

The Saturday Review

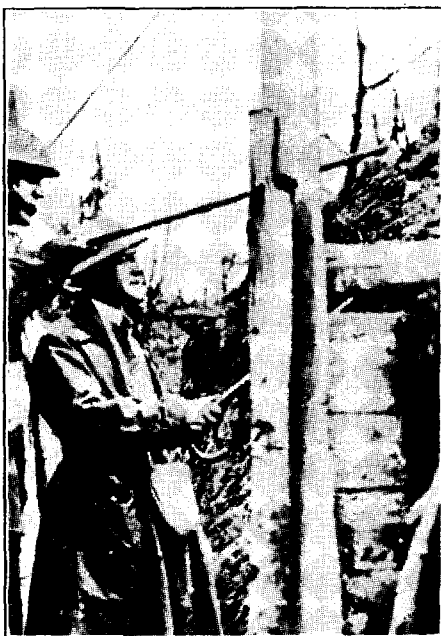
of LITERATURE

EDITED BY HENRY SEIDEL CANBY

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Terque Beati

IF man is the history-making animal, he should certainly find compensations for his present distresses in the high speed at which he is functioning. Men and women now in their thirties are fortunate in their historical experience, those in their forties are doubly fortunate, those in their fifties, triply fortunate. The last named have seen the last years of settled Victorianism, they saw the rapid changes of the early nineteen hundreds which culminated in the war decade. They lived through the hysterical blend of hope and distrust of the nineteen twenties, when speculation was the word in finance, in politics, in religion, and in morals. And now, with the memory of the naive stabilities of the nineteenth century still vivid in their minds, they are launched upon a new period where even the conservatives ask for change!

Those were not happy years, but it is certain that men and women now on the shady side of middle age have lived three lifetimes, if time is reckoned as time is appraised by history. Like a train dashing in a whirl of leaves through the autumn landscape, change has sent the years flying around them. Like graduates of an American college, they look around the old campus, which was their youth, and see nothing familiar, nothing that has not been torn down and rebuilt.

A reading man who bought his first book in the first quarter of the eighteenth century might have seen the third quarter in with the same style in poetry and much the same taste in prose. From Pope to Addison, from Congreve to Sheridan, from Defoe to Henry Fielding, gave him only the pleasing sense of novelty which comes with a change from a gray suit to a brown. If he smelt Rousseauism in the air and pondered on the first softening of romance, he could be honestly outraged by the lawlessness of novelty, as Dr. Johnson was outraged by the liberalism of the upstart Americans. But we in less than half a century have seen literature spin on its axis. In the eighteen nineties Meredith was the morning star of the young men, Meredith who picked up daintily a theme of sex and love (boasting of his temerity*) and hid it in such a coruscation of words that the reading world wondered and the story

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* See his letter to Edward Carpenter in the "Letters."

America in Arms

NEWTON D. BAKER: AMERICA AT WAR. By FREDERICK PALMER. New York: Dodd, Mead & Co. 1931. 2 vols. \$7.50.

Reviewed by A. HOWARD MENEELY
Dartmouth College

THE announcement about a year ago that Newton D. Baker had turned over to Colonel Frederick Palmer for literary use his entire collection of war correspondence was welcome news, for there has been a genuine need of an authoritative account of the prosecution of the war on the home front and the part that the Secretary played in it. Baker himself has been unwilling to engage in any autobiographical enterprise and those of his associates who have written have dealt mainly with special phases which came within their observation. The present volumes are especially welcome at this time since they are in a measure complementary to those of General Pershing and enable the reading public to obtain a more comprehensive view of America's participation in the World War. Also it is now possible to judge more fairly regarding some of the criticisms of what was done and left undone by the civil and military authorities in Washington.

Colonel Palmer has reviewed the five years of Baker's secretaryship, but his book is not as biographical as the title would lead one to suppose. The main emphasis in the first volume is on the problems of preparedness and the mobilization of manpower and matériel in 1917, and in the second on the efforts of the War Department and associated agencies to meet the needs of the American Expeditionary Forces in 1918.

