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## Europe Challenged by Other Continents

BY DR. ANDRE SIEGFRIED.

The Chairman introduced the speaker as a well-known international authority on world politics, who had lectured before the Canadian Club during the world war and had written books on both Canada and the United States, and whom it gave him much pleasure to welcome again to the Canadian Club. Dr. Siegfried.

DR. ANDRE SIEGFRIED:—Mr. Chairman, gentlemen, may I thank you for the courtesy of your welcome. I have been visiting here for many years. I was here in 1898, again here in 1901, in 1904, in 1919 and again in 1929, yet I understand I do not know Canada. That is why I came to study your country because we say in France, America is the continent of the future. In North America Canada will be the country of the future. That is why I am here in order to study.

It is very difficult for me visiting a country to speak and that is why I apologize for speaking and not listening. I understand that I have much to tell you that you do not know about, and instead of speaking to you about America, I thought it would be interesting to tell you what are the reactions of the men of Western Europe to the present depression. As a Frenchman to speak to you of France, I think, would be too narrow, because my impressions of twenty or twenty-five years are not of one country only, but rather of one civilization. In my opinion there is something like a European civilization; there is something like a North American civilization; there is something like an Asiatic civilization; and between these different concep-

tions there is production, life and competition as between the various countries.

If I look at the present depression from the point of view of the man of Western Europe, I seem to see the depression from three principal angles. First, it seems to me that the depression is the dark result of the war and that we now see the liquidation of the war. People thought that the liquidation of the war had been done in 1921-22, but we see it was not true. The war has developed in Europe and elsewhere the idea that the world had increased its wealth. Strange to say people thought they could spend more money, not only during the war but after, than they did before. But through that assumption we had everywhere developed the industrial structure which appears today to be far in advance of the possibility of consumption and the world has to bring that structure to the level of the possibilities of solution, bearing in mind the wealth of the consumer. That is the crisis of today.

There is a second aspect of the crisis that is definitely cyclical in form—the crisis of low prices. As you know, when we look back a century we see long periods of rising prices and long periods of low prices. For example, rising prices in 1848, 1873, 1878 and 1895 to the war. We have now a period of declining prices. You produce and cannot sell; you produce and cannot export; you borrow and cannot pay interest on the money borrowed for prices are declining. It seems to me, in the last fifteen years we have suffered immensely—you Canadians more than anybody in the world—in a period of declining prices.

The third aspect is the geographical aspect. It seems to me, in the last twenty or thirty years, there has been a shifting of the centre of gravity. Up to the end of the nineteenth century Europe was the economic centre of the world. Now, who would say that Europe is the centre of gravity of the economics of the world? Probably there are several centres of gravity—the American one, the Asiatic one. Then the crisis for Europe is, having led the world for several centuries, to adapt herself to new conditions in which she is no longer the centre of the economic gravity.

If you take these three aspects of the crisis, you have something extraordinarily complicated if you try to explain the depression from only one point of view.

Now, gentlemen, my point is therefore not to study the depression at large, but to study the position of Europe in relation to other countries. In 1898 when we look at Europe—when you travelled in all continents, the white man was dominating the world. Europe was leading the world without practically any contestant. The United States neither had the lead in finance nor the lead in export nor the lead in general economic activity. Now when I turn to the world after the war I find a very different picture. And the problem now is: under what conditions can Europe compete with other countries? That is exactly the problem I should like to deal with. In order to study such a problem, I think I must begin by a very brief analysis, so do not be afraid.

I shall not describe the situation in Europe by books or by giving you documents, I shall simply tell you what I have seen in America, Asia, Australia and the various continents at the end of the nineteenth century. The lead of Europe was expressing itself. All the capital came from Europe. Europe was the only source of capital when capital was wanted. And in Europe only a very few countries were furnishing capital. They were Britain, France, perhaps Switzerland and Holland—maybe Germany and the Scandinavian States and that was all. It was always to Europe you looked. It was true of this country, the United States, South Africa, Australia and the East—you looked to Britain. When you looked to the railway you looked to Scotland and England; when it was auto manufacturers, you looked to Switzerland, France and these other countries. Most of the international banks were operated in Europe, most of the shipping, most of the engine companies and, more than that, the governments of Europe in the last quarter of a century exerted a definite influence on the condition of trade in other continents. Of course, when it was necessary to create tariffs, tariffs were imposed. Europe also affected conditions of exchange and of immigration. All Europeans were perfectly and practically free in all countries.

