

The Economic Club of New York

Subject: The Economic Outlook in Europe

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Introduction

Chairman, William Church Osborn

Guest and Fellow Members of the Economic Club; we are all glad to get together again for the season of 1923 and 1924 and Mr. Ely, who gives me my orders, tells me that this is one of the best dinners that we have had, in point of numbers and quality, and tells me the entertainment is going to be quite the equal of the guests and of their standing.

The subject is, "The Economic Outlook in Europe." Someday I hope to attend a meeting, perhaps of the Economic Club; perhaps of some other organization when the subject will be "The Spiritual Outlook of Europe," because whenever men get together in great bodies they do not act as economic units. They act as man, with all of the emotions and convictions, with all the feelings of fear and of hatred with clothe and move man to action.

While I look forward with the greatest interest to the discussion this evening, I cannot but feel that we tonight – perhaps I cannot anticipate what the speakers are to say – but that the subject tonight is limited in a way which is perhaps too much adopted throughout the world, that is, limited to the economic side of European life.

The malady of Europe is of the soul quite as much as of the body. It is by the development of the higher qualities which Europe has shown from time to time in her great history that the European peoples will again resume the life which we hope for them.

If I were a dictator, which I am not and never expect to be, I should do one thing in Europe. I would start somewhere up in Central Europe, probably well up in Germany and I would drive a great big four track railway right down through Central Europe and through the Balkan States until I came to a port of war water, something perhaps like Salonika, and I would build in that port a thoroughly equipped terminal, and I would neutralize the railroad as the Danube is neutralized, and I would neutralize the port. I would give to all of those people who now....

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UNKNOWN SPEAKER PRESENTING

....to speak before these two experts, skilled public speakers, for otherwise I would not speak at all.

I am thankful to the Chairman for giving me the opportunity to say something about the political situation in Europe because, like him, I feel that the political situation is so closely interwoven with the economic that it is necessary to have something of the former to understand the latter and, besides, I am not quite sure that all those experts, those guardians of expert talent are really as strong in their political roles as is generally supposed.

Only a few days since I received a letter from a man of achievement, a lawyer with financial tendencies (laughter). He assured me that he had had it from undoubted authority that Germany had sent to the United States and other countries within one month \$90,000,000,000 gold and securities. A few days since, in talking to one of the established bankers of this great metropolis, he informed me that he would like to have an opportunity to put Germany straight. He said he could do it if he were given authority. Naturally, I was interested to know how it would be done. He said he would balance the budget. That was the first essential. The he would make a foreign loan. That was also essential. How simple. How simple. Marvelous that that had not been thought of by someone before.

Now, gentlemen, in respect to the situation in Europe, as we had opportunity to see it for a period of something more than four years. We watched the genesis of the present great economic crisis in Europe as it slowly developed before our eyes. When we arrived at the Rhine, it was generally supposed that we would be a signatory to the Treaty of Versailles. France felt that she would have the United States and England to give her security against unprovoked aggression on the part of Germany. Having that promise, as she supposed, she renounced what some of their chief statesmen had been contending for, namely the Rhine as a boundary, and what others had been contending for, a treaty with the separate states of Germany.

You can hardly blame that country for having a different viewpoint under these conditions. We found ourselves side by side with her unable, of course, to agree with her at all times. The American viewpoint could not always be reconciled with that of our European colleagues, but, for the most part, we were able to maintain the solidarity throughout our stay on the Rhine. Differences of certain varieties appeared from time to time which could not have been avoided. For example, France began to show in the early stages that security was infinitely more important to her than reparations. This was manifested in various ways, notably in the evident desire to bring about changes in her traditional enemy. She found herself face to face with her population of 39,000,000 with a population of 62,000,000. She knew what she meant. As early as 1920, in fact, I will go back beyond that, as early as the spring of 1919, it was proposed by the commander in chief of the Allied Forces that he send deputies down to the American zone for the purpose of establishing an independent republic. Of course, we would not consent to that, unless it be done without any disturbances in the American territory.

At various times I talked to him about that measure and found that he was, perhaps, under the influence of the exploits of Louis XIV and of Napoleon. He also felt that the Rhinelander's who did not like Prussia would be glad to serve or to cooperate in some way with the French with whom they were in a measure sympathetic as to that, by reason of the fact that their grandfathers had fought under Napoleon.

Differences of various sort arose between the Germans and the French. It was but natural that the French policy should not be as congenial to the Germans as that of the English and the Americans. We found this separatist idea only very, very slightly developed at that time. The

Germans have claimed that the separatist leaders were only employed or subsidized by the French, but be that as it may, the differences continues to augment. There was, as early as 1920, a seizure of Frankfort and Darmstadt. At that time troops in ample number were brought up to occupy the Ruhr. There was also a thought of sending a column from the Rhine through Frankfort up to Mayence for the purpose of making a separation of Southern Germany from Northern Germany, of Bavaria from the rest of Germany.

These two thoughts, those two acts, will give you clearly to understand that this separatist movement is not a new measure. It has been in the minds for a long time.

At the time of our departure, it was indeed a question as to whether or not the English would quit the Rhine at the same time. My British colleagues there informed me that they thought the chances were favorable to leaving than to staying. It was thanks to their good will and extremely conciliatory attitude of the commanding Generals DeGoutte and Godley that the British forces have been kept there.

Doubtless, had we been French we would have been moved by the same policy, but never has there been a moment in my mind when I did not feel that the movement into the Ruhr would be fraught with the greatest danger for economic Europe. I felt, moreover, that it would mean untold misery for thousands of people, and so reported it. There have been those who connected the departure of the American troops from the Rhine with the advance into the Ruhr. There are many in Europe who have considered them in the relation of cause and effect, but not statement of an official character has ever been made by our country with respect to that measure.

In respect to the economic situation in Europe, it has gone from bad to worse. There can be no doubt about the future being worse than the present. It has been intimated that one-half of the population of the United States is engaged in lines of production absolutely dependent upon foreign countries for our surplus product. Europe has always been our best market. It therefore follows that this great economic struggle is seriously interfering with our business relations and our prosperity.

In 1921, we received from Europe 23 percent of our total imports and sent there 60 percent of our exports.

In 1922, these percentages were 32 and 56. Despite the heavy debts, the mounting annual deficits, the unfavorable trade balances, unbalanced budgets and unfavorable exchanges, Europe must largely depend upon outside sources, in which we are paramount, for her raw materials. While her share of our total exports has in general been over 50 percent, she has in the past taken 84 percent of our exports of our meat, 80 percent lard, 75 percent of wheat, 50 percent of flour and 82 percent of cotton. That statement of fact alone is sufficient to impress the farmer with the importance of our Government's earnest efforts to bring about peace in Europe.

I shall not speak of the economic conditions in Germany. At the present time there is complete financial chaos in that country. Political chaos may also be said to reign, and it is but a step, perhaps, until we find social chaos in that land.

