

►► Europe Lining Up for War ◀◀

WHETHER there shall be peace or war in Europe is the major issue for Western civilization. It is doubtful if there is any single issue of more importance to any European government, because another general war would greatly reduce the expectation of life of most if not all of them. For the United States a repetition of 1914-1918 would be an appalling catastrophe even if we did not become militarily involved. Our chances of staying out would be none too good. What, then, are the possibilities of war?

The Pope, in his Christmas allocution, expresses his inability to "believe in the reality of these threats" of war, "for we cannot believe that any civilized state could become so monstrously homicidal, and almost certainly suicidal." Former Secretary of State Kellogg, returning to this country with the Nobel peace prize, asserts somewhat broadly that nobody in Europe is planning war. Foreign Minister Henderson adds his assurance that no government is plotting war or wants war. Many others have contributed equally comforting statements.

But do they protest too much? Even if we accept as literally true the conclusion that no government in Europe is planning or wants war, there remains the disconcerting fact that many of the governments of Europe are demanding and striving for things which they fear may provoke war. Their general staffs are planning for that contingency and they have their deadly time-tables just as they did in 1914. It has been fairly conclusively demonstrated that nobody wanted war in that year—but they got it. Doubtless it was something of this kind that Mr. Hender-

By HENRY K. NORTON

son had in mind when, in the same speech in which he assured us no government was planning for war, he said:

Unless we can build the structure of world peace upon a firm foundation, unless we can do it now before the memories of war have faded, we may depend upon it that sooner or later—and probably rather sooner than later—a cataclysm will come upon the world which will engulf all that we care about in Western civilization.

The present structure of world peace stands upon a foundation hardly more secure than that of 1914. In many respects the situation in Europe is similar to that which existed in that fatal year. There are deterrent factors which did not exist at that time, but it would be folly indeed to ignore the forces that are pushing

feated into efforts to upset it. As we look over the developments of the decade which has passed since, the course of events is disconcertingly clear. It has led with almost unerring directness toward a re-division of Europe. Today the continent is again an armed camp with two groups of nations facing each other in apparently irreconcilable conflict. One group insists upon the eternalization of the *status quo* and stands ready to defend it at any cost. The other is striving with unrelenting purpose to change it, and war is the final sanction.

France emerged from the last struggle triumphant, dominant, satisfied. Assisted by her allies, she had achieved a supremacy on the continent which she was highly resolved to maintain at whatever price. Her cry was "security and reparations," but if she must choose between the two, she must have security. Security appears to be a noble aim. It is a thing to which all nations may legitimately aspire. France readily concedes it to all nations provided she attains it herself. The difficulty is that in French eyes "security" means not only the safety of her people, her territory and her trade, but the elimination of any threat against the hegemony she now enjoys in Europe. For France "security" means the acceptance for all time by other nations of her present domination of the continent. Illogical as it may seem to the French, there are other nations which view such "security" for France as irreconcilable with any sort of security for themselves.

There are nations which share the French viewpoint. Belgium was equally the victim of German aggression in 1914. Soon after the War the Belgian and French military staffs got together with the approval of their governments and worked

out plans for a joint defense against any future German invasion. There was no formal treaty; the agreement was never submitted to either parliament; and the terms are still unknown to the world. But Belgium has figured in all analyses of European possibilities as a dependable ally of France.

Within the last few weeks, Emile



Keystone

MUSSOLINI

Who is lining up allies for Italy

the nations toward a new conflict. The peace treaties of 1919 left the Allies in undisputed domination of Europe. The four central powers were defeated, disarmed, powerless. It was a victor's peace and was secure as long as the victors retained an overwhelming military superiority. It was also a peace which was bound to turn the energies of the de-

Vandervelde, the Belgian Socialist leader, who was Foreign Minister when the military agreement was made, has raised the question as to whether it should be continued. He contends that the Locarno Pacts have so altered the situation that it is no longer desirable for Belgium and that if it is extended Belgium might be drawn into war over some issue arising out of French commitments in eastern Europe with which Belgium has little or no concern. Vandervelde's objection is compounded of good statesmanship and good internal politics, but it is inevitably doomed to futility. If his contention were to prevail, it might weaken France's position of dominance. If war came, Belgium would be as little likely to escape as in the previous wars of Europe. As one Belgian of high position expressed it: "Belgium must be either the left wing of the French army or the right wing of the German army." In any war in Europe in the near future, Belgium will have only this choice, and she will be the "left wing of the French army."

