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Some Aspects of the Present European Situation

BY THE RIGHT HONOURABLE NEWTON W. ROWELL,
K.C., P.C.

PRESIDENT CHALMERS:—To-day the Canadian Club has as its guest Hon. Mr. Rowell, an old and very valued friend of the Club. This marks almost a historic occasion in the history of the Club because Mr. Rowell to-day sets a new record. He will on this occasion have spoken to the Club for the eleventh time. Until to-day no other individual, however prominent in the life of Canada, has ever spoken to the Canadian Club of Toronto on eleven different occasions. It is almost thirty years since Mr. Rowell first spoke to this Club. The day was December 11, 1903 and on that occasion he spoke to a small gathering held that evening and the records of the Club show there were one hundred and ninety-five persons present. The Club was very small and it was evidence of his drawing powers that he was able to attract an audience so large. The audience to-day is evidence his drawing power is as great as thirty years ago. The Canadian Club honors itself in asking Mr. Rowell from year to year to speak to it. Mr. Rowell has almost become something of a Club tutor. He has a very wide knowledge of affairs and wherever he goes he learns something we find of value and it is what he learns when he travels we ask him to give us. He recently was in Europe, visiting Russia, Germany, and League headquarters at Geneva and some other countries. Since his return here he has been at Calgary, where he was honored by being elected President of the Canadian Bar Association for the

coming year. Mr. Rowell is a very gifted layman of his church and perhaps he will forgive me if I suggest there is a phrase in the Bible that will make a suitable text for these proceedings, if not for the address. The Gospel of St. Matthew, 13th Chapter, 57th verse, "And a prophet is not without honor save in his own country and in his own house." He is to-day in his own country and at the Canadian Club he is in his own house and one thing I want to say, St. Matthew to the contrary, he is not without honor among us.

THE RIGHT HONOURABLE MR. ROWELL:—Mr. President and Gentlemen, I have been asked to speak on "Some Aspects of the Present European Situation", with particular reference to the situation in Germany. Lord Hailsham, speaking on the Imperial Economic Conference at the recent Canadian Bar Association meeting in Calgary, stated that among the underlying principles which governed the deliberations of the Conference the first and most important was that Empire prosperity could not be achieved while world economic conditions remained unchanged. That was a declaration of the interdependence of nations, and no truer or sounder conclusion was reached by that great Conference than the one so enunciated by Lord Hailsham.

One would have thought that the Great War, world wide in its effect, would have taught all nations that our humanity is fundamentally and essentially one and that all nations are interdependent in as real a sense as they are independent. But apparently it did not, and following the war extreme economic and political nationalism found expression in almost every country, and we are to-day reaping some of the results of these extreme nationalistic policies. It is to be hoped that before this depression is over the lesson which the world war should have taught us, and which this grave depression is now teaching us, will be learned by a sufficient number of men in all countries to lead the nations of the world to co-operate for the good of all rather than to seek, by a policy of national isolation and self-sufficiency, to promote their own interests at the expense of the rest of the world.

So far as we in Canada are concerned, our whole economic structure has been built up and maintained upon the theory that we would always be able to find adequate markets for the exportable surpluses of our primary industries, and without these markets, particularly for agricultural products, there can be no return to real prosperity in Canada. To-day no question affects more vitally the pockets and prosperity of Canada than the political and economic conditions in other parts of the world which are retarding the general economic recovery of the world.

So far as the European situation is concerned one cannot see any real hope of a return to stability or prosperity until the political and economic conditions of Europe are very substantially improved. As Germany holds such a central place in the political and economic system of Europe, one cannot hope for real stability and prosperity in Europe until the widespread political unrest and economic distress in Germany are substantially allayed, and the relations of Germany with France improved. Remote as it may seem to some of us, there is no single question that affects more the actual day to day life of our people and retards more the return to normal business conditions in Canada than the present conditions in Europe. It is because of the urgency of that problem that I have chosen to speak to you more particularly on the German aspect of the European situation.