The economic struggle is costing Europe millions of dollars daily in loss of production and also unemployment of millions of men, notably in England and Germany. There is a decreased capacity to purchase by our best customer, Europe, which prevents our mild prosperity from becoming real. In this radio-electric era, European trade centers are nearer to us than were the Canadian markets a few years since. In the complexity and inter-dependence of our trade, we are dependent upon those centers in a very large degree for our prosperity. The purchasing power of our products by England and the Continent and the commerce of the entire world are greatly restricted by reason of the Central European situation.

Now, Gentlemen, you naturally ask yourselves what can the United States do at the present time? Far be it from me to make any aspersions on the recent remarks of the commander in chief of the United States Army and Navy, upon the President of the United States, but I would say that we have a right to talk in Europe. Had we not gone over there as we did in 1919 when our great war partners were simply hanging on, unable and undisposed to make any advance whatsoever, acting wholly on the defensive, with morale so low that it was distressing to themselves as well as us, had we not gone over, the sovereignty of some of these countries in Europe would not have been in existence as they are today.

It does not behoove us, a powerful, the domination industrial nation of the earth, the country through whose domain the industrial center of gravity passes, it does not behoove us to boast, but that is a thought which I hope will not be forgotten on the other side.

Furthermore, it is a fact that had the United States participated in the winning of the peace, had we joined in a United States of nations, a society of nations, a league of reservations, this present great economic disturbances would not have existed. (Applause)

What could France have done other than what she did at the time of her advance into the Ruhr, her third advance? The pledge, the gauge, that she was holding with her Allies, the Rhineland, was enormous. Let no one think that the burden of occupation of the forces such as she had there is not terrific. Let no one imagine that the holding of such an important part of Germany as the Rhine Valley is a small one. It was indeed such a holding as any country would have striven hard to get rid of by every possible means. That was something. Then I should say that a conference with her Great War partners, who were extremely friendly to her, would have been of some importance. I am of the opinion that England and the United States and Italy and Belgium all would have been glad to help find some other method, rather than the one that was actually chosen. The legality of that movement has been oftentimes questioned. The British have never admitted that it was a legal move in the sense of the Treaty. I gave that matter to my legal advisor on the High Commission for an opinion, and he, in collaboration with others, gave me an

opinion, that the movements that could be performed, rather the penalties and the sanctions that could be exacted, must be in the nature of economic reprisals or prohibitions. This going into the Ruhr may have begun as such, for on the evening before the advance I had a letter from General DeGoutte, in which he informed me that he was charged with securing the safety of the economic mission going into the Ruhr. That was a practical admission that this movement was following the verbiage of the Versailles Treaty, in keeping within the limitations of economic prohibitions and reprisals.

Under present conditions, our much vaunted civilization is being threatened. I know there are those who say that a country like Germany, where discipline has been so well known and thrift recognized and has likewise been at all times in evidence, could not go to a stage wherein chaos would reign. The history of the past few years does not guarantee any such remark. The insurrection in the Ruhr, the driving out of the constitutional government from Berlin and the establishment there, even though only for a few days, of a monarchist dictator, the rest character of a large part of Saxony at the present time, the Royalist movement on a large scale in Bavaria, all these indicate that the policy now existent in Europe is fraught with the greatest danger for our much vaunted western civilization.

Of course, it is a fact that nations do not drop back into decay or into a lower state, as a rule, without having reached a very high degree of civilization, wherein luxury brings about decadence. There is an extraordinary exception to this within the last few years in that great, young, virile State, Russia, whose civilization had, by no means, reached that apogee with which we associate the beginning of decadence.

It is not at all an impossibility that there be something of the character of the Bolshevism that appeared in Russia developing in Germany, but, of course, it will be a different kind, just as the Bolshevism in Russia today is decidedly different from what it was in the earlier stages. There have been disciples of the Soviet Government working for long, those many months, in Germany. If, therefore, the situation develops there in a much more alarming degree, it will not confine itself to that territory, but will probably extend to contiguous states. In any event we cannot help but feel the terrible results that may ensue from what is now actually taking place in respect to our economic and financial status in our own beloved country.

It is not only that. There is a higher thought. The human phase. The changes that may be wrought in our future, wrought by virtue of this great cataclysm, covering one of the large and important geographic centers of the countries of the world.

Now, gentlemen, there was one other thought I would like to bring to your attention, especially as I am appearing here in a false role as an authority on economics. I will not, therefore, apologize more than that for doing it. And that is a matter of very serious moment to the economic conditions of all the world. It makes little difference to us whether we dissociate the question of inter-Allied debts from reparations or not. European countries will not do so. They insist that

those questions be discussed together. There has been a policy, I might say a desire or a determination on the part of the Government of the United States, to wait until these European countries have set their houses in order, before participating with them in the discussion of some of these questions. We know that at the present time some of those states are not paying even interest, nor is it generally believed that they will ever be able to pay interest, much less the principle under continuing conditions. Might it not, therefore, in the interest of good business and of our own general welfare be advisable for our country to discuss those matters together, namely the reparation payments and inter-Allied debts? Always with the understanding, however, that there will be no cancellation without a proper quid pro quo.

Now, that could take various forms. Discussion could do no harm, and I confess that I am one of those who have been unable to associate what Germany owes Italy with what Italy owes us. I understand that big business is familiar with that sort of trading, but I feel that the average man in the street cannot see the relationship between those debts, the debts owed by A to B and debts owed by B to C.

My time has expired and I know that you will have the pleasure of listening to those who are to follow me, who really are worth your while. But I again express the greatest satisfaction and pleasure of having had this opportunity to say my small bit in connection with this European affair. (Applause)

Chairman, William Church Osborn: It is a very interesting and extraordinary fact of history that we are watching three of the greatest nations of the world in their efforts to establish a popular Government following upon autocracy—Russia, China, and Germany. In each of those countries the same process is taking place, the termination of a long, ancient established form of control of the popular will by a relatively small group, and the distribution of the power over the enormous mass of the people.

I was in China a year ago and I thought that the Chinese were acting with a great deal of sense in gradually turning themselves from an autocratic Government into a popular government, and to my mind the essential problem that Germany today has is the development of popular leadership and of the popular following of their leaders, so that Germany, will develop that control of herself and of her Government that is essential to a republican form of Government.

The next speaker is one whose natural intellect has been fortified by long practice at the bar in this city, and who brings to you tonight the result of first hand observations in Europe. At the time that the American Mission went to the Versailles Conference, it was a cause of regret to me that he was not selected as one of the American representatives at that conference. That regret stays with me today. I cannot but feel that if Mr. Paul D. Cravath had been one of our American Commissioners, the court of the American Conference would have been sensibly altered and greatly benefitted. Mr. Cravath. (Applause)

Paul D. Cravath, Esquire

Mr. Chairman, ladies and gentlemen, I must have been asleep when I promised Mr. Ely that I would take part in this evening's discussion, because I am about as well qualified to discuss the economic outlook in Europe as I would be to discuss the outlook from my hotel window in a London fog. And I suspect that a London fog is no more impenetrable than is the curtain of cloud and mist that hides from human gaze the economic future of Europe.

And yet, I presume, behind and beyond this curtain there are gathered new currents which will gradually take force and momentum and affect profoundly the economic destinies of Europe, and it may well be that grope, as we must, it is worth our while to try to piece the veil to find the source of those currents and speculate as to their course and destiny.

