, at any rate in his later incarnations, a Tibetan, the last having been born in the very shadow of the Dalai Lama's palace.

Modern Tibet is a theocracy. Monasteries and nunneries, large and small, are scattered throughout the land, some of them owning huge landed estates where they mete out monastic



TIBET AND HER NEIGHBORS

The symbol 1 in the lower right hand corner indicates French Indo-China. "Bal." is the abbreviation for Baluchistan.

justice to both monk and layman. On the very hub of the wheel are the great institutions — some have called them universities — Se-ra, Dre-pung, and Gan-den, known in Tibet as "The Three Seats." Those who are destined to occupy the highest posts in

the Church come here for study, thus continually spreading the paramount influence of Lhasa. And above them all the Dalai Lama holds his sway, both spiritual and secular.

Within his own domain — embracing perhaps three-quarters of the area inhabited by Tibetans, and numbering three million people — the Dalai Lama is the most autocratic ruler in the world today. For he is more than pope; he is god and king in one, being an incarnation of Chen-re-zi, Lord of Mercy, the patron deity of Tibet. He not only governs his subjects in this life, but can influence their rebirth in the next. Or, as his people say, he is "The Ruler in this life, the Uplifter in the hereafter." On such a base real autocracy can stand. He has his own government, priestly and secular, and his own trusted officials, not necessarily the highest in rank. Young personal favorites sometimes play important parts in this hidden drama. And below these stands the mass of the people, independent and inclined to go their own way, for they are nomads and mountain-born, but withal most deeply attached to the Head of the Faith, since they are among the most religious people in the world. They stand even more firmly for "the holy religion" than for their territorial independence.

There is no wish among Tibetans to "develop the country," as the smooth western saying runs. They feel that the foreigner will exploit its resources for his personal profit, preaching the mutual advantage of trade, but achieving too often the sad result of throwing the whole country out of gear — body, mind and soul. Tibet, indeed, does intend to develop, but quietly and from within, along her own lines. She wishes to live her own life. Why welcome foreign shocks, when you have sufficient earthquakes of your own?

As a consequence of the troubles of the last thirty years Tibet has at last raised a small regular army of her own. Its training and equipment may not be of the highest, but it is workmanlike and composed of men who besides being brave can live and fight on a scanty commissariat. It knows the hills and ravines of its own country. When the Chinese troops attacked Tibet in 1917, they were defeated, surrounded, and captured. The campaign continued, and Chinese garrisons were driven from their posts. In all the fighting the Tibetans were victorious. In fact, Tibet could now keep out a fair-sized Chinese army and China would find it difficult to maintain a large army in the Tibetan wilds,

unless she should win over the tribesmen of eastern Tibet. She might hope to do that by superior administration, liberal treatment or bribery, and intensive propaganda. The maintenance of Tibet's little army is a difficult matter, for public revenues are very small. Land revenue, the sheet anchor of finance in several oriental countries, is insignificant, since almost all the land has been alienated to the monasteries and the nobility. A people intensely conservative resents new taxation, which is, moreover, hard to collect from so scanty a population so widely dispersed.

The huge religious institutions of celibate monks and nuns have reduced the population, and the prevalence of venereal disease has worked to the same end. During the last hundred years at least the Tibetans have steadily dwindled in number, while the populations of the surrounding nations have greatly increased. Of necessity, then, Tibet must take stock of those nations that may affect her for good or ill, and must choose one Power on whom she can rely in the last resort.

Toward Japan the Tibetans feel great admiration. They are accustomed to praise her victories in war and peace. They look on her as friendly, and in case of necessity she doubtless could send arms and military instructors to them through Mongolia. But she is very far away—too far, they fear, to be of the most effective assistance.

As Mongolia is akin to Tibet in race and is of the same religion, the two lands have much in common. They are separated only by a narrow strip of the Chinese province of Kansu. Young Mongolian monks study in the Lhasan monasteries; elderly Mongolian priests take a prominent part in the learned disquisitions of the Holy City. The income that pious Mongols bring in offerings to the Grand Lamas of Lhasa and Ta-shi Lhün-po is not to be despised. And the trade between the two countries is considerable. Mongolia is Tibet's natural ally; but she, too, is far away, and in modern times she has been too weak to aid Tibet against powerful foes.

With Nepal, Tibet's southern neighbor, feelings are mutually hostile. The area of this Himalayan state is comparatively small, but its close-packed peasant population, brave, warlike, and obedient to their Hindu kings, is quite as large as that of Tibet. As the result of a past invasion the citizens of Nepal gained the valuable privilege of extraterritoriality and free trade when on

Tibetan soil, a privilege that is not accorded to Tibetans in Nepal. This is an abiding source of sore feelings in Tibet, which fresh occurrences constantly inflame — the more so because in the same treaty by which Nepal gained the advantages in question she undertook to give assistance to Tibet against foreign attacks, an obligation which, Tibetans aver, Nepal has consistently ignored. The latter, on her side, maintains that the Tibetan Government violates the extraterritorial clause by claiming Nepalese subjects as her own. Should hostilities result they would almost certainly bring larger issues into play.

Such is the standing of Tibet towards Japan, Mongolia and Nepal. There are three other Powers to whom she must pay especial attention — China, Great Britain and Soviet Russia.

China of course holds a very special position in Tibetan minds. The connection with her stretches back into distant ages. From her Tibet has derived most of her material civilization, and the most fertile districts of her realm lie along the border of western China, whose magistrates have governed them for the last two hundred years. To the great republic she is one of "The Five Colors," and, whether empire or republic, China shows her usual quiet tenacity in wishing to regain lost relations whenever the opportunity occurs.

Tibet is of real use to India as a buffer state, and it is in the interest of Britain, as the custodian of India's foreign policy, that Tibet should be strong, independent and free from outside interference, including interference from Britain herself. Tibet is not powerful enough to menace India, even if her peace-loving Buddhists should ever desire to do so. But her mountainous expanses, some sparsely populated, others entirely uninhabited, form an ideal barrier. Thus, since Tibet is very jealous of her independence, her national interest to this extent coincides with that of India and Britain.

Now Tibet desires that when she is pressed too hard she shall have some Power to whom she can turn. Is the Indo-British combination able and willing to supply her need?

In 1904 when the British expedition invaded Lhasa and opened the door to British influence in central Tibet, the Dalai Lama fled to Mongolia. Scarcely had he returned to his capital, five years later, when a Chinese invasion entered it. His Holiness then fled to India. The British observed neutrality, but accorded protection, hospitality, and personal kindness to the god-king

and his ministers in their trouble. This action captured the affections of the Tibetan people, especially when it became clear that the British had no desire to annex Tibetan territory. Meanwhile the Chinese troops showed up badly in comparison with the disciplined soldiers of Britain and India; their diplomatic aims were distasteful; and their methods sadly lacked the skill shown by Colonel Younghusband (now Sir Francis Younghusband) in the earlier expedition. As the result the British came into favor in Tibet, so much so that when the World War broke out she offered troops to fight on the British side. Later, she permitted the Mount Everest expedition to enter and encamp on Tibetan soil, though her natural instinct is to dislike things of that sort. In fact, her friendliness showed itself in many ways. But during the last few years there has been a change. There is no doubt that China has steadily improved her position. Ten years ago, as stated above, the Chinese were in very bad odor throughout most of Tibet and especially among the members of the government. The acts of sacrilege committed by their invading troops, their ambitious designs for controlling the administration, the fear that their soldiery, known to be infected with Bolshevist doctrines, would carry the germs into Tibet, their military weakness as compared with Britain, Russia or Japan, their believed lack of religious instinct — all these considerations combined to arraign her as an enemy.

But the passage of time, accompanied by new and disturbing events, dims the recollection of the old sacrilege, the fear of the old ambition. Patiently China bides her time, ready to take advantage of any mistake of her rivals, of any opportunity that comes her way. She is expert at propaganda, tirelessly repeated in the Sino-Tibetan newspaper and of so simple a type that it finds entry into every mind. A recent cartoon, for instance, shows a snake (Britain) coiled round a tree trunk (Tibet) with a Tibetan cowering underneath, while a strong man (China) is about to pierce the snake with a spear; an eastern Tibetan from the Chinese border stands by, ready to help him. As for their military position, the Chinese can point to the huge numbers of their soldiery, and can aver that it is not long since they "whipped the British out of Hankow." China's trade, too, especially in tea, of which most Tibetans drink over thirty cups a day, is of great value.

Some years ago, owing to disputes between Lhasa and Ta-shi

Lhün-po, the Pan-chen² Lama fled to China, where his presence is a valuable asset to the Chinese Government. Fissiparous tendencies are always at work in a nomadic and feudal country like Tibet; Ta-shi Lühn-po has long desired to be almost, if not entirely, independent of Lhasa, and many of its people look to Nanking to help in these designs. The Nepalese menace against Tibet is another factor which helps China, for in 1792 Chinese generals drove the Gurkha forces out of Tibet and dictated terms of peace within a few miles of the Gurkha capital. And Nepal is known to be the ally of Britain: The fear of Soviet Russia, a point with which I shall deal presently, also tends to turn Tibet again towards China. And "The Three Seats," which Peking was shrewd enough to subsidize, have a pro Chinese element, which hopes that Nanking will renew the grants.

From the British Blue Books of the period one may infer that one of the main reasons for the British advance to Lhasa in 1904 was the fear that Russia was concluding a treaty with Tibet by which she would be enabled to menace the northeastern frontier of India. The Tsar's government repudiated the idea, adding that they had no agents or missions in Tibet and no intention of sending any, whatever the British might do there. Their policy "would not aim at Tibet in any case," though they might be obliged to take measures elsewhere.

Accordingly, the Russians set about establishing themselves in Mongolia. Two hundred years ago Russia had annexed that portion of Mongolia inhabited by the Buriat tribe of Mongols and lying to the east of Lake Baikal. Learning from the Russians and marrying among them, this half million of people rose in the social and intellectual scale and responded by spreading Russian influence among their brothers in Mongolia. Even before the war Russian influence was predominant in that country. Now the Buriats have been formed into a Soviet Socialist Republic and continue to extend the influence of the Soviet Union, which, after a temporary setback, is now again predominant.

The Tsarist Government, as just noted, declared their complete abstention from interference in Tibet. But the old reservations have no meaning for the Soviet Government, working towards the goal of world revolution, and today Soviet Russia

² The title "Ta-shi Lama" is popular among Europeans. But Tibetans do not, I think, use it except as a title for the jovial priest who presides at weddings. It is therefore unsuitable for His Holiness of Ta-shi Lhün-po.

aims to push her ideas in Tibet as well as in Mongolia. During the last few years she has sent agents into Tibet and will no doubt continue to do so. Will she succeed in moulding Tibet to her purpose? That depends on many considerations.

Tibetans have always been impressed by Russia. Overawed by her huge territory in Asia and Europe, they regarded her, until the Great War, as the strongest Power in the world. Add to this the admixture of Tatar blood common to both, the great value of the Russian trade, and the fact that Russia has never fought with Tibet, and you have a basis for the admiration which Tibet came to have for her great neighbor. A further consideration is that the Dalai Lama receives an income from the funds that he placed in Mongolia during his exile there after the British expedition to Lhasa. This income and these funds are at the mercy of the Soviet Government, which can also interfere with the Mongol pilgrims and their offerings in Lhasa and Ta-shi Lhün-po.

