

Public, Artist, and Critic

BY HOMER SAINT-GAUDENS

Director of Fine Arts Carnegie Institute

IT is time that the public ceased to look upon art as a species of cloud off on the horizon. They did not use to do so. Years ago it was as much a part of life as a collar or a tie. But during the last century the world has grown to regard art as a thing apart; as a superimposed, high-brow form of entertainment, taken, in the words of the poet, "skin, bones, and hymn book, too," from other nations, or groups of artists, or bands of "ism" hunters.

Therefore, the art-lovers in the United States should come speedily to realize that, if they desire our art to retain that high position which the havoc played by the war in Europe has given it, they must bend every effort to make this art the finest expression of our nation's ideals, a composite photograph of the feelings of the individuals who form that nation, and who, though often unconsciously, in the main unite in a genuine search for something which can only be expressed in visual beauty.

To this end three conditions are necessary. The first condition is that the nation say what it wants expressed and say it loud and clear. The second condition is that our artists mingle intimately with our people in order thoroughly to comprehend, to sympathize with, and to express this national demand. The third condition is that the critics who are striving to spread the cause of art in the United States redouble their efforts to bring the artists and their public into close and sympathetic understanding.

For the first condition the public should lose no time in learning the danger of tip-toeing after art critics, of being afraid of their own feelings. Educated men or women these days never hesitate to remark on a play, or a novel, or a piece of music, and the frankness of their attitude inevitably leads to a healthy development in the long

run. But put these same men or women in front of a picture which is open to discussion, such as Orpen's "Sowing the Seed of the Irish Free State," or Bellows' "Eleanor, Jean, and Anna," for example (both of which were hung last spring in our Annual International Exhibition at Pittsburgh), and, bound by the tradition that it is a social blunder for any one of them to express an opinion about a painting which has not been indorsed by the elect, they become speechless, lacking in the confidence to express their own ideas, floundering in a sea of mental bewilderment until some critic throws them a life-line.

Another obstacle which prevents the public from expressing an open opinion toward art is caused by a widespread miscomprehension on their part. They have a notion that the appreciation of art is analytical, not emotional. They have been taught to believe that a picture is good because it conforms to a set of rules. They hear, for example, from certain art preachers that nature is the true source of art, that the painter's great purpose in life is to set before us nature, seen perhaps in auspicious circumstances and filtered through the genius of the artist's eye and brain. Winslow Homer would be a good example of this school.

About the time the public has this digested, another clique draws their attention to the fact that art should be based on allegory. There are many painters of this faith in England to-day; take Robert Anning Bell as a random example. The peculiar thing about this group is that they would be shocked if some one said frankly: "Oh, then for you art is only illustration, as with Abbey." Because just at present the word "illustration" is frowned upon in art and they forget that allegory is but illustration and that even their pet Pre-Raphaelites did little but illustrate—illustrate Biblical tales.



"June," by T. W. Dewing.

Reproduced through courtesy of the Milch Galleries, New York.

Then there comes a third aggregation who preach "art for art's sake," a discourse made up with references to the works of a painter like Dewing, though it must be admitted that Dewing himself is too whole-souled and honest a craftsman to be party to any such superrefined argument. Art in this division is devoted solely to the setting forth of abstract beauty; though how beauty can be abstract in paint is hard to decide.

It is small wonder that the poor, bewildered public, after watching these blind men quarrelling over their elephant, calling it everything from a tree to a wall or a rope, just climb into their "flivver" and motor down to the "movies."

For if the public really did view pictures in the manner so outlined they would be partaking of the only form of delight in which the onlooker is required to be amused by asking why the amusement is amusing. This does not obtain in literature. No one inquires how Hutchinson put "If Winter Comes" together. This does not obtain in music. Very few know how Beethoven constructed the Seventh Symphony. This does not obtain in the theatre. We are startlingly ignorant of the technique of what made "What Every Woman Knows" one of the finest of modern comedies.

The public, therefore, should know—and the sooner the better—that, as in the case of

the other arts, they should not devote themselves to explaining the painter's outlook, but to enjoying their own. There is not the least need of their concerning themselves about how the artist gets his art, a lot of technique which is none of their business, but only with art itself. Tone, values, warm and cool colors, perspective, these are all vital to the artist but of as casual interest to the public as the insides of a locomotive. All the public has to understand is that the pleasure to be derived from art comes only from a pure delight in beauty, which they can get through their gills as they swim around in it and which is not something they are to acquire by swallowing the hook, line, and sinker of critical culture in order that they may be dragged gasping into an art gallery.

The public should be taught to approach a picture as might a Navajo Indian working a ouija-board; to bring to a painting a taste as uncramped by technical considerations as that of the red man when his friend makes him a new rug, and a mind as open and unstained by prejudice as when calling the spirits on a winter's night. They should come to regard it as the most natural thing in the world for them to take the feeling they wish expressed to the artist whom they feel can best express it. They should cast off any weak-kneed fear of ridicule and the clatter

of many tongues; for if they refuse to have the courage of their own convictions they cannot expect their artists, who, after all, are only holding the mirror up to nature, to public should be left free and encouraged to develop their natural, normal urge, and to demand that their painters and sculptors take that urge and elevate it to a fine art,



"Sowing the Seed of the Irish Free State," by Sir William Orpen.

In the Twenty-first International Exhibition, Carnegie Institute, 1922.

reflect any convictions for them. They should not be afraid to be genuine in their likes and dislikes.

I do not mean that our high-school undergraduates should be placed in a position of trying to force Sargent to design paintings of father and mother "listening in" on the radio, or that the pictures to be admitted to the National Academy, or the Salon des Independents, for that matter, be chosen by popular vote. But I do mean that the

record it for them in permanent forms and colors.