The author's account of what was done by the War Department during the first year of Baker's tenure should set at rest the commonly held beliefs that Baker himself was a pacifist and that no preparedness measures of any consequence were taken in the months prior to our entrance into the war. By the use of documentary evidence Colonel Palmer shows that in 1916 the Secretary took the lead in advancing industrial preparedness and sought to strengthen the various branches of the military establishment as far as practicable. At the very beginning of his Secretaryship Baker perceived the importance of aviation for military purposes, a branch to which his immediate predecessors had given little or no attention, and sought substantial appropriations to develop it. Throughout 1916 it is clear that he exercised the limit of his authority in military preparations and in the spring of 1917 went far beyond it in

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Old Books

By CLINTON SCOLLARD

I HAVE no craze for curios—
A craving many folk effect,
Grim idols ranged in grinning rows
And bottles, twisted-necked.
But an old book, this meets my need,
Quarto or folio, as you please,
An ancient Marlowe, foxed and flea-ed,
A first HESPERIDES.
Although the little worm and blind
Has pierced the binding or the page,
And though the leaves be sered and lined
With the dull rust of age,
Yet I am overmastered much
By feelings I may not control,
As if there throbbed beneath my touch
The poet's very soul.

Reparations and War Debts

By THOMAS W. LAMONT

DR. HJALMAR H. G. SCHACHT has been a strong, outstanding figure in the life and affairs of Germany since 1923. Anything that he has to say about his own country or about its relations with other countries is bound to be of interest and importance. One does not have to agree with him in all his conclusions, in order to characterize Dr. Schacht's volume, "The End of Reparations,"* as a valuable contribution to the whole tangled subject of Reparations, and as perhaps of even greater value in the light it throws upon the post-war administration of the Reich in both economics and politics. With the recent stirring events following President Hoover's Debt Suspension plan, and the financial crisis in Germany, Dr. Schacht's book assumes additional timeliness.

One is naturally curious as to Dr. Schacht's antecedents and personality. His father, a German artisan, emigrated to America in the early 'seventies, but finally decided to return to the Fatherland only a few months before his son, Hjalmar, was born in 1877. So strong had been the father's admiration for the intellectual qualities of the founder of the New York Tribune that he insisted that the son should be christened by adding the names, Horace Greeley, to the Hjalmar. Dr. Schacht himself tells this story very agreeably and explains how nearly he came to being born an American. If he had been, the chances are that Germany would have lost a service of inestimable value.

HEAD OF THE REICHSBANK

After his long training as an institutional banker Dr. Schacht's work brought him to the fore during the complete collapse of the reichsmark, following the French occupation of the Ruhr in 1923. He assumed the presidency of the newly founded Gold Note Bank and was the creator of the rentenmark, a manufactured form of currency that, during the months of the inception and adoption of the Dawes Plan in 1924, Dr. Schacht kept afloat by almost main strength. Upon the reorganization of the Reichsbank under the Dawes Plan in October, 1924, Schacht was the man of the hour and was promptly elevated to the presidency of the Bank. During the ensuing six years, he handled the affairs of the Reichsbank with what his most severe critics—of whom he has many—would testify to be extraordinary capacity. Governor Montagu Norman of the Bank of England, than whom there is no better judge, frequently pronounced Schacht to be the most competent central bank head in the world. His career as chief of the Reichsbank he, himself, brought to a close at the second Hague Conference in 1930. At that time he resigned on the ground that the original Young Plan, which he had signed at Paris in June, 1929, had been ruined by the concessions which the German statesmen had yielded at the two Hague Conferences, and which Dr. Schacht declared would render the Young Plan impossible of fulfillment by Germany.

* THE END OF REPARATIONS. By HJALMAR H. G. SCHACHT. New York: Jonathan Cape & Harrison Smith. 1931. \$3.

Some critics declare that, if only Dr. Schacht had been able to "go along" with his Government, had retained his presidency of the Reichsbank, and had taken his seat as a director of the Bank for International Settlements, he might well have been able, with his experience, strength, and position, to temper the recent serious difficulties in his country. But post mortem examinations are seldom satisfactory, and "what might have been" if Dr. Schacht had seen his way clear to support the Young Plan, in the formation of which he was so active, is mere speculation.

GERMAN GOVERNMENT CRITICIZED

In the course of his eighteen very readable chapters, commendably free from technicality and sometimes rising to a height of impassioned utterance, Dr. Schacht says a good many startling things. But to those Americans who have been obliged to follow German affairs with more or less care since the Versailles Treaty of 1919, the most interesting topics are these: first, Dr. Schacht's sweeping and bitter criticism of German government bungling, his severe arraignment of the workings of what he styles the Socialist System; second, his prediction of the break-down of Reparations. Even though the coincidence of many of the details of his prophecy with what has actually happened in the last few months is striking, it must be said that Dr. Schacht passes very lightly over the extent to which Germany's unwise moves in foreign policy have contributed to the break-down.