I feel like apologizing from reading from a manuscript, but the truth is that any extemporaneous discussion of any topic so general, so incapable of definition as our subject tonight, I find would make me very apt to drift into saying things that sound very well to me when I say them, but seem very vague and silly when I read them in the newspapers next morning. (Laughter) Therefore, I propose this time to minimize the risk of being misunderstood by reducing my observations to reading and reading from a manuscript.

We Americans are temperamentally optimists. I believe I am one. I find it very hard, however, to be optimistic over the immediate economic future of Europe. Both the apologists for what seems to some impetuous souls to be the too slow economic recovery of Europe, and those who prophesy a very long period of adjustment and depression, seek for a precedent in the experience of Europe after Waterloo. The truth is that the study of the economic life of Europe during the first half of the nineteenth century is of very little aid in solving the economic problems of today. The Europe that emerged from the Napoleonic Wars was little more than an aggregation of self-contained agricultural communities. Without steam and railroads, international commerce played a relatively insignificant part in the life of any nation. It would take a fleet of merchant vessels of those days to carry the cargo of a single modern steamship. The Napoleonic armies were but corporal's guards compared to the armies of the Great War, and the Napoleonic battles, measured in terms of numbers engaged and casualties, were but skirmishes compared with the campaigns of Foch and Haig and Pershing. The commercial and industrial life of the great mass of the people of the belligerent nations suffered only spasmodic and local disturbances during the Napoleonic Wars, while during the Great War the economic and industrial life of all belligerent nations was shaken and torn to its very foundations. After the Napoleonic Wars the only essential requirement to insure the return of prosperity was for the nations to get back to work, chiefly to the work of agriculture and to the myriad of minor local industries that constituted the industrial life of that period. Today, before there can be an economic recovery the people of Europe must rebuild that infinitely complex machine, or rather, that congeries of complex and closely inter-related machines known as "The modern industrial system" which was shattered, indeed almost demolished, during the four years death struggle when each belligerent was prepared to make

any sacrifice to achieve victory. Before this great mechanism can be restored, certain things must happen, many of which can happen only slowly. The enumeration of a few of these changes will suggest the others.

Russia, which before the war was, next to America, the greatest potential market and the greatest potential source of food and raw materials in the world, must be put back upon the economic map from which it has almost entirely disappeared. That process is bound to be slow and painful.

The so-called "Succession States", with their new acquisition of power and natural resources, must develop discipline and efficiency. Thus far, Czecho-Slovakia seems to be the only one of these states that has really found itself.

The dismembered remnants of the truncated Austro-Hungarian Empire must become adjusted to their reduced political strength and greatly curtailed economic resources. Austria has made a beginning, but her wounds are deep.

Germany, which was the very keystone of the arch of the industrial structure of modern Europe, must find the place that fate has in store for her. What that place will be no one can foretell, because it is less dependent on Germany herself than on the attitude of France. If, as now seems likely, the Rhineland and the Ruhr are to be torn from the German economic system and grafted on the economic system of France, dislocations are bound to follow, including possibly shifting to other parts of the World of several millions of Germans whose very existence depends on the maintenance of the Germany economic system.

Italy is facing economic problems and changes of the gravest character. Before the war about one-third of the income from beyond her own borders that enabled Italy to balance her international accounts, was from the expenditures of tourists traveling in Italy and remittances from Italian immigrants in North and South America. The first of these sources of income has been seriously reduced by the impoverishments of the Russia and the Germans. The second has been threatened by the restrictions on immigration that are being imposed, not only in North America but in the South American countries toward which the stream of Italian immigration has been diverted. With her new infusion of strength, courage and vitality, Italy will overcome these handicaps, but the process is bound to be slow.

France seems to be determined upon the policy of subordinating reparations to security and of attempting the gigantic task of establishing a military hegemony in Europe as security against German industrial aggression, of attempting to shift the center of the Continental Industrial system from the right bank to the left bank of the Rhine. That is, from Germany to France.

Whether that policy will succeed is doubted by many of the best friends of France, but until its outcome is known, whether that outcome be success or failure, the economic fate of Europe is bound to be held in the balance. If the policy fails, the results may be disastrous to France. If the

policy succeeds, it is bound profoundly to affect the economic and industrial fortunes of the other nations of Europe.

Great Britain's economic difficulties are perhaps more fundamental and more baffling than those of any other nation except Germany. More than any other nation, Great Britain was dependent for her prosperity before the war upon the successful functioning of all parts of the system of interrelated economic machines to which I have already referred as constituting the modern industrial system. If the United Kingdom is to maintain her present population, of which about one-sixth is now more or less dependent upon the charity of the state, the markets destroyed by the war must be restored or other markets must be found in their place. That process is bound to be slow—it may never be entirely successful. In the latter event, the only other avenue of salvation for the United Kingdom is to shift a few millions of her population to other parts of the world. The British statesmen and industrial leaders are already facing these problems with characteristic foresight and courage by an organized effort to make the British Commonwealth of Nations a more nearly complete and self-contained economic unit than it was before the war. With that end in view, they are considering the possibility of gradually shifting the surplus population of the British Isles to other parts of the Empire. If that policy should succeed, the British Empire would cease to be the best customer of every exporting nation of the world. Whatever may prove to be the outcome, the economic policy of the British Empire is bound to have a profound effect upon the economic future of Europe.

I suppose I should mention the inter-allied debts as an element in the problem. I count them a subordinate element. Although it will starve their energies and resources, the British can pay the debt service to us of about \$160,000,000 a year to which they have recently agreed. The Continental Allies have no idea of paying their debts to the Governments of Great Britain and the United States and for a long time, at least, they probably could not pay if they would. There seems to be no way of forcing them to pay even if we were disposed to make the effort. I therefore doubt if the inter-allied debts will be a seriously disturbing factor.

All that I have been saying means that the millstone about the neck of economic Europe is the Treaty of Versailles. There never was a peace conference which was so clearly under an obligation to give an important place, perhaps the first place, in its deliberations, to the economic problems that confront it. There never was an international conference that so completely ignored economic problems. The conferees seem to have exhausted the resources of human ingenuity in producing a treaty that was not only unfitted to cure the economic ills of Europe, but cunningly devised to create new ones. The fundamental weakness of the economic provisions of the Treaty of Versailles lies in their rigidity and in the fact that in their essential elements they cannot be changed without the unanimous action of the principal allied powers. This, in a great measure, places the economic destinies of Europe in the power of France, whose interests and ambitions in the field of industry and commerce differ radically from those of most other nations and whose statements, not unnaturally, attach more importance to the security of France than to the prosperity of Europe. I am not one of those who believe the Treaty of Versailles will be the

ruin of European civilization. I am not prophesying wholesale starvation or widespread bolshevism or anarchy in any form. Whatever happens I believe that stable government in some form will survive. European civilization is too deeply and strongly rooted to be destroyed, even by the Treaty of Versailles. I do believe however that the rigidity of the economic provisions of the Treaty and the extent to which its enforcement is in the hands of a single nation whose interests as she conceives them are in so many respects at variance with those of the other nations concerned is apt to be a serious factor in retaining the establishment of that era of peace and prosperity for which all the nations so fervently long.