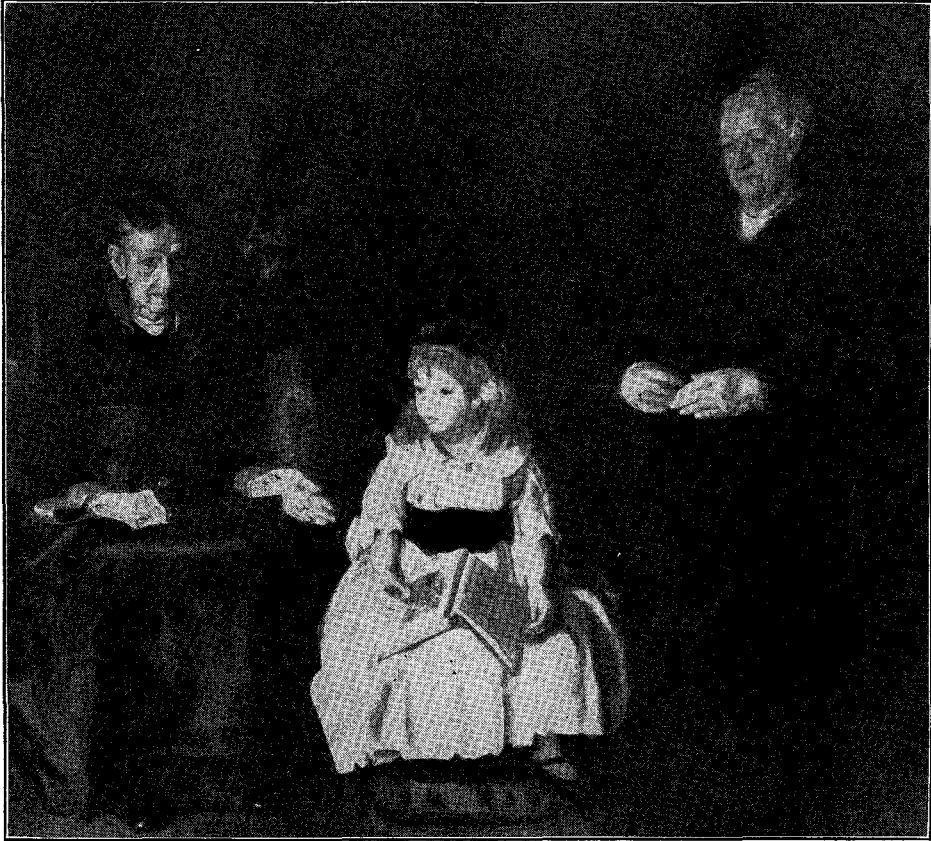
This is the condition that obtained through the past great ages in art. When the people of Rheims had a tremendous religious passion they sought the expression of this desire so forcefully that their artists moulded it into the form of one of the most beautiful cathedrals in existence. When the inhabitants of Florence demanded the expression of the Madonna in its highest form

an artist like Raphael put that demand on to canvas and made it the finest art the world has known.

So, by the same token, if the people of the United States have different and utilitarian architectural desires for twenty-story buildings and railroad stations, our artists must

illustration our artists must betray no hesitancy at "going in for" illustration and making illustration into a fine art just as did Pyle and Abbey.

All of which brings me to my second point, that our artists must accept this call on the part of the public, must learn to be



"Eleanor, Jean, and Anna," by George W. Bellows.

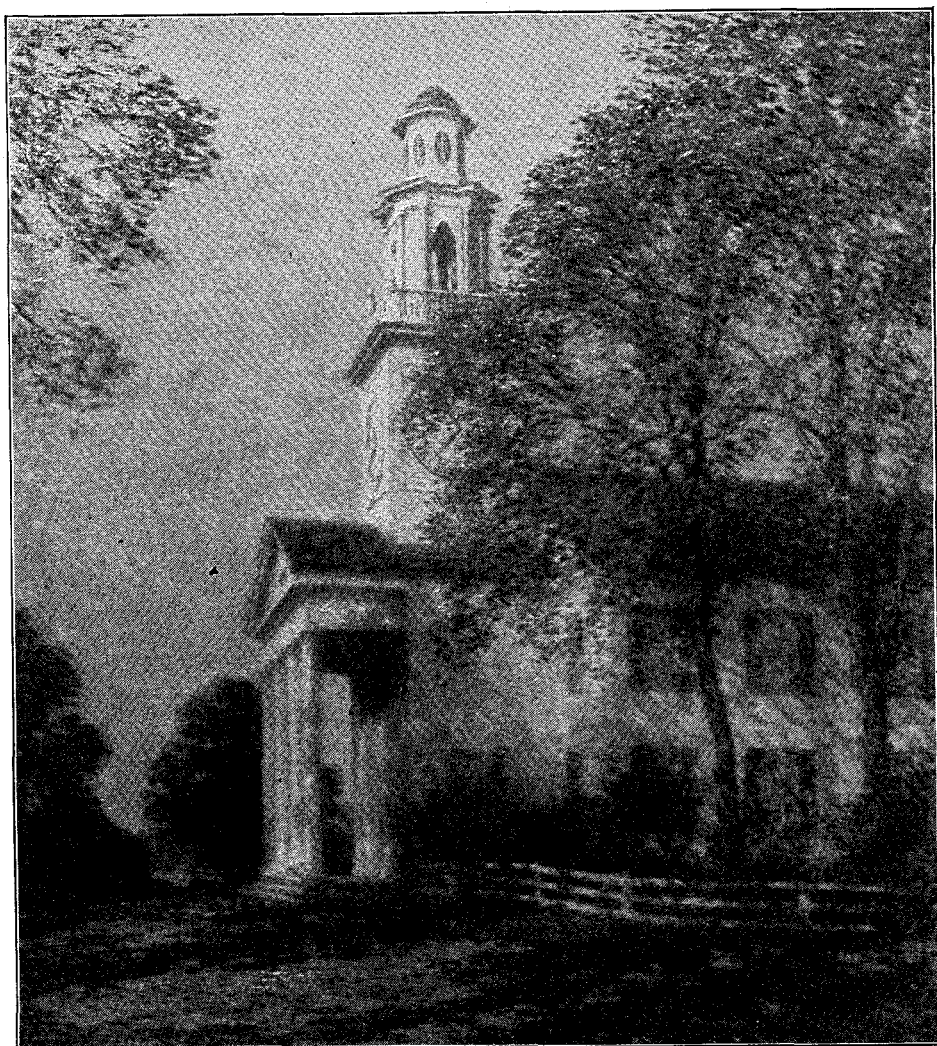
Awarded medal of the first class, Twenty-first International Exhibition, Carnegie Institute, 1922.

make those twenty-story buildings art, must make those railroad stations art, as did Charles F. McKim in New York and Daniel Burnham in Washington. If our people feel the grandeur of our sea life, or our Maine coast, more of our artists like Winslow Homer must develop that feeling on canvas. If our people love to dwell on the beauty of New England villages with their elm-bordered streets and white colonial churches in the moonlight, others of our painters must make that art, as Metcalf has done in his "Benediction." If our people demand il-

intimate with them and to express their wishes.

