

A BANKRUPTCY FIRE-SALE

BY CHARLES A. BEARD

THE European debt question is still with us and promises to be with us for many a day. The very mention of it rings bells around the world and stirs emotions as deep as the Paleozoic Age. Bold, indeed, is the person who can say that he has solved Archimedes' problem and found an immovable fulcrum for his lever. Hence a little humor and some dubiety ought to mark all discussions of this thorny issue. Did not the stern logician, John Marshall, once warn mankind that "the judgment is so influenced by the wishes, affections, and the general theories that a contrariety of opinion . . . ought to excite no surprise?" What wishes, what affections, what general theories are involved in any decision with respect to Europe's obligations to America? Still more pertinent, whose wishes, whose affections, whose general theories? Unless Marshall was wrong, a little analysis of emotional sources ought to help clarify this vexatious problem in international finance. First of all, who have substantial reasons for wishing to curtail or cancel these mountainous debts?

At the head of the list are the American banking houses engaged in floating the bonds of European governments, cities, corporations and other enterprises, and selling them to the citizens of the United States. This is a legitimate and honorable business—and highly profitable. Whether these new loans are really useful to the countries that borrow is a debatable question. Whether they do not sow the seeds of new bitterness and wars is equally open to debate. But the business is legitimate and honorable—and highly profitable. If

American bankers could secure a gentleman's repudiation of the total amount owed to the government and people of the United States by the Associated and Allied Powers, then it would be easier for them to garner more commissions on new loans made to the debtor countries and their nationals. There is no mystery about that—except to the yokelry among the sophisticates that knows not what its right hand is doing.

In the same class with the bankers are the manufacturers of goods heavily protected against European competition by high tariffs. Since the aforesaid debts and all new debts must be paid sooner or later—if ever paid at all—in commodities, it is inevitable that a clamor will arise for a reduction of the tariff to allow these commodities to flow more freely into the United States. Now, that is just what the beneficiaries of Republican paternal benevolence do not want. Hence if they can make the people of America pay what the debtor countries owe and then keep the tariff up, yielding more and better profits, they will count themselves fortunate in purse and generous in patriotism. No obscurity hangs over this scene in the drama.

And it will hardly be denied that the influence of these two classes in American politics is somewhat out of proportion to their numerical strength. Doubtless, the cry-baby terms granted by the Coolidge administration to France, Italy, and certain other countries are largely due to the favorable intercession of these two respectable parties in interest.

After cash comes blood. Nothing could be more natural than the support given to

cancellation by the British, Canadians, Italians, French, and other races and nationalities represented in the polyglot population of the United States. Though as residents of this great commonwealth their taxes might be increased slightly by a remission of the debts, their love of their kind overcomes their pecuniary passions. For, following the law of the chromosomes, they are not to be condemned—or praised. Who sings hymns to the embattled righteousness of the tides?

Aligned with these heroic spokesmen of the former Allied and Associated powers are the German-Americans, though it must be confessed that they are at present confused in their councils. Soft voices are heard among them urging a cancellation of the debts—on the secret wish that some of the Reich's stupendous "reparations" bill may be forgiven if its former enemies escape scot-free. Since Germany never produced a Voltaire, a Shaw, or a Swift, but is given to Hegels and Spenglers, the humorous view of the issue as seen beyond the Rhine is not known, but it may be surmised that Fritz and Heinie, laughing up their sleeves, would regard it as the best *Scherz* in the wide world if the whole bill for the War for Democracy were shifted to the stalwart yeomanry in President Wilson's legions of holiness. And in a way, it would be a *Spass* if not a *Scherz*. But perhaps the aforesaid yeomanry may not be as simple as Fritz and Heinie imagine.

In a group apart are the Pilgrims—those ubiquitous, globe-trotting Americans who are always currying favor abroad at the expense of their countrymen at home. They are pained to read and hear the terrible things which the Very Best People attached unto and belonging to the former Associated and Allied Powers emit about American crassness, ignorance, selfishness—this in spite of the table manners shown by certain Holy Men in Versailles when they swept in the stakes of the game—ships, oil, colonies, and cash—in sacred trust for mankind. If the debts were forgiven, the Pilgrims could travel with more

comfort to Stratford or along the Riviera. But even they may be mistaken, for it is doubtful whether Publius Babbittianus, civis Romanus, would be more loved in the rôle of a largess-dispenser than in that of a bill-collector. Still, the Pilgrims must be reckoned with in the making of Public Opinion. He and she are Persons of Importance in New York, Emporia, Little Rock, Back Bay, Seattle, and El Paso.