When these elements and many others that I have not enumerated are considered, can anyone doubt that it will take years, perhaps decades, possibly generations, to reach a satisfactory solution of the many problems which can be solved before the economic equilibrium of Europe is restored? It took a century to build the aggregation of economic machines that was smashed by the war. It will take a very long time to build a new one, especially as it may be a very difficult aggregation than the one that was destroyed.

With the aid of good men like Dr. Nansen and General Allen, and of beneficent organizations like the League of Nations, useful repairs may not and then be made and make-shift machines may be set up here and there; but the real processes of rebuilding the ultimate structure are bound to be slow and often discouraging. In the meantime, the standards of living of several scores of millions of the people of Europe will be kept below normal. That in turn will mean decreased efficiency and production and reduced consumption. If you should ask whether I think the time required for rebuilding should be measured in years or in decades or in generations I can only answer that I cannot see through the fog. Much will depend upon whether America, with her unparalleled wealth and economic power, will be able to find a way effectively to do her part; but that is another story, to which, I have no doubt, the Economic Club will devote many evenings of discussion.

Chairman, William Church Osborn: The next speaker is a financier, a trained student of public affairs, and a publicist and authority, Mr. Francis H. Sisson of the Guaranty Trust Company.

Mr. Francis H. Sisson
Guaranty Trust Company

Mr. Chairman, and ladies and gentlemen, I am very sorry, indeed, to have the Chairman introduce me as a financier in this situation, because I assure you that I am approaching the subject in quite a different character.

One of our favorite comedians, Digby Bell, used to say that he loved the play of the old fashioned sort in which the banker was killed off in the first act and the plot moved on from that point up. And so, with your permission, I would like to kill the banker for a few minutes and appear before you as a publicist or journalist, to simply narrate some of the things which seeing eyes and listening ears have brought back from the other side, for such judgment as you may have to offer concerning them. For it is not only difficult to foresee what is going to happen to

Europe in its economic aspects, but it is also very difficult to find out what the truth is about the economic condition of Europe, as you approach it even in the spirit of the scholar or journalist, and exceedingly difficult if you should approach it in the guise of the banker.

I think I perhaps can illustrate that to you after the fashion of a parable by telling you some of the difficulties of approach in narrative form.

Approach No. 1 is that of the evader. Not so long ago there was a horse trader in a little town not very far from New York, who made a reputation of the David Harum type. He was selling a very handsome animal to a New York buyer one day and flecking the horse upon the hip and leg, he started him off to show his paces, and everything went off, after the usual accepted fashion, with great success. The animal appeared to have a fine step and sound wind. He moved across the yard, but unfortunately for the trader he ran headlong into a tree on the other side of the yard before he stopped his mad course and the buyer looked up with questioning eyes and said, "What are you trying to do, sell me a blind horse?" The trader said, "That horse is not blind. That horse just doesn't give a damn." (Laughter)

And that attitude was so gracefully reflected wherever we approached the situation that I think it may represent one phase of the aspect.

And, again, in narrative form, I must tell of the experience of a New York business man during the period of reaction in 1921, who was held up by a couple of thieves in the East End one night, and quite severely assaulted after putting up a very game fight. He was searched and the net result of the search was ten cents. And the thieves, feeling there must be some mistake, tried again, and the net result was ten cents. And finally, bringing him back to life, they remonstrated with him and asked him where he had his money really concealed. And he said he had nothing, and the thieves said, "Do you mean to say to us that you would put up such a fight for ten cents?" "No," he said, "I don't want to do that, but I don't want to disclose my financial condition." (Laughter)

And perhaps, in parable form, I may relate another point of view, that is expressed so well in the story of the two bums who were walking down the Bowery one day, shuffling along, and one of them rested his eyes on a little brown box, so he quickly seized it and upon opening it found, with glad heart that it contained some little white powders of which he knew the general character, and he held the little white powder packages up to his nose, and sniffed them eagerly and threw out his chest and sniffed again, and in a little while he said, "Let us sit down, there are some things I want to tell you." He said, "I am about to go down to Mexico. Things are happening in Mexico, and there is money to be made. There is going to be a big opportunity before long, and I have concluded to locate down there and buy up all the oil wells and the silver mines and the gold mines, and a good deal of the land of Mexico, and take advantage of this opportunity." His partner looked at him for a moment and said, "Let me have that box a minute," and he sniffed and the powders and he threw how his chest and finally he said, "I am sorry it is

not going to be possible for you to do what you want to do.” “What do you mean by that?” “Well,” he said, “I thought the matter over and I have decided that I won’t sell them to you.” (Laughter)

And now, it frequently happens that we find many on the other side still pursuing economic phantasies of all sorts without any actual reason or historical experience.

But there is still another point of view in which we can all find common ground. The story was told in the good old pre-Volstead days of the little group of men in a certain saloon in New York having a beautiful evening all by themselves, only to be interrupted by one of those friendly pests who insisted on pursuing a monologue all by himself at the expense of the others. Finally, having the cold should turned upon him, he engaged the bar keepers in conversation and his line of conversation ran something like this: “You know my wife wants me to go to Europe. I don’t think I will go to Europe. I have been to Europe and I am delighted with the place, and I don’t want to go there again. As a matter of fact, I have been everywhere. I have gone every place, and this good old town is good enough for me and I am not going to go to Europe and I am going to stay right here.”

Nobody paid any particular attention to him until a lonely souse down at the other end of the bar had his attention directed to this fellow and he sidled himself up along the bar on his left and landed right in front of the monologist and said, “Stranger, did I understand you to say that you had been to Europe and you had been around the world quite a bit?” And this fellow said, “Yes.” And he said, “And I understand that you have seen about all that you want to see?” And he said, “That is what I said. What is it to you?” He said, “Well, you will pardon me again, but did you ever have delirium tremens?” And the man said. “No, I never had delirium tremens. Why do you ask such an insulting question?” And the fellow replied, “Because it is like this: If you ain’t never had delirium tremens you ain’t never been nowhere and you ain’t never seen nothing.” (Laughter)

I am sure that those of us who have studied the European question at first hand can agree that except in delirium tremens the Europe of today, economically, politically and to some extent, socially and morally, we have never seen nothing further than.

But, however, one’s personal impressions perhaps carry more weight than anything else, and to give you the reaction that I got from Europe, can be best given, perhaps, by telling you of the three first things I saw in the three important countries of Europe and of their bearing upon the situation we are discussing.

As I came into London in a taxicab from the station to the hotel, we were held up by a parade and with curious eyes I got out of the cab to see what it was all about, and here was a parade of London unemployed on a Saturday afternoon, thousands and thousands of protesting laboring men, carrying radical banners of all sorts, even shocking in that land of free speech, demanding

Government doles, capital levies, paternalistic treatment of all sorts in their emergency, trying down the existing order and declaiming against the capitalistic system in every possible expression of feeling and partisan heat. Surrounding them on all sides were the ever vigilant London bobbies, and they were finally ushered out into Hyde Park, where I heard some radical speeches.

