(*March 29th, 1920.*)

# The World's Economic and Political Readjustment

By Mr. A. D. Noyes.*

*Mr. Chairman and Gentlemen,*—I thank you, Mr. Chairman, for your very cordial reference to what has been with me an exceedingly pleasant recollection. It is very nearly five years ago since I first had the pleasure of meeting the Club. The situation, as we all remember, was peculiar at that time. Canada and the United States had not quite come to think in common, not because they disagreed as to the issues of the war, but because they could not yet see each other's position on the question of the participation of the United States in the war. I am bound to say that I learned more of the real Canadian opinion, that afternoon—of the reasons for the justice of that opinion—than I had learned in all preceding discussions of the subject in my own country.

Since then, a great deal of water has passed under the mill. The wishes that both of us entertained when I spoke to you five years ago have been fulfilled. We have seen the United States and Canada fighting, sometimes literally, shoulder to shoulder in the great war. They have both participated in the victory. Now they are both confronted with the great problems of reconstruction. The problems are not simple with either of them. It is true that both the United States and Canada are in many respects the most favored nations in the situation left by the war. We are both of us great producers of foodstuffs and raw material. We are both of us creditor nations in regard to the states of Europe which have been at war. Yet neither of us can escape from the consequences of war and its problems of reconstruction.

*Mr. Noyes holds the position in the United States corresponding to that of Sir George Paish in Great Britain. He is the Editor of the "New York Evening Post" and is considered a leading authority on this Continent on commercial and financial matters.

You in Canada have this peculiar and irritating problem of the deranged exchange market between Canada and the United States; and we in the United States have been suddenly and strenuously confronted with the extraordinary exchange market between the United States and the East, a direct outgrowth of the war, leading to the outpouring of gold to the Orient in such measure as to threaten, at one time, the retention of a sufficient reserve of gold in our Federal Reserve System; and back of it all we are necessarily, one country like the other, confronted with the question of Europe itself, for by the fortunes of Europe our fortunes must necessarily be regulated in the future.

I should shrink from discussion of this subject, gentlemen, if I did not feel that, after all, nothing more could possibly be expected from any one on a matter of such intricacy except to give the fruits of thought, conjecture, and impression. The confident solution of the question is beyond me. It is beyond all of us. Neither of us expects it from the other. The incidental problems that arise are so multifarious as to bewilder us by their complexity; so much so that I am asking your indulgence this afternoon if I hold myself pretty closely to my notes. If I did not, I do not know when the speech would be over or the meeting released.

Now, gentlemen, our experience before, during, and since the war has been mostly one of shattered and dissipated predictions. I should have supposed, after the experience of most of us, that any man in public or private capacity would hesitate to make a definite prediction as to what is going to happen to anybody or anywhere as a result of this war. We certainly had this proved during the war itself. I remember very well a conversation in the early part of 1915 with a gentleman whom I regard as the best informed and shrewdest of the international bankers of New York City, in which he gave me, on apparently good grounds, his judgment and the judgment of the international banking community that, from the pure standard of economic exhaustion, this war could not possibly last further than the autumn of 1915.

Well, you know what became of that prediction, and of the later predictions of the ruin of the American market as a result of the outbreak of the war. One could tell of scores of such unfulfilled predictions. That, itself, might well warn anyone who attempts to indulge in definite forecasts of the future. Yet there is one prediction—which was made at the beginning of the war, was made during the war and was made



at the end of the war, by thoughtful and experienced judges—which has been up to the present date absolutely fulfilled, and which, I believe, is destined to be even more fulfilled in the future. It was that the world which emerged from this war would not be the world which went into it; that whatever we choose to think will be the outcome, it will be another world, in many respects a new world, that will have to deal with it.