The inflation of the currency was a most serious factor in connection with the economic situation. You will recall that following the war the inflation of German currency went so far that the value of the mark was wiped out, with the result that the middle class was completely impoverished. Their situation has been referred to by some German writers as the "declassed middle class." That great body of people which in the past has been the main source of Germany's resources lost their possessions through the inflation. On the other hand the effect of the inflation was to liquidate Germany's war debt to her own people, which was wiped out by the process that impoverished her middle class. And the serious economic problem was the payment of repara-

tions under the Treaty of Versailles. Reparation payments were of two classes—payments in kind and payments in money. So far as reparations in kind are concerned Germany fulfilled her obligations, but so far as payment in money is concerned Germany found it impossible to fulfil these obligations, and to the extent to which they were fulfilled, the money was borrowed from other countries. During the years that Germany made reparation payments she borrowed more from the bankers and financial institutions of Great Britain and the United States than she paid in reparation payments. When, owing to the commencement of the financial collapse of 1929-1930 the lenders ceased to loan money to Germany the position became increasingly acute and the economic and financial crisis of 1931 developed. Had it not been for the Hoover moratorium on reparation payments and the stand-still agreements on private debts, the German Government would have been compelled to default on reparations, and the municipalities, financial institutions and companies concerned, on their private obligations. Agriculture in Germany has suffered also, as agriculture in other countries, by reason of the very low prices of agricultural products.

It was under these most difficult conditions that the Bruening Government took drastic measures in 1931 to try and stabilize the situation, to keep the Government in control, to hold matters steady until some of the acute problems which faced Germany and Europe might be worked out. These measures included the control of foreign exchange by which they completely controlled the import and export trade of Germany, higher tariffs, an increase in taxation to a point beyond which the League financial experts said the German Government could not properly go without drying up the sources of taxation; compulsory reduction by Government action of wages and salaries throughout Germany to an extent beyond that of any other country—twenty to fifty per cent, or an average of thirty-five per cent, and a reduction of unemployment benefits to a point below the subsistence level. In July, when I was in Germany, the number of unemployed was five million five hundred thou-

sand, and it was said of that number tens of thousands were below the subsistence level. Trade was stagnant and the people depressed. Such was the general picture as one saw it last July—all dark.

How about the political situation? The political and economic situations are so closely related it is impossible to consider one without the other. One must bear in mind that Germany after the war, but before the Peace Treaty was signed, changed from a monarchy, an absolute monarchy, to a republican form of Government. It is not easy for the people of a whole nation which has been accustomed to an authoritative form of Government to suddenly change to a democratic form where all would agree to accept the decision of the majority. It is not easy for us, living in a democracy, to realize the difficulty many German people would have in accepting this new form of government. One of the results of the establishment of the republic was the development of a great many different political parties or groups with conflicting political and economic views.

May I pause to describe the electoral system of Germany, because it is necessary one should keep it in view? In Germany they do not vote for candidates; they vote for parties. The number of members of the Reichstag is not fixed. It depends on the number of votes cast. There is one member for every sixty thousand votes cast. The whole of Germany is divided into thirty-five electoral districts. In these districts they do not regard state boundaries, and each of the parties seeking the suffrage of the electors has its list for each district, and the number elected depends on the number of votes cast in that district. Provision is also made for surplus of votes. They have carried out with German thoroughness the underlying idea of their constitution that the Reichstag should be an accurate mirror of the electorate. There are one or more groups in the Reichstag with just two members, because one hundred and twenty thousand votes or thereabouts have been cast for that group. The result has been a multiplicity of parties varying from ten to fifteen in the successive elections. At the present time the number is reduced to five principal parties.

At the extreme left is the Communist party, which is allied with the Third Internationale, and would, if it had the opportunity, establish a Soviet system in Germany. The party has been increasing in strength since 1920, when it had only four members in the Reichstag, until 1932, when it had eighty-seven members. From the information I obtained, the growth of the Communist party appears to be due to the same causes as the growth of the Hitler party—the extreme dissatisfaction that everywhere exists with present political and economic conditions, the despair at the possibility of improvement in existing circumstances, and the willingness to turn to any extreme as a means of escape.

Also on the left are the Social Democrats, moderate in their Socialism, and perhaps more nearly resembling the English Labor Party than any other party I can mention. They have had very good leaders, and have been in control of the government of Germany for the greater part of the period since the revolution. Mr. Braun, Prime Minister of Prussia, and the most outstanding leader at the present time, is temporarily in retirement because of ill health.