Reading Dr. Schacht's strictures upon the ineptitudes of the successive German Governments, one surely gains the impression that the major part of Germany's present economic and financial woes she has brought upon herself. For example, during the years following the adoption of the Dawes Plan in 1924, matters seemed to be going much better in Germany. But, as Dr. Schacht points out, the government, instead of utilizing this opportunity for balancing its budget and getting on a sound fiscal basis, proceeded to waste its substance in extravagant schemes, and to borrow either at home or abroad to meet

This Week

"EVERYMAN REMEMBERS."

Reviewed by HENRY WALCOTT BOYNTON.

"MEMOIRS OF A POLYGLOT."

Reviewed by ARTHUR RUHL.

"A CARTOONIST'S PHILOSOPHY."

Reviewed by ARTHUR COLTON.

"A CALENDAR OF SIN."

Reviewed by JONATHAN DANIELS.

"FOUR FRIGHTENED PEOPLE."

Reviewed by GEORGE MOREBY ACKLOM.

"SAND IN MY SHOES."

Reviewed by CHARLES McD. PUCKETTE.

EL DORADO, ETC.

By CHRISTOPHER MORLEY.

Next Week, or Later

"THEODORE ROOSEVELT."

Reviewed by WILLIAM ALLEN WHITE.

its recurring budget deficits. Such policy the author characterizes in a paragraph that some American reviews have, I note, already quoted. But it is worth quoting again:

Germany having lost the war, the Revolution of 1918 brought to the helm a party which had no concern for the defense of the economic interests of the nation, but at once set to work to enjoy the barren triumph of applying its party theories, which it expected would make all mankind happy. After the war Germany should have devoted herself to one single goal: to cultivate every kind of national feeling, to concentrate on the preservation of every tradition which survived, and by the most disciplined industry and economy to increase the productive forces of the nation. That was perhaps too much for the strength of man worn down and weakened by almost five years of war and hunger. Nevertheless the Marxist system, which the Social Democracy conferred on us after the war, bears a full measure of blame for the inner collapse of our people from which we are only just beginning to recover.

EFFECT OF SOCIALISTIC MEASURES

With this denunciation of "the Marxist system," Dr. Schacht concentrates in his Chapter XIII most (but by no means all) of his criticism of what he terms German socialism at work. In his indictment of the German "socialist system" Dr. Schacht points out among other things that in 1929 German states and municipalities were in control of fifty-three per cent of the water power of the country, with "the result" that electric light and power are dearer in Germany than almost anywhere else. The annual cost of social insurance in Germany today is eight billion marks, as compared with one billion marks in 1919. The author states that thirty per cent of the entire industrial population of Germany today are either government officials, or are working in enterprises upon which government, either national, state, or local, exercises a decisive influence. He declares that in 1930, out of an estimated national income of between sixty-two and sixty-five billion marks, some thirty billion marks were for taxes and social expenditures and for state social insurance. It would have been interesting, if at this point Dr. Schacht had explained a little more fully why, with this annual income of over sixty billion marks, it has been impossible for Germany to devote two billion marks (being not over 4% of her national income for 1930) to Reparations without declaring a complete *non possumus*. However, that is perhaps another story.

It is hardly fair to attribute solely to the German Socialist party, as Dr. Schacht rather seems to do, the extravagant social policy of the various German Governments. The German Conservative parties bear their share of the blame, since they have consistently refused to consider a fundamental readjustment of the financial relationship between the Reich and its component states, a readjustment which is an essential preliminary to any adequate fiscal system; and the Conservative parties seem to have been quite as active as the Socialists in making extravagant expenditures for the objects dearest to their hearts.

UNWISE POLITICAL MOVES

While Dr. Schacht has analyzed very fully certain of the economic factors leading to the Reparations breakdown, he has ignored the political factors which may well have been of equal importance in causing the export of capital by the German middle class and the large-scale withdrawal of funds from Germany by the leading Continental markets. These political factors include the apparent abandonment—temporarily at any rate—of Stresemann's policy of conciliation and coöperation; the virtual encouragement by the coalition government of the Stahlhelm military organization; the manner in which the Austro-German Customs proposal was projected; the failure to ratify the Polish-German Trade Treaty in spite of the fact that it was particularly favorable to German trade interests.