Politically and economically, 1914 already seems far in the remote past of historical situations and institutions. Epoch-making changes, permanent and revolutionary in their character, have swept in such rapid and bewildering succession across the scene that even landmarks which we had learned to watch in measuring the course of history have disappeared. Some of this engulfing of old institutions occurred during the war itself, but most of it after the war was over. People who had imagined, in a blind and perfunctory way, that return of peace would be followed merely by gradual restoration of things to their pre-war status, were naturally struck with a kind of consternation. Along with that came the urgent pressure of economic problems—social, commercial, agricultural, and industrial—which were absolutely certain to follow a war conducted in the manner and on the scale of this European war, and yet which all of us had somehow thrust aside from practical consideration while the war continued.

We saw the prodigious diversion of industry, destruction of life and property, the trebling and quadrupling of national debts, the inflation of national currencies, the deranging of foreign trade; but very few of us seriously undertook to predict the necessary sequel. When, therefore, the perfectly logical results ensued, they came with a peculiar shock. Political and economic relations did not readjust themselves; on the contrary, with the government's artificial war-time expedients withdrawn, matters seemed to be moving with violent rapidity from bad to worse. It is not strange that, confronted with those bewildering and alarming developments, a good many of us should have begun to ask whether, after all, the war had not been the suicide of society as we knew it—whether we may not now be looking on at something like the wreck of civilization.

Well, when this question of the wreck of civilization is brought up—as it frequently is in discussion—I am always tempted to ask the prophet what his idea of the wreck of civilization is. What does he mean by the wreck of civilization?

It may be that he means the disappearance of all government; in which case we are perfectly well aware that his position is nonsensical. But very few people would seriously take that ground. It may be that he looks to political confusion, verging on anarchy and lasting for an indefinite time. It may be that he merely means the repudiation of obligations, international and otherwise, by the governments. The trouble with all such predictions is that the definition does not accompany it. Until it does, I can see little profit in discussing that aspect of the question.

Yet one answer to make to that form of vague apprehension is based on the fact that the modern world has lived through a closely similar experience in the immediate sequel to every great war of the past; has recovered from it; has solved the problems (at the time apparently insoluble) arising from it; and, what is more singular, has entered eventually on a new chapter of history which was marked by new, and usually by very great, achievement.

Sometimes the readjustment has affected single nations or groups of nations; sometimes the whole world. For instance, there was the United States at the end of the exhausting Civil War. We emerged from that war with a public debt of a previously unimagined size. We had been nearly as far from paying the cost of the war in taxes as France has been in this European war. We had inflated our currency with utter recklessness. The paper dollar had at one time fallen to thirty-six cents in gold, and the industrial machine was kept running chiefly through an absolutely unheard-of excess of merchandise imports over exports. The Northern States had not been invaded and devastated, but the Southern States had. The Civil war ended in 1865; it was 1878 before the South, which for several years after the peace seemed to be industrially ruined, produced as large a cotton crop as it had harvested in 1859.

The political situation of that period had, as I think we will all admit, some curious resemblance to the situation which we are contemplating this afternoon. It developed in a way which readers of history are beginning to understand, from present developments, as they could not understand before this war. The Senate and the President locked horns. The President's view in 1866 and 1867, as to the terms of pacification with the South, fell so far from meeting the views of the Senate that the dominant party itself was split in two. The breach reached



such proportions that the impeachment of the president was handed in and an attempt made at his removal. It is only when we begin to look at this phase of the subject, when we can see the extraordinary mixture of emotions and clear thought in the arrangements already in progress regarding Europe, that we can understand the nature of the situation of that day.

Or, if we look back on what has been, in some respects, a more nearly analogous period, the Napoleonic wars, we have the story of antagonism of nations following the peace. We read of a condition of labor in England which repeatedly reached the stage of armed revolution; of such confusion, political and economic, on the continent as made it almost impossible to foretell even the immediate future. No government on the continent was settled sufficiently to look far ahead in its own career until after the outright revolutions of 1830 and 1848. All that time there was very serious labor unrest, extremely hard times, with the people in desperate poverty.

Now, the point I am making in these brief historical allusions is that there was the transition period, on two notable parallel occasions; and here we are, to-day, faced by a third. Did either of those two emergencies, as applied either to the United States or to the Europe which emerged from the Napoleonic wars, herald a wreck of civilization?