The Central party and the Bavarian people's party cooperate and form the Roman Catholic party in Germany. It is called the Centre party because the party represents a cross section of the German people and avoids the extremes of either right or left parties. It is one of the most stabilizing influences in the whole of Germany. There has never been an election in Republican Germany in which any one party had a majority over all others; coalitions have therefore been inevitable. These coalitions have generally been of the Left with the Centre or of the Right with the Centre—the Centre has largely held the balance of power. The former Chancellor, Dr. Bruening, is the leader of the Centre party. He is regarded as a philosopher, educationalist and statesman of the highest rank, and few men in Germany possess a larger share of public confidence than Dr. Bruening.

First on the Right is the National Socialist or the Hitler party. Its growth has been phenomenal. In 1921 the party was organized with seven members. Hitler was the seventh

to join. During the present summer the party polled thirteen million eight hundred thousand votes and it has two hundred and thirty seats in the present Reichstag. The next largest party is the Social Democrats with one hundred and thirty-three. The Hitler party stands for the overthrow of the present Republican form of government and the establishment of a dictatorship, but Hitler claims his party is proceeding in a constitutional way. They will attain power and then change the constitution.

At the extreme Right is the Nationalist party, who are avowed believers in the restoration of the Monarchy. Mr. Hugenberg is the present leader. Their strength has been diminishing. They had ninety-one seats in the Reichstag in 1920 and this year only thirty-seven. You must not conclude from this that Nationalism is a declining force in Germany; it is a rapidly growing force. A great deal of the strength of the Nationalists has been diverted to the more aggressive Hitlerite Nationalist Socialist movement.

What manner of man is Hitler? An Austrian by birth, he fought through the War, but did not rise above the rank of corporal, though he won the Iron Cross of the first rank for bravery. After the War he found he possessed great gifts as a public speaker, and became the leader of the Nationalist Socialists. They attained such a measure of popular support, particularly in Bavaria, that Hitler and Ludendorff declared the Government at Berlin overthrown and proclaimed a new Nationalist Government with Ludendorff as Governor-General and Hitler as Prime Minister, with dictatorial powers. At that time they thought the Government at Berlin was so weak they could not resist the new movement. The Government, however, resisted and the followers of Hitler were dispersed. Hitler was arrested, tried and sentenced to a long term of imprisonment, but was released at the end of one year. From that time he has said he would pursue an aggressive, but legal and constitutional course to secure his objectives. What is the explanation of the marvellous growth of this movement from a party of seven in 1921 to thirteen million eight hundred thousand voters in 1932? Much is in the person-

ality of the leader; a good deal more is the present economic and political condition in which the German people find themselves. Of Hitler, a German writer has said that he is the most successful political orator Germany has ever produced. Political oratory in the sense in which we understand it is something new in German elections. They are accustomed to plain, matter of fact statements of conditions and policies from their political leaders. Hitler has a marvellous gift of popular appeal. The largest halls are crowded an hour before the meeting starts. The same writer who described him as the greatest political orator says, "He fans the flames of hatred just as unscrupulously as he arouses the most exaggerated hopes." His theory is he cannot obtain the objective for which he and his friends are striving unless they get into power, and they cannot get into power unless they get votes. Then any means of getting votes is justified. I was told by a gentleman in Berlin that he heard Hitler speak to the farmers of East Prussia, where he said, "When I get into power every farmer will have his farm relieved from mortgage and one thousand kronen to the good." In Westphalia, among the working men he said, "The story that I am partial to the agrarian interests is false. My interests are with the working man." He gathers groups of speakers and instructs them in the art of political speaking, so as to get votes. He has one of the most perfect machines in Germany. Undoubtedly many people of influence, believing in the objectives of Hitler, have encouraged him by financial support and other support. His appeal is for national unity. He says Germany will never get anywhere with this multiplicity of parties. He denounces the Communists as traitors to their Country. He says the Socialists betrayed Germany and her people at Versailles. He also carries on a most energetic anti-Semitic campaign. His appeal is to national sentiment and to popular prejudice. He says his object is unity and through unity they will get freedom, freedom from the economic depression from which they are suffering, and from the political disabilities to which they are subjected by the Treaty of Versailles. Undoubt-

edly the feeling of resentment against the Treaty of Versailles is deep-seated in the German heart and mind. The youth of Germany is largely with Hitler, and every young man and woman of twenty years of age has a vote. I am told there are tens of thousands of young Germans who have finished their education and have never had a day's work and see no prospect of a day's work under present conditions. Having regard to the conditions of the past and what appears to be the hopeless position of the future, is it any wonder they rally around a man who says, "If you rally around me, you will be respected abroad; we will get rid of the Versailles treaty, which is the cause of your troubles."? The impoverished middle classes are also largely with Hitler. He preaches a gospel of hope, and they see no hope elsewhere.