That was the situation that existed at the beginning of

the twentieth century, but if you allow me to say so, the nineteenth century, which was supposed to be the century of nationalism and protection, was no such thing. It was to a large extent a century of free exchange. Outside of Europe the British way of doing things ruled the world. It was largely the English language that was spoken; they were British conditions of commerce. In those days, it was the magnificent British conception of what was called "fair trade" or "fair plan." Anybody under the British flag, whether British or not, could benefit by the conditions of that fair play. In the world today there is no such thing.

In those days, the British system expressed itself in a few characteristics which now are gone. First of all, there was what we might call stability. Now there is no such thing in credit. Money was generally repaid—not always, but generally. People who paid what they owed did not receive compliments as if they had done something extraordinary. There was stability in currency. I remember when everybody thought the pound sterling and the franc would remain the same today as they were twenty and forty years ago. I remember in Europe when old men were discussing the financial situation of their children and even of their grandchildren. I remember about 1890, people discussing what would be the financial position of grandsons in 1935. These people really thought they could carry over their fortunes to their sons and grandsons. This state of stability is not of our time. I never hear at the present day people discussing the financial situation of their children because they do not know. Children in Europe will never inherit the fortune of their fathers. The economic stability of the nineteenth century has entirely disappeared. There is something entirely new today.

Europe developed a population of three to four hundred million people on the assumption that these conditions would last and that they would be busy in the economic world as at the end of the nineteenth century. Europe developed a strong manufacturing structure which appears to be too heavy. Europe expected excessive activity and, if I may say so, at such a stage men must live dangerously.

Now, I come to another point. It can be said in few

words. There were two periods in considering European supremacy. In the second, Europe projected part of the white race outside Europe. These people benefit by reason of their political and cultural independence. In addition to the political and economic, there has been another type of revolt, in my opinion, and that is the revolt of the colored people. They have been dominated by Europe since the sixteenth century. Nowadays we face everywhere the rising tide of color. The revolt of color is exactly the same as the revolt of the white section outside Europe. Europe is facing a new situation in the world. That is the situation of the twentieth century. In the nineteenth century I got the impression of free trade, stability and the interchange of goods between continents. I have no such impression today. If I have a definite impression of the twentieth century in which we are living, I suspect the main characteristic is one of close compartments everywhere, which we can call neo-protectionism and, in certain cases, more than that. Production has made immense progress since the war. By a tariff you can forbid the entrance of goods. You can close a country up by challenging the value of money and create a protectionism far stronger than the world has ever seen. If that monetary policy is not sufficient, all you have to do is what is done in Central Europe and South America: you permit the importations, but you forbid the importer to pay the man who sold the goods. That is done once but no more. In the exporter's case it stops very quickly. There is something worse: the interchange of men has also been made very difficult. Barriers against goods and now barriers against men. You have to get passports and visas. They are great diplomatic negotiations. You have to show your passport to twenty or thirty persons. You have to show that you have enough money and, to another one, that you have not too much money. You are investigated to show that you are not stupid. You are examined to see that you are in good mental and physical condition. You are investigated to see that you are not a polygamist. They are more liberal-minded; and you have to show that you are not a bigamist in the case of the United States. On my last trip I had a special man work for a week on one legation and prepare a

beautiful passport showing my picture. Is that progress from the business point of view and from the point of view of civilization? No. And this is the twentieth century which is so proud of its progress. But if things are so, we must view the new relations between the different countries. Europe has ceased to be able to compete on equal terms with other countries.