Our artists would be genuinely glad to do this, but they are suffering from two handicaps, the sins of their forebears and shyness.

The sins of their forebears are the sins of their immediate forebears, not their ancient ones. In the days of the Italian Renaissance when, say, Lorenzo de Medici, who after all was but the rallying point for the public desire for art in his country, decided to have a work of art created he called in the artist he liked best and laid down the law



"Benediction," by Willard L. Metcalf.

to him. He said: "I want thus and so, and this and that, and how much will it cost?" The artist told him. "What colors will you use?" The artist told him. "All right, put it in the contract." The artist put it in. Then, when the result was brought around, if Lorenzo did not like it he remarked the fact and the artist, with visions of cyanide in his after-dinner coffee, went right out and did it all over again. There was no aloofness in that situation, either on the part of Lorenzo or on the part of his artist. The results, the answer obtained through his demand, as representative of his people, was the answer to a popular demand.

But as time went on from that day to this artists began to work themselves up onto what they regarded as the height of pure form from which they could look down on such homely matters as content and other qualities associated with public understanding and desires and life, until finally they reached the upper level of their uppishness between 1850 and 1880, when they all took to talking about "art for art's sake" and telling the public that it did not know anything about the higher forms of life and should not intrude. At first the public agreed to this and bowed in awestruck silence before the artists' Olympian atti-

tudes. Then, as they did not really need art, they began to be bored with being awe-struck and so just naturally moved away, leaving the artists to float around in their clouds of high art, quite lonesome and chilly, with nothing in their pocketbooks, calling for public support and wondering why they did not get it.

Now, thank goodness, at last these artists have begun to recognize the drawbacks of this exclusiveness and want to return. But here they meet with their second difficulty, their shyness. For every good artist must be a man of sensitive nerves, and sensitive nerves make for shyness, and shyness is so often mistaken on the part of the public for pride and aloofness.

This leads me to my third point, which is that our critics should realize that art should unite men, not sever them; that when artists and laymen are facing one another in hostile camps, as they are to-day, there is something radically wrong with the situation; and that the critics can perform no higher function than to bring these shy, sensitive artist folk and our "tired business men" into that closer, greatly to be desired union.

The reason for this schism is not far to seek. Art has gone outside of public life. It appeals now to the intellect and not to the emotions. It has ceased to amuse, in the larger sense of the word, which for ages was its chief function. The critics are as much to blame as any one else; for they and their dilettante friends have fallen into the habit of applying arbitrary outside standards which ask both the artist and the onlooker to respect certain rules and regulations quite foreign to their fine natural impulses, thinking that thereby they are elevating the public to the sphere of high art. As a matter of fact they have not been doing anything of the sort. They have been barring

the artist from taking a broad and human relationship with his public. They have been restricting art to the specialist.

The cure is simple, though it requires a little courage to take the first dose. Let artist, critic, and public all tell the truth to one another in homely language which they normally use when not on parade.

Let the critic stop teaching the public about the artist and start teaching the artist about the public. Cease elevating the artist as the leader of a group of super-cultivated æsthetics. Insist again and again that as art is founded on life so the great artist must have great human sympathy with life, must reflect the big emotions of his time, marking the feelings of the world, but not teaching it new feelings.

Reassure the public day in and day out, year in and year out, not to put on felt slippers when they approach a picture. Agree with the public that they are only expected, in viewing paintings, to seek enjoyment in the finest sense of the word. Make clear to them that the artist is but a guide, a friendly guide, who will lead them, perhaps by seemingly confused paths, but ones they need not recognize if they have not the time or inclination, to the goal they seek.

Once the public finds this to be the case the rest is easy. They will feel free to develop a genuine and healthy point of view, restrained and refined but not inspired by the critic. Then seeing their point of view beautified beyond their dreams through their artists, they will support an art that is fine and spontaneous and national, not an art set up in a despairing competition with a baseball field across the way by a band of what the public now regards as fanatics whose only satisfaction can be the self-righteousness that comes to all leaders of a forlorn hope.

A calendar of current art exhibitions will be found on page 7.



THE FINANCIAL SITUATION

Conflicting Economic Influences

BY ALEXANDER DANA NOYES

SOMETIMES the drift of events is so strong in a single direction that the course of the markets seems, in retrospect, merely to have reflected a uniform and consistent economic movement with world-wide scope. The rising markets of 1919, the long decline of 1920 and the first half of 1921, the steady recovery during the early months of 1922, usually foreshadowed and always indicated a series of chapters in finance and industry each of which had a sharply distinctive character of its own. The situation with which this year's summer season ended was curiously different.

In a very unusual degree it was a situation of conflicting tendencies, mutually offsetting influences, underlying causes which foreshadowed diametrically opposite results. This was not all; the events which shaped the period were themselves of the most perplexing nature, in that the most experienced mind could not be sure what they actually meant or just what condition of affairs they were creating. In many respects the general economic outlook, notably in the United States, was extremely favorable. Money was abundant; the "frozen credits" of 1920 had been released; industry was re-awakening, after its long depression, to a market of stable prices and depleted supplies. At the very time when the embargo on coal supplies and the threat against adequate transportation facilities were reaching their critical stage, the signs which ordinarily indicate trade revival were impressively in evidence.