Such are the main factors operating in favor of Soviet Russia in her dealings with Tibet. But much stands in opposition. A nation on a feudal basis and deeply religious has no common ground with one that is ruled by the dictatorship of the proletariat and carries on anti-religious campaigns. Thus admiration and friendship have recently tended to be more and more replaced by fear. Of course the Soviet authorities are not without ability in cloaking their designs when they deal with oriental nations. But Tibetans on their side are remarkably shrewd observers. They have seen through Russia's mask from the first, terming her methods *tri-mé lu-mé*, — "without law and without custom" — than which there can be no stronger condemnation among an orderly people devoted to their old ways. They know, too, that Russia is far away and hence would not really be a strong ally. The new railway between western Siberia and Russian Turkestan will not help her, because a thousand miles of desert and mountain ranges separate it from Tibet's northern frontier. And this frontier is itself separated from the inhabited areas of Tibet by the arctic wastes of the Chang Tang, several hundred miles across and sixteen thousand feet above sea level.

No doubt the Soviet power in Mongolia and the close intimacy existing between Mongolia and Tibet furnishes Soviet Russia with a means of penetrating the Dalai Lama's dominions. But, if this be a weapon, it is a two-edged one at best. The Mongols cannot do

much in their own country with the Red Army at their gates; but it is unlikely that they are carrying to the distant Dalai Lama favorable accounts of those who wish to do away with god and king. Even among the Buriats themselves there appear to be many who would like to withdraw their country from the Soviet Union and rejoin the parent stock in Mongolia. Others, both Buriat and Mongol, look towards Japan, but find Japanese administrative methods too strict for the free life of a nomadic people.

The question arises whether Britain considers that the Peking Convention of 1906, made when Tibet was under Chinese suzerainty, still precludes her from helping Tibet, though the latter has been for nineteen years an independent nation. Or does she consider herself still bound by the Anglo-Russian Agreement of 1907, even though Russia has meanwhile repudiated her obligations wholesale? Or is Britain tied by events in India and afraid to move? If she allows Nepal, her ally, to let loose her troops, then the friendship of Britain is but a thing of shreds and patches, which Tibet will cast away, replacing it by a more wholesome garment. Such may well be the considerations that pass through the minds of "The Inmost Protector"³ and his counsellors, and on which they ponder today.

As the result of these various causes China has recovered a great deal of the ground that she had lost in Tibet. For several years after the Chinese Revolution in 1911 the Tibetan Government permitted no Chinese, much less Chinese agents or missions, to enter the Dalai Lama's dominions. But during the last few years Chinese missions have been received with honor in the Tibetan capital, and in response to each one a party of Tibetan delegates has made the long journey from Lhasa to Nanking. The most picturesque and probably the most important of these Chinese agents was a lady, little more than a girl, born in Lhasa of a Chinese father and an eastern Tibetan mother. Educated in China, and married to a Tibetan in the employ of the Nanking Government, she was selected by the latter as an envoy well fitted to visit her Tibetan homeland and restore it to the Five Colors. Accompanied by a Tibetan monk-official, she made the arduous journey through China and Tibet and was accorded an honorable welcome by the government at Lhasa. She has now returned to Nanking, and has lately been followed by another party of monk-officials from Tibet.

³ One of the titles by which the Dalai Lama is known in Tibet.

The future is hidden from us. But by Tibetan priest and layman alike the fulfilment of prophecies is quietly awaited, for the divine inspiration of these is not doubted. One prophecy says that the British are the road-makers of Tibet. This has always been interpreted as meaning that they will make improvements in and for Tibet, but will soon go away. Another foreshadows fighting between "the Upper and Lower Horpas" — often interpreted as Russians and Chinese respectively — for the mastery in Tibet. I myself heard these two prophecies thirty years ago.

Britain may be expected to mediate informally between Tibet and Nepal in their disputes and restrain Nepal from hasty action. If Nepal should invade, the Tibetan Government would probably call in China; and Chinese power established in Lhasa might well curtail Nepalese privileges and in many other ways prove a tougher proposition than the Dalai Lama's government. Britain may also be expected to accord moral and diplomatic support to Tibet in the latter's struggle to maintain her independence, so long as an effective British army is maintained in India. Judging by the general trend of Indian politics, this may well be for a long time yet. But if the British troops are greatly reduced, Tibet will almost certainly revert to a closer relationship with China, since India alone is not strong enough to help her, even if she desired to do so.

Meanwhile China will doubtless try to give Tibet as convincing proof as possible that she will not intervene in the internal, and as little as possible in the external, affairs of Tibet. If she does this, and if she keeps her communists out of the country, she will come to hold a very strong position.

And "The Yellow and the Grey in the Land of Snow" — as the Tibetans name their priests, their laity, and their country — what will they do? If they can but keep up a small army with a slightly larger militia behind it, their mountains and ravines will do the rest. To finance even a small army is difficult for them, but, given the will, a way could be found. Then if Tibet still feels the need of outside help, and if membership in the League of Nations does not suit her on account of the restrictions and visits which it might impose, she will at any rate be able to exact good terms from the Power on whom her choice eventually falls.

THE FEETHAM REPORT ON SHANGHAI

By Joseph P. Chamberlain

THE Chinese Government has long been engaged in negotiations with foreign governments to change the treaties granting extraterritoriality in China. It has not yet succeeded in persuading them all to make the necessary modification, though in principle it is agreed that the régime should cease when certain conditions are fulfilled. Meanwhile, the Chinese Government, on May 4, 1931, issued a decree abolishing this privilege, to take effect on January 1, 1932. Regulations governing the exercise of jurisdiction over foreigners have been prepared to assure their appearance before special courts applying the new codes of law.

Realizing that the relinquishment of extraterritoriality will make difficult, if not impossible, the continuance of the present régime, the Municipal Council of the foreign Settlement in Shanghai said on December 6, 1929, that owing to the "publicly announced policy of the foreign Powers, and particularly America and Great Britain, with regard to the relinquishment of extraterritorial privileges in China," the Council realizes the necessity of devising a constructive scheme which while giving full consideration to the aspirations of the Chinese people will, at the same time, afford reasonably adequate protection during this transition period to the great foreign commercial and business interests which have been developed in Shanghai." Since a plan of merely local origin might be looked upon with prejudice the Council determined to call in a foreign expert "thoroughly to explore the subject and develop its practical possibilities." Judge Feetham of South Africa was chosen. His accomplishments in South Africa and elsewhere in the British Empire have given him an outstanding reputation for clearness of vision and fairness of judgment. His report has now been published.

Judge Feetham's position was that of an adviser to the Municipal Council, not that of a conciliator as between the Municipal Council on one side and the Chinese officials on the other. His principal means of information were drawn from the Shanghai community, both foreign and Chinese, and his contacts, as he frankly says, with the Chinese Government and Chinese districts outside of Shanghai, were very limited.

In his investigations Judge Feetham was given *carte blanche* by the Council and it was understood that his report should be entirely unbiased and that he should be free to form his own opinion uninfluenced by wishes of the Council. The report bears ample evidence that this condition was observed. It is a very valuable document. Its historical summary bears chiefly on the constitutional and legal development of the Settlement with but enough reference to the events which caused that development to make it understandable. It also contains an excellent description of the commercial situation and of the business and banking interests in Shanghai, tracing the development of the port to its present preponderant position in foreign trade, and especially in banking, in China.

The main part of the report, however, is a description of the government of the Settlement and its relations to the Chinese municipality and the Chinese authorities. Judge Feetham had the advantage of free access to the records of the Shanghai municipality, and, what was perhaps more important, the experience of residents and officials in the Settlement, both Chinese and foreign, with whom he talked freely and without the interference or the presence of officers of the Council. His findings are valuable to any student of political science or of government and he paints a remarkable picture of the development and operation of a most unique institution. That the Settlement has been able to exist and to grow under the peculiar constitutional difficulties which faced it is a great tribute to the political sense of the community.

The Settlement occupies an area of 8.66 square miles fronting the Whangpu River. Adjoining it is the French Concession of 3.94 square miles, entirely separate jurisdictionally, and around both cities extends the Chinese Municipal Area of Greater Shanghai comprising a territory of 320 square miles. There is no natural barrier between the areas; persons and goods are constantly passing back and forth from one to the other. The Settlement is not only a small foreign controlled area in the midst of a great Chinese city, but the foreigners form only a small portion of the population. The Settlement proper contains 26,965 foreigners and 971,397 Chinese. In the French Concession live 12,335 foreigners and 421,885 Chinese. In the Chinese area live 9,790 foreigners and 1,679,310 Chinese. Thus the political problem of the Settlement is not the government of a comparatively

small population of foreigners, but the government of a city of nearly 1,000,000 people of whom only a small number are foreigners living in a congested area, and forming part of a much larger native community.

The Settlement is based on two constitutional positions, first, exclusive jurisdiction over foreigners by their own consuls, and second, a widely extended legislative and administrative jurisdiction by the Council within the limits of the Settlement over both foreigners and Chinese. The first, extraterritoriality, is assured by provisions in the treaties which also establish the right of foreigners to inhabit the concessions, and the second is contained in the land regulations which are an agreement between the foreign residents, the foreign diplomatic officials and the Chinese Government. Here arises a first difficulty in the government of a rapidly growing city. Its charter, the land regulations, can be modified or added to only by agreement between the Settlement itself, the Powers, and the Government. Any one of the three may block changes.

The basis of the Government set up by the land regulations consists of the annual meeting of the foreign landowners and rent payers who fix the taxes within the limits established by the charter. They also elect the Council which has a wide ordinance power, especially in the control of police, sanitation, and the construction of streets, but its ordinances, called By-laws, require the approval of the Consuls and Ministers of the Treaty Powers and of a meeting of the rate payers. The Council appoints all officials and servants of the municipality, collects and controls the spending of the revenue. The government of the Settlement thus has legislative power and administrative power, but it has no courts to interpret its regulations and to punish their infraction or to try civil cases or persons accused of crime in the Settlement. The judicial function in the Settlement is exercised by the 14 consular courts, including the United States Court for China, each of which has jurisdiction over its own nationals, and the Chinese courts which have jurisdiction over the Chinese and over those foreigners who have not the right of extraterritoriality. Eighty-four percent of the foreign population of the Settlement have extraterritorial rights. Obviously the Chinese courts are the most important single factor in the judicial situation from the point of view of preserving order, combating crime and maintaining the regulations. It would not normally seem possible

that a government could carry on which depended for the enforcement of its ordinances and for the punishment of criminals arrested by its police, upon 15 different courts, each of them entirely independent of that government. Each one of these courts may take a different view of the validity or meaning of a By-law or of the seriousness of a particular violation brought before it.

The Council depends on these independent courts, not only for enforcement of its ordinances, but also for the collection of its taxes. If a foreign resident refuses to pay taxes he can only be compelled to carry out his civic obligation by an order of his own consular court, and there is no other legal way of forcing a Chinese or non-treaty foreigner to pay, than by an action in the Chinese court. There are of course other means of bringing recalcitrant taxpayers to time, notably by cutting off their light or water supply or by refusing to give police protection to them or to their property, but such methods would obviously defeat themselves if they were the principal means of assuring financial support to the Council and respect for its laws. Even though, as Judge Feetham says, there is difficulty caused by this variety in courts, on the whole the régime has worked fairly well and the foreign mercantile colony in Shanghai desires its continuance.

The Council itself may be sued in the Court of Foreign Consuls, established each year by the whole body of treaty consuls, thus withdrawing the municipality from dependence on the regulatory action of the government of the country through its judicial branch. The abolition of extraterritoriality would make this institution hard to maintain. Relations between the Chinese Government and the Council are conducted through the foreign consular body at Shanghai and the ministers at Peiping, thus putting the shield of foreign governments in law between the Council and the Chinese Government just as the troops and warships of the Powers in time of need act as a shield against Chinese armies.

Extraterritoriality plays another very important rôle in the administration of the Settlement. There are no municipal land registers and the municipal government does not guarantee the title to property within its limits. So far as that property is held in the name of foreigners having extraterritorial privileges it is, under the provision of the land regulations, registered in the office of the consul whose national holds the land. That registration fixes the area of the land affected and the title. When one for-

eigner transfers property to another a new registration must be effected in the office of the purchaser's consul. Titles thus registered are valid in any of the consular courts and are respected within the whole area. They are entirely out of the hands of the Chinese Government and indeed of the Settlement government which, having no control over the consuls, can only accept the registration as valid.