There we have a picture of England today, England suffering from this tremendous problem of unemployment which had been brought about by the falling off of their foreign trade, and struggling to meet the new world order that has been brought about by the decline in the buying power in the lands with which she has so long dealt.

And then, weeks later, I went across the North Sea and tried to enter Germany by way of Hamburg. Our boat was held up in the Elbe River because of strikes and riots then going on, and we were finally forced to go round into the back door by the railroad, because the docks were not visitable at that time. And the thing that greeted my eyes first in the streets of Hamburg in front of our hotel was a very vigorous man-sized street riot in which six men were killed.

And there we have a picture of Germany as she stands today, a land of economic, social and political disorder, riotous groups of people, hungry, cold, idle and discouraged, with whom anything may happen unless relief and relief quickly comes, either in the form of an agreement with those with whom she must deal about her, or in charity from abroad.

And then weeks later, after coming down through Middle Europe I came around to France, and as I rode down into Paris and looked out of my car window on one bright morning, the first sight that greeted my eyes was a magnificent parade of cavalry, militant France, proud of her great army, strong in the position which it assures her, determined to be secure even if she is not repaid at all, and with a touch of the French love for glory and the Napoleonic ambition evident in every street, and even if she may not have reached the point of militaristic aggression, nevertheless reflecting an atmosphere charged with it.

So there it seemed to me is summed up pretty much the three important phases of the European situation, the militant unemployed in England, the rioting mobs in Germany and the magnificent military display in France.

Now, so far as they reflect the conditions in their country, so we must deal with them as economic factors.

The indictment of the Versailles Treaty which you have heard tonight, seems to me to be genuine and well deserved, and upon this very platform some years ago, one of our leading economists and a former president of this club, called it the greatest economic crime of history.

And these pictures that I have presented to you represent the situation of Europe today and back of them, again, is the picture which our Chairman has presented to us of the moral disintegration as well as the social and political reaction and revolution and the economic distress, and it is very certain that unless Europe rouses itself to a larger degree of social and moral responsibility in the situation which it faces, it will be idle for us to discuss the economic problem.

Jan Smuts, the great British Premier from South Africa, very aptly said that the trouble with Europe today is the lack of moral justice and the lack of moral quality which has so often been the aftermath of war and which is not true of any particular people, and which seems to me to be the fundamental difficulty of the situation.

We fought a war to end War and we apparently achieved a peace which is without peace, and we fought a war to make the world safe for democracy and nine dictators rule over the countries of Europe today, and it seems to me beyond questions that until Europe can liquidate her hates we cannot go far in expecting her to liquidate her debts. (Applause)

And all over Europe today, you get that picture of a bewildered, baffled people without a will of their own, led by leaders without a plan in the world, that have lost their sense of direction, victims of that great period of reaction from which the whole of Europe is now suffering.

And yet, oddly enough, I must differ to some extent with some of the things that have been said before. Europe, on the whole, today represents a distinct economic advance, except in England and Germany. On the whole, the year, 1923, was a better year for Europe economically than any year since 1914. You see that in many figures, better crops, a larger industrialized body, a nearer approach to stabilizing conditions at home, to equalizing budgets, to stabilizing currencies, to restoring schemes of distribution and communication which were so sadly interrupted by the Versailles Treaty, and I think we may safely say that in spite of it all the world is convalescing and the will to work and the will to save and the will to produce and consume which are fundamental instincts of the human heart and mind are working their way through this maze of difficulties, and are producing results.

Substantial improvements in such countries as Russia and Austria and Czecho-Slovakia and in England and in France and to some extent in Scandinavia, are evidence again in that will to work and that will to progress which is fundamental in the human heart.

I will not attempt to go into the conditions of these various countries. It would take far too long, but on the whole we may summarize it briefly in this way: That they are coming nearer to balancing their budgets; they are levying taxes more nearly in accord with their needs; their trade balances are in much better shape; their crops are improving and their production is greater than it has been since the war for the most part, except for the condition in England which Mr. Cravath has so well described to you, and in Germany.

But even with that, we all have a feeling of hope deferred that maketh the heart sick about the whole situation which makes optimism a difficult thing to cherish, and I remember saying one day to one of my travel companions that I felt more like crying out in the world like the old prophet, "Why do the nations so fiercely rage together and its people imagine vain things." The futility of it, the utter futility of it. The assured loss and the reaction which must come from it seem so silly and unreasonable, that it casts a shadow over the whole situation and a feeling of anxiety to pervade the entire consideration.

But this is a part of the economic problem which we must face. It is estimated by students that the war cost Europe and this country about \$337,000,000,000 in actual economic waste, and it not only cost this tremendous figure in money and goods, but also in the loss of ten millions of the world's most productive lives laid down on the battlefield of war and 50,000,000 more of her productive lives deflected into uneconomic and unfruitful activities. And that reckoning alone can only be made up throughout long years of accumulation of production and saving and by trade among the nations.

But the thing that comes home to us, it seems to me tonight, should be as to what the effect of this situation is upon us in America, as business men in this part of the world, and while we, of course are sensitive as to the spiritual effect as well, it is well to remember that the markets in Great Britain and on the Continent, in normal activity absorbed between 60 and 70 percent of American exports, and that for the first nine months of 1923, the percentage fell to about 48 percent.

While this represents a loss of about one hundred million exports to Europe for the last year, it must be remembered that our exports to other parts of the world have increased and our own export balance is larger than it has been in recent years, and while it is true that the ten percent margin of exports represents, in a considerable measure our margin of profits, nevertheless we consume ninety percent of our production right here in this world of our own, and that we, as a nation of one hundred and ten million of people, are so strongly buttressed by our natural advantages and so strongly self-contained as an economic and financial unit, that we are likely to be comparatively immune from the serious effects upon other countries occasioned by the European situation.

The essential stability of our situation, of course, is reflected in many figures which I will not give at great length, and also the fact that we have gotten into many of the markets of the world in which we have previously not taken an important part, and we are today commanding, to a considerable degree, those markets. Our export trade with South America for this last year increased about 33 percent over the year before, and in the markets of the Pacific our trade has increased by leaps and bounds.

While of course, it is of vital importance to many of our great exports that the buying power of Europe be established, and we feel with exceeding keenness the fact that 30,000,000 people in

Europe have had their buying power greatly restricted, nevertheless, other markets are opening and we are finding consumption for our great production in other fields.

Our agricultural products are falling off in their exports, and in the past quarter they have fallen from \$412,000,000 in 1922, to \$306,000,000, and yet we are finding consumption for our agricultural products. And so it seems to me, as we survey our own country, with its tremendous resources, with its production, its mines and its forests and its farms and its industries and its great wealth estimated to be over three hundred billions, and its great annual gold income of well over fifty billions a year, that we can content ourselves with the picture that we, are in a large measure, are sufficient unto ourselves.

