



The American Legation at Teheran, Persia

A Yankee at the Court of the Shah

By OLIVER MCKEE, JR.

WHEN, in September, 1922, at the invitation of the Persian Government, Dr. A. C. Millspaugh went to Teheran as Administrator-General of Persian Finances, skeptics gave him three months to get to know his work, three months more to put his knowledge at work, and three months more in "collecting his salary before leaving Persia in despair." The skeptic has proved here a poor prophet. For Millspaugh has just completed his five-year contract, and during the five years in which he has been the financial dictator of this ancient empire he and his group of expert American assistants have brought about almost a financial miracle. In 1922 Persia's finances were at a low ebb. The police had gone on strike because their pay had been so long in arrears. Governmental expenditures exceeded revenues by about twenty per cent. Ministers of Finance had an average tenure of about three months. Well-known banking firms and merchants of pre-war days were bankrupt. Collection of taxes was difficult, particularly from the rich. Business was depressed, and everywhere there was a lack of confidence.

HERE are some of the salient points in the picture to-day. This year, for the first time in recent years, Persia has a surplus—something like \$14,000,000. This is large for a country the scale of whose governmental expenditures is so small, measured by the British or American yardstick. Persia, moreover, has a

balanced Budget, and taxes are being collected, though the American mission still has some difficulties on this score. Persia will soon establish a new national bank, and part of the capital for this will come from the sale of the crown jewels, said to be worth \$60,000,000. Most of these came into possession of Persia at the time of the conquest of India by Nadir Shah. Better put this money at work developing the economic resources of the country, argued the American advisers, than leave them idle in a vault, and Persia has not treated the counsel as one of perfection. The Government has already taken steps to sell the crown jewels. In a word, the American mission has increased revenues, has controlled expenditures, has broken the vicious cycle of deficits and borrowings, has put an end to corruption of the more flagrant kind, and has converted the Persian Parliament, or Majless, to the principles that budgets must be balanced, and that the only way to increase expenditures is to increase taxes.

Because of her improved financial situation, and through the Government monopoly of sugar and tea, Persia plans to build a railroad from the Caspian to the Persian Gulf. An American engineer has been appointed Director-General of Railroads, with a staff of a dozen American experts. Lack of transportation has hitherto greatly hindered the development of Persia, a country a fifth as large in area as the United States, with a population of some twelve mill-

ions. There has been only one railroad worthy of the name, that from Tabriz to Julfa, about eighty miles in length. If the American mission did nothing more in five years than to show Persia how to tap the financial reservoir with which to build railroads, it would have justified both its own ability and the wisdom of the Persians who were originally responsible for the selection of Dr. Millspaugh and his associates.

SINCE 1900 the Persian Government has employed a number of foreign advisers and administrators. Belgian experts have been in charge of the customs administration. In 1911 W. Morgan Shuster, with a staff of American assistants, went to Persia as Treasurer-General with broad powers. Though international complications caused an abrupt termination of his mission before it had been in operation a year, he effected not a few permanent reforms. For a short period after the war a British expert, Mr. Armitage-Smith, with a small staff of British assistants, served as financial adviser to the Persian Government. In 1921 his services were dispensed with. In that year the Persian Government, headed by Muchir ed Dowleh, a liberal and forward-looking leader, laid down an economic policy which included the employment of American advisers for the Ministries of Finance and Public Works and the municipality of Teheran. At that time Dr. Millspaugh was economic adviser to the State Department. Representatives

of Persia took up the matter with the Department, which, after a study of available names, suggested Dr. Millspaugh as the man to bring Persia out of the financial wilderness. Charles Evans Hughes was then Secretary of State, and it was made perfectly plain to the Persian Government that Millspaugh was to carry on his work in Persia in a purely private capacity. The American Government made it clear that it assumed no responsibility for any action which Millspaugh might take as an official in the employ of the Persian Government.