I think we shall all admit there is a difference in many respects, chiefly because of the immense complexity of the political and economic situation of to-day. In order to place clearly before our minds just what has got to be met on this occasion, I am going to enumerate briefly what are the main points of the situation as we can see it now and as they have developed since the armistice.

In the first place would naturally be mentioned political uprisings against established governments; then the downfall of monarchies, followed by the world-wide effort of labor to seize a larger share or complete control of government. Nothing in all history, I suppose, could have been more startling, more dramatic in its suddenness and completion, than the flight and abdication of every princely and ducal authority in Central Europe, almost overnight, with the signing of the armistice. Repeatedly we have had brought before us in many different forms the political restlessness of labor; the ambitions of labor to seize the government, directly as in Russia, and in Germany indirectly, as in other European coun-

tries, and even in the United States. That, I think we will all admit, is a new phenomenon. Perhaps it had been foreshadowed by the rise in power of the socialist and labor parties before the war, but it seemed to be taking the shape of a class war after the international war.

Next we have Russia, one of the greatest producers of food and raw material before the war, cut off from intercourse with the rest of the civilized world; this not merely because of Bolshevist usurpation, but also because of the complete demoralization of transportation, the confiscations, the labor which could not be controlled, the peasant revolt, the alienation of foreign markets.

Then we have Germany paralyzed, as far as we can see it now, by causes which are peculiar to herself. One of them, doubtless, is the usual reaction of a defeated state. Another is the civil disorder and uncertain government, due to overthrow of an old régime, and the total derangement of the economic system, notably its currency, due very largely to paying for the war in home loans and paper currency, not in taxes, but also due very largely to the uncertainty of the future. Germany is saddled with an enormous indemnity, richly deserved but of such magnititude that its payment may extend through the next thirty years, and, on the face of things, might conceivably absorb for remittance to the previous enemy countries all of Germany's surplus national profits of the period from home and foreign trade. There has resulted, as it was probably bound to result, a paralysis of trade and business ambition. Back of this is the demand for the punishment of war criminals, a question in which it is exceedingly difficult to draw the line between emotional argument and sound international reasoning.

Looking away from Germany, we have belligerent Europe as a whole, with its internal debt trebled or quadrupled since 1914. The interest payments on that debt far exceed, in practically every one of the belligerents, the entire public revenue of the country before the war. We have taxes raised, still very inefficiently, in Continental Europe; public revenue falling far below expenditure; and we find Western Europe, fourteen months after peace, paying its government bills largely in fresh issues of paper money. We have the utterly unprecedented debt of weak European governments to strong European governments and all of them to the United States; a debt whose total annual interest, in the case of the United States, would alone be equal to the average annual excess of exports from the United States to Europe before the war.



On top of this, we have imports of merchandise by Europe from America, from Canada and the United States; which so far have exceeded Europe's exports to America that the annual balance in the trade of the United States against the outside world had risen in 1919 to $3,200,000,000, or five times the highest mark prior to 1914. That was in war time; but, even after peace, Europe's own productive power recovered so slowly and her need of the goods and raw materials of America was so great that the United States excess of exports, which was $3,118,000,000 in 1918, actually arose to four billions in the calendar year of 1919, of which no less than $3,852,000,000 was in trade with Europe.

And, along with all this, there is such inflation of paper currencies not redeemable in gold that not only is the rise in prices due to scarcity immensely enhanced in Europe by depreciated money, but that depreciation of exchange on America has become such as to increase greatly the actual trade debt incurred for importation of a given amount of merchandise. It must be remembered that, if the average prices paid for exports and imports are doubled, then the money value of the export balance, say of the United States or Canada, will be doubled also, even if the quantity of exports and imports remains unchanged. Conversely, a country with an excess of imports, say Germany or France, might keep that balance against it unchanged in quantity, but in money value the adverse balance will be doubled.