Other states are as closely bound to France. Poland's interest in the preservation of the sanctity of the peace treaties is as great as that of France, for Poland owes her existence to those treaties. If they are flouted Poland's national foundations are threatened. If this were not enough, her situation on an open plain between Germany and Russia would bind her in a life and death alliance with France. Hence Poland, with the aid of French money and French military brains, has built up and maintains a magnificent army. That huge military machine is dedicated to the preservation of the *status quo*.

The nations of the Little Entente are equally wedded to France. Czechoslovakia was, like Poland, born of the peace treaties. Like her neighbor, she looks upon them as the charter of her national existence. She is apprehensive of Germany because of her large German minority. She is still more apprehensive of Hungary because a good half of Czechoslovakian territory was formerly ruled from Budapest. Not only her army, but her not inconsiderable industrial strength, are both placed at the service of the peace treaties and the

status which they have established.

Rumania is also uneasy in her conscience about Hungary. The peace treaties wrenched Transylvania from the grasp of Budapest and threw it in the lap of Bucharest, thus increasing the latter's territory by about one-half. Rumania naturally intends to keep what she has gained and to that end preserves the closest ties with her allies of the Little Entente, Czechoslovakia and Yugoslavia, and through them with the dominant power of France. Yugoslavia not only has former Austrian, Hungarian and Bulgarian territory within her present boundaries, but she has fallen heir to the Italian hostility which in former years vented itself upon Austria. Yugoslavia thus finds herself surrounded by potential enemies in a highly unsettled region. She has many advantages, but their preservation depends upon the continuance of the *status quo*. The Yugoslavs, despite their internal quarreling, are at one in support of the treaties and in their loyalty to France.

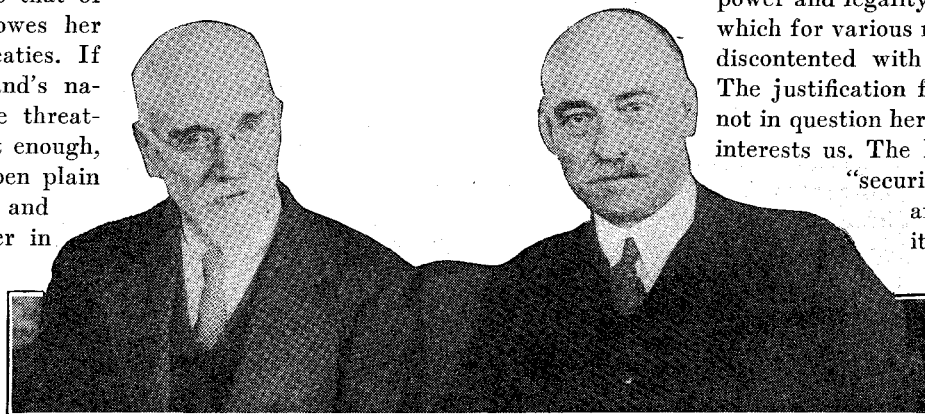
Here then are six of the powerful nations of Europe bound in alliance to keep Europe as it is. Their nationalism is rampant. Their freedom in military

defense they are thinking of, but nevertheless it is war. Let M. Tardieu, as Premier Minister of France, speak for the alliance over which France presides: "The day that frontier revision starts will be the signal for war which will follow a few months later." Thus he spoke in the French Chamber of Deputies. He was followed by M. Briand, the champion of peace, who added in his own defense: "I have never neglected an occasion to use my influence toward assuring our security when I thought it was necessary. . . . It is natural and perfectly legal to defend our frontiers." And what M. Briand claims as natural and legal for France, he would not deny as natural and legal for France's allies.

