

The Economic Club of New York

92nd Meeting

The Honorable Jacob Gould Schurman

Walter Lippman

The Honorable Ogden L. Mills

The Honorable Henry Morgenthau

March 6, 1930

Hotel Astor
New York City

Table of Contents

First Speaker	
The Honorable Jacob Gould Schurman	2
Second Speaker	
Walter Lippman	13
Third Speaker	
The Honorable Ogden L. Mills.....	23
Fourth Speaker	
The Honorable Henry Morgenthau	37

MR. ELY: There are or should be pencils and paper at each table so that any who desire to do so may have the wherewithal to write questions bearing on the subject of our discussion this evening. Those questions may be general as to the speakers or they may be addressed to either one of the four speakers as you prefer, and they may be written out at your convenience during the speaking. If you will just pass them up somebody up here, I mean myself; will be on the lookout for them. The questions come after the speaking.

Governor Miller, alas, is such a busy man that he again tonight could not be with us. But we are fortunate in spite of that because a member of our Executive Committee, Mr. Lucius Eastman, could come, is here, and to our pleasure will preside. I take pleasure in presenting Mr. Lucius Eastman as our chairman this evening. (Applause)

Introduction

Mr. Lucius R. Eastman

In calling you to order this evening I take it that you will, I hope, agree with me that if there is any one thing in the United States, among the citizens of the United States, that stands out more clearly than any other fact today it is that the citizens generally are in an attitude of questioning, “What is it all about? Where are we going? What is our responsibility?” Individually and collectively those are the questions that we are asking ourselves over and over again, whether the subject is education or religion, social problems or political relations, and in our international

relations as a nation the question seems more insistent and necessary than ever. So I take it that tonight we are all motivated by the same purpose. Let us find out the facts, agree on them if we can, and then honestly admit the new and changing responsibilities that are being laid upon us.

The speakers of this evening will no doubt give us various angles of the problem. I am sure that our guest of honor, a man who through a long life has ever tried to serve wherever he has been placed, will have a message for us that we will all be glad to have. Dr. Schurman. (Applause)

First Speaker

The Honorable Jacob Gould Schurman

Mr. President and Gentlemen: May I first of all express my thanks to you, sir, and through you to the club for the courteous invitation you have extended to me to be the guest of honor this evening. That does not of course imply that I also thank you for the obligation you have put upon me to which, however, I am getting somewhat accustomed.

The subject for discussion this evening is very comprehensive. Others are to speak of Finance, Commerce and Industry, of which therefore, I shall have nothing to say. I confine myself to the theme of the United States as a World Power and its relation to peace.

It is only in the 20th Century that the United States has become a World Power. This generation

is the first to entertain that conception. And the facts of the case amply justify the change in their point of view. For not only is our country with the exception of China and Russia the largest territorially and most populous in the world, it has also since the opening of the 20th Century become the richest and the most powerful.

It is impossible to exaggerate the changes that have taken place in America and in the world since the foundation of our Republic. The four generations that span that period of time have made greater advances in science and in all that we call material and economic civilization than had been made by the thousands and hundreds of thousands of generations of mankind who lived before the close of the 18th Century.

These last four generations of mankind have made over again the world in which we live and work and think and act. It has become for us a veritable new creation. The face of the globe has been altered; the life and activities of man have been revolutionized; the primitive arts of agriculture and the primitive industries and means of transportation by land and sea have disappeared before machines, often of mammoth size and indescribable complexity, which scientifically utilize the powers of nature to do the work of man. But it is not only the material civilization of mankind that has been revolutionized. Old systems of thought have also collapsed at the touch of modern science which has created a new intellectual atmosphere, and venerable social and political institutions have been rendered obsolete and new ones have been established or are now demanded in closer harmony with the improved environment and the growing

aspirations of progressive mankind.

In all these changes the scheme of our Government has remained both fixed and plastic. There could be no greater compliment indeed to the authors of our Constitution and the founders of our Republic. They provided us with the germ of a political organism which had within itself the power of growth and adaptation to new conditions. In the course of nearly a century and a half it has exhibited an amazing capacity to respond to the stimulus of the best ideas and ideals of succeeding generations. If the fathers of the Republic produced that wonderful political germ the generations who succeeded them have contributed vital elements to the fully developed organism.

On the other hand our nation has been so long and so intensely absorbed in its own domestic affairs, and so completely isolated from the rest of the world that the changes it experienced during the last one hundred and fifty years in its industries, arts, sciences and social and political institutions find no parallel in the history of its foreign relations. When the Nation was young and weak and lived a secluded national life it naturally adopted a policy of international aloofness and made it the polestar of its foreign relations. No reasonable man can question the wisdom of that policy. It was rooted in the actual conditions of the new Republic.