Obviously the greatest constitutional problem in the Settlement has been caused by the rapid increase in the number of Chinese within its borders, who are normally subject to Chinese law and to Chinese administration. As early as 1866 a committee of foreign residents said: "Your committee, feeling that on this question of how far Chinese authorities are to tax residents of the Settlement, hangs the whole success of municipal government and the prosperity of the port, believe that no way out of the situation appears possible, but that a distinct and definite arrangement should be made with the Chinese Government on the subject, and that no Chinese official be allowed to execute warrants of any description within the confines of the Settlement, except in a case publicly heard at the mixed court and through the agency of the municipal police." Thenceforward one of the cardinal points pressed by the foreign government of the Settlement throughout its existence has been the protection against the Chinese Government and its officials, not of foreigners alone, but of Chinese. As a result of steady pressure it has succeeded in keeping Chinese police officials out of its territory, so that there is but one police, the municipal police, within the area. It has prevented the exercise of taxing authority, at one time a serious question, so that it achieved the result that "no Chinese taxes could be collected within the Settlement and that any collectors of unauthorized taxes found operating within the Settlement were liable to be prosecuted and punished." Recently enforcement within the Settlement of certain national taxes has been arranged for, but the taxes are enforced through the Council's own officers. Chinese police legislation has also been refused application.

A vital point has been the control of the Chinese courts. Obviously, if they do not sympathetically sustain the By-laws and enforce the payment of taxes by the Chinese residents, the Settlement government could not go on, and obviously the Chinese courts could by enforcing Chinese law, Chinese taxes and police

regulations, establish a sort of dual government in the city which would bring about the result that the Settlement authorities have desired to prevent. Special Chinese courts were established in the Settlement in which there has been by different methods a strong foreign influence, until 1930. Under the new arrangement made in that year, the courts in the territory are modern Chinese courts with judges trained in the modern law, with final appeal to the Supreme Court of China at Nanking. Foreign assessors have disappeared and the Chinese law is now applied by a purely Chinese court in all cases in which Chinese are accused of crime, or in civil cases in which a Chinese is defendant. In the arrangement, however, between the foreign ministers and the Chinese Minister of Foreign Affairs which set up these courts, it is especially provided that due account shall be taken of the land regulations and the By-laws of the International Settlement and the ministers further reserve the right to object "to the enforcement in the International Settlement of any future Chinese laws that affect or in any way invalidate the land regulations or By-laws of the International Settlement, or that may be considered prejudicial to the maintenance of peace and order within this area." The extent of the independence of the Settlement appears in the provision that the Chinese Government has no power to arrest criminals in the Settlement, except through the municipal police. It has no jails there and a person accused by it of any crime cannot be extradited from the Settlement for trial until after an open hearing in the local Chinese courts, at which the Council may be represented.

The Chinese Government has attempted at different times through its influence over Chinese judges to enforce administrative regulations of various sorts within the Settlement. This attempt has been vigorously resisted on the ground that the only Chinese laws applicable under the agreement setting up the new courts are the general criminal and civil laws normally enforced in the courts of China.

Protection of land titles through the registry with foreign consuls has been another means by which Chinese land holders have withdrawn their property from the control of their own government. Judge Feetham remarks that the value of the property owned by British nationals registered at the British Consulate in 1926, was 167,000,000 taels, while that held by British for other nationalities, meaning Chinese, totalled 103,000,000

taels, and since then there has been a large increase in the land held by Chinese. In addition a considerable amount of the stock of Hong Kong companies owning land in Shanghai is held by Chinese. This property is all protected by extraterritoriality.

The amount of Chinese wealth in the Settlement is brought out in another way by the very interesting description of Shanghai's position as a financial market. The Settlement is the principal banking center of China. The most important Chinese banks have their head offices there, including the Central Bank of China, an exclusively government institution. The total of note issue of these banks is estimated at 242,000,000 dollars, Chinese currency, in which the foreign banks share only to a negligible amount. Against these note issues are held huge stores of silver in vaults in the Settlement. The protection and the order which the present independent régime of the Settlement, supported by foreign governments, assures to the Chinese banks against the actions, even of their own government, are stressed in Judge Feetham's report.

It is obvious that improvement in the situation at Shanghai is one which will require coöperation between the Chinese Government and the Settlement authorities and foreign governments. No one can doubt the value of the order and security which the Settlement has succeeded in establishing and maintaining and the great influx of Chinese residents, especially wealthy families, is an evidence of it. However, the figures which Judge Feetham gives are not convincing that it is largely this security and the organization of the Settlement which have attracted business to the port. While the foreign business of Shanghai is about 41 percent of the whole business of the country and has rapidly increased in amount, its proportion of the whole has not very greatly changed and the business prosperity of the port cannot therefore be entirely attributed to the Settlement. As the *entrepôt* of the richest territory of China, the Yangtse Valley, it would not seem that Shanghai had more than its fair percentage of Chinese foreign trade, and if there is to be foreign trade carried on, it seems likely that Shanghai will hold about the same proportion of the business as hitherto. Obviously, it would be, at least temporarily, an injury to Chinese trade and a loss to all of the people up and down the valley who are concerned in raising, preparing or shipping goods abroad or distributing foreign goods, to have a sudden and great change in the conditions existing in the Settlement.

Security is important, not only in the interest of foreign and Chinese residents of the municipality, but in the interests of the territory dependent upon it.

On the other hand the position of the present municipal government is precarious. It depends on the continuance of the protection of the troops and ships of the foreign Powers in case of necessity, and also on a certain degree of tolerance on the part of the Chinese Government. Extraterritoriality alone is not sufficient to maintain the régime of the Settlement. Extraterritoriality applies only to foreigners. Chinese are subject to Chinese courts and to Chinese laws. Having no courts of its own, the Settlement must depend on the consular and Chinese courts for an essential function of its government, and should the Chinese Government be unwilling to coöperate with the Council and endeavor to extend its control over its own people and their property, the situation would become very difficult. Furthermore, the Settlement is a trading community dependent for its success on business in the interior, which in the last analysis means the good will of the people. If the demand of the Chinese people for the abolition of extraterritoriality and a return of the foreign settlements and concessions becomes more insistent, it is always possible that it may be enforced by a boycott against the goods of the countries which are looked upon as standing primarily in the way. The foreigners in China well know the terrible effectiveness of these boycotts which have been used of late years against both British and Japanese. They cannot be met by foreign troops or gunboats; extraterritorial rights do not protect against their consequences, and the foreign trade of Shanghai, which is after all the principal interest of foreign countries, would gain little through the maintenance of municipal administration if foreign goods could not flow from the docks and warehouses of the municipality to the markets of China.

The Settlement authorities have already made important moves to conciliate Chinese opinion and to coöperate with Chinese residents in the Settlement. They have given to the Chinese residents a share in the government of the Settlement. At the present time, of the 14 members of the Municipal Council, five are Chinese. The parks in the city, formerly barred to the Chinese residents, are now open to them on the same terms as to foreigners. The education of children of Chinese residents is being accepted as a municipal duty. These are important concessions

to the increasing sense of independence of the Chinese and are warranted not only by the overwhelming proportion of Chinese residents in the district, but also by the fact that more than half of the taxes are paid by them.

It is evident that the Chinese residents of Shanghai and the Chinese Government and people are in an aggressive mood. It is equally obvious that a situation is anomalous under which certain foreign governments protect a municipality on Chinese territory, the population of which is 97 percent Chinese. There is in the situation ample reason for the coöperation of the Nanking Government and the foreign Powers to work out an organization for the territory with the counsel of the Settlement authorities, which will, without too great a shock to existing conditions, continue the security to person, property and health and the orderly administration of the law which have been the result of the Settlement government, but with more consideration for the Chinese residents.

The plan which Justice Feetham suggests is based on a continuance of extraterritoriality in the Settlement. Ultimately he foresees its abolition, but for a long time to come — until China is united and pacified under a central government and a constitutional government of checks and balance is set up — the Settlement should continue in practically the same situation as at present. A larger place should be made for Chinese participation in the government of the municipality, but the majority of the Council must be foreign and the foreign governments must protect the area. Only by treaty fixing the rights of the Settlement can it be guaranteed, and this will mean a revision of the land regulations, which is much to be desired.

Justice Feetham's conclusions are definite. They will undoubtedly be taken into consideration by the foreign governments which in the end must, by negotiation with China, determine the fate of the Settlement. They are not approved by the Chinese press, which claims that the Chinese side of the controversy is not fully presented, and they are contrary to the announced policy of the country. Shanghai forms only part of the larger problem of the relations between China and the Powers, and it will not be allowed to dominate them.

SOME RECENT BOOKS ON INTERNATIONAL RELATIONS

By William L. Langer

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General International Relations

THE BACKGROUND OF INTERNATIONAL RELATIONS. BY CHARLES HODGES. New York: Wiley, 1931, 743 pp. \$5.00.

A general introductory text surveying the history and organization of international intercourse.

BUILDING THE WORLD SOCIETY. BY LAURA W. McMULLEN. New York: McGraw-Hill, 1931, 434 pp. \$2.50.

A collection of abstracts from a large number of writers, covering many phases of international relations and intended to serve as an introduction to the subject.

THE PROBLEM OF THE TWENTIETH CENTURY. BY DAVID DAVIES. New York: Putnam, 1931, 795 pp. \$5.00.

From the very days of the drafting of the Covenant of the League the problem of sanctions has been in the forefront of discussion of international organization and government. Even the warmest adherents of the League hope to see the day when its powers will be enhanced and methods provided for making its decisions effective. Its critics, on the other hand, have repeatedly pointed out its failure to solve the burning question of disarmament and to provide security. Among these critics is the author of the present volume, an English politician who has given years of thought to the problem of sanctions. In this imposing book he reviews the question historically and revives the oft-made suggestion for the creation of an international police force. He believes that this force should be composed of contingents from the various members of the League, and that its superiority over any national police force should be secured by giving it a monopoly of the most modern weapons of warfare. The idea is expounded in great detail and with some cogency, while in separate chapters the author examines the relation of the major Powers to such a projected organization. The book is based upon wide reading and a substantial body of knowledge, and will well repay the attention of all students.

CAN WAR BE AVERTED? BY SIR LEO C. MONEY. London: Thornton Butterworth, 1931, 293 pp. 10/6.

A well-balanced survey of the great political and economic issues confronting Europe and the world at the present day.

LES PROBLÈMES DE LA PAIX. BY LÉON BLUM. Paris: Stock, 1931, 218 pp. Fr. 15.

A straightforward exposition of the French socialist view, by the leader of the party.

LE MYTHE DES GUERRES DE LÉGITIME DÉFENSE. BY GEORGES DÉMARTIAL. Paris: Rivière, 1931, 164 pp. Fr. 12.

One of the most active French pacifists demonstrates the pitfalls of the term *défense*.

LE PACTE GÉNÉRAL DE RENONCIATION À LA GUERRE. BY STRATIS CALOGEROPOULOS. Paris: Rivière, 1931, 246 pp. Fr. 30.

A purely legal study of the Kellogg Pact.

THE LEAGUE COMMITTEES AND WORLD ORDER. BY H. R. G. GREAVES. New York: Oxford University Press, 1931, 266 pp. \$5.00.

The writer of this interesting and really important book approaches the problem of

the prevention of war through the back door, so to speak. Instead of examining the theory and organization of League government he analyzes the system and working of the League technical and advisory committees. It is certainly true that this phase of international government has been inadequately treated in most books on the subject, and most readers of the present volume will probably be surprised to learn how much has been done by these committees and how much progress has been made by them in establishing themselves upon a sound basis. The author reviews the work of such important bodies as the economic, financial and health committees, the Committee on Intellectual Coöperation, and the mandates and disarmament committees. The book is well-informed and authoritative and the writer's viewpoint, that war can be prevented only by establishing adequate means of international government and administration, is one that should receive careful attention and thought.