II

More praiseworthy in the defence of forgiveness are the Poignant Intellectuals, who are never happy except when doing good, especially at little cost to themselves. This party of the sixth part carries little weight in the State Department, but it is facile with the pen and can raise a big dust storm on ten minutes' notice. It is not to be ignored in the calculation of probabilities. Unrelenting Purity has great power—when backed by such substantial parties as those of the first and second part in this schedule.

Akin in spirit to the Poignant Intellectuals are the lovers of international peace, among whom must be reckoned the writer of this bull against the comet. They seem to suppose that the relations of the United States to the European Powers in the matter of oil, trade, open doors and the other desiderata of imperialism would be more pleasant in case these debts were forgiven with a magnanimous gesture—even now, after every effort has been made to squeeze them out of the beneficiaries. By just what process of logic and lucubration they arrive at the conclusion that nations now feverishly arming for the next war with all the energies they can command will grow soft at the mention of cancellation and oblivion does not appear in the bond. In any event, it seems just as reasonable to assume that, freed from the necessity of paying these honest bills, they will spend the garnered pelf in guns, airplanes, submarines, and poison gas; whereas if they have to get down to work and pay

what they owe, they may be less bellicose for a decade or two. Judging from the flight of birds and other auspices, one chance is as good as another.

Lower in batting average, but not without vocal organs, are those who crave affection. They cling to the hope that America would become the Beloved Cræsus if the whole account were gloriously sponged. They are pained when they hear that French hotel-keepers raise their prices on Pilgrims and that dry goods clerks make wry faces and say nasty things behind the back of Madam Babbittianus when she goes to Worth's or Jenny's to buy a gown wherewith to make the eyes start out of the sockets of the sartorial bezonians and gaberlunzies of the hinterland at home. A cloud of uncertainty also rests on this aspiration. There is an old French proverb to the effect that there is no enemy like a forgiven debtor; and it is difficult to think of any French mottos of long standing that are altogether false and fleeting.

Touched by no anguishes above enumerated but clear of eye and hard of heart are the apostles of cancellation who base their emotions and logical patterns on the firm belief that the cash is gone and will never be recovered, no matter what turns and twists are made by the Hon. Andrew Mellon. With a kind of Celtic humor, Mr. J. N. Rosenberg, a prominent New York lawyer, of long experience in winding up bankrupt corporations, a man who can sing to a harp all the threnodous wails of debtors caught *in flagrante delicto*, proposes that the debts should not be forgiven or cancelled. His suggestion, derived of deep experience, is that President Coolidge should simply say, with the bland smile of which he is master and in his soft New England voice: "I appreciate the difficulties under which you labor and the high sense of honor which always actuates you in pecuniary matters; hence I will make no demands upon you for cash now or at any definite date, but will wait your pleasure and convenience." When the

paint is rubbed off this diplomatic language, it means that the cake may be both kept and eaten. The sacred honor of the debtors will be preserved intact but they will not have to pay. It seems reasonable to assume that more affection may be gathered in by this gesture than by any other; that is, on the hypothesis that zero added to nothing equals triumph.

Finally there are the defenders of grace, remission, absolution, and oblivion, at home and abroad, who rest their case on the mythology of the Red, Green, Orange, Yellow, and other rainbow books issued by the Entente belligerents, containing as we know now falsified and garbled dispatches, for the purpose of gulling gudgeons. According to this argument, which may spring from abstract ethics or the emotions above catalogued, the Germans were solely responsible for starting the war and the Entente Allies were really defending the United States from the beginning. Mr. Wilson's government, instead of springing heroically to the defence of American rights in August, 1914, delayed nearly three years, causing great damage, suffering, and distress to the defendants in this debt case; and therefore, Q. E. D., any part of the bill paid by the United States would fall far short of justice. In other words, runs this plea, the debts should be cancelled in full and with a contrite heart.

