

tated departments no longer produce the twenty million hundredweight of wheat they formerly yielded, are we not forced to compete with other countries in other markets for this grain and for the tonnage to transport it to our shores? If the mines of Northern France had not been systematically flooded at the instruction of the German Steel Trust and Coal Barons, would we be forced to-day to call upon Germany for the coal which it prefers to use in its own factories or to export to neighboring countries?

Let us hope that even America, in spite of the vote of the Senate and the uncertainty which continues to prevail

regarding the treaty, will realize the strength of the economic ties which join it with France, and which are quite as strong as the moral and political bonds between the two countries. We await with confidence the day when the United States, freed from its internal conflicts, will resume the high position to which it is entitled in the alliance of nations which have fought shoulder to shoulder with liberty. Until that time we should permit nothing to create misunderstanding among our Allies in Europe. We must not tolerate that in a few months the rivalries of governments shall destroy our work even before it is completed.

[*The Statist* (Economic Weekly), March 27]

THE CRISIS IN EUROPEAN FINANCE

IN pre-war days we used to sell one hundred and eighty million pounds' worth of goods to Europe, and to-day we are threatened with the diminution, if not the total extinction, of this colossal trade owing to the breakdown of the internal finances and the foreign exchanges of many of the purchasing countries. It needs little consideration to show that the ensuing reaction on British trade will be widespread and attended with very serious results unless immediate steps are taken to remedy a situation which has assumed a menacing aspect. Special measures must be concerted to cope with unusual difficulties, and it is essential that the desire of seeing the British pound at a premium in European countries should not, as in the case of the United States and the dollar exchange, make us unwilling to remove what really constitutes a handicap to

our export business. The low value of the French, Belgian, and Italian currencies in terms of sterling not only hampers our trade but it depreciates our stock markets by causing a realization of foreign-owned securities in London.

Enormous orders have been coming to British manufacturers from all over Europe, but a want of confidence and a feeling that payment cannot be relied on have negated all chance of large-scale business. The position has not been improved by recent events in Germany, and it seems useless under present conditions that the Reparations Commission, with its President, M. Poincaré, who embodies in its most extreme form the spirit of French Nationalism, should continue its frequent sessions in Paris while the world is crumbling about its ears, and the hope of indemnities is growing more

remote. Economic pressure, aided by unemployment, has had an evil effect in forcing the German proletariat into extreme courses, and it would be well to profit in time by the lesson of recent events.

The Treaty of Peace provides that the payment of indemnities shall be a prior charge on former enemy countries. These indemnities, though vast in extent, are still not defined with exactitude, but together with subsequent impositions they have prior claims on all realizable enemy state assets. Accordingly, it is impossible to expect any outside group of international financiers, even if well-disposed toward Germany or Austria — and the reasons for such benevolence are small — to come to their assistance by the provision of credits, as the chance of interest payments being met is small, and that of capital repayment is smaller. The necessity for these credits has never been so great, as the machinery of exchange has hopelessly broken down, and the demand for all classes of raw material and manufactured goods is unprecedentedly high. Our allies and our enemies on the Continent find themselves in the same plight, the difference between them being one of degree, not of kind.

In the case of Germany, for example, the refusal of credits is tantamount to a refusal of raw materials, since the mark is at too ludicrously low a figure to allow of any big import business being transacted. No raw material means no production, and no production means no indemnities. Hence the last position of France and ourselves, if we refuse to give help where help is needed, will be no better than our first, though we may have the melancholy satisfaction of seeing the political and economic fabric of a once arrogant and powerful enemy sinking to its final dissolution.

From the storm centre of Russia it is noticeable that within recent months the spirit of Bolshevism, or at least of some revolutionary scheme of reform, has been creeping eastward as well as westward. On the east it has reached Vladivostok on the further confines of Siberia, and leaping over the intermediate stretch of sea has touched Japan. Japanese regiments tainted with the Bolshevist virus have been recalled from the Siberian front, but they preach the newly-found gospel to their fellow workers at home with all the fervor of evangelists.

The Japanese Diet, powerless in the hands of the Emperor and his ministers, and itself chosen by a propertied electorate on a franchise more limited than that of any progressive country in the world, may make substantial concessions in the way of voting and electoral reform which will save the state and at the same time pave the way for a programme of sane and practical social reform. Such a scheme should rally to the government's support all the best elements of the country. In Europe the problem is not so easy, owing to the ravages of war and the desperate condition of the masses. In Germany the danger cannot readily be averted, as the forces of disorder dispose of great military strength, and their action, though intermittent, is on that account the more volcanic, and destroys all the good that has been done in the intervals of quiet.

Food has been acclaimed as an antidote to Bolshevism, and where applied it has proved effective. Raw materials and manufactured goods are needed to complete the cure, and these can only be provided if some system of international credits following on lines approved by the Supreme Economic Council is devised. Even for countries such as France, which are in a sound condition compared with their

neighbors, the need of coördinated international action is apparent. The recent marked fall in the franc may to some extent be due to market manipulation, but it has been aggravated by the purchase of foodstuffs and of coal from England, and by the desire of English bankers to call in foreign deposits owing to the great demand for capital at home.