INTERNATIONAL ADMINISTRATION. BY NORMAN L. HILL. New York: McGraw-Hill, 1931, 292 pp. \$3.00.

Using the term administration in a broad sense, the author of this scholarly monograph examines the various types of international agency, their organization, personnel, functioning, etc.

L'ORGANISATION INTERNATIONALE. BY ALEJANDRO ALVAREZ. Paris: Editions Internationales, 1931, Fr. 100.

The writer proposes the revision of the League Covenant along regional and continental lines.

GARANTIEVERTRAG, INTERVENTION UND GARANTIE DES VOELKERBUNDES IM HEUTIGEN MINDERHEITENRECHT. BY J. DIEHL. Würzburg: 1930, 116 pp.

A dissertation which reexamines the provisions for the protection of minorities.

DER KELLOGG PAKT. BY H. HASSMANN. Würzburg: 1930, 95 pp.

Another dissertation, stressing the different reservations to the pact.

POST-WAR TREATIES FOR THE PACIFIC SETTLEMENT OF INTERNATIONAL DISPUTES. BY MAX HABICHT. Cambridge: Harvard University Press, 1931, 1109 pp. \$8.00.

The larger part of this volume is devoted to the texts of all international treaties for the pacific settlement of international disputes concluded in the first decade since the war, one hundred and thirty in all. For reference this collection is authoritative and standard. Its value is greatly enhanced by the second part of the volume, in which the author analyzes and compares the various types of agreement, discusses the different systems of settlement envisaged by the treaties, examines the reservations that have been made, and investigates the organization and working of the commissions and tribunals provided for. The volume also contains an extended classified bibliography of the subject. Done throughout in a scholarly, competent fashion, it should be indispensable to every student of international problems.

LA NEUTRALITÉ DE LA SUISSE ET LA SOCIÉTÉ DES NATIONS. BY ALPHONSE MOREL. Lausanne: Rouge, 1931, 177 pp. Fr. 6.40.

The author holds the League Covenant to be incompatible with the maintenance of Swiss neutrality.

GEISTIGE ZUSAMMENARBEIT IM RAHMEN DES VOELKERBUNDES. BY MARGARETE ROTHBART. Münster: Aschendorff, 1931, 195 pp. M. 6.

The first monographic treatment of the League's work in the direction of intellectual coöperation, written by a woman closely associated with the League's activities.

LA JURIDICTION DE LA COUR PERMANENTE DE JUSTICE DANS LE SYSTÈME DE LA PROTECTION INTERNATIONALE DES MINORITÉS. BY NATHAN FEINBERG. Paris: Rousseau, 1931, 215 pp. Fr. 42.

An exhaustive technical study of the provisions for the protection of minorities in the statute of the court.

TRAITÉ GÉNÉRAL DE LA NATIONALITÉ DANS LES CINQ PARTIES DU MONDE. By E. BOURBUSSON. Paris: Sirey, 1931, 613 pp. Fr. 100.

A detailed analysis of the divers nationality and citizenship laws prevalent throughout the world.

LA PROTECTION INTERNATIONALE DES MINORITÉS. By A. N. MANDELSTAM. Paris: Sirey, 1931, 220 pp. Fr. 30.

A competent scholarly treatment, by a Russian jurist.

VOELKERBUND UND MINDERHEITENPETITIONEN. By HERBERT VON TRUHART. Vienna: Braumüller, 1931, 181 pp. M. 6.

The author enumerates the minority petitions that have been presented to the League and blames its failure to act effectively upon its clumsy machinery.

ZA PRAVA ČOVJEKA. By ANTE BANEKOVITCH. Zagreb: 1931, 96 pp.

A series of speeches and essays published by the Institute for Minorities.

SCIENTIFIC DISARMAMENT. By MAJOR VICTOR LEFEBURE. New York: Macmillan, 1931, 318 pp. \$2.50.

The problem of disarmament has hitherto been approached chiefly from the political and economic side, and there is great danger that at the coming conference it will again be treated according to the needs of opposing international alignments. Thus far discussion on the basis of quantity and cost has not been very hopeful, and Major Lefebure's book should therefore be all the more welcome, for it takes up the problem from a very different angle, namely the technical, scientific. The author has had wide experience of chemical warfare and its development, and is quite right in stressing the uselessness of working out control of present armaments so long as nothing is done to regulate the employment of new inventions, more deadly than the old, which appear with alarming rapidity. The main argument of the book is that the effort must be made to control armaments which are readily made available. The other types can be used for national security, for agencies of war which require a long period for preparation reduce the immediate danger of conflict in as much as they involve a time period during which the machinery for preventing war may function. It must be confessed that in the details the exposition is not always as clear as it might be, but this book is undoubtedly an important contribution to the subject, and one which deserves wide attention.

ECONOMIC DISARMAMENT. By J. H. RICHARDSON. London: Allen and Unwin, 1931, 224 pp. 7/6.

The author reexamines the questions of tariffs, labor, large-scale industry and international finance from a thorough-going internationalist standpoint.

RÜSTUNG UND ABRÜSTUNG. Edited by KARL VON OERTZEN. Berlin: Mittler, 1931, 224 pp. M. 12.

A useful survey of the armies and military organization of all countries.

DAS IST DIE ABRÜSTUNG! By F. W. VON OERTZEN. Oldenbourg: Stalling, 1931, 260 pp. M. 5.

The writer finds no difficulty in demonstrating that the disarmament provisions of the Versailles Treaty have thus far remained a farce.

LES PROBLÈMES DU DÉSARMEMENT. By JACQUES LYON. Paris: Boivin, 1931, 300 pp. Fr. 20.

A reasoned discussion of the fundamental aspects of the question.

DIE INTERNATIONALEN STROMSCHIFFARTSKOMMISSIONEN. By G. KRAUSE. Berlin: Rothschild, 1931, 104 pp. M. 6.

A technical treatise on the history and practice of the international river commissions.

DER LUFTRAUM. BY G. HAUPT. Breslau: Schletter, 1931, 155 pp. M. 6.50.

A juristic study of the increasingly important questions of freedom of the air and the sovereign rights of states.

DAS NEUTRALITÄTSRECHT IM LUFTKRIEGE. BY A. MEYER. Berlin: Heymann, 1931, 105 pp. M. 4.50.

Primarily a critical analysis of the proposals of the Hague commission of jurists in 1922-23.

THE INTERNATIONAL INSTITUTE OF AGRICULTURE. BY ASHER HOBSON. Berkeley: University of California Press, 1931, 356 pp.

An exhaustive monograph on the history and accomplishments of the institute.

International Relations of the United States

THOMAS WOODROW WILSON. BY RICHARD KOETZSCHKE. Dresden: Jess, 1931, 274 pp. M. 5.

An impartial review of the career and work of Wilson, based upon the leading American sources.

LE SENTIMENT AMÉRICAIN PENDANT LA GUERRE. BY J. J. JUSSERAND. Paris: Payot, 1931, 176 pp. Fr. 15.

Like all M. Jusserand's writings, his latest book is distinguished by an attractive, straightforward style. It is not a detailed account of his experiences in America during the critical period of the war, but a simple narrative of his impressions and a study of the evolution of American sentiment. Few foreign diplomats have served so long in Washington, or been so successful in understanding the American mentality, so that this little book is of particular interest. M. Jusserand discusses with great insight not only his relations with Wilson and Bryan, but also the problems raised by the German peace manoeuvres and German propaganda. With great mastery he reviews the chief incidents, like the sinking of the *Lusitania* and the gradual drifting of the country into war. He speaks with admiration and appreciation of the élan of the Americans after their entry into the war, and gives the American contribution its full due. But the book is quite free of the purely emotional and rhapsodical. It is to be hoped that it will soon be made available to American readers in translation.

FOREIGN RELATIONS OF THE FEDERAL STATE. BY HAROLD W. STOKE. Baltimore: Johns Hopkins Press, 1931, 246 pp. \$2.25.

A much needed examination of the limitations to which federal states are subject in the conduct of international relations, with special regard to the American experience.

AMERICA THE MENACE. BY GEORGES DUHAMEL. Boston: Houghton, Mifflin, 1931, 230 pp. \$2.00.

The original of this stimulating French book has already been noted.

DAS ANTLITZ AMERIKAS. BY ERNST PROSSINAGG. Vienna: Amalthea, 1931, 281 pp. M. 4.50.

The impressions of a diplomat stationed here for three years.

The World War

SPEECHES ON FOREIGN AFFAIRS, 1904-1914. BY SIR EDWARD GREY. Edited by Paul Knaplund. London: Allen and Unwin, 1931, 327 pp. 10/6.

A convenient collection.

COMMENT FUT PROVOQUÉE LA GUERRE DE 1914. BY RENÉ GUERIN. Paris: Rivière, 1931, 216 pp. Fr. 16.

An outgrowth of the questionnaire submitted by the author to M. Poincaré.

BOSANSKI OMLADINSKI I SARAJEVSKI ATENTAT. By BOZO CERVIČ. Sarajevo: 1931, 272 pp.

The author, a former official of the Austrian government, revives the theory that the Bosnian youth were instigated to act by the provocations of the Austrian military men.

LE KAISER ET LA RESPONSABILITÉ DE LA GUERRE. By H. J. KIERSCH. Paris: Argo, 1931, 116 pp. Fr. 10.

A reassessment of the Emperor's responsibility, by a neutral writer.

DEUX ANNÉES À BERLIN. By BARON BEYENS. Paris: Plon, 1931, Fr. 120.

The first volume of the memoirs of the Belgian statesman, covering the period from May 1912 to August 1913.

THE LIFE OF FIELD MARSHAL SIR JOHN FRENCH. By GERALD FRENCH. London: Cassell, 1931, 454 pp. 15/.

The first part of this volume consists of French's unfinished autobiography, but the section dealing with the war, though based upon his diaries, does not add materially to our knowledge.

JOFFRE ET SON DESTIN. By LIEUTENANT-COLONEL JEAN FABRY. Paris: Charles-Lavauzelle, 1931, 374 pp. Fr. 12.

A defense of the French commander, by an officer who for two years was his *chef de cabinet*.

NOUVEAUX MENSONGES DE PLUTARQUE. By JEAN DE PIERREFEU. Paris: Rieder, 1931, 280 pp. Fr. 15.

A new volume of criticism of the official account of the war, by a well-known writer.

AUS DER GEDANKENWERKSTATT DES DEUTSCHEN GENERALSTABES. By WOLFGANG FOERSTER. Berlin: Mittler, 1931, 151 pp. M. 6.50.

A series of essays on the German, French and Russian plans of campaign, by one of the foremost German authorities.

NAVAL OPERATIONS. Volume V. By SIR HENRY NEWBOLT. New York: Longmans, 1931, 452 pp. and a volume of maps, \$12.50.

This concluding volume of the British official history is taken up largely with the submarine campaign and the convoy work.

DER KREUZERKRIEG, 1914-1918. By CAPTAIN HUGO VON WALDEYER-HARTZ. Oldenburg: Stalling, 1931, 211 pp. M. 3.20.

A complete survey of German cruiser operations, but with special emphasis on Coronel and the Falklands, and upon the exploits of the *Emden*, *Königsberg* and *Karlsruhe*.

LA GUERRA SUL MARE. By A. GINOCCHETTI. Rome: Libreria del Littorio, 1930, 321 pp. L. 14.

A general account of Italian operations, classed by services.

ZEPELINE GEGEN ENGLAND. By H. TREUTSCH VON BUTTLAR-BRANDENFELS. Vienna: Amalthea, 1931, 215 pp. M. 3.50.

The dramatic story of the air attacks on England.