On the face of things, one might be tempted to say that no such disastrous situation has ever confronted the modern civilized world. It is not strange that predictions of anarchy, social disintegration, national bankruptcy, should be heard in serious circles. Yet, as we have seen, almost exactly such conditions have marked the immediate aftermath of all great wars in recent modern history.

Well, the first question to consider is how far the experiences of 1919 were inevitable to a transition period in which the world was neither at war nor at peace; in which the artificial wartime support of finance and industry by government was suddenly withdrawn; and in which the whole political, social, and economic situation was aggravated by the resultant reaction. Are those conditions temporary or are they permanent? Will they grow worse? Those are the real questions.

We have seen that a similar situation followed every great war—the European political and economic chaos of 1815 to 1820, the absolute political confusion of 1865 to 1873. But we know what came after the transition period. Let us now look at the separate aspects of the situation which I have briefly revealed, and see what hope there lies in them for the future.

First, Labor. As I have said, this was foreshadowed in politics before the war. Labor parties were resolved to have a hand in control of government. The Labor party held the balance of power in England. This was immensely accentuated by the conditions following the war. Yet the questions of labor control of industry and labor control of politics run on somewhat different lines. Probably it is fortunate that the experience of Russia has been exactly what it has been. The economic breakdown of the Soviet system, the remodelling of the views of the laborers, who had begun with the fiction of participating in industry and have ended by facing absolute industrial slavery, cannot possibly have failed to extend to the rest of the civilized world.

Nevertheless, the Soviet idea, the Bolshevist doctrine of labor arrogating to itself the supremacy, has at times extended formidably, even, as we know, in our own western continent. Well, the English railroad strike was to usher in the Bolshevist dominion in England. We know whether it did or did not. You have had your own experience. We have had ours, with the arrogant appearance of the labor demands at Washington last September, when notice was served on the government of the United States that no railway legislation which had not recognized labor as a participant in management and in profits would be permitted or recognized by labor. To that ultimatum, laid down in the most uncompromising terms, absolutely no attention was paid by Congress. The railway bill was passed, adopting none of the expedients laid down by labor. On the eve of the passage of the bill a second ultimatum, feebler than the first, was served by the unions upon Congress, objecting root and branch to the bill as it stood, expressing their total and absolute dissatisfaction with its terms. But the bill was passed by an overwhelming majority in Congress, and has been absolutely acquiesced in by both Capital and Labor.

Now, it is possible, gentlemen, that industry, possible even that politics, will be built up hereafter on the basis of a wider



participation of what we have known as the labor classes in the administration of both. But that labour as a class will dominate all the rest of society, I believe to be utterly repugnant to the ordinary conceptions of modern civilization, to our own knowledge of human nature; and, certainly, most improbable when you measure up the forces which always have been at work fundamentally in politics.

Of course, we have the case of Russia. To Russia we are pointed, or until lately have been pointed, as an illustration of the principles which must eventually operate throughout the world. But let us consider for a moment what has happened in Russia. Of the nature of Russian politics, of Russian administration, of the Russian outrages, I say nothing. All that I wish to point to at this moment is the simple question of the Russian system for Soviet labor administration, as laid down by Lenine and his associates, in the plan that exists at the present moment. I have never seen the present situation summed up more concisely and more correctly, and, it seems to me, more wittily, than by Kantsky, one of the associates in the Berlin cabinet; who, on being asked his own opinion of the present Russian government, said he considered it "a highly inferior form of Capitalism." I have talked with returned travellers from Russia who have assured me that what is going on, in Siberia particularly, and in Central Russia, is the return of the old village commune, even as to the personalities which occupied that kind of local body before the war. The only difference from the old time Mir is in the title, Soviet. We have seen the government's efforts operating in the most extraordinary way in industry. At the present time, the successful industries in Russia are administrated by capitalists working under the name of "government commissaries," with salaries which, I am informed, have in some cases, even after allowing for the depreciated Russian paper, been made larger than what was commanded for any such services before the revolution. At the same time, the laborer, the workman in the factory, who was to have been both the administrator and beneficiary, finds himself compelled to work, forbidden to leave one place for another, absolutely prohibited from striking; and with the arm of government represented by bayonets not a hundred yards away from his factory. The very proposition, tentatively it is true, submitted by Lenine as to what the Russia government is willing to do in case of its recognition by the Entente powers, is not of itself without interest. What Lenine proposed at the conference a year ago