THEY were favorable in the field of railway traffic itself. The Association of Railway Executives makes public at regular intervals the number of cars

loaded with freight each week on all the railroads of the United States. During one or two weeks before the movement of coal was crippled by the strike, more cars were loaded than in any corresponding week since the ending of the war. As the strike went on, loadings of coal necessarily decreased, and during midsummer the total traffic taken by the roads, although still some 10 per cent above that of a year ago, fell far below 1920 and 1919. But since this was an enforced and artificial decrease, it was not the true test of industrial activity.

When the car loadings of general merchandise, which fairly measure the state of general trade, were compared with the same week in preceding years, they showed not only a weekly increase of 100,000 cars over 1921, but of 50,000 over the active midsummer season of 1920. In one week of July, the total loadings aside from coal practically reached the highest weekly total in the history of American railroads. Checks drawn on American banks in July, another familiar measure of the scope of business, were greater by nearly 16 per cent than in July, 1921.

ONE doubtful problem of a summer season is always the outcome of the harvests. The results from the agricultural season 1922 have been singularly interesting. The August crop forecast of the Department of Agriculture indicated a wheat yield 10,000,000 bushels greater than in 1921; a corn crop only four times exceeded in our agricultural history, and a total harvest of the five great cereal crops which would exceed last year's by 300,000,000 bushels, or 6 per cent. In a curiously different way, the cotton crop outlook contributed to

The
Favorable
Economic
Signs

Harvest
Outcome
of 1922

the influences making for business recovery.

Nothing had given more emphasis to the depression of 1920 and 1921 than the inability of Southern planters to turn into cash the enormous surplus of unsold cotton from the previous harvests, or to pay the bank loans with which that surplus had been financed. There is normally carried over, at the end of a growing season in the cotton belt, a reserve of about 2,000,000 bales. In August, 1918, that "carry-over" in the South was estimated at 2,184,000 bales. At the same date in 1919, it had risen to 3,574,000. By the middle of 1921 it was 5,215,000, and meantime the price of cotton had fallen from 43¾ cents in July, 1920, to 10⅞ in June, 1921. With labor and materials at their present figure, the lower price would scarcely pay the average planter's cost of production; it would certainly not return him what he had spent to produce that cotton.

THE great reduction in acreage of the cotton crop of 1921, and the unfavorable season which has prevailed for the crop planted in 1922, may turn out to have brought unfortunate eventual consequences to the textile industry; for if the last season's requirements of 13,000,000 bales of American cotton were

The Cotton Crop Situation

to be met, as the late summer estimates have indicated, by a 1922 crop of 10 to 11 million bales, actual scarcity might result for the spinning trade. But at the moment, the immediate consideration was that the "twenty-cent cotton market" had resulted, at a time when home and foreign demand for it was reviving, in the solution of the urgent problem of the South.

This summer, at the end of the old cotton season, there was carried over in the South only 1,906,000 bales, or less than the normal average, comparing with the 5,215,000 carry-over of a year before. The huge surplus which had seemed unsalable in 1921 had been disposed of, largely at prices nearly double the low values of a year ago, and the "frozen credits" were paid off. How greatly this had altered the situation, in regard to facilities of credit now available for trade,

might be judged from the fact that at the ending of this past summer the New York Reserve Bank, which a year before had been rediscounting \$318,000,000 notes for private banks, and nearly \$42,000,000 for other reserve banks in the "frozen credit" districts, was now asked to lend only \$47,000,000 in all, and that its cash reserve was now more than double the amount required by law to be held against its deposits and circulation. At the end of the summer season of 1921, the Atlanta Reserve Bank, serving the Eastern cotton belt, was rediscounting \$100,000,000 loans for the private banks, and itself borrowing \$8,000,000 from Northern reserve banks; this summer, its rediscounts were down to \$30,000,000, and it was borrowing nothing from other reserve institutions.

SUCH was the underlying economic position in the United States. The counterbalancing influences were formidable. They were embodied in actual news, which unfolded in a manner to cause, first entire perplexity as to what it actually meant, then a sense of confused uncertainty as to what the ultimate results would be. In Europe, the German Government had formally declared inability to continue payment of reparations. England had proposed a moratorium on payments. France, whose own indebtedness for reconstructing the devastated regions would have remained a charge on the public treasury while Germany's stipulated payments were remitted during two or three successive years, refused concurrence. The foreign correspondents and the markets discussed a possible "break in the Entente," a possible seizure of German territory by France. Meantime, with the gold value of the German paper currency shrinking more than one half within a fortnight from its already very low level of depreciation, the German Chancellor had publicly declared that to watch the movement of affairs was "like being at the deathbed of a nation."

In America, the five-months' coal strike had so far curtailed supplies that even the country's steel and iron manufacturing plant, with unfilled orders on its books 40

Counterbalancing Influences

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(Financial Situation, continued from page 514)

per cent greater than a few months before, had been forced for lack of fuel to reduce by one-fifth its daily production of steel, and to blow out more than one-fourth of its active iron foundries. At the moment when hope for a settlement of that industrial dispute was coming into sight, the strike of the railway shop mechanics against the wage reduction by the Railway Labor Board had so far excited the feelings of operating railway forces that trainmen began to quit their duty, sometimes leaving a trainload of transcontinental passengers half-way across the Western desert. The possibility of a general railway strike began to appeal to uneasy imaginations; occasionally, predictions would be heard of enforced closing down of productive industry, of five or ten million laborers out of work, of government seizure of the railways, or a "social revolution."

CONFRONTED by a nation-wide famine of fuel for manufacturing industries, whose reaction on labor in those industries must have been disastrous, the unions settled both coal strikes; but the five months' shortage of pro-

duction remained, and the organizations of the shopmen whose office it is to keep in working condition the engines and cars of the railways, failed to come to terms with their employers, even on the intercession of the unions controlling the operating forces. The resultant situation was difficult to read, whether in its application to the general attitude of labor or in its application to the question of fuel supply and distribution. Beyond the fact that the upshot of the coal and railway controversies has shown that American labor is not, as a body, predisposed to anarchy and violence, it is a little difficult to see what we have learned from the past season's chapter of events. That labor was not only restless over wage reductions, but that it was able to accept a long period of unemployment (perhaps because of the very high wages earned in the past half dozen years), had been made evident already, and another shortage of labor seemed to be in sight. That there was a radical element in the union membership, which was ready to resort to disorder, and which might have wel-

Aspects of
the Coal
Strike

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comed the complete upsetting of the industrial and social structure, has been manifest ever since 1918. This has made "labor union politics," the formal action on leaders and policies, a focus of contest and manœuvre quite as active as the conflict of political parties at Washington.