SOCIETY AT WAR, 1914-1916. By CAROLINE E. PLAYNE. Boston: Houghton, Mifflin, 1931, 380 pp. \$3.50.

Another one of the author's interesting studies of national psychology during the war.

THE MYSTERY OF THE CASEMENT SHIP. By CAPTAIN KARL SPINDLER. New York: Westermann, 1931, 282 pp. \$3.00.

A valuable contribution, written by a German officer who took part in the Easter insurrection.

MESOPOTAMIA, 1917-1920. BY SIR ARNOLD T. WILSON. New York: Oxford University Press, 1931, 420 pp. \$10.00.

This second volume of an interesting account of events in Mesopotamia throws much light on the establishment of the mandate for Iraq.

TROUBLOUS TIMES. BY CAPTAIN A. H. BRUN. London: Constable, 1931, 243 pp. 12/.

The thrilling experiences of a Danish officer sent to Central Asia to investigate the condition of over a million Austrian war prisoners.

IN LAWRENCE'S BODYGUARD. BY GURNEY SLADE. London: Warne, 1931, 288 pp. 3/6.

The latest contribution to the story of Lawrence's phenomenal career.

BRITMIS. BY MAJOR PHELPS HODGES. London: Cape, 1931, 364 pp. 12/6.

The extraordinary story of a British officer on mission with Kolchak's forces, and a valuable contribution to the history of the counter-revolutionary debacle.

MEMORIES OF THE WORLD WAR. BY ROBERT ALEXANDER. New York: Macmillan, 1931, 317 pp. \$4.00.

The reminiscences of the general who commanded the 77th Division, particularly interesting in connection with the Argonne battle.

Western Europe

THUNDER OVER EUROPE. BY EDWARD ALEXANDER POWELL. New York: Ives, Washburn, 1931, 288 pp. \$3.00.

A well-known political writer reviews the racial, economic and political questions which threaten the peace of Europe.

DAS UNBEWUSSTE EUROPA. BY FEDOR VERGIN. Leipzig: Hess, 1931, 342 pp. M. 6.50.

European politicians psychoanalyzed.

EUROPEAN ALLIANCES AND ALIGNMENTS. BY WILLIAM L. LANGER. New York: Knopf, 1931, 509 pp. \$5.00.

A study of the evolution of the European states system from 1871 to 1890, based chiefly upon the mass of source material and monographic researches that has become available to scholars during the last decade.

FRENCH PUBLIC OPINION AND FOREIGN AFFAIRS, 1870-1914. BY EBER M. CARROLL. New York: Century, 1931, 356 pp. \$3.50.

This book deserves special notice because it represents a type of study that has been very much needed. Public opinion is notoriously elusive, and yet it is clear that it is one of the great factors conditioning the conduct of foreign relations under modern democratic conditions. Professor Carroll has devoted years to a careful analysis of French opinion on foreign affairs and has produced the first scientific treatment of the evolution of popular sentiment in any of the major states of Europe. He has made extensive use not only of newspaper and other periodical literature, but has drawn freely upon the large mass of documentary and other material touching upon the history of pre-war diplomacy. Of course, the material is so voluminous that it can never be completely exhausted. But the author has selected it wisely from a very large and representative range. He has put many disputed points in a new setting, and has, furthermore, written a book which makes fascinating and very instructive reading. It would be a boon to the further study of international relations if books of this sort were written for the other important states of the European system.

CLEMENCEAU. BY GEORGES MICHON. Paris: Rivière, 1931, 300 pp. Fr. 25.

A critical biographical study of the French statesman, which can be read profitably in connection with the deluge of eulogies that has issued from the press.

L'ÉPREUVE DU POUVOIR. BY ANDRÉ TARDIEU. Paris: Flammarion, 1931, Fr. 12.

This volume consists largely of extracts from Tardieu's public utterances during the term of his ministry.

CENT ANS DE MARINE DE GUERRE. BY L. HAFFNER. Paris: Payot, 1931, Fr. 25.

A useful brief survey of the development of French sea power, by the secretary of the *Ligue Maritime*.

GALLIENI. BY GUILLAUME GRANDIDIER. Paris: Plon, 1931, 264 pp. Fr. 15.

This study of Gallieni deals primarily with his work in colonial administration.

HISTOIRE DES COLONIES FRANÇAISES. BY VICTOR PIQUET. Paris: Payot, 1931, Fr. 25.

This is perhaps the best single volume survey of French colonial history that has appeared in connection with the great exposition.

L'ORGANISATION DE L'EMPIRE COLONIAL. BY PIERRE LYAUTEY. Paris: Editions de France, 1931, Fr. 25.

An excellent volume in the series of special studies on the history of the Third Republic.

EPISTOLARIO DEL DICTADOR. BY JOSE M. ARMIÑAN. Madrid: Morata, 1930, 414 pp. Pes. 8.

A study of Primo de Rivera as he revealed himself in his letters.

LA LLIÇÓ DE LA DICTADURA. BY LLUIS NICOLAU D'OLWER. Barcelona: Edicion Catalonia, 1931, Pes. 4.

The minister of economy in the provisional government sets forth the prime tenets of a sound democratic policy.

DICTADURA, INDIFERENCIA, REPÚBLICA. BY RAFAEL SÁNCHEZ GUERRA. Madrid: Compañía General de Artes Gráficas, 1931, 285 pp. Pes. 5.

Published just before the fall of the monarchy, this book, by a prominent leader of the opposition, envisages the establishment of the republic.

POLÍTICA RELIGIOSA DE LA DEMOCRACIA ESPAÑOLA. BY JAIME TORRUBIANO RIPOLL. Madrid: Morata, 1931, 326 pp. Pes. 5.

A good exposition of one of the most important aspects of republican policy.

LA SOLUCIÓ CAMBÓ. BY FRANCISCO PUJOLS. Barcelona: Libreria Catalonia, 1931, 197 pp. Pes. 4.

An interview with one of the most prominent Catalan leaders.

CATALUNYA I LA REPÚBLICA. BY A. ROVIRA I VIRGILI. Barcelona: Libreria Catalonia, 1931, Pes. 5.

This volume, published since the overturn, contains a large number of interesting documents touching on the question of Catalan autonomy in the last fifty years.

FASCISM. BY J. S. BARNES. London: Butterworth, 1931, 252 pp. 2/6.

A sympathetic treatment of the Fascist movement, in the Home University Library series.

FASCISM IN ITALY. BY BOLTON KING. London: Williams and Norgate, 1931, 100 pp. 3/.

Written by one of the foremost authorities on Italian affairs this little volume is one of the best critical accounts.

L'ÉTAT MUSSOLINIE ET LES RÉALISATIONS DU FASCISME EN ITALIE. EDITED BY TOMASO SILLANI. Paris: Plon, 1931, Fr. 40.

This collection of essays is edited by the director of the *Rassegna Italiana* and written by a number of the leading collaborators of Mussolini. It is practically an official statement of results.

MEMORIALE ALLA FRANCIA. BY EZIO GARIBALDI. Florence: Vallecchi, 1931, 168 pp. L. 10.

A famous revolutionary pleads the cause of Franco-Italian amity.

POPOLI E LINGUE NELL'ALTO ADIGE. BY C. BATTISTI. Florence: Bemporad, 1931, 400 pp. L. 50.

An elaborate restatement of the "Latinity" of the disputed region.

ITALY AND THE JUGOSLAV MINORITY WITHIN HER BORDERS. Ljubljana: Minorities Institute, 1931, 62 pp.

The Yugoslav grievances strongly presented.

LA NOUVELLE EUROPE CENTRALE ET SON BILAN ÉCONOMIQUE. BY ERNEST LEMONON. Paris: Alcan, 1931, 260 pp. Fr. 18.

An authoritative review of the developments in Austria, Hungary, Czechoslovakia, Jugoslavia, Rumania, Poland and Italy to the time of the Young Plan and the Hague Conference.

MITTELEUROPÄISCHE KARTELLE IM DIENSTE DES INDUSTRIELLEN ZUSAMMENSCHLUSSES. BY ELEMER HANTÓ. Berlin: Organisation Verlag, 1931, 86 pp. M. 3.60.

A well-known protagonist of European union discusses the significance of large industrial combines.

THE ECONOMIC ASPECT OF THE AUSTRO-GERMAN CUSTOMS UNION. BY ARGUS. Prague: Orbis, 1931, 85 pp.

Practically an official presentation of the Czech objections to the union, on the economic side.

GEDANKEN ÜBER DEUTSCHLAND. BY RICHARD VON KÜHLMANN. Leipzig: List, 1931, 293 pp. M. 7.50.

A stimulating review of the German problem, by a well-known statesman and leader of big business.

FRONT WIDER BÜLOW. EDITED BY FRIEDRICH THIMME. Munich: Bruckmann, 1931, 408 pp.

An imposing collection of rejoinders to Bülow's memoirs, by men who were in contact with him.

LES PARADOXES ÉCONOMIQUES DE L'ALLEMAGNE MODERNE. BY MAX HERMANT. Paris: Colin, 1931, 202 pp. Fr. 20.

A volume most interesting to read in connection with the German financial crisis. The author reviews the economic history of Germany since the war and explains the present difficulties as the result of rationalization.

DEUTSCHLAND IN KETTEN. BY WERNER BEUMELBURG. Oldenburg: Stalling, 1931, 438 pp. M. 5.

Another survey of the tribulations of Germany, from Versailles to the Young Plan.

HITLER. BY WYNDHAM LEWIS. London: Chatto and Windus, 1931, 202 pp. 6/.

A brilliant personal estimate of a religion and its prophet.

SOUS LE CASQUE D'ACIER. BY MAURICE LAPORTE. Paris: Redier, 1931.

Startling revelations regarding German societies and the preparation for war.

Eastern Europe

JOSEPH PILSUDSKI. BY D. R. GILLIE. London: Faber, 1931, 377 pp. 21/.

The correspondent of the *Morning Post* reviews Pilsudski's career on the basis of the general's own writings.

LA POLOGNE ET LA BALTIQUE. Paris: Gebethner and Wolff, 1931, 360 pp. Fr. 40.

This collection of lectures, delivered at the *Bibliothèque Polonaise* by a number of French scholars, touches upon a number of urgent problems of the Baltic area.

A BULWARK OF DEMOCRACY. By AUGUR. New York: Appleton, 1931, 207 pp. \$1.75.

The subject of this latest book by Augur is the position of Poznan, historically considered, as a focus of the Polish national idea.

LE RESURRECTION D'UN PEUPLE. By COLONEL SKORUPSKIS. Paris: Charles-Lavauzelle, 1931, 150 pp. Fr. 12.

A convenient account of the establishment and history of Lithuania from 1917 to 1927.

LES DERNIERS JOURS DES ROMANOV. By P. BIKOV. Paris: Payot, 1931, 192 pp. Fr. 16.

The author was in 1918 president of the Ural Soviet which carried through the execution of Nicholas II and his family.

THROUGH WAR TO REVOLUTION. By ARNO DOSCH-FLEUROT. London: Lane, 1931, 242 pp. 10/6.

The experiences of a newspaper man in Russia from 1914 to 1920.

STALIN. By ISAAC DON LEVINE. New York: Cosmopolitan, 1931, 421 pp. \$3.50.

Though it does not answer all questions that arise in connection with Stalin's position, this book gives a clear account of the externals of his career and of his relations with the other Bolshevik leaders.

STALIN. By ESSAD BEY. Berlin: Kiepenhauer, 1931, 439 pp. M. 5.50.

A sensational account of the dictator's rise to power.

UNDERWORLD AND SOVIET. By VLADIMIR ORLOFF. New York: Dial, 1931, 274 pp. \$3.00.

Thrilling experiences of a Russian secret service agent under the Tsars and under the Bolsheviks.

SREDI KRASNYKH VOJDEI. By G. A. SOLOMON. Paris: Michen, 1930, 615 pp.