But there was also another jurisdiction for that policy. With its monarchical and dynastic system Europe had at that time a set of interests peculiar to itself, a set of interests absolutely disparate

from, and entirely alien to, those of the new American Republic.

Both the conditions in Europe, therefore, and the conditions in America conspired to prescribe to the founders of our Nation a policy of international aloofness. It was the most natural thing in the world for them to cultivate their own American garden, and surely the wisest and safest to avoid any embranglement with European affairs.

But the whirl-a-gig of time has brought its revenge. The monarchies of Europe have fallen or become atrophied; their special dynastic interests have disappeared; England, France and Germany have become genuine democracies. Meanwhile—what even a generation ago would have seemed incredible and impossible—the United States of America has become the richest and mightiest power in the world.

Can such a World Power, should such a World Power, retain unchanged that policy of international aloofness which was so admirably adapted to the needs and conditions of our young, weak and sequestered Nation in the 18th Century? Is that policy, in spite of our growth in population, territory, wealthy and power still suitable, still adequate, still feasible for our great republic in the coming decades of the 20th Century?

When we talk of foreign policy, people are apt to suppose there is something mysterious, something esoteric, perhaps even something dangerous in the term. But the foreign policy of a

nation is something entirely analogous to its domestic policy, or for that matter to the commercial policy of a private business corporation. By policy we mean a course of action deliberately thought out in advance and consistently pursued with reference to a definite situation of affairs. And a policy in international affairs is the same sort of thing as a national policy in respect, for example, of the tariff, or a business policy determining, let us say, the volume and character of the production of certain economic commodities.

In all cases a certain stability and continuity of policy is desirable. But in all cases, also, policies, if they are to be wise and safe, must even at the cost of radical changes, adapt themselves to the actualities of the situation with which they are concerned.

The foreign policy of the United States today must be based on the actual condition of the United States. It cannot be based on the condition of the United States in the 18th or 19th Century. The relations of the United States to the rest of the world are today entirely different from what they have ever been before. We are a world power, with world-wealth, world interests, world-trade, world intercourse, world-dominance in the potentialities and instrumentalities of war and peace, and also (may I not add?) With a new as well as an inherited feeling of world-brotherhood and an old but deepened yearning for world peace. (Applause)

A sound and wise foreign policy for the United States in the year 1930 must be based on those actual world relations of the United States. No ancient formulas, however venerable, however

revered, can deliver us from the impact of the world forces into the range of which the United States in the course of its development has arrived.

Others are to speak of the economic, commercial and financial aspects of a foreign policy suitable for the United States as a world power. I confine myself to the problem of our peace policy.

This is no academic question. It is a practical problem thrust upon us by destiny. In 1917 we were forced into World War – forced into it in contradiction of all reasonable expectation, in violation of all national tradition and policy. How can we escape such a fate in the future? That is the question that confronts our country.

Owing to altered world conditions, wars are not longer local but general; and they involve not only regular armies but the entire manhood and womanhood of the nations with all their military economic, financial, political, social and personal resources.

It was proclaimed during the World War that it was a war to end war. It did indeed leave Germany and her allies without armies and navies and prohibit them from acquiring them in the future. Germany, for example, can have only 100,000 troops and no big guns or military airplanes. But the nations of the world are now more heavily armed than they were in 1914. It was stated this week by Senator Borah that the organized military forces of the nations of the

world, including reserves, aggregate nearly 30,000,000 men and that the annual cost of maintenance is approximately \$5,000,000,000.

We were also told during the World War that it was a war to make the world safe for democracy. But the subsequent orgy of militarization, in which the former allies, associates and neutrals have indulged, has had the opposite effect; it has made the world dangerous for democracy.

How can you expect the people to have confidence in democracy if, like the most heartless despotism, democratic governments lay on their shoulders burdens of taxation too heavy to be borne, only for the sake of maintaining vast military and naval establishments.

I am a devout believer in democracy but I recognize that like every other form of government it must stand the test of experience. In Europe I have seen it, in more than one country, superseded by a dictatorship, and I know also that Communism is not confined to Soviet Russia. It is not only in America that the working classes are discontented and the farmers feel they are deprived of their fair share of the national prosperity. But these classes are the backbone of every Republic; and only desperate conditions drive them into Radicalism.

Let it never be forgotten that the men who prevented Germany going Bolshevistic in the revolution of 1919 were the laboring classes, the so-called Socialists under the leadership of Frederic Ebert, afterwards first president of the German Republic. It was these classes, too, who

took the lead in bringing modern Germany to the acceptance of the policy of mutual understanding with her former enemies, entrance to the League of Nations, and the adoption of the Locarno Treaty and the Briand-Kellogg Peace Pact.