For instance, this years our farms have produced fifteen and a half billions of dollars in new production, new wealth brought into this country for distribution and enjoyment as well as profit and while we hear a great deal about troubles in certain districts of our country, it is a negligible item compared to the total agricultural production of this country. The farmer has suffered in the past from over-capitalization of this product, but on the whole the American farmer is exceedingly prosperous. The State of Texas alone this year will receive more for her cotton crop than the entire South received only a few years ago, and besides that she has many other crops which adds tremendously to her productive wealth.

We have erected about \$3,000,000,000 in new buildings this year and we have sold between three and four millions of automobiles this year. We spend more, but we receive more. We purchase more, and we produce more. We spend more for luxuries but we have more to spend on them.

We are sensitive, of course, to Europe's situation. We do want to help, and I am sure that I represent the voice of this gathering when I say that I, for one, regret greatly that we have not had a hand in this situation and that our powerful guiding voice has not been heard in the councils of the nations of the world.

I was very much interested one day this year in Paris in going through Victor Hugo's old home which is kept as a museum, to have my attention called to the last message that that grand old man left his day and age, and the little sheet of writing is kept under a glass upon a desk in his bedchamber, and translated it reads something like this:

"I belong to a part which does not yet exist. It will be the dominating party of the Twentieth Century. It will be a party of brotherhood and fraternity and humanity, and its outcome will be first a league of nations of Europe, a United States of Europe and finally the United States of the World."

And way back in the middle of the last century that wise seer saw this vision of the United States of the World banded together in harmony and sanity which we have helped to make real in this

latter day, that same party which the great poet laureate of England dreamed of, that day when "The war drums would throb no longer and the battle flags be furled," and surely, we have a right today, not only as idealists but as practical men to hope that the waste and suffering of war will be eliminated and men dwell together in sanity and brotherly spirit.

If we do not do that, it seems to me that we may indeed fear that loss of civilization which Mr. Cravath mentioned as one of the possibilities. And so I feel that not only a reasonable degree of idealism should lead us into ameliorating this situation today, but an intelligent selfishness as well must direct us today in lending a hand to help make that possible.

We have heard a great deal about the policy of isolation, a policy which seems to me to be thoroughly impossible and utterly unscientific standing, as we are, creditors of the world in a sum of nearly twenty billions of dollars, relying upon the world, as you see, for three billions of our export each year, closely interlocked with all the world's powers and party of the body economic, which is sensitive to economic losses anywhere. It is our problem and we cannot escape it, and in this day of easy communication and scientific advance of all sorts, it seems to me to be an utter impossibility, even if it were a desirable thing.

We have heard very often Washington's famous policy quoted in which he advises us to avoid entangling alliances, which, by the way, Washington never said. What Washington did say that while we were a young and struggling nation we should attend to our own affairs until we were strong enough to feel sure that we were able to do something else, but that while we were at that period of our history we should attend to our own business. But Jefferson came along and coined out of Washington's word that phrase, "Entangling alliance," with which we have been cursed for these many years. But if we are to quote an American president, I would much prefer to quote our own great Lincoln, when on the battlefield of Gettysburg, he asked those within the hearing of his voice to dedicate themselves anew that those dead should not have died in vain and that the government of the people, for the people and by the people should not perish. And he did not say should not perish from the North or should not perish from the South or from the United States, but should not perish from the earth, and to that high task, it seems to me, we must respond today.

And again, Lincoln left us a message in his second inaugural address, which I shall be glad to leave as my own earnest heartfelt wish, on which good business and good sense and a friendly feeling toward our fellow men seems to demand above all things, and that message you undoubtedly will recall. He said: "With charity toward all and with malice toward none, with firmness in the right as God gives us to see the right, let us finish the work we are in, to bind up the nation's wounds, to care for him who shall have borne the battle, and for his widow and his orphans, to do all which may achieve and cherish a just and lasting peace among ourselves and with all nations.

And to that high calling I would have the Americans respond today, to bring about a just and a lasting peace, a peace which means business profits, which means the progress of civilization and the happiness of the people on this earth. I think that we cannot avoid that call. (Applause) Chairman, William Church Osborn: The next speaker is a great explorer, a great scientist, a great server of mankind and one of the three or four people in this distracted globe of whom it may be justly said that he is a citizen of the world, a representative upon the Council of the League of Nations of his country, the Hon. Dr. Fridjof Nansen.

The Honorable Fridjof Nansen
Representative, Council of the League of Nations

Mr. Chairman, ladies and gentlemen, I must admit that I am very much embarrassed indeed to appear before such a distinguished audience and especially after such a very eloquent address as we have just listened to.

Mr. Cravath said that he felt, when he was asked to express his opinion upon the economic outlook in Europe as if he was looking out of his window in a London hotel through a London fog. I suppose that the fog I am looking through is a polar fog, and that is even much worse, because behind that fog is not human life, is not life of nature, and that is, I am sorry to say, where most of my life has been spent. I have had very little to do with economic life and I feel that I cannot to a very great degree speak upon the economic problem of Europe. I expect to speak on a little part of the European economic life with which I have been in special touch, doing the world I have had to carry on in the last few years in the various parts of Europe, and therefore I propose to limit myself to speak about that part of Europe with which I have been in contact especially as you have already had such distinguished speakers speak on the rest of Europe.

I touch especially upon the fog that covers Eastern Europe which is called Russia. I have an impression that in this country, as in many other countries, that the knowledge of Russia and the conditions of Russia in our days is very defective in many ways. Either Russia is looked upon as the great country of the Bolsheviks, where there is no prosperity of any kind or it is looked upon as a country whose economic future is hopeless, and under the present conditions, I think none of these impressions are quite correct at the moment.

You know as well as I do that Russia has gone through a terrible time. First we had the war, for which Russia was perfectly unprepared as you know as well as I do, and where the greatest tragedies happened, especially during the latter part of the war, and then came two revolutions, the last of which was the Bolshevik Revolution, the Communistic Revolution.

Many seem not to understand altogether what happened. It seems to me, however, that the more I think over that Russian problem, the more natural it seems to me that the revolution actually had to come as it did, because before the war the pendulum of Russia was over to the extreme right,

to the extreme reactionary side, and when you let loose a pendulum it has to go to the opposite side, and then the pendulum had to go to the extreme left, and this is Bolshevism. It cannot be denied that the Government established in Russia, the new Government made any amount of mistakes. We shall not get into that here. But it is to be admitted those who had the Government at that time, in spite of their mistakes, discovered that they had made mistakes. They understood that the whole terrible Communistic experiment was a complete failure and the leading man, Lenine had the courage, which many people have not got, to admit that it was a complete failure and they had to revise their whole program, and they had to introduce a capitalistic method in again in Russia.

That was done, as you know, in the beginning of 1921, when the new economic program or NEP, as it is called, was introduced in April of 1921, and that meant that the Communistic systems were entirely given up. Trade was again allowed inside of the boundaries of the country, and it was admitted that, after all, money was a thing that was necessary at the present time. You know, when the original communistic experiment they had the idea that they would ruin the money system, and they did their best, and it must be admitted that they succeeded in the experiment in that respect, because they broke down their whole money system, and when they tried to reorganize it, the ruble went down so fast that it was of no value at all. They tried by vigorous orders to say what the ruble was worth, but it was of no avail and the ruble went down hopelessly in value.