The recollections of a Soviet diplomat at Berlin, Riga and London.

G. P. U. By G. S. AGABEKOV. Berlin: Strela, 1930, 250 pp.

The Russian secret service in the light of the experiences of one of its agents in Afghanistan, Persia, Turkey and Arabia.

NA SLOUJBE CHEKA I KOMINTERNA. By E. DOUMBADZE. Paris: Michen, 1930, 164 pp.

Another revelation of Russian machinations in Georgia and Turkey.

THE SOVIET PLANNED ECONOMIC ORDER. By WILLIAM H. CHAMBERLIN. Boston: World Peace Foundation, 1931, 258 pp. \$2.50.

A dispassionate and competent statement of the Five Year Plan and its working, with a useful appendix of pertinent documents.

THE SUCCESS OF THE FIVE YEAR PLAN. By V. M. MOLOTOV. New York: International Publishers, 1931, 77 pp. \$1.25.

The chairman of the council of People's Commissars discusses not only the plan, but replies to accusations of dumping, employment of forced labor, etc.

BOLSHEVISM AT A DEADLOCK. By KARL KAUTSKY. New York: Rand School Press, 1931, 193 pp. \$1.75.

One of the most eminent socialist critics of the Soviet régime demonstrates the inevitable failure of the Five Year Plan.

TROIS ANS CHEZ LES TZARS ROUGES. By ELISE DESPREAUX. Paris: Spès, 1931, 248 pp. Fr. 12.

The disillusioning experiences of an enthusiast for the cause.

IN RUSSIA. BY O. TONELLI DI FANO. Milan: Unitas, 1931, 434 pp. L. 12.

A political and military chronicle of the revolutionary period from 1917 to 1919.

DAS ROTE RUSSLAND. BY T. SEIBERT. Munich: Knorr and Hirth, 1931, 295 pp.

Typical views of politics and life by a German correspondent in Moscow.

AGRICULTURE IN SOVIET RUSSIA. BY JOAN BEAUCHAMP. London: Gollancz, 1931, 126 pp. 2/6.

A glowing account of the progress of the state farms.

RED VILLAGES. BY Y. A. YAKOVLEV. New York: International Publishers, 1931, 128 pp. \$1.50.

An authoritative discussion of the Five Year Plan as it affects farming, by the Commissar of Agriculture.

DAS DEUTSCHE VORKRIEGSVERMÖGEN IN RUSSLAND UND DER DEUTSCHE ENTSCHÄDIGUNGSVORBEHALT. BY C. MENZEL. Berlin: De Gruyter, 1931, 236 pp. M. 9.

A technical discussion of the evolution of the problem of German investments in Russia.

DIE PRESSE DER SOWJETUNION. BY ARTHUR W. JUST. Berlin: Duncker, 1931, 304 pp.

A careful study of Russian journalism, prepared under the auspices of the German Institute for Journalism.

TRIANON. BY A. SIMEONI AND G. BUCCHI. Rome: Sapiientia, 1931, 304 pp. L. 15.

A sympathetic account of the disastrous effects of the Trianon Treaty for Hungary.

THE POLITICAL STATUS OF BESSARABIA. BY ANDREI POPOVICI. Washington: Ransdell, 1931, 288 pp. \$3.00.

A well-informed and careful presentation of the Rumanian claims to Bessarabia, historical, political and economic.

REFUGEES. BY C. A. MACARTNEY. London: League of Nations Union, 1931, 127 pp. 1/6.

A compact survey of the exchange of population between Greece and Bulgaria.

The British Commonwealth of Nations

ENGLAND'S CRISIS. BY ANDRÉ SIEGFRIED. New York: Harcourt, 1931, 317 pp. \$3.00.

So many books have already been written on England's crisis, and so many of them have been good books, that M. Siegfried's conclusions will not strike the reader as being as original as the conclusions of some of his other writings. Still, the book is written with the same grasp and charm, and is well worthy of careful reflection as coming from so competent an authority. M. Siegfried has the statistics at his fingers' tips and has an unusual gift for interpreting them in the light of national psychology. He does full justice to the difficulties presented by the changed position of England resulting from the progress of industrialization in other countries and stresses the failure of British industry to reorganize in due time. He points out further the growing divergence in interest between the industrialists and the commercial and banking classes and explains very clearly the underlying problems of wages and labor. The picture is not a very hopeful one, but M. Siegfried is too wise to indulge in predictions of calamity.

ENGLAND, THE UNKNOWN ISLE. BY PAUL COHEN-PORTHEIM. New York: Dutton, 1931, 237 pp. \$3.00.

A readable and understanding descriptive interpretation, written by a young Austrian who was interned in England during the war.

SCHEMES FOR THE FEDERATION OF THE BRITISH EMPIRE. BY SEYMOUR CHING-YUAN CHENG. New York: Columbia University Press, 1931, 313 pp. \$5.25.

A substantial scholarly analysis of the numerous schemes that have been advanced, and a discussion of the pros and cons of the matter.

THE SURRENDER OF AN EMPIRE. BY NESTA H. WEBSTER. London: Boswell, 1931, 392 pp. 15/.

The author still pursues the idea of secret subversive organizations and influences, and attributes England's misfortunes in the past decade to the operation of these sinister forces.

IRLANDE. EXTRÊME OCCIDENT. BY PIERRE FRÉDÉRIX. Paris: Nouvelle Revue Française, 1931. Fr. 30.

The book deals chiefly with the figures and problems of Ireland's struggle for liberty and the course of the civil war.

THE NEW NEWFOUNDLAND. BY J. R. SMALLWOOD. New York: Macmillan, 1931, 276 pp. \$3.00.

A popular account of the recent progress and economic transformation of Newfoundland.

SOUTH AFRICA. BY JAN H. HOFMEYER. London: Benn, 1931, 331 pp. 15/.

A general survey, in the Modern World Series, written by a prominent Afrikaner political leader.

THE CRISIS IN AUSTRALIAN FINANCE, 1929-1931. BY E. O. G. SHANN AND D. B. COPLAND. London: Australian Book Company, 1931, 201 pp. 5/.

A collection of documents bearing upon the budgetary problem and its evolution in the past two years.

THE INDIAN CIVIL SERVICE. BY L. S. S. O'MALLEY. London: Murray, 1931, 310 pp. 12/.

A succinct, sympathetic history of the service and its accomplishments.

INDIA. BY WINSTON S. CHURCHILL. London: Butterworth, 1931, 141 pp. 2/.

Churchill's speeches on the Indian situation, with an introduction.

STARK INDIA. BY TREVOR PINCH. New York: Appleton, 1931, 288 pp.

Well-written, penetrating observations on Indian life.

AN ESSAY ON INDIA. BY ROBERT BYRON. London: Routledge, 1931, 175 pp. 5/.

A book of personal impressions and rather hasty generalizations, not up to many recent books on India.

VIER MONATE GAST MAHATMA GANDHIS. BY FRANZISKA STANDENRATH. Vienna: Leuschner and Lubensky, 1931, 478 pp. M. 10.

One of the Mahatma's admirers recounts the course of the struggle during 1930, and prints a number of Gandhi's letters from prison.

VOLUME TWO. BY KATHERINE MAYO. New York: Harcourt, 1931, 313 pp. \$2.00.

More evidence to support the contentions of Miss Mayo's well-known book.

The Near East

OÙ VA L'ISLAM? BY ROBERT CHAUVELOT. Paris: Tallandier, 1931. Fr. 18.

A review of the situation in Turkey, Syria, Palestine, Egypt and Morocco as it touches on the relations of Moslem and Christian.

NATIONALISMUS UND IMPERIALISMUS IM VORDEREN ORIENT. BY HANS KOHN. Frankfurt: Societätsverlag, 1931, 456 pp. M. 10.

The latest book on nationalism in the East, by one of the ablest and best-informed writers on the subject.

LA QUESTION TURQUE. BY BERTHE G. GAULIS. Paris: Berger-Levrault, 1931, 376 pp. Fr. 25.

Madame Gaulis is one of the most interesting writers on Near Eastern affairs. In this volume she reviews the events in Turkey since the end of the war.

LE VISAGE NOUVEAU DE LA TURQUIE. BY E. PITTARD. Paris, 1931, 314 pp.

Hopeful travels in Anatolia, by the director of the Ethnographic Museum at Geneva.

THE HOLY LAND UNDER MANDATE. BY FANNIE F. ANDREWS. Boston: Houghton, Mifflin, 1931, 2 vols., \$10.00.

It can be said without much hesitation that this is the best general book on modern Palestine that has yet been issued. The author has long been a student of international affairs, and particularly of the mandate system. She has investigated the situation personally, and has consulted with numerous experts on special phases of the subject. She has the scholarly equipment and the detachment of mind necessary for a successful approach to a much disputed subject. The general reader will find in these volumes, interestingly presented, information on almost every phase of the situation in Palestine, from conditions of travel to the actual workings of the Jewish settlements. In separate chapters there is a detailed discussion of the history of the Zionist movement and the Jewish aspirations. In other chapters the Arab claims are quite as conscientiously presented. Needless to say, much attention is given to the policies of the mandatory powers, to the British personalities who have affected the evolution of modern Palestine and to the great issues which are at present to the fore. It would be difficult indeed to find serious omissions or important flaws in these volumes. In any case it would be impossible to call in question the good faith of the author or the intention to present the facts in an understanding way.

L'ENCLAVE. BY ITTAMR BEN-AVI. Paris: Rieder, 1931, 240 pp. Fr. 15.

An account of the Palestine tragedy as it has unfolded itself in the last few years.

LES ÉTATS DU LEVANT SOUS MANDAT FRANÇAIS. BY RAYMOND O'ZOUX. Paris: Larose, 1931, 332 pp. Fr. 30.

Primarily a descriptive study of Syria.

LES ARABES ET L'ISLAM EN FACE DES NOUVELLES CROISADES. BY EUGÈNE JUNG. Paris: Jung, 1931, 80 pp. Fr. 8.

A rather brilliant presentation of the Arab-Jewish antagonism in Palestine.

ALARMS AND EXCURSIONS IN ARABIA. BY BERTRAM THOMAS. London: Allen and Unwin, 1931, 296 pp. 15/.

A narrative of the war and post-war periods by a man who played an active part in Arabian affairs.

BLOOD AND OIL IN THE ORIENT. BY ESSAD BEY. London: Nash, 1931, 317 pp. 18/.

The sensational and almost incredible story of the British occupation of Baku and what followed in Transcaucasia.

LES HÉRITIERS DE LA TOISON D'OR. BY LEO AFRIC. Paris: Maisonneuve, 1931, 256 pp. Fr. 15.

A general sketch of the history of Georgia, with special reference to the stormy war and post-war years.

Africa

THE RACE PROBLEM IN AFRICA. BY CHARLES R. BUXTON. London: Hogarth, 1931, 60 pp. 2/.

A vigorous plea for a broader policy toward the native, looking to eventual equality of rights, even in politics.

WAS GEHT UNS AFRIKA AN? BY ARTHUR DIX. Berlin: Stilke, 1931, 107 pp. M. 2.85.

The author stresses the economic importance of Africa in the modern world economy.

LAND PROBLEMS AND POLICIES IN THE AFRICAN MANDATES OF THE BRITISH COMMONWEALTH. BY NICK P. MITCHELL. Baton Rouge: Louisiana State University Press, 1931, 155 pp. \$2.00.

A carefully documented study of an important phase of mandate administration.

HISTOIRE DE L'AFRIQUE DU NORD. BY CHARLES A. JULIEN. Paris: Payot, 1931, 866 pp. Fr. 120.

Beyond question the best history of North Africa yet published. It is scholarly, well-illustrated and equipped with an exhaustive bibliography.

NUESTRO PROTECTORADO. BY JOSE G. SANCHEZ. Madrid: Fuentenebro, 1930, 346 pp. Pes. 6.