It is a wise and sound foreign policy that has induced the Government of the United States to follow up these international agreements with the assumption of leadership in an international conference for the reduction of armaments. All history proves that competition in the building up of armaments inevitably leads, through the operation of suspicion and fear to actual warfare. The present world situations, in respect of the vastness of armaments and the oppressive taxes necessary to maintain them, is so desperate that it breeds a hope, in spite of all skepticism and pessimism, that the Conference will succeed. I am sure that is a consummation devoutly desired not only by us, but by the overwhelming majority of the American people. And we must all be greatly encouraged by the statement made yesterday in London by Secretary Stimson to the effect that there will be a reduction of about 200,000 tons in naval vessels built, building and appropriated for, before the year 1936.

Force has in the past been the determiner of international settlements. The last and greatest statesman successfully to use that weapon single-handed, was Bismarck. But see how the world has changed! The statesmanship and diplomacy of Bismarck's latest and perhaps greatest successor has been based on international understanding and good will and the ideals of peace; and that policy has been eminently successful. The Reichstag is in these very days bringing its

culminating features to a formal conclusion. That real Politik of ideas and ideals, which the new Germany has adopted, will be forever associated with the illustrious name of Gustav Stresemann, whose friendship I had the honor of enjoying. But Stresemann could not have been successful without the cordial cooperation of his trusted friend, Aristide Briand, perhaps the foremost statesman of Europe and certainly the world's greatest champion in the cause of international peace. (Applause)

Peace, gentlemen, is the standing policy of the United States. It is the most vital and the most fundamental thing in our foreign relations. It is the duty of our Government to ensure peace. They must leave no stone unturned to establish it firmly in the world. And they must accomplish that end with wholly peaceful methods and with an absolute repudiation of force.

There are, fortunately, other means available to us besides the reduction of armaments, highly important as that measure is. Law is one of these additional instruments. The nations of the world, who have renounced war, who have pledged themselves to the exclusive use of peaceful methods for the settlement of their disputes, may, thank God, substitute for the outlawed appeal to arm, the hallowed appeal to the majesty of law. The organ which applies the law of nations is the World Court. It takes cognizance of cases involving international law and the interpretation of treaties. America, as leader in the outlawry of war and champion of pacific methods for the settlement of international disputes cannot afford, now that her practical objections have all been met, to remain longer outside the World Court which is, in essence, the reflection of its own

international spirit of justice, righteousness and peace.

Beside the conference for the reduction of armament and the World Court I mention a third instrumentality for the maintenance of peace, which will, I think, be practically indispensable for the effective application of the Briand-Kellogg Pact. Just as the best government in the world cannot run itself but must depend for dynamic power on the combined efforts of the citizens whom it represents, so the Briand-Kellogg Peace Pact will be of no avail unless the governments of the nations which have signed it feel and exercise a responsibility for applying it with all the moral energy and suasion they are able to command. They cannot of course compel any nation to keep the promise of peace it has solemnly pledged. But those obligations may I threatening emergencies be recalled and the dangers of neglect or violation pointed out and emphasized.

Because the United States is vitally interested in the peace of the world it cannot leave this duty exclusively to other nations to perform. It will, when dangers appear on the horizon, be necessary for our Government to confer with other signatories of the Briand-Kellogg Pact with a view to discovering the most effective method of bringing to bear upon possible delinquents the moral sentiment and enlightened opinion of the civilized world.

There are many Americans who consider a further step necessary to the maintenance of peace in the world. They believe it indispensable that the United States should enter the League of Nations. I do not share their views, and I regret that there is no time left for me to argue the case.

I recognize fully that the League of Nations has proved a useful institution to Europe. But its scope and functions are in practice much more restricted than the language of the Covenant. What the League has actually accomplished is this: It has settled the big problems of little nations and the little problems of big nations. (Laughter) That is enough, indeed, to justify its existence. (Applause) But it is a work in which America could have rendered little assistance. And, owing to the variety and multiplicity of the races and stocks which are represented in the citizenship of the United States participation in the work of the League would have created for us many practical domestic embarrassments.

We are partners not only of the nations of Europe but of all the nations of the world in the outlawry of war and the adoption of peaceful methods for the settlement of international disputes. We are under a high obligation to make that partnership effective. Cooperation for world peace is indispensable. But beyond the steps, always of a pacific character, which may be necessary for the maintenance of world peace I deem it undesirable for us to go. The League of Nations is working well in Europe. Let us reserve our cooperative efforts for the purpose of giving effect to the Briand-Kellogg Peace Pact. (Applause)

MR. EASTMAN: It is hardly necessary to introduce the next speaker. Perhaps this would be more true if the topic under discussion were "What is Humanism?" But in addition to his recent unusual contribution to that subject, Mr. Lippman through study and active work is in a position, I believe, to render a service to us tonight in contributing to the topic under discussion. Mr.