Dr. Schacht says that Germany's Reparations payments have been met entirely

through foreign borrowings. This statement is hardly accurate, for when a balance sheet is made up of many items, one is hardly justified in balancing one single item on the credit side against another single item on the debit side. It is, however, quite true, as the recent Wiggin report points out, that from 1924 to 1930 there was a net influx of capital into Germany of about 18 billion reichsmarks, and during the same period Germany paid out in reparations over 10 billions of reichsmarks. The actual result of the large foreign loans, arranged subsequent to 1924, was to make it possible for the German people to increase their imports enormously and so to raise their standard of living. Of course, the whole theory upon which the Dawes Plan was built was that the German people would undertake a rigid course of economy and of taxes and would both decrease their imports and increase their exports. This is what actually happened after the loans ceased in 1929. But during the five previous years, as Dr. Schacht points out in other terms, both the German Government and people largely failed to take the steps necessary to render the payment of reparations less difficult. The increased consumption of beer and tobacco, and the growth of savings banks deposits in Germany all go to bear out this view.

THE FLIGHT FROM THE MARK

Chapter VIII happens today to be of special interest, because Dr. Schacht is able to describe the strong restrictive measures which he, as Reichsbank president, successfully put into effect, to prevent the flight from the mark in the spring of 1929. It well may have been that, if similar methods had been sternly invoked early this last July, they would have resulted in putting on the brakes sufficiently to minimize the then flight from the mark. For the rush of German nationals to get rid of their own currency was a great factor in arousing lack of confidence in foreign lenders and in leading them to make heavy withdrawals of funds from Germany. No doubt the measures in question are most severe and abnormal. But sometimes they are necessary. Stability of currency is of vital importance to the economy of the whole nation. And Dr. Schacht, in this volume, maintains that the German mark can be held stable by use of credit restriction, but at "horrible" expense to German banking, business, and economic life.

Quite aside from Dr. Schacht's views on measures to restrain a flight from the mark, his Chapter XI is significant in its analysis of German credit and currency conditions in the last few years, and in its exposition of the conditions which have led up to Germany's present difficult situation. In the course of this chapter Dr. Schacht says:

... since, furthermore, it is improbable that foreign credits will continue to be available for these purposes; and since, finally, it would be idiotic to continue to resort to such credits, it is absolutely certain that a time will come when the whole system will smash.

We must all agree that Dr. Schacht has unfortunately proved to be no mean prophet. He has "called the turn," and it has been a serious one, indeed! And he calls all the governmental bodies in Germany sharply to account for recklessness and for their proneness to borrow money abroad to pay for their heavy extrava-

gances at home. "There was no excuse for the national government, the provinces, or the municipalities to borrow money abroad to make up their budgetary or treasury deficits," he adds.

Dr. Schacht devotes the closing chapters of his book to discussion of various phases of world commerce. Towards the end of the volume the author again indulges in prophecy when he says:

Why should a foreign banker or capitalist have confidence in a country which is burdened with a reparation obligation of two billion marks annually, and has not for twelve years been able to pay a single pfennig of this out of its own economic earnings? So long as the reparations obligation persists, and so long as the world is not convinced that ways and means have been assured by which Germany can pay off these reparations out of her own normal economic activity, Germany will have no more credit.

OTHER FACTORS IN THE CRISIS

Such sweeping expressions as these of Dr. Schacht's just quoted may well have served to intensify Germany's current difficulties. There are some people today who feel that Germany's recent crisis was brought about not so much because of economic disability, but because so many of her public men, in what they may have deemed to be a perfectly legitimate effort to reduce their Reparations burdens, talked "poor" to the extent of raising grave doubt in foreign financial centres as to the solvency of the Reich. There is no doubt that Germany as a whole had put itself in an unsafe position by excessive foreign borrowing in the form of short-term loans; a considerable part of them being devoted to capital purposes, as contrasted with purely self-liquidating, commercial transactions. Yet, as long as foreign lenders remained thoroughly convinced of Germany's good faith and good will, there need have been no great haste on their part to withdraw their credit support. But one great difficulty was that the constant talk of poverty, and inability to pay, alarmed German nationals as well as foreigners, and withdrawals became heavy from both these classes of creditors.