Chiefly a geographical and descriptive study of the Rif.

KENYA WITHOUT PREJUDICE. BY HENRY O. WELLER. London: East Africa, 1931, 162 pp. 5/.

This volume has little to say about politics, but gives a fair and honest description of the country, its advantages and its drawbacks.

DU CONGO AU NIL. BY GENERAL JEAN HILAIRE. Paris: Ficker, 1931, 350 pp. Fr. 28.

The account of a five years' stay in the Wadai region.

THE STORY OF SIERRA LEONE. BY F. A. J. UTTING. London: Longmans, 1931, 178 pp. 4/.

A convenient handbook of the area.

ZANZIBAR. BY W. H. INGRAMS. London: Witherby, 1931, 527 pp. 25/.

A good history and description of the island.

MADAGASCAR. BY ANDRÉ YOU. Paris: Editions Géographiques, 1931, 556 pp. Fr. 45.

The author, a high French colonial official, describes the country and discusses in detail the system and problems of administration.

The Far East

ASIA'S TEEMING MILLIONS. BY ETIENNE DENNERY. London: Cape, 1931, 248 pp. 10/6.

A most stimulating discussion of the population problem, the French original of which has already been noted.

DALEKI WSCHÓD W MIEDZYNARODOWEJ POLITYCE GOSUDARCZEJ. BY WLADYSŁAW KOMOROWSKI. Warsaw: Mianowskiego, 1931, 680 pp.

An exhaustive, scholarly treatment of the Far Eastern question from earliest times to the present.

THE ANGLO-JAPANESE ALLIANCE. BY CHUNG-FU CHANG. Baltimore: Johns Hopkins Press, 1931, 315 pp. \$2.75.

Easily the best scientific history of the alliance, with a special chapter on its relation to the United States.

DIE SHANTUNG FRAGE. BY E. WERMANN. Leipzig: Noske, 1931, 95 pp. M. 4.

A doctoral dissertation reviewing the problem without adding anything new.

MANCHURIA TODAY. BY HENRY W. KINNEY. Dairen: 1930, 100 pp.

A descriptive pamphlet brought out under the auspices of the South Manchuria Railway Company.

KOREA, THE OLD AND THE NEW. BY E. C. WAGNER. New York: Revell, 1931, 160 pp. \$1.50.

The observations and reflections of a missionary.

NEW LAMPS FOR OLD. BY ANATOL M. KOTENEV. Shanghai: North China Daily News, 1931, 371 pp. 24/.

A documented narrative of events from 1911 to 1930, written by a Russian resident in the country.

FACETS OF THE CHINESE QUESTION. BY E. M. GULL. London: Benn, 1931, 198 pp. 10/6.

A series of studies of various phases of the Chinese situation, by a man long resident in China.

TWO YEARS OF NATIONALIST CHINA. EDITED BY MIN CH' IEN T. TYAU. London: Simpkin, 1931, 523 pp. 21/.

An elaborate record of the past years of nationalist rule.

À TRAVERS LA REVOLUTION CHINOISE. BY EMILE VANDERVELDE. Paris: Alcan, 1931, 240 pp. Fr. 25.

Thoughtful observations during a visit to China, by the well-known Belgian statesman.

LA CHINE NATIONALISTE. BY JEAN RODES. Paris: Alcan, 1931, 190 pp. Fr. 15.

A competent writer on Chinese affairs surveys the course of the Chinese revolution from 1912 to 1930.

SILVER AND CHINA. BY A. W. PINNICK. London: King, 1931, 90 pp. 7/6.

An analysis of China's trade and prosperity as it is affected by the world silver situation.

THE JAPANESE POPULATION PROBLEM. BY W. R. CROCKER. New York: Macmillan, 1931, 240 pp. \$4.00.

Though this is a technical book, it is to be recommended especially to the student of foreign affairs, for the material is well presented and is put into the setting of general international relations.

L'INDO-CHINE. BY HENRI GOURDON. Paris: Larousse, 1931, 224 pp. Fr. 30.

A general descriptive and historical work, written by a former director of education in Indo-China.

COMMENT ON PERD UNE COLONIE. BY CAMILLE DEVILAR. Paris: Ficker, 1931, 215 pp. Fr. 20.

A criticism of French policy in Indo-China, by the editor of one of the most important French papers in the country.

Latin America

CARIBBEAN BACKGROUNDS AND PROSPECTS. BY CHESTER L. JONES. New York: Appleton, 1931, 362 pp. \$4.00.

A scholarly study of the social and economic factors in the Caribbean countries, with considerable discussion of American investments and interests.

MEXICAN MAZE. BY CARLETON BEALS. Philadelphia: Lippincott, 1931, 369 pp. \$3.00.

Highly interesting and instructive pictures of Mexican life and problems, by a well-known writer.

LIBERALISM IN MEXICO. BY WILFRID H. CALLCOTT. Stanford: Stanford University Press, 1931, 410 pp. \$5.00.

Really a well-documented history of Mexico from 1857 to the present time.

LA REVOLUCIÓN ARGENTINA. BY V. GUTIÉRREZ DE MIGUEL. Madrid: Compañía General de Artes Gráficas, 1930, 259 pp. Pes. 5.

The narrative of an eye-witness.

Miscellaneous

THE HISTORICAL EVOLUTION OF NATIONALISM. BY CARLTON J. H. HAYES. New York: Smith, 1931, 355 pp. \$3.50.

A book that should be read by every student of international affairs. An authoritative exposition of the development of nationalist doctrine.

THE WAY TO RECOVERY. BY SIR GEORGE PAISH. New York: Putnam, 1931, 169 pp. \$2.00.

One of the most searching analyses of the present world crisis, by an eminent English economist.

THE END OF REPARATIONS. BY HJALMAR SCHACHT. New York: Cape and Smith. 1931, 248 pp. \$3.00.

The German original of this timely and important German book has already been listed.

REPARATION. BY RAOUL PLUS. London: Burns, Oates, 1931, 108 pp. 4/6.

A brief introduction to the history and evolution of the reparations problem.

INTERNATIONAL MIGRATIONS. EDITED BY WALTER F. WILLCOX. New York: National Bureau of Economic Research, 1931, 715 pp. \$5.00.

The second volume of an important work, containing the interpretations of experts with respect to the statistical material.

ALMANACH DE GOTHA. Gotha: Justus Perthes, 1931, 1405 pp.

The 168th edition of this standard genealogical and statistical work.

SOURCE MATERIAL

By Denys P. Myers

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Documents may be procured from the following: *United States*: Gov't Printing Office, Superintendent of Documents, Washington, D. C. *Great Britain*: British Library of Information, 551 Fifth Ave., New York. *France*: Gerda M. Andersen, 12 Ave. Ernest Reyer, Paris XIV^e. *League of Nations, Int. Labor Office, Perm. Court of Int. Justice and International Institute of Agriculture*: World Peace Foundation, 40 Mt. Vernon St., Boston. Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted. Since 1928 a list of national Government documents has been printed in the *Monthly list of Books catalogued in the Library of the League of Nations*.

AGRICULTURE

COMMISSION of Enquiry for European Union. Disposal of 1930 Cereal Stocks. Communications from the Governments of Great Britain and Czechoslovakia. Geneva, 1931. 1 double p. 33 cm. (League of Nations, C. 296. M. 138. 1931. VII. 5.)

COMMISSION of Enquiry for European Union. Committee to Study the Problem of the Export of Future Harvest Surpluses of Cereals (Second Session — June 25-27). Report. Geneva, 1931. 3 p. 33¼ cm. (League of Nations, C. 430. M. 179. 1931. VII. 10.)

COMITE Financier. Le Crédit Agricole en Tchécoslovaquie. Geneva, 1931. 15 p. 33 cm. (League of Nations, F. 866. (1) (a). 1931. II. A. 10.)

ECONOMIC Committee. The Agricultural Crisis. Volume I. Geneva, 1931. 322 p. 26 cm. (League of Nations, C. 239. M. 105. 1931. II. B. 12. I.) \$2.00.

INTERNATIONAL Agricultural Mortgage Credit Company. Convention, Charter and Statutes. Approved by the Council of the League of Nations and Signed on May 21, 1931, and other relevant documents. Geneva, 1931. 37 p. 33 cm. (League of Nations, C. 375. M. 155. 1931. II. A. 13.)

REPORT of the Delegates of the United States of America to The Inter-American Conference on Agriculture. Held at Washington, D. C., September 8-20, 1930. Washington, 1930. 175 p. Appendices. 23¼ cm.

ARMAMENTS

ARMAMENTS YEAR-BOOK. General and Statistical Information. Albania-Argentine-Austria-Belgium-Bolivia-Brazil-British Empire (Great Britain and Northern Ireland, British Colonies and Protectorates, Australia, Canada, India, Irish Free State, New Zealand, Newfoundland, Union of South Africa)-Bulgaria-Chile-China-Colombia-Costa Rica-Cuba-Czechoslovakia-Denmark-Dominican Republic-Ecuador-Egypt-Estonia-Finland-France-Germany-Greece-Guatemala-Haiti-Honduras-Hungary-Italy-Japan-Latvia-Liberia-Lithuania-Luxemburg-Mexico-Netherlands-Nicaragua-Norway-Panama-Paraguay-Persia-Peru-Poland-Portugal-Roumania-Salvador-Siam-Spain-Sweden-Switzerland-Turkey-Union of Soviet Socialist Republics-United States of America-Uruguay-Venezuela-Yugoslavia (Kingdom of). Geneva, 1931. 1191 p. 24 cm. (Seventh Year. 1930-1931.) (League of Nations, C. 1. M. 1. 1931. IX. 2.)

A new edition of the *Armaments Year-Book* will be issued prior to the General Disarmament Conference opening February 2, 1932. It will be characterized by increased comparability of notices.

PARTICULARS with Regard to the Armaments of the United States. Washington, 1931, 25 p. 23¼ cm. (Publications of the Department of State, No. 204.) 5 cents.

MEMORANDUM respecting the International Convention on Financial Assistance. Signed at Geneva, October 2, 1930. London, 1931. 32 p. 24½ cm. (Miscellaneous No. 13 (1931). Cmd. 3906.) 6d.

PARTICULARS with Regard to the Position of Armaments in the Various Countries. Geneva, 1931. (Under this title are issued returns to be made before September 15, 1931, in response to a resolution of the Council of the League of Nations. Among the returns includable are those of the United States of June 5, Belgium of July 4, and France of July 15.)

REPORT of the Preparatory Commission for the Disarmament Conference and Draft Convention. Washington, 1931. 102 p. 23¼ cm. (Publications of the Department of State, Conference Series, No. 7.) 20 cents.

SPECIAL COMMITTEE appointed to frame a Draft General Convention to Improve the Means of Preventing War. Minutes of the Session. Held at Geneva from May 11-15, 1931. Geneva, 1931. 52 p. 33 cm. (League of Nations, A. 14. 1931. VII. 8.)

The Report alone is A. 9. 1931. VII. 6.

STATISTICAL Year-Book of the Trade in Arms and Ammunition, Geneva, 1931. Geneva, 1931. 438 p. 33 cm. (League of Nations, C. 2. M. 2. 1931. IX. 4.)

WAR POLICIES Commission. Hearings before the Commission Appointed Under the Author-

ity of Public Resolution No. 98, Seventy-First Congress, Second Session (H. J. Res. 251), March 5-18, 1931. Part 1 [-2]. Washington, 1931. 480 p. 23¼ cm.

BANK FOR INTERNATIONAL SETTLEMENTS

BANK for International Settlements. First Annual Report for the Business Year Ended March 31, 1931. Basle, Schweiz. Verlags-Druckerei G. Boehm, 1931. 11 p. Annexes. 30 cm.