Lippman. (Applause)

Second Speaker

Walter Lippman

Mr. Chairman, Ladies and Gentlemen: In thinking over some of the difficulties of the subject tonight I happened to recall that astronomers tell us that when we look at the sky at night we do not see the stars as they actually are. We see them as they were tens and hundreds and even thousands of years ago. In some ways that is a rather comforting idea, for if light which travels faster than anything else in the universe, takes so long to reach its destination, who are we to complain if human enlightenment of the kind which Dr. Schurman so eloquently described is sometimes a little slow in arriving at its destination?

But whether we complain or not, in discussing human affairs it is almost always necessary to remember that public events are not immediately reflected in public opinion. A certain amount of time elapses; it may be a day, it may be a month, it may be a generation; between actual events and the full public knowledge and realization of them. Thus, for example, a war breaks out.

People read about it in the newspapers, but for a long time many of them cannot really believe that the war has begun. They try, as we used to say in 1914, to carry on business as usual. Then the war ends and very often these same people, who could not believe that it had started, cannot believe that it has ended. They go on for years fighting the war which no longer exists.

There are thousands of excellent men and women in this country today who are fighting the Civil War. (Laughter) In the City of Chicago, to come no nearer home, there are no end of voters who think that the King of England is George III. (Laughter) We often overlook this factor of delayed understanding of postponed enlightenment in discussing public affairs. Our machinery of communications of which we are so justly proud has not eliminated this delay. In fact there would be ground for arguing, I think, that the telephone, telegraph and the radio, have thus far speeded up human action faster than they have speeded up human understanding. The rate of change in man's affairs has been enormously accelerated by modern inventions. It is not so clear that public knowledge of those events and of those actions has been accelerated to keep pace with them. It still seems to be a fact, as perhaps one or two of you here even may have reason to know, that the average trader buys somewhere near the top of the market and sells somewhere near the bottom. (Laughter) Why is that? It is because the average trader always is a little behind the news. He finds out about the bull market when it is almost over and he finds out about the bear market when it is almost over. We are all of us, one time or another, like the fond parent who insists on treating the schoolboy as if he were an infant, and the college man as if he were a school boy. This human difficulty, I think, is at the root of the whole collection of problems which now confront the American people. Is there any doubt, for example, that the authors of the Tariff Bill now before Congress are men who cannot and will not believe that our capacity to sell in foreign markets has in the last ten years become an essential element of American prosperity? Then again there are men exercising power in Washington today who think they can regulate the personal opinion and personal habits of the whole American people as effectively as their aunts

and uncles regulate dancing at a village sociable. (Applause)

And again, there are highly influential men in the Congress of the United States who say, and quite seriously believe, I think, that we are still the Thirteen Colonies and that the frontier of American civilization is about two blocks west of the Union League Club in Philadelphia.

(Applause)

These remarks are, I think, pertinent to the subject of discussion this evening. The outstanding fact at this moment about the position of the United States as a world power is that public opinion in America is not yet thoroughly aware that America is a world power. Yet I think there would be no dispute among historians that the United States has been a world power in the full sense of the words for thirty years, and I say thirty years for, by common consent, the year 1898 marks the debut of the United States as a power exercising a positive and active political influence beyond its frontiers.

In the year 1898 the United States annexed Hawaii, abolished the Spanish colonial empire in this hemisphere, and founded a colonial empire of its own in the Philippines and in Puerto Rico. With that as a beginning the United States began very rapidly to behave like a world power. Within a very few years we had abandoned our isolation and had laid down lines of policy which involved our active and continual participation in the affairs of the outer world. As long ago as September 6th, 1899, John Hay despatched the first circular note to the Powers stating that America would

support the policy of the Open Door in China as against the attempt to divide China into spheres of influence. I shall not attempt to discuss the details of this policy. You are all quite as well aware as I am that since 1899 we have been deeply involved in the affairs of the Far East. American troops have fought on Chinese soil and an American President acted as a peacemaker in the Russo-Japanese War. One of the greatest victories of American diplomacy in the last decade was the outcome of the effort to abrogate the Anglo-Japanese Alliance.

The record of the last thirty years is unmistakable. We have not been isolated from the politics of the Far East. We have been continually involved in them. We have played the role of an active world power. Concurrently with our interest into Far East politics we have played an exceedingly and increasingly active part in determining the political destinies of the Western Hemisphere. The Monroe Doctrine we have had for one hundred years, but beginning with the year 1898 we have given a wholly new meaning to that doctrine.