was, that if the government received recognition, then the Russian government was prepared not only to recognize on certain terms its foreign debt, already officially repudiated by it, but to admit the representatives of the foreign creditors to administer the Russian natural resources, under certain conditions, for the benefit of the foreign bond holders. It will naturally occur to most of us that this was adoption of the somewhat familiar capitalistic plan. It was placing Russia in the hands of a receiver.

Now, as to Germany. Keynes' view regarding German indemnity is well known. Germany cannot pay, and will not pay, the indemnity so placed against her, according to his view, at an utterly unwarranted and impossible figure. Well, I am not going to enter on any extended discussion of Mr. Keynes' attitude. That he was mistaken in many of his calculations has already been proved conclusively by answers from various quarters. The German delegates themselves, in counter proposal, named twenty-five billion dollars as the ultimate payment which was possible for them to make; which is not without significance as to what could be paid. That the terms of the treaty, as prescribed for indemnity, are in many respects complex, is perfectly true; that their complexity was largely due to political conditions and to the wish to avoid political difficulties, is also, unfortunately, true. But the most unfortunate aspect of the matter, admitted even by those who in other respects have answered Mr. Keynes, is that a situation is created in which not only has a huge indemnity, stretching far into the future so far as regards its payment, been imposed upon Germany; but that by the strict terms of the treaty Germany and its people do not know to-day and cannot know to-morrow what are to be the limits of that payment. In other words, it is quite possible so to construe the language of the clauses and the provision for the reparation as to mean that, even if a distinct sum is once settled for Germany to pay, and if Germany thereafter should show by her own industrial and financial recovery she is in a position to pay a larger sum, then a larger sum will be imposed. Whether that was the actual intent of the treaty, it is impossible at the moment to say.

It was the belief of most of us that the reparations committee was in reality appointed to reduce and not to increase. But it does appear to me that Mr. Keynes is justified in objecting to the placing on Germany's future of such a lien that her people and her government would feel that whatever additional efforts they were to make towards recuperation they might never receive any benefit, but might have to bear a heavier burden in proportion to their heavier labor. That is a paralyzing influence. It is, I suppose, what Mr. Asquith had in mind in his recent speech when he said that in his judgment two billions sterling should be named as the outside indemnity from Germany. I would not go so far as to name a sum as low as that; but the sum should be explicitly stated and both Germany and the outside world should know that that is the limit which is to be paid. I believe that to be essential to the emergence of Germany within a reasonable time from her industrial paralysis.



The recent memorial of the bankers and statesmen, laying forth in general terms the arrangements probably to be made for the financial helping out of Europe from its present difficulties, laid great stress on the fact that at the present moment the utmost care should be taken not to bankrupt Germany. As to the question of military offenders, there is no question that we have been brought into an awkward situation by yielding to emotions rather than reason. Readers of our civil war history will remember the struggle which occurred during the many months after the civil war for the "hanging of Jeff Davis." The former President of the Confederacy was even at one time handcuffed in jail, and Horace Greeley, the northern abolitionist, went bail for him, glad to show his disapproval of that sort of action. I have no intention of defending the offenders who have been guilty of precisely what has been charged against them in the clauses of the treaty. Yet it is easy to see that we have here a problem of the greatest political delicacy; involving, on the one hand the possible trial of the citizens of one country by an alien court, and on the other hand the forcing of the courts of that country to try some offenders for offences which possibly they themselves might have been inclined to condone.