Such frank statements leave little room for doubt that these six powers would resort to military means to prevent any alteration of the peace treaties as the fundamental law of Europe. They are open to no charge of insincerity as far as the Kellogg Pact is concerned, for they would all be acting on the defensive. They were careful to see that wars of defense were definitely excluded from the pact before they affixed their signatures. Facing this array of power and legality are six other nations which for various reasons are supremely discontented with things as they are. The justification for their discontent is not in question here. It is the fact which interests us. The French conception of "security" means for them an intolerable insecurity. They are as determined to alter the *status quo* as are France and her allies to maintain it.

Germany chafes under what she considers the injustices of the

peace treaties. She has accepted as definitely settled the new boundary in the west, which gives Alsace-Lorraine to France, but her eastern boundary, and especially the Polish Corridor, she refuses to consider as finally delimited. She resents the reparations obligations as "tribute" unjustly imposed upon her by the victors, and she protests most vigorously against the restrictions upon her military establishment. Count von Bernstorff at Geneva periodically demands either that the Allies disarm in pursuance of what he characterizes as the "bargain" made at Versailles, or that they acknowledge their failure to keep



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GREECE AND YUGOSLAVIA CONFER

Premier Venizelos of Greece and Marinkovitch, Foreign Minister of Yugoslavia, have been talking of peace and war

matters is complete. Their armies, including reserves, total 11,400,000 men. Industrially and agriculturally they are strong in proportion. They are satisfied—for the time being at least—with what they have. All they ask is to be allowed to keep and enjoy it in peace. All they want is "security."

They are not plotting to make war. They do not want war. Why should they? They have everything to lose and little if anything to gain by war. But they are unceasingly vigilant lest some one else start a war, and their military staffs have ready all the plans for their participation without delay. It is war of

their part of this bargain and allow Germany to re-arm herself accordingly. The Germans know very well that the Allies are not going to disarm for any such reason, but they are giving currency to the idea that Germany has regained her own right to spend her substance on armaments.

Armaments, reparations, the Corridor—these are but the outstanding matters upon which Germany demands revision of the peace treaties. As fast as one issue is disposed of, she raises others and will continue to do so until she achieves her goal—restoration to complete freedom and equality with the other great powers. The concessions already made to her—concessions in regard to which France feels so virtuous and so resentful of Germany's failure to "appreciate" her virtue—concern the lesser and more easily adjusted matters. We have already quoted M. Briand's assurance that they did not affect France's "security." It is the vital things upon which Germany's attention is centered and she clings tenaciously to her determination to secure satisfaction in regard to them.

Austria is equally discontented with the peace settlement. Her empire is gone forever. Her economic structure is wrecked. Her cherished desire is to find a measure of well-being by merging herself with Germany. But this *Anschluss* is forbidden by the peace treaties. Austria is powerless to change them, but her sympathies and such strength as she has may be counted upon by the opponents of the *status quo*. Her position between Germany and Hungary and Italy would make her a factor of no slight value if a conflict should come.

Hungary has been perhaps the most irreconcilable of all the defeated powers. The Magyar aristocracy quickly re-established their control of the country after the War and ceaselessly agitated for the return of their lost Hungarian territories. They deeply resent the treaty limitations upon their military activi-

ties, and the discovery of large shipments of machine-guns consigned to Hungary by Italy would indicate that they have taken their treaty obligations somewhat lightly.



Keystone

COUNT BETHLEN

The Hungarian Premier, who plans a strong role in the new political lining up.