From the moment that the new economic politics were introduced in Russia, we may say that the economic conditions in Russia have greatly improved.

It was in 1921, at the bottom of the valley, but then came on top of all that disorder which was created by the Communistic experiment the famine that was primarily caused by drought in Russia, in the Volga regions and in Southern Ukraine, which was the worst drought that we know of in all the recent history in Russia.

But that which made the effect of that drought so terrible was that the Communistic system, the system of requisitioning, introduced by the Soviet Government, has ruined the peasants, has destroyed their reserves and has made the peasants unwilling to cultivate more soil than was necessary for themselves and their families, because you know the whole Communistic system was such that according to that the peasant was not the owner of his own products. His products belonged to the State, and the peasant was only allowed to keep as much was necessary for himself and his family. That, of course, made the peasants less willing to cultivate more ground than was necessary to give him and his family what they needed to live on. But, in addition to that, it did something worse. It took away the reserved which the peasant used to have, because they knew from experience that draughts often happened in Russia, and it often happens that a crop is too small for them, so they must keep some reserves to meet such emergencies, but those were taken away by the State. So the whole Russian people were entirely unprepared to meet that terrible time, when, in some districts, the crops were absolutely destroyed. There was absolutely

nothing to be reaped, and in other parts of the country, the crops were reduced to a fraction of what they ought to be. Therefore, by that famine between thirty million and forty million people were exposed to famine and starvation. Then an appeal was made to the world for help which met with a magnificent response, especially in the United States. In Europe we also did what we could to help them, but the splendid record of relief work made by the United States people during and after the war which is unique in the history of humanity, reached its climax when you helped Russia. You did not approve of the Russian Government, you did not approve of the whole Russian system you made the Russian people themselves more or less responsible for the famine that has come about, but, nevertheless, when you were asked to help, your hearts were responsive, and you were willing to give and you gave more than was ever done at any time in history.

When you entered in Russian in the spring of 1922, in February, about ten million people had died from starvation. I think that was something glorious, that relief work carried on by the United States people, and I think that is the one bright spot in all the darkness that we went through after the war and during the war. And the help given by the United States was greater than ever in the history of the world.

That was what happened, and by that splendid relief work the catastrophe was averted in Russia. As it was, I think it was bad enough. I saw the suffering. Words cannot describe what it was like. I will not try to describe it here, but I can merely tell you that something like three million people died during that famine, and that is more than the whole population in my own country. In addition to that we had enormous suffering and death because of epidemics, the very worst kind of typhus. You will understand how dangerous is this disease when I tell you when it attacks Western Europe it will often carry away about thirty percent of the sufferers. It is not quite so bad in Russia, because they have become more and more immune against it, especially as you will understand when I tell you that during two years about twenty million cases of typhus were registered in Russia, and you can understand in a country like Russia that at least as many more cases were not registered, so it gives you some idea of what these diseases really meant. But the famine was finished in 1922, when the next harvest came in. But then there was an additional famine, a second famine, but we have to consider and remember that the most fertile regions of Russia had been famine stricken and one of the consequences of the famine, worst of all, was that, of course, the population had been made very weak and with little resistance and almost equally bad was that the livestock had been reduced to a minimum. Many of the peasants had lost all their animals and all of them had lost the greater part of them, and therefore, when the next spring came and they began to cultivate their fields, they were short of proper animals. They did to some extent harness themselves before the plows, and you could see several men and women and children in front of a plow, but there were many of them so weak that they could not even do that. But, nevertheless, they managed to cultivate not an area that was as big as the area before, and the consequences of the famine are still going on, but are gradually being reduced more and more.

But conditions in Russia are now gradually recovering. The Government is returning to more workable methods in all directions. Traffic is generally supposed to be perfectly in disorder, and that is true. Railway traffic, for instance, was very bad indeed especially during the year 1921 and to some extent in 1922. To give you an example of what railway traffic was, and how trains were late, I can tell you that some of my men in February, 1922, who were in Samaria, who were out there looking after the starving people and had to return to Moscow, they arrived in Moscow with a train that was three weeks late. That will give you some idea of how bad the railway system was at that time.

You have to remember that they had a way and they had had very little opportunity of buying new engines during that time. The engines were out of repair and they had very few shops for repairing their engines and those that were there worked very unsatisfactorily to say that least, and they had tried to put Trotsky at the head of the railway system, and with full military dictatorship, he could not manage it. Then they tried another man, who was president of the Chekka, a very well known and much feared man in Russia, and they put him at the head and he acted, by his reckless energy, to reconstruct the railway system in one year, so that when I was there in the last winter trains were not more than an hour or two late, and that is some difference from three weeks.

Now, of course, you cannot expect transportation and finances in Russia to be perfect, because they are still very short of material, but they have bought about 1200 engines in Germany and in Sweden, and I suppose they have got most of those engines now. When I examined them, they had not got more than half of them. But there again there was a difficulty. The German engines arrived but they were too heavy for the railways lines over their bridges. That was all gradually remedied, and I believe, when last examined in February – I don't know what it is at this moment, because I have not been there since February – they had something like 7,000 engines in use, and they had some thousands in reserve, and Chichinsky told me that they had, but he complained that they had too little traffic and too little material to transport. However that may be, I suppose that that is a case where one hand needs the other. Traffic is not paying because there is too little to transport, but there is too little to transport because there is not sufficient to transport them with. But still I think before the war the number of engines in use were between 16,000 and 17,000, and when you consider that the traffic in Russia must necessarily be immediately reduced, especially the traffic of passengers, I think as far as the traffic possibilities go that Russia now has sufficient to meet reasonable demands.

I do not say it is entirely sufficient for increased production, but still it will be possible to carry that and to carry everything that is necessary for the moment.

Now, the trading system is, as I understand, that each person is allowed to sell and buy inside of the country, but they have got concession of all kinds, and that means, for instance, that the foreign trade is a monopoly for the Government and that works in a strange way. The Government also gives concessions to companies for export and import under certain conditions

and the conditions provide that a person may sometimes get the freedom from certain conditions. On the whole the State tries to keep up but the effort is very strange.

For instance, when we were going to send food to help them and feed the starving people, we found that it was much cheaper to buy grain from Russia than to send it from the outside, because we could get it for one-third of the price, and the Government makes use of that. For instance, the State Bank last year was allowed to get the business for a price between \$6 and \$7 a pound, a ridiculous price, but they sold it again in Finland, after having transported it to the frontier, for \$42 a pound, so that is a good business, but it is not Communism.

Why does the State Bank do things like that? It is to collect gold in order to issue new money, and as you know they are now issuing money which should be worth about guinea or \$5, and when I was there in February, I saw their gold reserves and also their great reserves of your dollars and of sterling, and gold and paper as reserves to cover their money. The new issue of money at that time was covered, I believe by 100 percent. That total has since been reduced to about 40 percent, I believe it is now, but at the same time, of course, the circulation of that money has been enormously increased. I don't know how much it is at this moment, but it certainly is some hundred millions, which is not a very large circulation for Russia, but at the same time the Government State Bank has issued these notes and the Government is printing rubles in order to pay the daily expenses with and the ruble is going down until it has practically disappeared, and the new currency is the only money of Russia. I think it may be said that as far as we can at this moment foretell that this experiment has turned out to be fairly successful at least, and that the value of this new currency is now about 50 percent, but, anyhow, it is not much lower than the other money in Europe at the present time.