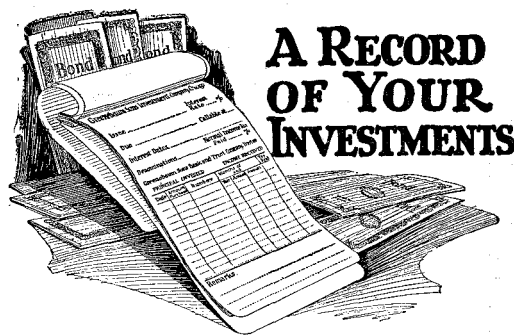
Nevertheless, conservatism has prevailed whenever the real test came. The bituminous coal strike was settled. The head of the railway trainmen's brotherhood ordered the men who had abandoned their trains in California and Arizona to return to work immediately, declaring in his order that the union would not "give instructions that mean that each individual member can do as he pleases." When the four brotherhoods of railway operating forces intervened to mediate the shopmen's strike, they stated positively that no idea of a general railway strike had at any time been entertained.

ON the other hand, the work of the Railway Labor Board, created by the Transportation Act of 1920 to settle wage disputes between the companies and their employees, remains in a highly experimental stage. It still

has no power for punishing refusal to acquiesce in its decisions, and it is doubtful whether its authority has been strengthened or impaired by the occurrences of the season.

The Administration at Washington, in its efforts to bring about the settlement of the railway shopmen's strike, rightly upheld in principle the authority of the Labor Board; but at the critical stage of the negotiations in the matter, the Administration gave an unfortunate turn to this very part of the controversy. When the four brotherhoods of operating railway employees were threatening a strike last October against the Labor Board's reduction in their wages, the Board in an official decision warned the unions that if a strike were ordered and carried out, "the organization so acting has forfeited its rights and the rights of its members in and to the provisions and benefits of all contracts theretofore existing, and the employees so striking have voluntarily removed themselves from the classes entitled to appeal to this Board for relief and protection."

(Financial Situation, continued on page 63)



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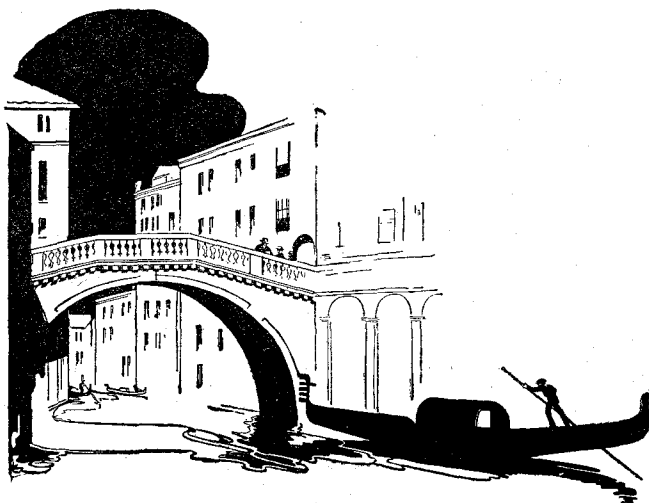
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The President's proposal of August 1, submitted unexpectedly, was that "all employees now on strike" should be "returned to work and to their former positions with seniority and other rights unimpaired." It was out of the question for the railways to accept this proposal when the shopmen who had remained

loyal and the new mechanical employees had been assured that the prior rights, deliberately relinquished by the striking workers, would accrue to them. The issue, indeed, was unusually clear, not only because of the Labor Board's official declaration, but because the strike had itself been directed against an arbitral decision of the Board itself in the matter of wages. In other words, the authority of the Board was doubly challenged, by refusal to accept its formal ruling on a wage dispute, as authorized by the Transportation Act, and by the demand, on which the striking unions now conditioned the return of their men to work, that another decision of the Board on working rules and privileges should be ignored. The public's immediate approval of the attitude of the managements showed that respect of the Federal Board's authority was the real question at stake. The Administration itself virtually receded from its position; President Harding stating to Congress that his "tentative proposal" had not been "what I would ordinarily ask to be conceded," but that "the government can now have no chart for its course except the law."

(Financial Situation, continued on page 65)

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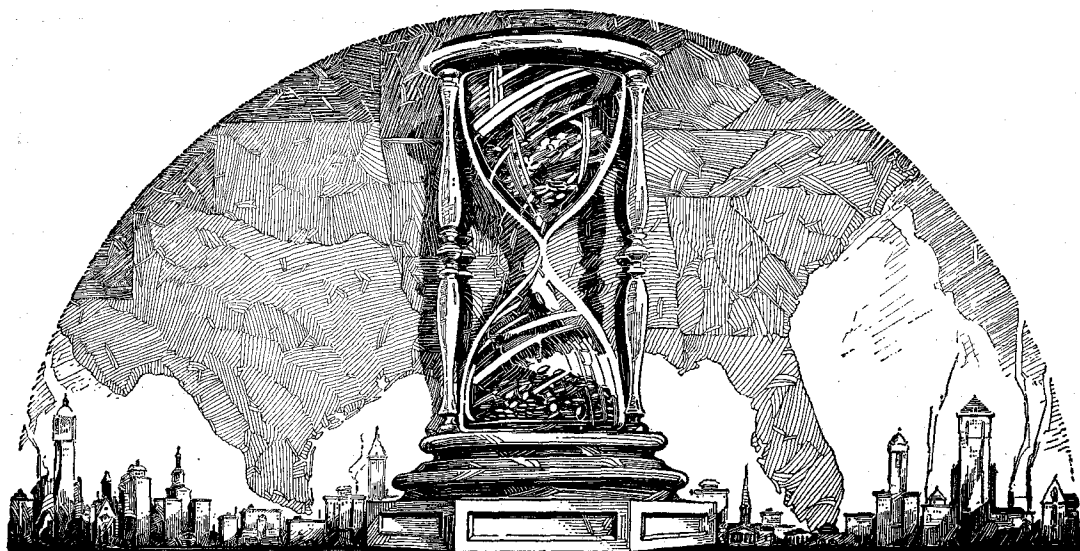
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MORTGAGE & SECURITIES CO.