If the major premiss of this contention be granted, the conclusion is inexorable; but the major premiss is now shot so full of holes by horny-handed historical scholarship that it looks more like a scarecrow than a Greek statue. Can anyone read the writings of Gooch, Fay, Fabre-Luce, and a host of American, French, and English scholars, to say nothing of Mr. Barnes' powerful book (in spite of its argumentative tone), and then stand up in court and declare on oath that the Entente war mythology deserves the credence of intelligent men and women? The advocate of debt cancellation, foreign and domestic, might as well learn once for all that the American people are not all boobs in mat-

ters of European history; that in magazines, newspapers, scholastic journals, class-rooms, shops, railway trains, and fields the question of war responsibility is being debated with understanding and zeal; that while some lean one way and some another, no one can revive the stinking corpse of War Propaganda; that nobody who has read the new diplomatic materials believes that England, France, and Russia were innocent in the long preparations which led up to this war or in the negotiations which precipitated it; that the names of the parties who grabbed the spoils at the council table at Versailles are well known; that to ask the United States to pay one penny more on the score of sacrificial obligation is nothing short of laughable.

Now, this is no argument against the entrance of the United States into the war. It may be argued, and the present writer is of this opinion, that irrespective of the origins of the war, the perils inherent in the possible triumph of a single imperial bloc under German dominion, after the fire started, were so great that President Wilson had no other choice. Yet it must be admitted that this is a conjecture, well-founded, let us say, but still a conjecture. On the other side it has been contended that the wise policy for the United States to follow would have been to join Germany early in the war, smash the British Empire, abandon the provincial status, and win the deep respect of the Mother Country through the vigorous use of the instrument by which she commands it in India, China, and Africa. The present writer does not subscribe to this view, but the French, English, Italians, etc., who are wailing about the outcome of the war and the payment of bills, would do well to reflect upon it.

The truth is that all the powers of Europe had been cooking up the great brew of 1914 for many years. They had all been engaged in land-grabbing and trade-chasing operations with the feverish zeal of a lunatic. They had all been piling

up armaments as fast as they could and in quantities only limited by their capacity to borrow and tax. They had all been engrossed in secret negotiations contemplating war. France and Russia were certainly as guilty of the business as Germany and Austria, and English statesmen on their own confession backed up France and Russia without knowing what was going on and with a full understanding that their coöperation in a war on the Central Powers was as certain as fate. The German governing class and the rulers of Austria were working at the same game. Italy was watching for the most favorable opportunity to get what she could get. None of them ever had any American interests at heart and the only possible interest America could have in the matter was to prevent any one combination of militarists from ruling the earth. And America has paid well for the benefits, if any, received.

III

Now that the War for Democracy is over, the situation is not essentially changed. More money is spent for munitions in Europe today than in 1914. For every one of the old hatreds another has appeared. Gentlemen of the same old mental and moral outlook govern the powers of the Old World. Another storm is brewing—and without respectful reference to the sensibilities of American Pilgrims and Poignants. Nobody pretends that the United States will benefit from the next calamity any more than it did from the last, and it is highly probable that, given the same dangers to the balance of power, America will be drawn into the new bloody shambles as into the latest adventure in madness.

Such being the circumstances for the consideration of the indebtedness of our late Associates, why should the people of this country pay one penny more on a war which they did not start, and from which they took no imperial loot? Why should they pay the German reparations? Why

should they transfer money from their pockets to the treasuries of European governments for disbursement in the next excursion in lunacy? If it is true that the debts cannot be paid, then let the nations which default stand honorably confessed of decent repudiation. If Italy can borrow money through Morgan's house, pay 7% on it, and spend cash for imperial undertakings headed in the direction of another war, then why under Heaven should Italy appear at the back door of the United States as a beggar asking for and receiving from the pliant administration in Washington a reduction of what she owes from \$2,150,150,000 to \$528,192,000? Just why the taxpayers of America should relieve the cheering Black Shirts of the New Rome passes the understanding of denizens of the fresh water districts.