The world was surprised last summer when President Hindenburg dismissed Dr. Bruening and called Von Papen to be Chancellor. The real power in the new Government, I am informed, is General Von Schleicher. I believe, from the information I obtained, that the real reason for that change of Government was one which I think does a great credit to the aged President of Germany, now eighty-five years old. He came to the conclusion that under existing conditions a Government led by Dr. Bruening of the Centre, but having its parliamentary support from the left, could not successfully resist the advance of the National Socialists. He believed for Hitler to come into power as Chancellor would be against the best interests of Germany, and the best way to forestall that possibility was to organize a Government on what he hoped would be a national basis, with men possessing special qualifications for their positions, but largely men of the right—that such a Government would be stronger in dealing with Germany's internal political and economic problems.

Another consideration, no doubt, was the Bruening policy for expropriating some of the estates of the junkers in East Prussia as part of a comprehensive land settlement scheme. The junkers went to the President and said, "This Socialist is confiscating our estates, and he will be con-

fiscating your estate in the near future." I am told the Government was prepared to pay the then market price for these estates, but the price was very much below what the junkers thought them worth. The result in any case is that a new Government is carrying on—a Government of the right.

How can this Government carry on without the sanction or authority of the Reichstag? Only under Article 48 of the constitution, and one cannot understand the legislation of the Bruening Government or the Von Papen Government without understanding the powers of the President under Article 48. Article 48 provides:—

"If a state fails to perform the duties imposed upon it by the federal constitution or by federal law, the President of the Federation may enforce performance with the aid of the armed forces."

It was under that clause that the Socialist government of Prussia was dispossessed and the present Chancellor Von Papen was appointed Commissioner to carry on the Government.

"If public order and security are seriously disturbed or endangered within the Federation, the President of the Federation may take all necessary steps for their restoration, intervening, if need be, with the aid of the armed forces. For the said purpose he may suspend for the time being, either wholly or in part, the fundamental rights described in Articles 114, 115, 117, 118, 123, 124 and 153."

It is claimed that the powers conferred upon the President under this clause were strained by the Bruening administration, and more strained by the Von Papen administration. But strained or not, it is under this clause that decrees are being passed and enforced. They must be reported to the Reichstag and must be withdrawn at the demand of the Reichstag. The reason for the recent dissolution of the Reichstag is because it was about to demand the repeal of a decree which Von Papen thought necessary. Dissolution is a power possessed by the President. He has exercised it, and the appeal is now to the German people. It is very dangerous to predict, but I believe the next election will show Hitler not stronger, but weaker, and it will

show the Nationalist party stronger, rather than weaker. The Nationalist party is the only party supporting the present Government. When Hitler refused the Vice Chancellorship, and demanded the same powers as Mussolini he made a mistake politically, and the President peremptorily refused that demand. He is past his best day politically, unless some new development takes place which will tend to greatly increase his strength.

What are the two grave problems which this new Government is called upon to deal with? The first is reparations. In the Treaty of Versailles the Allies and the Associated Powers imposed on Germany obligations in respect of reparations which they were not justified in imposing under the terms of the armistice. Obligations beyond what it was possible for Germany to pay. At Lausanne it was agreed that no more reparation payments shall be made, but that Germany should, under certain defined conditions, pay a moderate sum toward the economic rehabilitation of Europe. That is one of the most hopeful features of the European situation. Because there could be no real peace or stability in Europe until the reparation question was settled. If the Allies had been content to write into the Treaty of Versailles what Germany voluntarily offered to pay under the terms of the Armistice, they would have got vastly more than they have got or ever will get, and they would have saved the world a great deal of economic trouble and distress. I am old fashioned enough to believe that in dealings between nations, as well as individuals, there is a fundamental right and wrong. No nation, in the hour of victory, can wrong another nation in the hour of defeat, without in the end suffering from it, and in connection with reparations the Allied Powers have only suffered just retribution for having imposed obligations upon Germany which they were wholly unjustified in imposing on her. The Lausanne agreement is not to be ratified until the Allies have adjusted their inter-Governmental war debts, more particularly their war debts to the United States. We can only hope sanity will govern our neighbors to the south. It is to their own vital interest that they

should deal on as fair terms with the nations who owe the United States as the Allies are prepared to deal with Germany.