In the last thirty years, as the London Times once remarked, the Monroe Doctrine has broadened down from president to president. The plain fact is that in the least thirty years we have converted the Caribbean region into an American sphere of influence. This policy began with the Spanish War, the acquisition of Puerto Rico and the establishment of a kind of a protectorate over Cuba.

It was followed as the result of the experience of that war by the construction of the Panama

Canal. The construction of the canal was followed by the establishment of the policy that it is our right and our interest and our duty to police the countries which lie along the approaches to the canal. We have done considerable policing. (Laughter) Between 1898 and 1927 we intervened with military force in Caribbean countries thirty-one times. We sent expeditions into nine different countries. For all practical purposes we control the foreign relations and the major domestic policies of most of these countries at least as completely as Great Britain controls Egypt or the native states of India.

There is, however, a kind of lingering opinion in Congress and elsewhere that no matter how much we may be involved in the problems of the Pacific and of Latin America, we are still isolated as long as we do not involve ourselves with Europe. Well, in the last thirty years we have become involved increasingly in the affairs of Europe. The first step here was taken by President Roosevelt. He played a part in the diplomacy of Europe which would horrify the present Senate of the United States when he intervened at the Algeiras Conference of 1906 to prevent a European war. The ostensible question at that conference, the greatest conference which was held before war broke out in 1914, was Morocco. The real question was the threat of a European war arising out of the quarrel between France and Germany. I wonder how many Senators know today that the official agenda of that conference was drawn up at the White House and that when the conference became deadlocked it was President Roosevelt who decided the terms of the settlement and persuaded the Kaiser to accept them.

I do not need to dwell upon our part in the World War. That speaks for itself. I must hurry on to the latest, and I think perhaps the least understood, decision of the United States, the decision which finally and irrevocably announced to mankind that as a world power the United States has come of age. I refer to our decision, arrived at in principle in 1916, and now perhaps a cardinal idea of American foreign policy, the decision to maintain a Navy equal to the greatest Navy in the world. This decision is, I believe, one of the most momentous in modern history, and the fact that the British people have accepted it with such good grace should not blind us to the far-reaching character of it. We have obtained peaceably, and by diplomatic argument, and in fifteen years, a position in the world which for three hundred years no other nation has been permitted to attain. The Spanish, The Dutch, the French and the Germans have challenged British maritime supremacy. They failed, and in each case their ambitions provoked a terrible conflict. We, at this moment, and I think regardless of the outcome of the present conference at London, have obtained the consent of the Mistress of the Seas to an equal division of sea power.

I think that the full realization of the meaning of that historic event has yet to come to Congress and the American people, for it seems to me that although we have claimed and achieved the full status of a world power we are deeply reluctant to confront the consequences and accept the responsibilities of that position. For let us not forget that when a nation becomes as powerful as we have become, it is a decisive element in every major decision taken anywhere in the world. To tell Europe to settle its own affairs without us, to ask them not to pay any attention to us while they deal with their questions, would be like telling Mr. John Barrymore to go on playing

Hamlet when an elephant has just walked on the stage.

If you will examine what the Europeans say to us you will find that for the last ten years they have been pressing us at every turn to come in and play our part in world affairs. I do not doubt for a moment that all kinds of ulterior motives have actuated these propaganda. We were rich, we were strong, and every effort has been made to get us to pull particular chestnuts out of the fire. But it would be a very shallow view of the matter to suppose that these ulterior motives are the essence of the matter. The essence of the matter is that the United States has suddenly arrived as a world power. The consequences of anything that it decides to do are tremendous. Its policies and intentions are undeclared and unknown. It is impossible to stabilize the world while there is in it a nation of a hundred and twenty million people, highly organized, extremely active, heavily armed, who will not say how they intend to use their power. That is the problem we present to the civilized world.

The civilized world may envy us, but it does not challenge our rise to power. It does resent, it is deeply troubled by, our determination to be an incalculable, an uncertain, a highly speculative factor in the affairs of the world. Our delegation at the London Conference faces this problem in its most concrete form. It was sent to London with the implied mandate from Congress to obtain parity with the greatest Navy, a reduction in the cost of Navies and yet to maintain a free hand politically by making no political engagements. Our policy, when we entered the London Conference, was to obtain parity without great cost to ourselves, and without assuming

obligations toward anyone else. The French Government has refused to agree to that policy. It has offered us the choice between permitting ourselves to help maintain the peace of the world and a very large and very extensive increase of naval armaments.