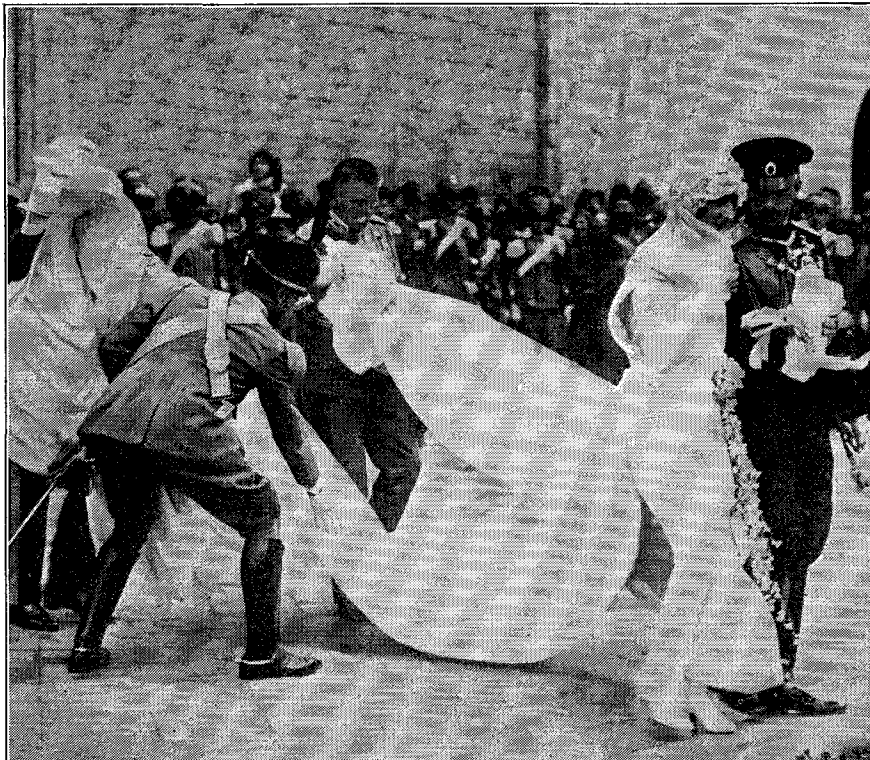
Bulgaria is restive under the prod-
ding of her victorious Balkan neighbors. Lost territories, military restrictions, reparations, all play their part in Bulgarian resentment as in the other de-

feated countries. Powerless alone, the Bulgarians are numbered among those who would seize the opportunity of any upheaval to release themselves from the galling bonds of the present peace.

The four defeated nations have all been forcibly disarmed by the Allies and, unassisted, would constitute none too serious a threat to the "security" of the victors. Aid and comfort have come to the defeated, however, and from an unexpected quarter. Italy was among the victors of the War, and as such was counted for a long time among the supporters of the peace treaties, but under the Fascist rods Italy has whipped herself into a state of mind similar to that of the defeated powers. She is as little pleased as any of them with her present position and possessions. Italy, too, demands a new deal. Mussolini, with characteristic bluntness, notifies the world that before there can be tranquillity in Europe the peace treaties must be revised.

Italy thus definitely ranges herself on the side of the opponents of the *status quo*. Hostility toward France had much to do with this decision and this hostility has been embittered by it. Italian diplomacy is busy at every capital in Europe and at Geneva endeavoring to disrupt the efforts of French diplomacy. An Italian princess is wedded to the Bulgarian king. Count Bethlen, the Hungarian Premier, is a welcome visitor in Rome. Bethlen and Premier Venizelos of Greece meet in the Turkish capital. The Turkish Foreign Minister visits Rome. The Italian Foreign Minister and the Russian Commissar for Foreign Affairs consult in Milan. To complete the picture Count Bethlen pays an opportune visit to Berlin and later suggests an economic coalition embracing Germany, Italy, Austria and Hungary.

The entrance of Italy into their ranks has converted despair into hope for the revisionists, for Italy is a power. Her military activities are in no way restricted by



Wide World

ITALY AND BULGARIA IN ALLIANCE

The fine hand of Mussolini was discerned in the marriage of King Boris of Bulgaria and Princess Giovanna of Italy

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►► The Battle of Youngstown ◄◄

NO LONGER, to crib a bit from Scott, do steel-clad warriors ride along the wild and willow'd shore of the Mahoning. The battle of the century has come to a pause, if not to an end. General Eaton and his cohorts have ridden away, proudly waving a banner bearing the words: "Judgment is for plaintiff, and permanent injunction allowed as prayed for in the petition."