In this relation it ought to be said that the government of Great Britain, without any whimpering and childish nonsense, has honorably faced the tune called by the wise men who steered that country into the World War, hoping no doubt that, with poetic justice, a handsome differential may sometime be gathered in the form of a surprofit on oil and rubber. Indeed, Great Britain has every reason for cherishing some grudges on account of the favoritism shown to France and Italy. Moreover, it

is a matter for regret that during the negotiations over the debt settlement, the British commissioner did not publicly suggest that in the adjustment of accounts the debts owed to British subjects, long ago repudiated by certain States in this glorious Union, with compound interest, should be deducted from the bill of self-determination damages.

Undoubtedly things are in a mess. After backing and filling, in a fashion that would do credit to the commander-in-chief of a bankruptcy fire-sale, the administration in Washington has granted one kind of terms to one debtor and another kind to another until neither rhyme, reason, nor justice appears anywhere in the bond. Hence any sort of straightforward policy is today impossible. But one thing is certain: a European conference on "adjustment," no matter under what auspices or with what tears opened, could have only one end, namely, relieving Uncle Sam of his vest and suspenders as well as his coat. If the outcome is to be humorous, as it promises to be, then by all means let the Allied and Associated debtors take their place with the Bolsheviki in the chamber for impenitent confiscators or in the charity ward. On no reckoning do they deserve a place in the upper rooms with the paying guests.

EDITORIAL

THAT the life of man is a struggle and an agony was remarked by the Brisbanes and Dr. Frank Cranes of remote antiquity. The earliest philosophers busied themselves with the fact, and so did the earliest poets. It runs like a *Leitmotif* through the literature of the Greeks and the Jews alike. "Vanity of vanities," saith the Preacher, "vanity of vanities; all is vanity." "O ye deathward-going tribes of men," chants Sophocles, "what do your lives mean except that they go to nothingness?" But not placidly, not unresistingly, not without horrible groans and gurgles. Man is never honestly the fatalist, nor even the stoic. He fights his fate, often desperately. He is forever entering bold exceptions to the rulings of the bench of gods. This fighting makes for beauty, for man tries to escape from a hopeless and intolerable world by creating a more lovely one of his own. Poetry, as everyone knows, is a means to that end—facile, and hence popular. The aim of poetry is to give a high and voluptuous plausibility to what is palpably not true. I offer the Twenty-third Psalm as an example: "The Lord is my shepherd; I shall not want." It is immensely esteemed by the inmates of almshouses, and gentlemen waiting to be hanged. I have to limit my own reading of it, avoiding soft and yielding moods, for I too, in my way, am a gentleman waiting to be hanged, as you are. If the air were impregnated with poetry, as it is with alcohol in Hoboken and incense in Boston, the world would be a more comfortable and caressing place, but the service of the truth would be neglected. The truth is served by prose. The aim of prose is not to conceal the facts, but to display them. It is thus apt to be harsh and painful. All that the philosophers and metaphysicians

of the world have accomplished, grinding away in their damp cells since man became cryptococcygeal, is to prove that *Homo sapiens* and *Equus asinus* are brothers under their skins. As for the more imaginative *prosateurs*, they have pretty well confined themselves, since the earliest beginnings of their craft, to the lugubrious chronicle of man's struggle and defeat. I know of no first-rate novel that hasn't this theme. In all of them, from "Don Quixote" to "The Brothers Karamazov," we are made privy to the agonies of a man resisting his destiny, and getting badly beaten.

The struggle is always the same, but in its details it differs in different ages. There was a time, I believe, when it was mainly a combat between the natural instincts of the individual and his yearning to get into Heaven. That was an unhealthy time, for throttling the instincts is almost as deleterious as breathing bad air: it makes for an unpleasant clamminess. The Age of Faith, seen in retrospect, looks somehow pale and puffy: one admires its saints and anchorites without being conscious of any very active desire to shake hands with them and smell them. Today the yearning to get into Heaven is in abeyance, at least among the vast majority of humankind, and so the ancient struggle takes a new form. In the main, it is a struggle of man with society—a conflict between his desire to be respected and his impulse to follow his own bent. It seems to me that society usually wins. There are, to be sure, free spirits in the world, but their freedom, in the last analysis, is not much greater than that of a canary in a cage. They may leap from perch to perch; they may bathe and guzzle at their will; they may flap their wings and sing. But they are still in the cage, and soon or late it conquers them.