Under what conditions can Europe hope to compete with other countries? Is she better located? Can she stand the competition of such a powerful nation as the United States? As I look at the situation in the twentieth century in the post-war years, it seems to me that we face competition from two different types of competitors. We Europeans seem to be caught between two fires. On the one side we are attacked by people with lower wages than ourselves and, on the other side, we are attacked by people with higher wages. Asia is the country with the lower wages and the country with the higher wages is the United States. First, to understand the competition of Europe with countries where lower wages prevail, we must think of all a modern plant has got. It has extraordinary automatic mechanism which is interchangeable and shows the whole genius of engineers in the last twenty years to create machinery which can work without labor or without skilled labor. The emphasis has been put on machinery. The genius of the engineer has been unbounded. They have succeeded in creating plants that have very little in common with those of the past. In Manchester, France, Belgium, you can buy machinery. You can build a plant and in a few days it will be working—in Shanghai or elsewhere, but skill is being destroyed in certain industries, by such mechanisation.

Anybody can buy machinery and erect a plant wherever they like. The danger is if that plant is brought to Asia it is operated by labor that is extraordinarily cheap, if you compare it with the pay of a spinner or a weaver of Manchester who is doing about the same work. In Europe you find social legislation being provided for the workers, while in Asia there is practically no such thing. The Manchester employer cannot use his labor as he wants, while in Japan and Shanghai, employers are perfectly free to use labor as

they like. It is not an advantage from the point of view of social progress. Cost of production does not know anything like social progress. That is one competition we are facing from the East. You can see that a large number of plants in the cotton business have been transferred in the last twenty-five years from the West to the East.

Turn to another side of the question—the country with the highest wages. It is possible only in a part of the North American Continent where mass-production allows people to produce cheaply. Europe could do the same thing, but we have no unbroken market of 130,000,000 people. The only place is Russia. In Europe the only single market seems to be Germany—about half of the United States. Everywhere these conditions exist we are defeated by two factors. These two factors are mass-production; and there is another factor even more important, and that is the political situation. In Europe there are from twenty to thirty countries. Between them are tariff barriers by which the conditions of mass-production are broken. That is why Europe is suffering and cannot compete with countries with high wages like the United States.

Sir Charles Dilke in 1867-68 wrote these words, "The lesson to me of a trip round the world is the defeat of the cheaper by the dearer peoples: the victory of the man whose food costs four shillings over the man whose food costs four pence."

The problem is very well compressed in these words, but it is not true that it is the dearer who is always victorious over the cheaper man. There are conditions of production where the man with the lower wages will be victorious over the man with higher wages. There is a certain part of the world, a certain civilization which has prouder people than the others. From this point of view I really see three conditions, one which is North American, another Asiatic and another European. You expect me to say what I think of Europe and to what extent Europe can really keep a victorious position in some lines. I will state very briefly what I have to say. I think I have told you under what conditions Europe is divided and the cheap labor conditions in Asia where the standard of living is lower than

ours. What is the main factor in that competition of Asia? The main factor is the simplicity of the life of the Asiatic. You remember what Gandhi said about plain living and high thinking. High thinking is not always necessary but plain living is necessary. People with plain living can compete against us because we do not have plain living. We are an expensive people.

The secret of the superiority of Europe in the long run against Asia lies exactly in our brains, not so much in our intelligence because the Asiatics are intelligent. In my opinion the strength of the European or white races lies in their creative and inventive genius. From that point of view we are in front of that competition. Now, gentlemen, there is a place for Europe where Europe can play her part. The superiority of Europe is found in the individuality of the work and the more creative genius revealed in it. The superiority of Europe will be found in quality production. Europe is cheaper than America because it is less pretentious and less costly. In that sense we share some of the advantages of Asia. Europe in a way is really in an intermediate position. It is possible that Europe will not remain the great export country it was in the past and it is also possible that it will not remain the great importing country it was in the past. To try to do what other people can do better than she does, to try and compete with mass production in America and with Asia, where the lowest wages are paid, would mean a social revolution. We must seek the superiority of the men and then the individual superiority of the man. If the civilization of Europe is only materialistic, Europe has no chance of surviving. We must find a new equilibrium. I think Europe must keep its individual superiority, intellectually and culturally, putting culture before class. To a certain extent a high standard of living is not a measure of the highest culture. We cannot follow the American lead although we are determined to learn as much as possible because conditions in America and Europe are not the same. You are a new country and have a future before you. We have a great past behind us.

I thank you very much for the kindness of your reception.