The contract was signed on August 14, 1922. Millspaugh was to have the title of Administrator-General of the Finances of Persia. In his field he was to be supreme. He was given general charge of financial administration and the preparation of the Government Budget. The Persian Government agreed that it would grant neither any commercial nor industrial concession and that it would not make any decision on a financial question without consulting with him. Millspaugh was given control over the personnel of the financial administration, over expenditures, and over the creation of financial obligations. Let us put it more concretely than this. From the Shah and Prime Minister down to the humblest employee, every official of the Persian Government has received his monthly salary from Dr. Millspaugh. The pay check was not valid unless it bore the counter-signature of the Administrator-General. Millspaugh has been the only official who could draw on the Government's account from the Treasury or the Imperial Bank of Persia. No matter how important he might be, every other official could spend the people's money only with the permission of the American Administrator-General.

THE success of the American mission may in no small degree be ascribed to the co-operation of Reza Khan, now the Shah of Persia. Five years ago, when Dr. Millspaugh and his associates went to Teheran, Reza Khan was Minister of War. From a humble origin Reza Khan came to the fore in 1921. After the *coup d'état* of that year he became Minister of War. A strict disciplinarian, with great powers of decision and leadership, Reza Khan brought the Persian army to a high degree of organization and efficiency. Dr. Millspaugh has stated that he considered Reza Khan "as one of the most significant and encouraging phenomena in Persia." Apparently he was the leader the country needed, and he had taken the preliminary steps necessary to the making of a



The three Americans in the foreground are, from left to right, Charles I. McCaskey, Dr. Millspaugh, and Colonel D. W. MacCormack

modern nation. The American mission was disposed to assist him so far as was possible in carrying out a program for the good of Persia. In return, it hoped for the support of Reza Khan and the influential group which he headed in the program for centralizing in American hands, to the fullest possible extent, the revenues and expenditures of Persia. On October 31, 1925, the National Consultative Assembly voted to depose the former Shah, Ahmad Kadjar, and a Constituent Assembly, called soon afterwards, voted to give the throne to Reza Khan, then Prime Minister, and his male descendants. On December 16, 1925, Reza Khan ascended the marble throne.

Dr. Millspaugh went about his work slowly. It took him a year or so to get under way. It was a gigantic job in itself to find where the money of the Government came from and where it went. The taxes were many in number, and were imperfectly collected. There was not a little corruption in the Government service. The Government owed a good deal of money, and its accounts were in arrears. Dr. Millspaugh made

the best use of each member of his mission, and put each man at the post where he could do the most good. Colonel MacCormack was placed in charge of the Administration of Internal Revenue. Americans were placed in charge of the finances of the provinces. An American engineer was made Director of Roads. For a time American experts took over the administration of the Teheran municipality. New Civil Service regulations were drawn up, a clause of which prohibited employees of the financial administration from engaging in politics. In 1923 the Treasury General Law was passed, and Charles I. McCaskey, another member of the Millspaugh Cabinet, was designated Treasurer-General. Thereafter the Treasurer-General took over the duty of signing all Government checks.

Tax arrears made up a good part of the debts due the Government by Persians. The American mission was slow in taking action, because most of the records were in confusion. After the machinery of administration had been set up, Dr. Millspaugh proceeded in earnest to the collection of back as well

as delinquent current taxes. Reza Khan, the powerful Minister of War, pledged his support, and the back taxes began to come in. The simple general rule was laid down that each year a taxpayer in arrears should pay an amount on arrears to equal his current taxes. Dr. Mills-
paugh admits that the collection of back taxes would probably have been impossible had it not been for the existence of a strong army and the co-operation of Reza Khan, for the reform methods of the Americans made a good many enemies. The tax collector is never popular, even in the United States.

Dr. Mills-
paugh has refused another three years' contract with the Persian Government for the reason that the Persian Government wants to "clip" his wings and curtail the powers which he exercises. To carry on his work effectively for the next three years he be-

lieves that he must have substantially the same powers that he has exercised since 1922. Apparently Persia does not want to do this again. At the present writing, there has been no intimation from Teheran whether the Persian Government will select another American as Administrator-General, or whether the other members of the present American mission will be offered a renewal of their contracts.