CALENDAR REFORM

FOURTH General Conference on Communications and Transit. Preparatory Documents. Volume I. Calendar Reform. Geneva, 1931. 28 p. 33¼ cm. (League of Nations, 4th C. G. C. T. I. 1931. VIII. 12./I.) \$0.30.

CLAIMS, JUDGMENTS, ETC.

ARRANGEMENT between the United States of America and Spain. Effected by Exchange of Notes Signed August 24, 1927, May 13, 1929, and June 20, 1929. Washington, 1931. 3 p. 23¼ cm. (Executive Agreement Series, No. 18.) 5 cents.

CLAIMS Commission between Great Britain and Mexico. Decisions and Opinions of the Commissioners in accordance with the Convention of November 19, 1926, between Great Britain and the United Mexican States, October 5, 1929, to February 15, 1930. London, 1931. 175 p. 24½ cm.

CONVENTION between His Majesty and the President of the United Mexican States supplementary to the Convention of November 19, 1926, respecting British Pecuniary Claims in Mexico owing to Revolutionary Acts, Mexico City, December 5, 1930. London, 1931. 7 p. 24½ cm. (Treaty Series No. 22 (1931). Cmd. 3846.) 2d.

PERMANENT COURT of International Justice. Judgments, Orders and Advisory Opinions. Access to German Minority Schools in Upper Silesia. May 15, 1931. 32 double p. 24¼ cm. (Series A. / B. No. 40.)

TENTH ANNUAL Report of the Controller of the Clearing Office, The Administrator of German, Austrian, Hungarian and Bulgarian Property and the Director of the Russian Claims Department. London, 1931. 43 p. 24½ cm. 9d.

COMMUNICATIONS AND TRANSIT

ADVISORY and Technical Committee for Communications and Transit. Permanent Committee on Ports and Maritime Navigation. Enquiry Concerning the Meaning Attached to the Term "Coasting Trade" in the Various Countries. Geneva, 1931. 24 p. 33¼ cm. (League of Nations, C. 195. M. 78. 1931. VIII. 6.)

ADVISORY and Technical Committee for Communications and Transit. Permanent Committee on Ports and Maritime Navigation. Comparative Study of National Laws governing the Granting of the Right to fly a Merchant Flag. Geneva, 1931. 42 p. 33 cm. (League of Nations, C. 248. M. 112. 1931. VIII. 11.)

EUROPEAN Conference on Road Traffic (Geneva, March 16-30, 1931). Convention Concerning the Unification of Road Signals. Geneva, 1931. 7 double p., charts. 33 cm. (League of Nations, C. 231. M. 99. 1931. VIII. 7.)

ORGANISATION for Communications and Transit. Records and Texts of the Conference for the Unification of Buoyage and Lighting of Coasts. Held at Lisbon, October 6-23, 1930. Part I. (I) Resolution concerning the Continuation of Work relating to Unification of Buoyage. (II) Texts concerning Buoyage drawn up by the Drafting Committee. (III) Minutes of the Plenary Meetings of the Conference. (IV) Minutes of the Buoyage Committee. (V) Minutes of the Signals Committee. (VI) Minutes of the Lighthouse Committee. Part II. Proposals submitted to the Conference by Governments or by Delegations. Geneva, 1931. 106 p., charts. 33 cm. (League of Nations, C. 163. M. 58. 1931. VIII. 1.)

EAST AFRICA—CLOSER UNION

PAPERS relating to the Question of the Closer Union of Kenya, Uganda, and the Tanganyika Territory. London, 1931. 130 p. 33½ cm. (Colonial No. 57.) 6s.

ECONOMICS AND FINANCE

COMMITTEE on Finance and Industry. Report. London, 1931. 322 p. 24¼ cm. (Cmd. 3897.) 5s.

The Macmillan committee's analysis of the British situation.

ECONOMIC Relations Section. Evolution of Economic and Commercial Policy (Autonomous, Contractual and Collective) Since the Tenth Assembly. Geneva, 1931. 8 p. 33¼ cm. (League of Nations, C. E. U. E. / E. E. / 5. 1931. II. B. 13.)

MEMORANDUM relating to the Pacific Settlement of International Disputes Concerning Economic Questions in General and Commercial and Customs Questions in Particular. Provisions in Force on January 15, 1931, in the Various Acts, Treaties, Conventions and Agreements Con-

cluded between the Different Powers, More Especially in Europe. Geneva, 1931. 74 p. 33½ cm. (League of Nations, E. 666. 1931. II. B. 1.) \$0.60.

PROCEEDINGS of the Second International Conference with a View to Concerted Economic Action (First Session). Held at Geneva from November 17-28, 1930. Geneva, 1931. 263 p. 33 cm. (League of Nations, C. 149. M. 48. 1931. II. B. 3.)

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COMMISSION of Enquiry for European Union. Economic Depression. Geneva, 1931. 16 p. 33 cm. (League of Nations, C. 284. M. 134. 1931. VII. 4.)

COMMISSION of Enquiry for European Union. Minutes of the Third Session. Held at Geneva from May 15-21, 1931. Geneva, 1931. 211 p. 33 cm. (League of Nations, C. 395. M. 158. 1931. VII. 7.)

INDIA

A SCHEME for an Economic Advisory Organisation in India. Report by Sir Arthur Salter, Director of the Economic and Financial Section of the Secretariat of the League of Nations, to the Government of India; with three Appendices. Geneva, 1931. 92 p. 25 cm. (League of Nations, C. 397. M. 159. 1931. II. A. 14.)

INTERNATIONAL LABOR OFFICE

ANNUAL Review 1930. Geneva, 1931. 505 p. 24 cm. \$3.00.

IRAQ

JUDICIAL Agreement between the United Kingdom and Iraq. Signed at Baghdad, March 4, 1931. London, 1931. 5 p. 24½ cm. (Cmd. 3839.) 1d.

RIGHTS of the United States of America and of Its Nationals in Iraq. Convention and Protocol between the United States of America and Great Britain and Iraq. Signed at London, January 9, 1930. 51 p. 23¼ cm. (Treaty Series, No. 835.) 10 cents.

Also Great Britain, Treaty Series No. 19 (1931), Cmd. 3833.

SPECIAL Report by His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland to the Council of the League of Nations on the Progress of Iraq during the period 1920-1931. London, 1931. 331 p. 24½ cm. (Colonial No. 58.) 5s. 6d.

LEAGUE OF NATIONS

REPORT on the Work of the League since the Last Session of the Assembly. Geneva, 1931. 161 p. 33 cm. (League of Nations, A. 6. 1931. G. Q. 3.)

REPORT by the Secretary-General to the Assembly on the Work of the Commission of Enquiry for European Union. Geneva, 1931. 21 p. 33 cm. (League of Nations, A. 17. 1931. VII. 9.)

RECORDS of the Eleventh Ordinary Session of the Assembly. Plenary Meetings. Text of the Debates. Geneva, 1930. 608 p. 33 cm. (League of Nations *Official Journal*, Special Supplement No. 84.)

MANDATES, COLONIAL

AGREEMENT concerning claims of certain British and Italian protected persons and colonial subjects arising out of Raids and Incidents on the Anglo-Italian Frontier in Somaliland, Bihen, September 2, 1930. London, 1931. 15 p. 24½ cm. (Italy No. 2 (1931). Cmd. 3834.) 3d.

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REPORT of the Commission appointed by His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland, with the approval of the Council of the League of Nations, to determine the rights and claims of Moslems and Jews in connection with the Western or Wailing Wall at Jerusalem, December, 1930. London, 1931. 75 p. 24½ cm. 1s. 6d.

MINORITIES

PROTECTION of Linguistic, Racial or Religious Minorities by the League of Nations. Resolutions and Extracts from the Minutes of the Council, Resolutions and Reports adopted by the Assembly, relating to the Procedure to be followed in Questions concerning the Protection of Minorities. Second Edition. Geneva, 1931. 247 p. 24 cm. (League of Nations, C. 8. M. 5. 1931. I. B. 1.) \$1.50.

NIAGARA FALLS AND RIVER

NIAGARA Falls and River. Preservation and improvement of scenic beauty of Niagara Falls and Rapids, message from President of United States transmitting final report of Special Inter-

national Niagara Board, with accompanying report from acting Secretary of State and letter from Secretary of War. Washington, 1931. (1), 354, (1) p. il. 2 pl. map, 4°. (S. doc. 128, 71st Cong., 2d sess.) (Title on cover is: The preservation and improvement of Niagara Falls and Rapids.) Paper, \$1.50.

OPIUM

CONFERENCE on the Limitation of the Manufacture of Narcotic Drugs. Report and Draft Convention on the Limitation of the Manufacture of Narcotic Drugs. Drawn up by the Advisory Committee on Traffic in Opium and other Dangerous Drugs at its Fourteenth Session. Geneva, 1931. 22 p. 33 cm. (League of Nations, C. 168. M. 62. 1931. XI. 3.)

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NARCOTICS. State laws relating to control of narcotic drugs and treatment of drug addiction. 1931. vi+330 p. (Supplement 91 to Public health reports.) Paper, 45 cents.

TRAFFIC in Opium and Other Dangerous Drugs for the Year Ended December 31, 1930. Report by the Government of the United States of America. Washington, 1931. 49 p. 23¼ cm.

TRAFFIC in Opium and Other Dangerous Drugs. Conference on the Limitation of the Manufacture of Narcotic Drugs covered by Article 4 (b), (c) and (g) of the Geneva Opium Convention. Analysis of the International Trade in Morphine, Diacetylmorphine and Cocaine for the Years 1925–1929. Part I. Geneva, 1931. 215 p. 33 cm. (League of Nations, C. 587. M. 228. 1930. XI. 5¹.)

Part II. General Analysis. Morphine and Diacetylmorphine. Geneva, 1931. 68 p. 33 cm. (League of Nations, C. 587. M. 228. 1930. XI. 5/^{II})

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EUROPEAN Conference on Rural Hygiene. Report of the Preparatory Committee on the Principles governing the Organisation of Medical Assistance, the Public Health Services and Sanitation in Rural Districts. Geneva, 1931. 62 p. 24 cm. (League of Nations, C. H. 1045. 1931. III. 7.) \$0.50.

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THE ORGANISATION of Foreign Trade of the Union of Soviet Socialist Republics. Report by the Commercial Counsellor to His Majesty's Embassy in Moscow G. P. Paton, C. B. E., May, 1931. London, 1931. 38 p. 24½ cm. (Cmd. 3904.) 9d.

STATISTICAL

COMMITTEE of Statistical Experts. Report. Geneva, 1931. 7 p. 33 cm. (League of Nations, C. 215. M. 90. 1931. II. A. 9.)

ECONOMIC Intelligence Service. Statistical Year-Book of the League of Nations 1930/31. Geneva, 1931. 292 p. 24½ cm. (League of Nations, 1931. II. A. 16.)

MEMORANDUM on International Trade and Balances of Payments 1927–1929. Volume II. Balances of Payments. 215 p. 27 cm. (League of Nations, 1930. II. 54/II.) \$1.50.

SELECTED Documents on the Distribution of Gold submitted to the Gold Delegation of the Financial Committee. Geneva, 1931. 67 p. 25 cm. (League of Nations, C. 102. M. 38. 1931. II. A. 7.) \$0.50.

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COMMISSION of Enquiry for European Union. Unemployment. Geneva, 1931. 20 p. 33 cm. (League of Nations, C. 275. M. 127. 1931. VII. 3.)

UNEMPLOYMENT Problems in 1931. Studies prepared by the International Labour Office in collaboration with Professors Ansiaux, Cole, Hahn and Hersch. Geneva, 1931. 280 p. 24 cm. (Studies and Reports, Series C (Employment and Unemployment) No. 16.) \$1.50.

COMMISSION of Enquiry for European Union. Unemployment Committee. Geneva, 1931. 2 p. 33¼ cm. (League of Nations, C. 437. M. 184. 1931. VII. 11.)