This was no sham battle. All through the summer, and well into the autumn, steel clashed against steel. The big guns were brought into action, and their booming was heard around the world. Sensational developments came so fast that not even the tabloids could keep up with them—two deaths, one by suicide; amazing revelations concerning bonuses paid to executives; questioning of the dependability of internationally known accountants; and the appearance of a former Cabinet member as counsel for one of the litigants.

While this was an outstanding merger case, with a billion-dollar combination as the objective of Bethlehem Steel and the pro-merger faction of Sheet and Tube, the question of monopoly did not enter into the proceedings. With the gigantic steel enterprise rated by T. R. as a "good trust" still going strong, there was no call at Youngstown for a ballyhoo about unfair competition and dangerous concentration of capital.

The big question—and Judge David G. Jenkins put his finger deftly and firmly on it in his decision—was whether the owners of a business (the shareholders) could be kept in the dark by the directors and sold out by them without so much as a by-your-leave. As we are all shareholders, either actual or potential, the crux of the Bethlehem-Youngstown case emerged as a social problem of the first order.

In his decision, Judge Jenkins held that the Sheet and Tube directors did not give the Youngstown stockholders adequate information; that the part played by H. G. Dalton, a director of both of the corporations involved, was a breach of trust; that the Bethlehem bonus plan should have been carefully investigated and fully explained to the Youngstown stockholders; and that the report of three reviewing accountants had a misleading tendency.

The decision, as a whole, is bound to be referred to frequently in other cases

By FRANK A. FALL

involving the rights of stockholders, and we shall have plenty of these as long as the present epidemic of acute mergeritis continues unchecked. Whether it does or not, the Bethlehem-Youngstown case has cleared the air in regard to several points of vital importance to stockholders, actual or prospective.

One of these, and possibly the chief, is the right of shareholders to receive full and frank information concerning matters which affect their interests as owners of the enterprise. That they have been, in large measure, without such information in the past is not altogether



Keystone

CYRUS S. EATON

the fault of designing directors. The stockholders themselves are partly—perhaps largely—responsible for this condition. They have taken too much for granted, signing proxies with little or no thought as to how or by whom they were to be used.

From now on, stockholders who realize the dangers of secret negotiations and the desirability of having all of the cards laid face up on the table are going to be in a much better position to enforce their rights. They, and the directors who were so successful in keeping them in the dark, have had an object lesson that neither group is likely to forget.

The problem of the interlocking directorate has also been given a needed airing. Judge Jenkins handled Director

Dalton without gloves. Here, he said, in effect, was a man trying to serve two masters, and it simply couldn't be done. From the very nature of his dual relation, Mr. Dalton was unable, no matter how much he may have desired it, to act without bias. His part in the negotiations was, therefore, a breach of trust and against public policy.

In regard to the Bethlehem bonus plans, the decision attacked not the principle of compensation involved but the failure of Messrs. Campbell, Purnell and Dalton to inform the Youngstown stockholders about it. That the bonus plan has enemies, even among the stockholders of Bethlehem, is revealed by the action of a group of the latter, known as the Midvale Committee, which holds that the stockholders have "a meritorious claim for redress" and has announced that it will fight for restitution of the bonuses and an adjustment of the bonus practice.

The facts revealed in regard to the bonuses may have surprised certain directors of Sheet and Tube, but they must have been known to many people who had no better sources of information than the Youngstown directors had. The bonus plan of compensation for executives has been part and parcel of every enterprise in which Mr. Schwab has had a hand, and, as everybody knows, he had more than one hand in the development of Bethlehem.

Concerning the accounting aspects of the case, it is the part of wisdom to generalize with discrimination. Accountancy has taken high ground in the United States, and has held it, for the most part, tenaciously. In this case the accountants appear to have been anything but free agents. They were, as Judge Jenkins said in his decision, "not untrammelled." The bases of the exchange of stock ratio arrived at by them were presented, not in a written report, but orally and privately to officers of the two corporations.

It is fortunate that the spotlight of publicity has been played, in a conspicuous case, on the relations of accountants to merger negotiations. But it would be most unfortunate if the proceedings at Youngstown, in which accountants figured none too bravely, were used to discredit the profession of accountancy or the service which accountants render to the management of business. Account-

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