CAPITAL AND SURPLUS OVER ONE MILLION

CANAL & CAMP STS.

NEW ORLEANS

(Financial Situation, continued from page 63)

WITH the shopmen's strike continuing, despite this attitude of government and public, the situation merely resolved itself into a question of time within which the striking mechanics could be replaced by new recruits, and the railway cars and locomotives brought again to their previous standard of efficiency. Meantime the larger problem remained for the approaching autumn and winter season: what would be the effect on industrial activity and individual comfort of the shortage of fuel which was inevitable after a five-months' interruption of output from the mines?

At the moment the most that can be said is that the hardships arising from a deficiency of this kind, when the existing condition had been long foreseen, and when preparation had been made with the utmost care to command supplies from foreign sources and to provide for the most efficient distribution, always turn out to be less formidable in the actual event than in the previous canvassing of unpleasant possibilities. Back even of these considerations rose the question, brought into strong relief by the incidents of the season, what machinery can be set up to prevent recurrence of a situation in which the welfare and safety of the whole community can be put in peril by the refusal of a single body of organized workers to submit their disputes and claims to arbitration.

IF the course of events was perplexing this summer in the American labor controversy, the drift of affairs in Europe's discussion of German reparations seemed at times to indicate complete confusion of purpose, absolute deadlock of policy, and financial consequences difficult to predict. Another in the long series of conferences of the allied premiers was called in August at London, on the formal declaration by Germany that the next instalments on her reparations would not be paid. The note from the government at Berlin to the Allies' Reparations Commission, dated July 12, had set forth that whereas foreign gold credits could be purchased by Germany in the spring of 1921 at 60 marks to the dollar, the cost per dollar under existing conditions had risen to 500 marks. Payment on reparations account, this year, of 720,000,000 gold marks, would equal \$171,000,000, which would cost in German paper currency more than 80,000,000,000 marks. The German Government went on to say that "if under the circumstances Germany

(Financial Situation, continued on page 67)



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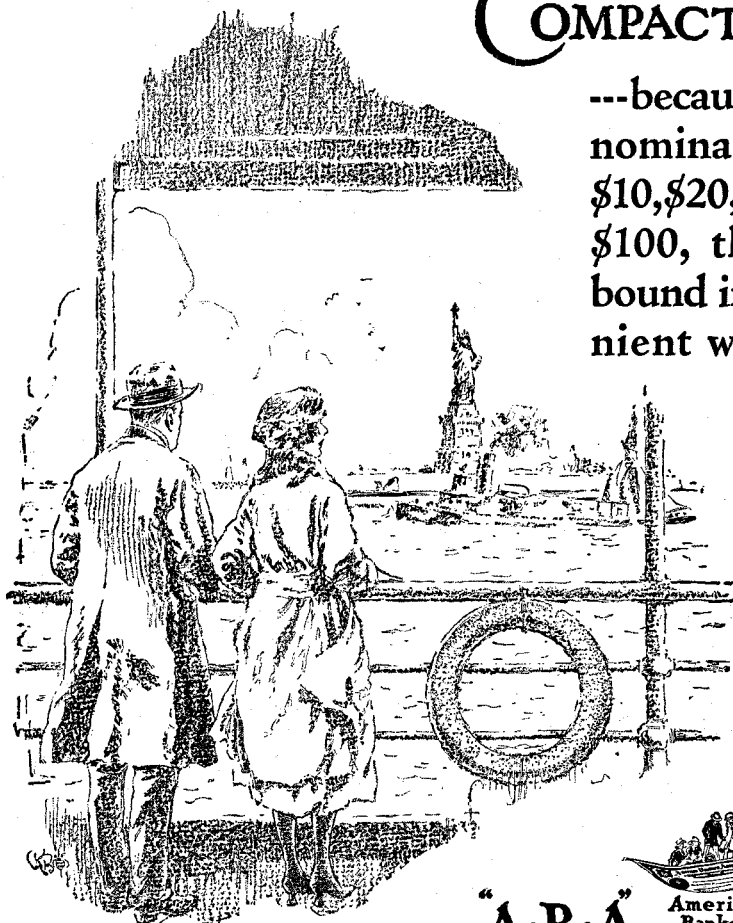
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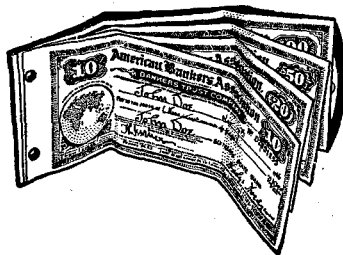
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should be further obliged to buy foreign currencies to an extent similar to the amount demanded at present, the depreciation in the value of the mark would progress rapidly and lead to the complete dissolution of the financial, economic, and social life of Germany." It therefore concluded that "for this reason Germany, under present conditions, is unable to continue cash payments."

The situation which then presented itself was by no means simple. It was regarded from four distinct and separate points of view. Germany protested that her government could not go on paying indemnities in gold while the gold value of the paper mark, in which her revenues were collected, was falling to infinitesimal proportions, and while, therefore, the actual cost of making such payments was doubling or trebling in a few weeks' time. France replied that her government had spent from its own resources, for reconstruction of the devastated regions alone, upwards of 60,000,000,000 francs; that the annual interest on the bonds issued to raise that prodigious sum must be procured from taxes; that if reparations payments were suspended, without tangible guarantee of ultimate resumption of them, for the benefit of the country which had done the damage, and whose own cities and industries had not been touched by the hand of war, then the whole burden would fall on the party who had already suffered most.