Now, as to the debt of Europe. That debt is so prodigious as to be bewildering. The interest on it is so great as to make the previous pre-war revenue of the belligerent states seem small by comparison. Yet is it not possible that in arguing on this question we are missing one essential point; namely, that the war has brought us into an era of immensely increased productiveness? If the debt of Europe is increased five-fold or ten-fold, taxation in the great European belligerent states was increased in only a slightly smaller proportion. In our

own country in 1870, five years after the Civil War, 1859 was looked upon as an era of small things; and in 1815 or 1820, the England of 1797 seemed to have embodied the infancy of financial and commercial development. In both periods a perfectly prodigious debt was paid on the nail, a surplus revenue in the meantime accrued, and depreciated currency was brought back to normal. There is no question that the magnitude of our present problem exceeds that of any similar problem in the past. The question is, whether our financial and industrial capacity may not have been developing in similar proportion. If not, then it is a perfectly practical question to ask: "How did Europe raise its war loans?"

The matter of foreign trade in some respects is most baffling. The question of Europe's debit balance to the outside world is different from what it was after our civil war, different from what it was in England after the Napoleonic war. We were then to a large extent, and afterwards to an increasingly great extent, the producer of food and raw material. England, in 1915, as she is to-day after her career through the war, was the great manufacturer for the outside world. Therefore, in the case of England the specific problem was to get the raw material of the outside world; and shipment in great quantity of such goods was the means by which the outside world paid its war indebtedness to England. The difference in the problem at the present time no one can realize better than you in Canada. It is we, Canada and the United States, who are producing the raw materials and the food, which are precisely at the present moment the articles in most need in Europe. That, as I take it, is the peculiar aspect of the problem which has now to be worked out. It is certainly the reason that, although Great Britain during 1919 increased its export trade no less than eighty per cent. as compared with the year before, her balance of trade with the new world was worse than it had been in 1918.

What, then, is to be our conclusion? First, I believe that no greater mistake can be made than to take the desperately trying transition period as indicating a permanent condition. That is impossible, as all history and all common sense prove. I have shown what the conditions were in the transition period after our civil war, and we know what was the result. We might recall perhaps the utterly desperate condition of the American colonies in 1783. Nothing that has arisen in Europe during this year could fail to be duplicated in the



experiences of those communities; pouring out paper money, with their trade completely deranged, and on the verge of war with one another. There was absolute industrial, financial, and political chaos; foreign credit had absolutely disappeared. But we know the result, brought about by the political and economic forces which were only waiting to be called into operation.

Second; my judgment is that the sequel to this transition period will be something better, not worse. This also is the lesson of history; and it is the lesson of common sense as well, because the first controlling influence both in politics and in industry is to live and thrive. Once convince the people of the world that here lies your road to living and thriving, and there lies your road to poverty and decay, and there can be, in my judgment, very little question as to what the choice of the people will be.

Third; my feeling is that, perplexing and bewildering as the events of the first year of peace have been, they have been reassuring in that the gloomiest predictions of the European winter of 1919 have not been fulfilled. When we look back on conditions under which Europe entered the period immediately succeeding the armistice,—her transportation practically ruined by the train of war, her stocks of raw material absolutely used up, her labor disaffected,—does it seem so strange that twelve months have elapsed without continental Europe getting on its feet? On the contrary, it seems to me that if the first expectations entertained in many minds, that somehow Europe was to take up its industrial problems exactly where she left them in 1914, if by any chance freak, any conceivable combination of events, that could have been the result, then we should have looked on a modern miracle.

Fourth; among the conclusions which I should draw is that the power of production and the power of national revenues has been underestimated, as it has always been after a great war. I have often cited the following extract from Macaulay. It seems to me to be by no means without significance:

"When the great contest with Louis the Fourteenth was finally terminated by the Peace of Utrecht," Macaulay says, "the English nation owed about fifty millions, and that debt was considered, not merely by the rude multitude, not merely by fox-hunting squires and coffee-house orators, but by acute and profound thinkers, as an incumbrance which would permanently cripple the body politic. Nevertheless trade flourished;

wealth increased; the nation became richer and richer. Then came the war of the Austrian Succession; and the debt rose to eighty millions. Pamphleteers, historians, and orators pronounced that now at all events our case was desperate. . . .