The French are not bluffing. They have the money and the will to carry out their program, and therefore in the next few weeks we in this country have to make a choice. Either we keep a free hand politically and build an enormous Navy, or we engage ourselves to consult with other powers if there is threat of war. We have learned in London that we are not going to get parity cheaply and on our own terms. We have learned that if we want power equal to the greatest, we can have it at reasonable cost only if we accept the responsibility of greatness and declare to the world what our policy will be in a crisis which may lead to war.

Why is it that it seems like such a hard choice? Why should we be staggered at the prospect of promising to consult with other power to maintain peace? Why is it that our policy is to have no policy? Why is it that the Senate of the United States wants parity which will give us World Power but will not permit the President of the United States to define the use he means to make of that power? The issue is momentous, but the reasons I think are quite simple. The national consciousness of the American people has not yet caught up with the actuality of the international position of the United States. We are getting world power without really knowing it. We have become a world power in the last thirty years. The majority of the men who hold high office in the affairs of this nation went to school more than thirty years ago. They have not

yet digested the meaning of the historic changes through which they have lived.

As the result we are living today in an era which might very well be known as the period of the American hesitation. We stand deeply bewildered on the threshold of an immense destiny and until our consciousness of what we are and what we mean to the world catches up with the realities we shall continue to deal with the problems of the present day with the mentality that is thirty years out of date. (Applause)

MR. EASTMAN: After that inspiring and suggestive talk I hesitate to inject a personal word. I limited my opening remarks so that I have still a few minutes that belong to me. It has been my great good fortune for the last two years or more to serve as an American member of the Economic Committee at the League of Nations. That has caused me to study more than ever before from an international point of view our responsibilities. Last Fall the committee had laid upon it the task by the League of preparing a pact or customs truce pact for the study which is now going on at Geneva with the representatives of some thirty or forty nations. I was puzzled as to what position I ought to take in order to present to that Committee the American viewpoint as to what America would think of a United States of Europe, or a customs truce. I did not know just what attitude to take. When I reached Paris, in puzzling over the question, I ventured along a new line and had the pleasure of having at lunch some eight gentlemen, all businessmen, bankers, merchants, representing six of the largest countries in Europe. I said to them, "What do you as businessmen want to do?" we discussed the situation for two or three hours. In the course

of the conversation I turned to them and I said, “Gentlemen, as I have sat on this Committee and heard the questions discussed and the problems worked over, it has sometimes seemed to me that the attitude here in Europe was that if the good Lord had sat down and figured out all the reasons why he would not create the world, the world would never have been created.” One of the gentlemen at the table, a very able Frenchman, turned to me and said, “Ah, Mr. Eastman, but ze good Lord, he did not have public opinion to deal with.” (Laughter)

It has seemed to me, having come along to that time in life where my youngsters have grown up, and having had some personal experience with this age-old problem of the different points of view between the parent and the child, or the two generations, I have felt that that is a good deal of the difficulty that exists here in the United States as toward Europe, namely, Europe has an old civilization. They are older than we are. We are young, eager, anxious, wanting to do something, want to see things done. But there is one characteristic of the youngster that is very marked, and that is the youngster’s hesitation to take on responsibility. (Applause)

The next speaker we are very glad to have with us, and I think it is most opportune and fitting that in this discussion we should have the problem of the United States as a world power from the financial point of view, and the new responsibilities that come with our changed position in the financial world. Mr. Ogden L. Mills of our Government is here today to speak to us.

(Applause)

Third Speaker

The Honorable Ogden L. Mills

Mr. Chairman and Gentlemen of the Economic Club: The subject selected for discussion this evening may be conservatively described as a large one. It implies on the part of those who are participating in the discussion a breadth of knowledge and of vision to which I cannot lay claim. But when the Economic Club calls through the most persuasive voice of my friend Ely, what can one do but respond? As the subject is such a vast one, it will make for clearness, perhaps, if I state in advance the three points which I desire to emphasize. Lawyer-like I should prefer to prove each one of them, but time will not permit me to do more than outline what I have in mind.

It seems to me, in the first place, that the significance of America's emergence as a world power cannot simply be measured in terms of our formal relations with other nations, participation in world movements, or in statistics of trade, balance of payments, or foreign loans. Beyond all of these direct evidences of our power and prosperity, there is something more, which, for want of a better term, may be called influence, the influence which the progress of any considerable body of human beings exerts on the interests, thoughts and imagination of mankind.

In the second place, I want to discuss our direct relations to world production, commerce, credit and finance, or, in other words, our position in world economy.

And, finally, I want to answer some of the criticisms which have been made as to our attitude towards international problems; and to indicate how in our own way and in line with our traditions we have measured up to our responsibilities in world affairs.