One must maintain an objective attitude on these matters, and I am not, for myself, venturing to question the good faith or honest motive of the German authorities. They have for years been in a most difficult position with heavy political pressure from within, and financial urgency from without. They must frequently have been at their wits' end to know what was the wise course to pursue. But it is obvious that their critics will really have sound ground for attack if the government of the Reich fails to apply the savings resulting from President Hoover's debt holiday to the liquidation of German short-term obligations, both abroad and at home. Enormous relief will accrue to Germany from even this one-year holiday, provided it is availed of to correct some of the errors of unsound public finance in Germany.

ERRORS TO BE AVOIDED

From the utterances which came out of Germany upon the announcement of the Hoover plan, one almost got the impression that many Germans thought President Hoover had undertaken to endorse German political and financial policy and at the same time to censure France. It would be the greatest possible blunder for

the Germans to entertain any such mistaken belief. The German authorities must conduct themselves so that American and world confidence in their good sense and integrity will be built up—not undermined.

In summing up Dr. Schacht's main theses one would perhaps not have much difficulty in restating them in such a phrase as this: Germany's present trouble, arising, of course, out of the war, is due to the faulty fiscal and social policies of her governments; to the Reparations burden; to treaty restrictions which have hampered her economic life; to abnormally high tariff barriers in effect on both sides of the Atlantic, and to the world depression generally. Now, if Germany is partially crippled by these listed causes, we must know full well that America, too, is gravely injured by these causes as they act through Germany. Therefore, if we are intelligent on these matters, and if we have the intention of continuing to work for the restoration of world conditions, so as to improve our own lot, we must see what, if anything, we can do to help change these conditions that afflict Germany with especial severity.

BURDENS BORNE BY AMERICA

And upon a little analysis we at once discover that we Americans have carried, and are carrying, far more of the burden than we have been accustomed to think we have. We were, for so long a time, told by our Government that the American people were not interested in Reparations, that we have rather meekly accepted that negative idea. And yet, when we look at the figures, we are surprised to note that America is the chief community that has been lending the money to put Germany on her feet and in a position to pay Reparations. Since the inception of the Dawes Plan in 1924, American investors have bought German securities, government, provincial or municipal, to the extent of almost \$1,200,000,000.* In more recent years our American banks have extended in short-term credits to German banks upwards of \$500,000,000 which have manifestly been in certain measure a contribution to the payment of Reparations.† We may say, therefore, that for twelve years, ever since 1919, the American financial or investment community has been carrying altogether too much of this Reparations burden, and has thus made it easier for the creditor powers to avoid seeking a really final solution of the Reparations question.

In a recent forecast of world business conditions, issued by a leading American corporation, the statement is made that, "until tariffs are reduced and international loans are made to stimulate trade, a real international trade recovery is likely to be slow. It is one of the tragedies of politics that during the present period of stress German citizens, because of the prohibitively high protective tariff, are suffering from an unwarrantedly high cost of living, particularly for wheat and flour products, while wheat is selling on our markets at the lowest price on record." On this point, however, Dr. Schacht's friends, the German Socialists, are not open to criticism.

THE BARRIERS AGAINST TRADE

Can there be any question that what Dr. Schacht characterizes as "excessive protectionism" is one of the causes that not only helps to cripple Germany, but makes the whole world go limping along? In almost every country, including our own, this "excessive protectionism" is hard at work. Every country declares that it is a bad thing for the other country, but a good and necessary thing for itself. And we blithely go forward here in America to set up new and higher barriers for trade to try to leap over or fall

* A recent bulletin of the United States Department of Commerce places total American investment of all kinds in Germany at a figure of 2½ billion dollars.

† The recent so-called Wiggin report on conditions in Germany states that as of March 31, last, America held over 37% of the German bank short-term indebtedness; England about 20½%, France only 6½%.

Lute Song

By CLARA SHANAFELT

THOSE old quaint things this age does least esteem
I love the best:
Quiet and solitude and permanence,
The grave blue mountain and the silver stream.

I dreamed I voyaged to an Arcadian country
In whose kind leisure
The hand could learn its craft, the heart its measure,
And beauty flourish in tranquillity.

Bemused since then, the exile of a dream,
Pursued by riot,
Mocked by a barbarous race that hates my quiet,
I seek the mountain and the silver stream.