But some of you will say, "Well, it is all right for you say all this, but what about the industries in Russia? Aren't they only a fraction of what they were before the war?" I think that is quite true. It has to be admitted, especially the heavy industries, such as iron and steel, are only a small percent of what they were before the war. Textiles are better. I think they are about 50 or 60 percent of what they were in normal times, but the trouble is that with most of these industries and their products, they cannot deliver them at the market price. The cost of producing them is too high, although the working class is paid very badly, but whether it is that their methods are old-fashioned or lack of leadership, they are working with great difficulties in all of their industries and a lot of them have to be closed for lack of capital and the striking example of the difficulty of Russia is the lack of agricultural machinery and agricultural tools and implements. That is, of course, one thing the Russian peasant needs more than anything else. During the war, there was, of course, a blockade and they could not import anything, and the result of this was that the peasant had no possibility of buying new agricultural equipment. And therefore, having run short, they were extremely anxious to get new agricultural implements. Therefore, it would be natural for the factories to run by the Government for these kinds of products to be paid quite well and then they would have a great sale, but the fact is they cannot sell anything because the peasant credit and therefore they cannot sell because they must have cash payments in order to buy new raw material in order to continue the business, and the result is that all these factories

are now sitting with great quantities of agricultural machinery which they cannot sell and therefore they must stop. As far as the International Harvester Company is concerned, they have also been able to stop their production in Russia, and that is how the monopoly of the Government system works, and I think that even that part of their proposed experiment will have to be given up entirely.

I think, on the whole, it may be said, that the various departments of the Russian Government have very little cooperation in the work they are doing, and they work very little with each other. I can tell you an example of that, for instance, where we tried to save the starving people. Of course, we had to have the right of free transportation and no customs, but this had to be paid all the same by another Governmental department which had to work with us and organize the relief work. They had to pay all this. They had to pay the transportation and the customs. The ship arrived in Petrograd loaded with stuff ready to be shipped and handled. There was no money to pay the customs, because that relief department of the Government had gotten no money for the moment. The consequence was that the ship had to wait for three weeks and the Russian Government had to pay demurrage for the ship, and the payments that had to be made amounted to more than the customs that had been asked on the ship. There was lack of cooperation and that sometimes works in a strange way, but on the whole, of course, they had many young people, and inexperienced people, and that makes them more formalistic than in other countries in Europe. They are more formalistic and more bureaucratic than any country I have had to deal with, but even they are doing their best to improve it.

On the whole, I think I have a right to say that Russia is slowly but gradually recovering, and I believe that we can say that the curse of Russia is now going upward. Russia has been in her valley and she, being an agricultural country – you must remember that even if the industries are poor that does not mean very much for that country, because the industries are only a small fraction of her total wealth. It is the agricultural life, which is of real importance, and we have to remember, I think, that one good harvest in Russia can put Russia on her legs again. We have to remember, for instance, that three good harvests were sufficient to pay the whole Russo-Japanese war debt, and therefore, I think, we have reason to believe that Russia will recover and I believe that Russia will become one of the main stays of Europe and it may be that in the long run this country, perhaps, will help to pull Europe through and that her recovery will ultimately come about.

Before I finish I should like to mention just one country more because I have already had some experiences in that country, and that is Greece. That is in Southern Europe but it is not an unimportant country because, after all, the Balkan Peninsula is of some importance for Europe and the foreign states.

You will recall that Greece, after experiencing that terrible disaster which shook the state to its foundation, that Greece in that crisis has suddenly thrown upon the Greek population,

numbering, perhaps four and a quarter million, a whole million of refugees from Asia Minor, and that this population arrived in a perfectly destitute condition, without money, food or clothing.

And now Greece, to cut a long story short, has to face the problem of absorbing this more than one million, more than one-fourth of the whole population, as refugees. There again the Americans came in and added a new chapter to their history of the magnificent work by the Near East Relief, whereby all these refugees in Asia Minor were taken care of, and then the American Red Cross coming in and feeding eight hundred thousand refugees.

We made an experiment with a little money that we had at my disposal as High Commissioner, and we made an experiment with 10,000 refugees. There is plenty of vacant land in Greece, and we managed to settle them partly on the land and partly in productive work of various kinds, charcoal burners and blanket and carpet weaving and other formed activity, and we made these 10,000 people practically self-supporting. That was only 10,000 people, but it was an experiment, and on the basis of that, we worked out a scheme for settling the whole lot of refugees partly on the land and partly on productive work.

The fortunate thing is that two-thirds of these people are agriculturists and there is plenty of vacant land and the Greek Government have made over to the International Committee of Control which was established by the League of Nations a million and a quarter acres of land suitable for agriculture. All that was required was the capital by which the production scheme could be started and the problem of providing this capital was simply the problem of giving sufficient security to foreign investors that interest and principal would be rapid. That security has been given, the question has been carefully decided, and the land is now going to be settled. The conditions, however, were, that at least one million pounds sterling should be underwritten by the Greek bank and bankers, and another condition was that the loan should be handed over for disposal and perfect control by a Settlement Commission consisting of four members, two members appointed by the Greek Government and two members appointed by the League of Nations, and one of the members of that Commission is Mr. Henry Morgenthau, who is the Chairman, and if this experiment succeeds, as I think we have reason to hope it will, it will solve the problem as far as the business part of the work goes. I may say also that the Bank of England have already said that they were willing to subscribe one million pounds sterling, and we were willing to do more as soon as certain efforts had been made and pledges secured that the Greek Government became stable, and they had an election in Greece, and, I understand, that the Greek Government also was trying to raise part of the loan in this country. The Greek Government has also given the Commission priority on all the revenues, including the rents, and taxation, derived from this land, until the full principal of the loan is repaid. There is absolute guarantee that the money will be used for the settlement of refugees and nothing else.

Now, all of this is very wonderful, but it seems to me that if the people would only use all their energy to prevent such catastrophes from happening that it would be so much better.

It reminds me of a story that I heard that they tell of this country, I don't know whether it is right or not, but it happens in the lunatic asylums that they try to find out whether a man is sane or whether he is not sane, and they choose a cell in the asylum, and they have a pail of water on top and they let the water run on the floor, and then they give the man a broom and ask him to sweep the floor. If the man is mad, he will keep on sweeping the floor with the water dripping down, but if the man is not mad, the first thing he will do is to turn off the particular tap and then clear the floor afterwards.

I think if in world affairs and human affairs, we would turn the water tap off, we would all see less suffering and less problems and less real danger for the future of humanity. I think the present situation in Europe is a very serious one, and I am afraid that if action is not taken in time to prevent that is coming we will live to regret when it is too late to repent that nothing had been done when it was still a possibility. (Applause)

Chairman, William Church Osborn: Our thanks are due to the speakers for their very able addresses, and the meeting is now adjourned.