I do not fix the period of our attainment to the status of a world power at as recent a date as that of the World War. We were a world power long before 1914, but our relative importance in every respect has so largely increased in the course of the last decade that it is this growth and our correspondingly enlarged responsibilities and opportunities that you have doubtless had in mind in selecting the topic of the evening. Our rise to a position of preponderating power and influence was inevitable. The War may have hastened the event, but it was not an essential factor. What it did was to emphasize the transition, for, as the curtain rose slowly, after four years of darkness, on a new world, it was seen that among the great company of nations the United States was moving forward to a position of unusual prominence.

The causes are not to be traced to what had happened and was happening outside of the United States, but rather in the United States. Our country stands out in the world today not because of external events but of internal economic developments. It matters not whether these developments are due to fundamental changes in our economic structure and methods or whether, as the Committee On Recent Economic Changes found, that “acceleration is the key to an understanding” of them. The fact is that there has been a quickening of our economic life, an

expansion of our resources, a realization of potentialities, an attainment of a standard in the satisfaction of human wants hitherto unheard of. We have witnessed a growth in our national income from about 30 billion dollars in the closing years of the pre-war period to about 90 billion dollars in 1928, accompanied by a relatively stable price level during the last few years, a rapid accumulation of national savings, a steady flow of capital to industry and commerce both here and abroad, and an ever widening participation in the ownership of our national enterprises. As the report of the committee from which I have already quoted said of the period between 1922 and 1929, there was “an outpouring of energy which piled up skyscrapers in scores of cities; knit the 48 states together with 20,000 miles of airways; moved each year over railways and waterways more than a billion and a half tons of freight; thronged the highways with 25 million motor cars; carried electricity to 17 million homes; sent each year 3,750,00 children to high school, and more than one million young men and women to college; and fed, clothed, housed and amused 120 million persons who occupy our twentieth of the habitable area of the earth,” and, I may add, on a better and more generous scale than the world had ever seen.

The most striking features of the period were a marked increase in the physical volume of production, the organization of services on the scale and basis of vast business enterprises, and an ever-expanding demand for goods and services accompanied and sustained by means ample to satisfy these human wants. Improvement in industrial equipment and technique, together with unification and integration of enterprises, has made possible the achievement of mass production in many lines, and this in turn has favored the broadening both of domestic and foreign markets

for our commodities.

Taking the physical volume of manufacturing output in 1899 at a hundred, production increased to about 279 in 1927; between 1899 and 1927, the output per man engaged in manufacturing enterprises increased nearly 50 percent, in mining 118 percent, and in manufacturing, mining, agricultural and railway transportation combined about 75 percent. Similar comparisons for 1919 and 1927 show increases for these years alone of more than 40 percent in the output per individual in manufacturing enterprises, and of 35 percent for the combined industrial groups. Comparisons for individual industries are even more striking. For example, it is estimated that between 1919 and 1925, the output per individual increased 100 percent in the automobile industry, nearly 140 percent in the tire industry, and nearly 60 percent in steel works and rolling mills – lines which have been conspicuously capable of adopting mechanical refinements and organization improvements in their processes. At the same time, relatively high wages and low prices, which increased efficiency and mass production made possible for many commodities, have brought within the purchasing range of the average man and woman a broad list of goods and services which in the past might well have been classed as luxuries. While there is still much to be accomplished in this line, in so far as comfort, conveniences, leisure and educational opportunities for the great mass of the people are concerned, a new standard has been set in this country.

Such a development, carried forward on such a scale, by a nation of 120,000,000 people, was an

event of first-rate importance in world history. It was bound to be of profound significance, not only in its direct effect on world economy, but as an ever-widening influence on the thoughts, methods and social, political and economic systems of other nations. It is not so much a question of the United States becoming a world power, as the appearance in its more mature phase of a new power – the power immeasurably to improve their own conditions of life, of a highly intelligent, industrious and well-organized nation in complete control of their own destiny, whose philosophy contemplates equal opportunity for all, and to the individual the fruits of his ability and industry.

In a sense, there was nothing new in the picture. The world was familiar enough with the great American experiment, but the case is not unlike that of an individual whom we have known for a long time, but in whom our interest has not been aroused until he suddenly attains a position of unusual prosperity and power. Then, and then only, do we begin to study his character, methods and mode of life, and seek if possible to learn whether they contain a lesson; then, and then only, does he become an influence capable of shaping the conduct of others outside of his own immediate circle. In the case of the United States the interest was all the keener because at the very moment when our success and power began to attract world attention, an economic, political and social experiment, on an equally large scale, but totally different in character and based on diametrically opposite principles, emerged from the chaos left by the war. There is a dramatic quality in the contrast between the United States and Russia that of itself compels the attention of those whose vision encompasses the world.

