

failure to safeguard the rights of China. But a failure it remains—one more denial of the claim that a peace was made on the basis of the Fourteen Points. What Americans must chiefly regret is that never—in a conference to frame a new world peace—was Egypt permitted to state her case for self-determination.

Being Drastic With Mexico

THE plain American citizen would like to know what drastic change is impending in our relations with Mexico. Are we going to pursue bandits across the boundaries more promptly, or penetrate farther into Mexican territory? That would be no considerable innovation, and the intention might have been announced more courteously, in order that the protests from Mexico, inevitable under the formalities of international law, might also be couched in courteous terms. Are we going to place an embargo upon shipment of arms to Carranza while winking still more complacently upon the smuggling of arms to the bandits? Are we going to withdraw from Carranza the recognition which seems as yet to have done him very little palpable good? Are we going to cut off Mexico's foreign trade and thus postpone the day when it will be possible to pay foreign claims, including those of our own citizens? These are all expedients that seem not to measure up to the stern words of our State Department. Or are we going to intervene in earnest, and "straighten out Mexico?" That is the inference drawn by the men who have engaged most heavily in the propaganda for Mexican conquest. We can not accept it. Intervention in Mexico would be too costly, materially and morally.

Mexico, according to the naive imperialistic view, would be a magnificent prize. We may grant that Mexico possesses an incalculable wealth in mineral resources. She has more petroleum than any other country under the sun; she has vast potential riches in copper, silver and gold; her soil affords a prospect of remarkably flourishing agriculture. But also she has a teeming population, with a first claim upon her wealth production. Reduced to peonage, they might produce a considerable volume of profits for absentee capitalists. But the American democracy is not likely to tolerate for any long period the policy of imposing peonage upon another people for the benefit of a few millionaires, American or European. If we occupy Mexico we shall be forced sooner or later to administer it largely for the benefit of the Mexicans. And that means that we shall encounter

great difficulty in making Mexico pay the costs of occupation. We did not recover the costs of occupying the Philippines, and we never shall, even if we hold the islands forever.

It is an open question whether Mexico would be so profitable to us as a morose ward as she would be as a friendly neighbor with which we might trade. But granted that in itself it would be more to our advantage to hold Mexico subject than to leave her free; nevertheless, Mexico is only a fragment of the Latin American world. It is a safe calculation that cordial economic relations with South America would be worth far more to us than any tribute we could exact from a conquered Mexico. And no one is so stupid as to suppose that the South American states would look on complacently while we swallowed one of their sister republics. Thereafter they would regard American commercial houses and American investments as means of "peaceful penetration," aimed at ultimate conquest.

We have dwelt upon the material costs, as is fitting in dealing with an enterprise which is proposed purely for the sake of gain. The advocates of intervention in Mexico do indeed sometimes prate sanctimoniously about our duty to bring order out of the Mexican chaos, as if the order established on the basis of alien bayonets could ever generate anything but a deeper chaos. They do indeed cry out in horror because Americans have been assaulted and murdered in Mexico, as if Americans had not been assaulted and murdered in Washington and Chicago. Such hypocrisy may salve their own consciences, but that is the limit of its functions. The real offenses of Mexico against humanity and America are four: oil, copper, silver and wide reaching ranches. We know that ourselves, and so does all the world.

And that is an indication of the moral cost America would incur in occupying Mexico. The European diplomats of the old school may not believe it, but the great mass of the American people were in earnest in their demand that this war should end war and the era of shameless aggressions upon the weaker peoples by the stronger. What has become of our moral case if we seize the first plausible pretext for falling upon a weaker neighbor whose possessions we covet?

If we occupy Mexico what can we in decency say about Ireland, Egypt, Persia? About the Saar valley? About Korea and Shantung? We can only mumble our approval of international affairs settled according to

The good old way, the ancient plan,
That he shall take who hath the might,
And he shall keep who can.

That Railroad Deficit

IN the railroad controversy of the next months we will hear much of the so-called deficit which the Railroad Administration has achieved during the period of federal control. Editors are already proclaiming that the deficit has demonstrated the failure of government operation.

What is this deficit, and what is its significance? There is no doubt that it has been substantial. In the first full year of federal control it amounted to nearly \$217,000,000. In the first six months of 1919, alone, it has been nearly a quarter of a billion. But is this figure in any sense a measure of inefficient operation?

The first point to bear in mind is that it is not accurately speaking a deficit at all. It does not mean that the railroads failed to meet their operating expenses, or even their ordinary fixed charges. The deficits which have been announced from month to month, and which have produced such joy in the anti-government ownership camp, merely represent the amount by which the railroads, considered as a financial unit, have failed to earn the liberal returns which the government has guaranteed. In taking over the railroads, the government guaranteed to the railroad corporations the average net operating revenue of the three preceding years. In the aggregate these three years were relatively prosperous. One of them was a banner year. The "deficit" is merely the amount by which earnings have failed to come up to this liberal three-year average.

The second point to remember is that a reduction in earning was fully expected when the railroads were taken over, indeed this expectation was one of the principal reasons for a government guarantee. The latter part of 1917, it will be recalled, was a period of great anxiety in railroad circles. The severe winter brought extraordinary operating costs. Prices of materials had already started on their upward course. Labor was getting restless, and was already formulating demands for higher wages to meet the increased cost of living. Railroad securities were falling. It was feared that reduced earnings would precipitate a collapse of railroad securities which would seriously embarrass many financial institutions, at the very time when the success of war financing depended on their stability. It was to protect the railroads from almost inevitable financial disaster that the government assumed responsibility for railroad earnings and operations. It is with bad grace that the editorial protagonists of the railroad corporations are now attacking the government because it has had to make good this guarantee at the expense of the taxpayer.

But if the government was operating the railroads, is it not to blame for not making as good a financial showing as the railroads made in the three previous years of private operation? Are not earnings a test of efficiency in business, and does not the so-called deficit measure the difference in efficiency between government operation and private operation? A simple analysis of the leading factors affecting railroad earnings will show that the deficit means nothing of the kind.

The largest single item in railroad operating expenses is the pay-roll. On May 25, 1918, the Railroad Administration granted a wage increase, in the form of a percentage increase over the wages prevailing on January 1, 1916. The award was so graded that the lower paid employees (more than half the total number), received increases of from 41 to 43 per cent, while for the more highly paid the percentage decreased gradually as the wage increased. The locomotive engineer, for instance, with a pre-war wage of \$170 a month, received an increase of only a fraction over 12 per cent above the January 1, 1916 level, while the employee with a pre-war wage of \$250 a month received no increase. Since then there have been in addition some minor increases and adjustments. Moreover application of the eight-hour principle has resulted in putting more men on the pay-roll. The net result, according to Director General Hines, has been an increase in the total payroll since the beginning of 1917, of about 50 per cent.

The next largest item is the cost of materials, such as fuel, steel rails, cross-ties, lumber and steel for car and locomotive repairs, and similar commodities. The enormous increase in the price of these articles is matter of common knowledge. Mr. Hines has estimated that the materials which the Railroad Administration has to buy cost from 50 to 70 per cent more than they cost at the beginning of 1917.

When critics of the Railroad Administration point to the so-called railroad deficit as proof of inefficiency do they mean that the Administration should not have paid these higher wages or increased material prices? As to materials, there has been no suggestion that excessive prices have been paid. Indeed in the recent controversy over steel prices the Railroad Administration was severely criticized for attempting to break down the price level which another branch of the government, the Department of Commerce, was trying to maintain. And coal operators have indignantly accused the Railroad Administration for using its concentrated buying power to beat down the price of coal. As to the wage increase, for many employees it did not even attempt to make