"Soon war again broke forth, and under the energetic and prodigal administration of the first William Pitt the debt rapidly swelled to a hundred and forty millions. As soon as the first intoxication of victory was over, men of theory and men of business almost unanimously pronounced that the fatal day had now really arrived. . . . Adam Smith saw a little, but only a little, further. He admitted that, immense as the pressure was, the nation did actually sustain it and thrive under it in a way which nobody could have foreseen. But he warned his countrymen not to repeat so hazardous an experiment. . . .

"The attempt to lay a portion of the loan on the American colonies produced another war. That war left us with an additional hundred millions of debt, and without the colonies, whose help had been represented as indispensable. Again England was given over; and again the strange patient persisted in becoming stronger and more blooming in spite of all the diagnostics and prognostics of State physicians. . . .

"Soon, however, the wars which sprang from the French Revolution and which far exceeded in cost any that the world had ever seen, tasked the powers of public credit to the utmost. When the world was again at rest the funded debt of England amounted to eight hundred millions. If the most enlightened man had been told, in 1792, that in 1815 the interest on eight hundred millions would be duly paid to the day at the Bank he would have been as hard of belief as if he had been told that the Government would be in possession of the lamp of Aladdin or of the purse of Fortunatus."

Last of all, I should lay very great stress on the fact that organized effort to deal with the situation is only about to be begun. The whole world drifted during 1919; it was a year of makeshifts. One may perhaps venture the assertion that England alone went to work in thorough business-like manner at the main problem—which was to her the recovery of her export trade. She actually did increase it eighty per cent. over 1918, though mostly in shipments to the European continent. The rest of Europe moved in a bewildered way, though France has made much more substantial progress than the people of this continent realize. I think it worth while to



read one or two sentences from the memorial of the Bankers. They bear absolutely on the question as it now lies before us:—

"'There can be no social or economic future for any country which adopts a permanent policy of meeting its current expenditures by a continuous inflation of its circulation and by increasing its interest-bearing debts without a correspondent increase of its tangible assets. . . . No country, however, is deserving of credit, nor can it be considered a solvent debtor whose obligations we may treat as items of actual valuation in formulating our plans for the future, that will not or cannot bring its current expenditures within the compass of its receipts from taxation and other regular income."

An international conference is to assemble in Europe to settle some aspects of the question. It is of the utmost importance that the two principles and conditions laid down in those two brief sentences which I have read should be faithfully applied to the governments and peoples of Europe. I believe they would be welcomed by the governments, however much they may grumble in a single instance. There seems to have been, in Western continental Europe, a reluctance to go to their own people with the plans of taxation which they knew would have to be adopted. Here we have the tangible appreciation which, I hope, will be formulated in still stronger terms when Congress makes its offer; namely, that we are willing to co-operate as a nation, we are willing to finance your necessities, to bring your industries to their feet, to help you in bringing down your depreciated currency, but we must first learn what you will do to help yourselves.

We may be passing into another and a new stage of recovery. The widest possible allowance has to be made for the effect upon men's minds of so earth-shaking an event as the great European war, and the necessary downfall of institutions which accompanied and followed it. Every wild imagination as to creating an earthly paradise through the overnight reorganization of society; every happy thought as to economic and political experiments which will discard all the slowly learned lessons of the past; every instinct of selfish ambition on the part of a class dictator, is stirred into abnormal activity at such a time, and gets an abnormally large audience.

But the great multitude of mankind has a preponderant residuum of conservatism, experience, and common sense; and that in the end is certain to prevail. The mistake which even some very respectable men are making is in taking this confused demonstration of a necessarily chaotic transition period

for the voice of all the people and for the permanent mental condition of all the world. But that is utterly impossible. It is true that an old world, political and economic, is being transformed into a new world; and the pains of transformation are of the severest kind, as they always have been and always will be on such occasions. The task of economic reconstruction is bound to be prolonged and of the most exacting sort. Yet what we may not unreasonably hope for is that the very magnitude of the energies which will be called upon to surmount these enormous problems left as the heritage of the war will prepare the way, not only for a new world, but for a better one.