The other point is disarmament, which looms so large in the picture. Under the Treaty of Versailles the fifth clause is introduced by the statement that Germany accepts these provisions for limiting her land, air and sea armaments: "In order to render possible the initiation of a general limitation of armaments of all nations Germany undertakes strictly to observe the military, naval and air clauses which follow." Germany protested against this part of the Treaty, and the reply of the Allies was, "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 it will be one of the first duties of the League of Nations to promote." Germany has requested the Allies to proceed with disarmament, as contemplated by the Treaty, and has been protesting at the delay. The recent note of the German Chancellor has only forced the issue into the limelight. When the Disarmament Conference adjourned the German representatives said they would not return unless the principle of equality was accepted. That has been the policy of Germany for years. At that time they did not ask for increased armaments, but that other Powers reduce armaments. They say that if some classes of arms are denied to them because they are offensive weapons, they are offensive weapons for others, and should be denied to them also. Now they say, "If you will not disarm, permit us to arm also." May I say quite frankly, I do not see what answer can be made to Germany's claim for equality. It is an issue squarely presented to the world. Human nature being what it is, men being what they are, you cannot have peace and stability while you keep one-third of Europe, composed of the most intelligent and industrious people,

compulsorily disarmed and the rest remain armed. And while it may be embarrassing that the subject should be interjected into the situation at the present time, it is a question that must be solved, and there will be no permanent stability in Europe and no real restoration of economic prosperity until some solution is found of the disarmament problem which Germany can accept. And we may talk about prosperity being just around the corner, but this great fundamental issue must be cleared up before you can have peace and stability in Europe. I am not without hope this situation will be cleared up. If the patience and persistence and sympathetic understanding which characterized Lausanne is adopted, the result may be, not the granting of Germany's express demands, but some compromise, fair and honourable to all parties, by which this disarmament question will be lifted from its present place, where it is a most disturbing factor among the nations, and put on a basis which will lessen the tension of Europe and lighten the burdens under which the nations are struggling.

Before there can be assured prosperity there must be a reduction in the trade barriers and trade restrictions which are paralyzing the trade of the world. Given these things, there is hope for a great improvement in the European situation. How is this international co-operation to be brought about? And here I state, with as much confidence as on the first occasion on which I addressed you on the subject, my conviction that the world's greatest hope of international peace and co-operation lies in maintaining and strengthening the League of Nations. I know it is criticized. If it has failed, where has been the failure? If there has been failure, it has been the failure of the nations who are members of it. You should criticize the Governments who have failed to do what you think is right, rather than criticize the piece of machinery because they have not used it as fully as they should. If you lost the League of Nations, what would take its place? The trouble with the world is not so much economic or political difficulty; the trouble is fundamentally a moral difficulty. It is a lack of appreciation of the rights of other men and other nations.

It is a lack of that spirit of brotherhood and co-operation essential in a world that is fundamentally one. Every new discovery of science draws us closer together; individual or national isolation is no longer possible, and until we learn to understand and appreciate each other and recognize that the prosperity of all helps the prosperity of each, and work together in co-operation within or without the Empire, we cannot hope to bring about the better days which we all so earnestly desire.

PRESIDENT CHALMERS:—MR. Rowell, I feel that the applause that you have received was well deserved. We have all appreciated very much your splendid address. We have found it reassuring and encouraging. It seems rather strange that fourteen years ago to-day we were battering with all the military science of the allied powers to break down the Hindenburg line and to-day we are all praying that the Hindenburg line will hold. I thank you on behalf of the members of the Canadian Club of Toronto for your most valuable address. We shall read the news in the newspapers in the next few weeks with much more pleasure and interest as a result of hearing your address to-day.