England, speaking through its premier, took the ground that the policy of pressing Germany too hard would itself invoke disaster. If it ruined German trade, it would put the payment of reparations out of her power. If it drove Germany into the hands of the Communists or reactionaries, "there would be no reparations from either; there would be lots of trouble but no cash." Finally, there was the Reparations Commission, holding the position that the German Government had itself, through its unsound methods of public finance, created the situation in which payment of reparations, even of an annual sum, had become impossible.

It is one of the paradoxical incidents of an episode full of paradox that the fall in the German mark—which had been ascribed, both in and out of Germany, to the forced sale of

German paper money to raise foreign credits for the reparations payments—reached its extreme point of violence after those payments had been suspended. The government at Berlin had declared its inability

(Financial Situation, continued on page 69)

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The Atlantic Trust Company has a capital and surplus of \$2,000,000 and resources of more than \$6,000,000.

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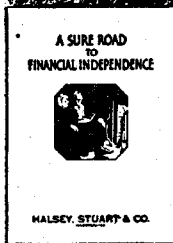
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The full details of this plan, results, and a “Plan Sheet” are included in our booklet, “A Sure Road to Financial Independence.” We would like to send you a copy of it, without obligation.

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pay the next monthly instalment on reparations, due August 15, it was therefore buying no foreign credits through sale of paper marks for the purpose of that payment, and hence was a less important influence in the depression of mark values than before. Nevertheless, the New York valuation of the mark, which was seven-eighths of a cent at the end of May, one-fourth of a cent when the notice of default was made on July 12, and one-sixth of a cent at the end of July, declined during August to less than one-twentieth of a cent.

Speculation in Germany grew more furious than at any previous time in the paper-money delirium; simultaneously, signs of exhaustion of the supply of capital and credit became increasingly distinct in the German market. Proposals were made, and in part adopted, for the "rationing" of credit. The Reichsbank's official discount rate, which had stood unchanged at 5 per cent from December, 1914, through the war and the three and a half years after war, was raised to 6 per cent on July 28 and to 7 on August 28; the last-named rate having never before been charged at that institution except during three weeks of the European "Boer War panic," at the end of 1899.

As if to make the anomaly of the picture complete, the paper currency was increased during the month of rising bank rates 34,000,000,000 marks. It had been increased only 33,000,000,000 during the full year 1920, and 45,000,000,000 during 1921. It was reported from Berlin at the end of August that the Reichsbank was finding it impossible to keep up with the demands for paper currency pressed on it by the business community through the private banks. At one time, serious embarrassment was caused by a strike of printers at the government's currency-issue bureau.

THIS seemingly contradictory phenomenon of rates for money rising rapidly and loans becoming harder to get, at the moment of maximum increase in the output of new paper, caused a good deal of controversy. Doctor

Tight
Money
appears in
Germany

Helfferich, Germany's wartime finance minister, declared to the Reichstag that the credit stringency meant that the country was

suffering, not from too great a supply of currency, but from too little. Any one acquainted with economic episodes of this kind knows how familiar such assertions are at just such stages of inflation in prices or currency. The same contention was publicly made by American bankers when the American money



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THE 8% Cumulative Preferred Stock of Standard Gas and Electric Company is non-callable and is listed on the Chicago Stock Exchange. Par value of shares is \$50. It may be purchased for cash or on the 10-Payment Plan.

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market for merchants' loans went to 8 per cent in 1920. Its basis then, as in the present assertion by the German bankers, was the fact that prices were rising and that higher prices call for a larger circulating medium to provide for pay rolls, till-money, and personal pocket-money.

But the slightest consideration shows that such an argument, in the case of Germany, mistakes effect for cause; for if progressive inflation of the currency drives prices proportionately higher, the same situation is certain to recur in still more aggravated form. Actual capital cannot be indefinitely accumulated at a corresponding rate. Even the proceeds of very large stock and bond issues by strong manufacturing companies, which would have met the season's business needs at last month's costs of materials and labor, will be wholly inadequate with prices and wages marked up 20 or 30 or 50 per cent. The company is driven into the money market, where its bids compete with an increasing body of other borrowers in the same position, and meantime the capital and surplus of the lending institutions to which the borrowers apply is correspondingly less able to meet even the former requisitions.

FURTHERMORE, at that very moment the transfer of German capital to foreign markets was reducing the home supply. In spite of all the government's efforts to get possession in exchange for new paper marks, of drafts or foreign banks received by German exporters in payment of their foreign sales, the heaping up of these private foreign credits continued.

**Credit and
Capital in
Currency
Inflation**

It was possible for a German capitalist who had sold German securities in western Europe or America to remit the bills to a bank of Switzerland, instruct that bank to make collection, and thereby create a credit balance of his own in Zurich or Geneva, where its value would not shrink with the further fall in the German mark. But necessarily, all such export of capital from the country must equivalently reduce the loanable resources of German banks. The outgo of real capital from Germany on that account cannot be accurately measured; the total foreign accumulations of the kind to date have been variously estimated all the way from \$500,000,000 to \$2,000,000,000.

In the closing weeks of August, when it was not known what action the Allies or the Reparations Committee would take regarding Germany's declaration of inability to continue making reparations payments, and the mark's decline became more rapid than on any pre-

ious occasion, the German people seemed to be seized with a panicky impulse to turn their paper money, or the bank deposits payable in such paper, into other currencies with a reasonably stable value. The transaction could be effected on the German stock exchanges. The foreign market called it "throwing over of marks by Germans"; the Germans called it buying dollars, or British pounds sterling, or Dutch florins, or Swedish crowns.

Sometimes the foreign currencies thus bought were physically hoarded by the German buyer, sometimes a bank deposit was established on his credit at New York or London or Amsterdam or Stockholm. In either case that much of available capital went out of Germany, and in either case the pressure of German sales of the paper mark forced its value to still a lower figure. The lower it fell, the greater for the moment became the contagious excitement over getting rid of the paper money before it should sink to absolute worthlessness. It must be remembered that the German people had before their eyes across the eastern border one country in which the paper ruble had lost all buying power whatever, and across the southern border another country whose paper crown, worth nominally $20\frac{1}{3}$ American cents, had fallen in August to barely one-thousandth part of a cent, and where the complete insolvency of the Austrian Government had become a matter of common talk.