The response in new money to the French loan is said not to have been so great as was anticipated in view of the thrifty character of the race, and the total of the foreign subscriptions is alleged to be rather small. In these circumstances it will be difficult for the French Government to reduce the enormous paper circulation. Further, events in Germany have had an unfavorable repercussion, as the stabilization of French credit depends to a large extent on Germany's ability to pay the French bill for damages. The necessary intimacy between French and German interests is here seen at its clearest, and if Germany fails to meet its obligations France will look to us to sell as cheaply and to buy as extensively as we can from her. To supply coal and other materials at a low figure, a low rate of exchange is necessary.

One method of arresting the depreciation of the franc is to pay cash for what we buy and give credit for what we sell. This helpful change need not apply to all commodities, but only to such as are adjudged to be necessary for restoring the devastated areas and winning back the old powers of production.

In a different category from the problem of the French, Belgian, and Italian currencies is the problem of exchanges with the new states of Eastern Europe, and here from the trading point of view the Export Credits Department of the Board of

Trade has, considering the resources at its disposal, done much to facilitate trade. The general object is to guarantee British exporters against risks of total or partial loss. A bill of exchange is drawn in the ordinary way by the British seller on the foreign buyer, and the latter, in addition to accepting the bill, is also required as a guaranty of *bona fides* to deposit with some accredited and responsible bank in his own country a sum in foreign currency determined by the Exports Department. This is the simplest method, but many variations are possible. Thus a guaranty in the form of goods or the endorsement of another foreign bank may be given; but in every case it is necessary, owing to the rapid fluctuations in the price of goods and the value of securities, to obtain as ample a margin of safety as is possible. In general the amount of the credit given by the Board of Trade does not exceed eighty per cent of the value of the goods, including freight and insurance, and provision is made for the formation out of commissions of a reserve fund to meet possible losses. Arranged credits bear interest at one per cent above the Bank of England rate, with a minimum of six per cent per annum. A danger in schemes of this kind is that repeated requests may be made for the renewal of bills, but such renewals ought to be discouraged, otherwise funds may be locked up for years in long commercial credits. In the event of failure to meet a bill the goods or the money deposited in guaranty should be sequestered, or compensation sought from the endorsers and acceptor of the bill. Selected items of merchandise which are vitally necessary should alone come under the operation of a scheme of this kind, and all transactions bearing on the international exchanges of goods under the scheme should pass through

banks of approved standing. Only thus can the risk of undue loss or undue profits be avoided, and the successful working of a scheme on these lines would prove, if not a panacea for European ills, certainly a material alleviation of present conditions.

[*La Tribuna* (Liberal Daily),
March 16]

WILSON'S DEFEAT

BY RASTIGNAC

THE great struggle between Wilson and the American Senate, which began with the former's Boston speech, has ended with the complete defeat of the President. The White House hermit may still delude himself with the fancy that his thunderbolts can shatter distant Italy, but he can no longer imagine that they intimidate his own countrymen. What Senator Sherman called the Asiatic demagoguery of Wilson has proved a melancholy failure. In spite of his threatening letters to Hitchcock and his vain appeals for the loyalty of a party which followed him with obedience and devotion in two presidential elections, the American spirit, we now see, will not tolerate an Asiatic type of government.

All Europe knows how and why the struggle started, and the steps by which it has become more bitter and relentless since the Senate first threw down the gage to a President who seemed to have risen within two short years to practical omnipotence — to be the arbiter of the fate of two hemispheres.

Infatuated with this omnipotence, Wilson ventured to violate American traditions and the very obligations of his office, by leaving the White House to tour the capitals of Europe, to receive the homage of mankind as the redeemer of humanity, and to im-

pose his will upon the Paris Conference. On his first arrival, Europe clasped him in its coils as a python does its victim, and though it left him physically intact, it devoured his soul. He left the White House with a programme—a programme endorsed by all parties in the United States—for reducing the naval and imperial power of England by the most important and far-reaching of the Fourteen Points—the one to enforce the freedom of the seas.

But scarcely had he received the embraces of Lloyd George before that point disappeared from the tables of the laws. What had happened? A mere trifle. Lloyd George had offered him, in exchange for the freedom of the seas, his personal support of the League of Nations. So the President readily made a deal by which he played false to the real purpose of his country in intervening in the European war, and sacrificed the peculiarly American contention in his programme as negotiator, because he was eager to secure support for a universal statute which would consecrate and sanctify his own name and personal renown in the annals of mankind. And the first stages of the conference of Paris passed — under the ironic smiles of Lloyd George and Clemenceau and to the stupefaction of American statesmen and of men of sense from every part of the world — with wordy, unctuous, laborious, academic discussions of the statutes of the covenant of the League of Nations. As soon as this was approved, the President hastened his return to America to receive homage for his triumph and to confound his adversaries in the Senate. But he neither was met with laurels nor confounded his opponents. Soon afterwards he returned to Paris to prolong the tortures of a world thirsting for immediate peace, and to disseminate