DR. MILLS-
PAUGH and his associates have written during the past five years an important chapter in the history of modern Persia. It is important, not only for the help given Persia in setting the ship of state on an even financial keel, but it is significant also as an example of a new kind of aid given by an advanced to a backward country. Francis B. Sayre in Siam and the ser-

vices of the Mills-
paugh group in Persia—these are but two of many examples of a kind of service rendered that does not foreshadow a political and economic control. In the past, a backward country that accepted the help of a foreign group of experts usually found that the country giving the help hoped to profit in some way. Turkey many years ago took von der Goltz to reorganize her army, and before long Turkey was trailing the kite of Berlin. Persia selected American Government experts because she entertained no fear that Americans, under cover of concessions or loans, would attempt to interfere in the politics of that country or attempt to dominate its Government. Americans may well be proud of the work of Mills-
paugh and his small group of Americans in this ancient land, the land of Xerxes, Cyrus, and Darius.

Holland Drives Back the Sea

By FRANK SCHOONMAKER

"GOD created the world," runs an old saying, "except the Netherlands, which were created by the Dutch." Since time immemorial it has been the custom of nations in need of land to make war upon a weaker neighbor. Pacific little Holland, feeling the pressure of a population far denser than that of Germany in 1914, makes war upon the sea. Well might Albrecht Dürer, coming centuries ago to the Netherlands, remark, "The wonder of Holland is the water, for it is higher than the land;" well may the little province of Zeeland have for its motto, "*Luctor et emergo*" (I struggle and emerge.)

To understand the reasons for Holland's new and greatest attack upon the sea it is necessary to remember two things: First, that Holland, despite her population of over 460 to the square mile, is essentially an agricultural country. Second, that, as a result of this, agricultural methods are probably more intensive in Holland than in any other country in the world, that land of average fertility sells for from \$450 to \$500 an acre. And, keeping these facts in mind, we shall not be surprised to learn that Holland is at present at work on the largest engineering enterprise ever undertaken by a small nation, the greatest and most costly reclamation work ever attempted by a nation large or small.

HOLLAND, half as big as West Virginia, proposes in the next twenty-

five or thirty years to spend two-thirds as much as the United States spent on the Panama Canal, and by so doing to add seven per cent to her total area and ten per cent to her total arable land. She proposes to dike off and drain considerably over half of that great shallow bay known as the Zuider Zee, to spend in this way something over \$250,000,000, and thus to reclaim 552,000 acres of the most fertile land in Europe. "It will be our richest province," Dr. de Hartogh, secretary of the Nederland in den Vreemde, told me, the richest province in one of the most productive countries in the world. Perhaps to us of America, accustomed to talk in thousands of square miles, these 552,000 acres seem very little, but it is well to remember that if the United States wished to reclaim an area equally great in proportion to her size, she would have to dike off a region about as large as the State of Texas.

The Zuider Zee, together with the Wadden Zee and Wieringen Lake, forms, as can be seen from the accompanying map, an immense shallow arm of the sea which cuts deep into the Netherlands and divides the province of Friesland from North Holland proper. Muddy, choppy little inland sea that it is, full of treacherous sand-banks and almost shut off from the North Sea by a chain of islands, it is nevertheless this Zuider Zee which makes Amsterdam a seaport. And along the shores of this same bay lie the picturesque "dead cities" of Volendam,

Hoorn, Edam, and Marken, beloved of tourists.

Ever since the seventeenth century it has been the dream of Dutch engineers to drain and reclaim at least a part of this area. As early as 1641 plans were brought forward for reclaiming, with the aid of 160 windmills, a southern arm of the Zuider Zee, known as the Haarlemmer Meer, but it was not until two centuries later that this plan was actually carried out. Since then numerous proposals have been made for draining the Zuider Zee as a whole. The present plan is, with a few modifications, that brought forward by Lely in 1892. Repeated investigations have proved it to be the most economical, the most practical, and the best.

THE plan, as it now stands, for inclosing and reclaiming the Zuider Zee calls, first of all, for a heavy inclosing dike from North Holland, via the island of Wieringen, to the Frisian coast near Zurig. An inland, fresh-water lake, fed by the Ijssel River, will thus be created. The next step will be to dike off, pump out, and reclaim four *polders*. These four tracts of land, lying in some cases as much as sixteen feet below sea-level, have been laid off so that they contain as much clay and fertile soil as possible, and as little sand.

Up to the present the actual work, undertaken in 1920, has gone along very slowly. The national treasury has, until recently, found itself unable to supply