WITH or without a formal respite on reparations payments or reduction in the total sum to be paid, Germany's economic problem will remain. Like all past episodes in the history of depreciated paper, it admits of solution—if only by such outright repudiation of the paper money, with substitution of another medium, as brought France to her feet again after the assignat experiment of the revolution. It certainly does not follow that the present dilemma means the "economic ruin" of Germany; the country's real wealth, its actual producing power, its capacity to make and sell goods that are needed by its own people and by foreign countries, are not destroyed by depreciation of the currency. The machinery of trade will be badly dislocated. Importations will become more difficult to manage because of the increasing obstacles to the regular payment for them on exchange; export arrangements will be impeded by the rapid and violent day-to-day changes in domestic prices.

Yet commercial ingenuity may be trusted to find expedients whereby even these handi-

(Financial Situation, continued on page 72)

Nine Investors Out of Ten

know the Franklin automobile as a light, easy-riding, economical car, made by a successful organization, driven by representative people.

Reputation of the car is typical of the investment qualities of Franklin securities. On Franklin Common Stock an average yearly cash dividend of \$13.14 per share has been paid on each \$100 of such stock outstanding each year during the past 20 years. Two previous issues of Preferred have netted $9\frac{1}{2}\%$ and 11% , respectively.

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More than \$55,000,000 Invested Capital

(Financial Situation, continued from page 71)

caps may be in large measure overcome. During 1921 the mark declined from $1\frac{3}{4}$ cents $\frac{1}{2}$ a cent; at the lower figure it was depreciated 98 per cent from normal parity; but Germany imports from the United States during the year were \$372,000,000, as against \$311,000,000 in 1920. A further fall of 50 per cent in the mark's foreign value occurred in the first six months of 1922, yet Germany imported slightly more goods from the United States than in the corresponding period of the year before.

Nevertheless, the continued depreciation almost to the point of worthlessness, means that the task of considering the problem of a drastic change in policy cannot be very much longer deferred. The longer economic consequences in Germany itself remain obscure, the longer political consequences are no more easy to forecast. But the social consequences of this unprecedented rise in living costs are most disturbing, the political consequences not easy to foresee, and the discouraging consideration from the economic view-point, is the fact that the progressive fall in the currency's value has carried the situation past one point after another, at which recourse to a given remedial measure would have been practicable. Whether even the foreign loan, which was seriously discussed two or three months before would have been possible at the end of August was entirely doubtful. Even the half-way expedient of currency "revaluation" presented a totally different aspect with the mark at one twentieth of a cent from that which it might have borne with the price above one full cent.

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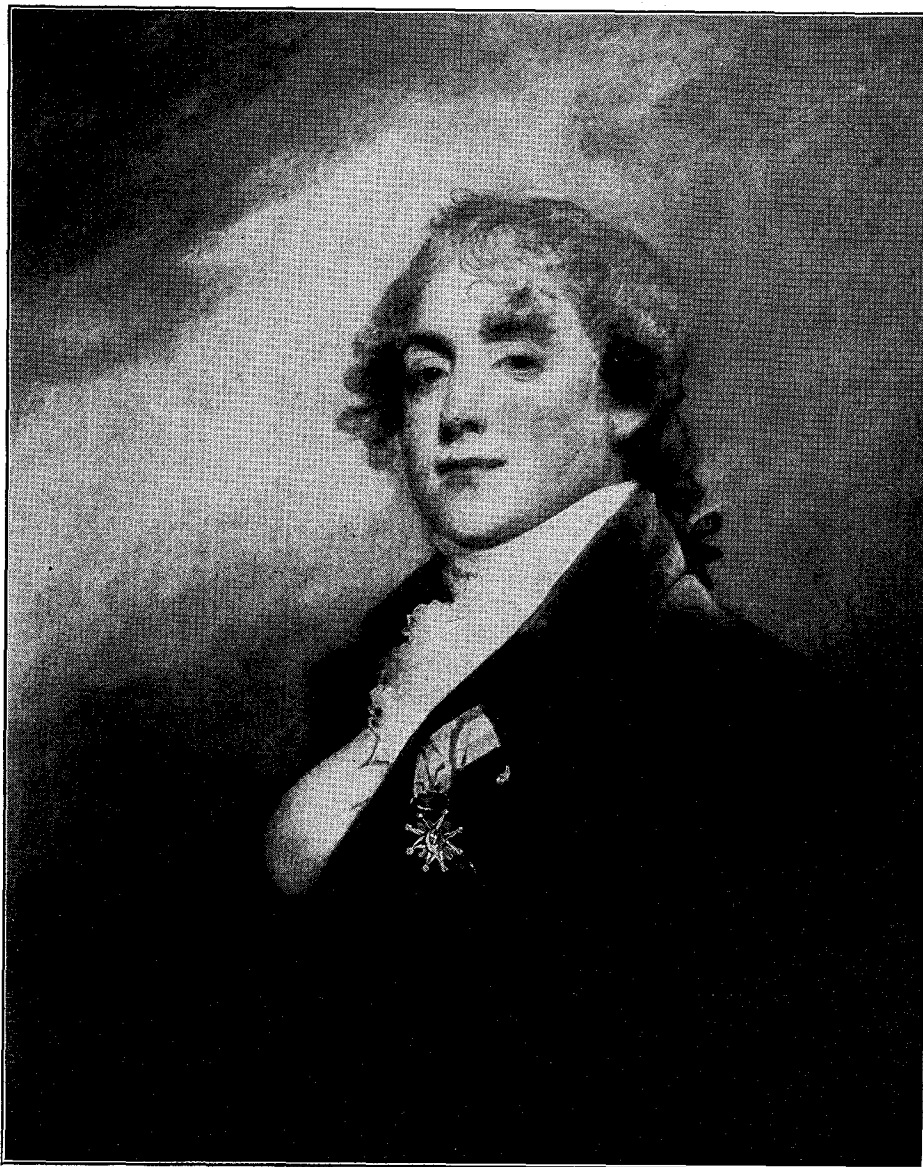
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Painted by Gilbert Stuart and owned by the McKean family of Philadelphia.

—"The Field of Art," page 635.