For those who care to speculate on the future, there are today in the world, far apart as the poles, two outstanding inescapable facts – on the one hand the United States, on the other Russia.

So much for the imponderables.

Taking up now the second point, the growth in our industry and commerce has been a very important factor in the expanding economic activity of other nations. Our high standard of living and the command over goods which our high productivity gives us provide a vast market for the products of the rest of the world. Sufficient proof of the significance of our trade activity in relation to the world situation is to be found in aggregate figures for world trade. The total volume of international trade as given by the Department of Commerce was in excess of \$68,000,000,000 in 1928. Our imports from abroad amounted to nearly 15 percent of the aggregate exports of other countries, and our exports to more than 16 percent of the total imports of other countries. To trace out completely the influence of our trade on specific markets would scarcely be feasible at this time, nor is it necessary, since the stimulus of our direct trade with any one country is ultimately passed on through the channels of its trade with other nations. Thus, for example, our purchase of approximately 55 percent of Brazil's total exports of coffee in a measure determines her ability to make purchases not only from this country, but from England, Germany, and other purveyors to Brazilian markets, and thus our trade with Brazil bears indirectly on the foreign trade of these other countries. So it is that the benefits of our

large-scale participation in international commerce are passed on even to highly industrial countries which, like ourselves, are to an increasing extent exporters of manufactured products and importers of raw materials. It may be observed that trade broad also receives considerable stimulus from the \$700,000,000 more or less which in recent years from 500,000 Americans have spent annually as they swarmed through foreign countries, whether on business or in search of recreation, education or a wider culture.

Then, too, this country has experienced an accumulation of savings on a scale which has provided ample capital both for the improvement of our own plant and equipment and for employment abroad. Just before the War broke out, our investments abroad totaled about 2 ½ billion dollars; today American foreign investments are estimated somewhere between 12 ½ and 14 ½ billion dollars. We have furnished an immense reservoir of capital upon which the world has drawn freely for rehabilitation and reconstruction, and this flow of funds abroad has not only been of benefit to others, but has played an important part in the development of our own trade. As President Hoover has said, “The making of loans to foreign countries for productive purposes not only increases our direct exports, but builds up the prosperity of foreign countries and is an economic blessing to both sides of the transaction. Trade grows on prosperity, not on poverty. Trade is a cooperative effort among nations to secure the greatest total output and total consumption.”

During the War and the reconstruction period which followed, the services rendered to our own

country by the Federal Reserve System cannot be overestimated, but these services were not limited to the United States. Not only through specific operations, designed to deal with gold movements, but in the granting of credits to a number of European Banks of issue, our Federal Reserve System aided materially in financial reconstruction abroad and in the return to the gold standard, the most conspicuous instances being the assistance given Great Britain at the time that country returned to the gold standard, the part we played in the return of Belgium to the gold standard, and, more recently, the assistance given Poland and Italy in cooperation with the other great Central Banks. No mention of this particular phase of our financial history should be made without the payment of a tribute of respect and admiration to the late Benjamin Strong, governor of the New York Federal Reserve Bank, whose wisdom, vision and leadership were of inestimable benefit to our Federal Reserve System during its period of growth, and to other nations during their period of financial reconstruction. (Applause)

This brings us to a consideration of our third point, and that is whether America has measured, and is now measuring, up to her responsibilities in foreign affairs. For me to undertake to review our foreign policy would lead me too far afield. And for me to attempt to answer my friend Lippmann would entail dangers which I am not prepared to assume at this time (Laughter) Moreover, a Treasury official should confine himself to the economic sphere. But I think I should point out that the principles which have guided our foreign policy, and which were well described in the words of Jefferson as “peace, commerce and honest friendship with all nations, entangling alliances with none”, have resulted neither in isolation nor in failure to cooperate with

other nations in the solution of world problems. After all, it is just as definite a policy to say, “No, “ as it is to say, “Yes”, providing we have good reason for saying, “No.” (Applause) We have shunned alliances, we have avoided commitments outside of the sphere of our responsibilities as a nation, we have declined to forego in advance our freedom of action, but whenever men have gathered in the cause of world peace or to further the interests of humanity, our seat at the table has not been empty. (Applause) if proof is needed, it will be found in our participation in numerous international conferences, among which, in recent years, may be mentioned the conference on the Control of the International Trade in Arms and on the Prohibition of the Use of Poisonous Gas and Bacteriological Methods of Warfare, at Geneva, in 1925; the World Economic Conference, at Geneva, in 1927, the Preparatory Commission for the Disarmament Conference; the Conferences on International Double Taxation, which have borne fruit in the proposed legislation now pending in Congress; our leadership in the promotion of the limitation of naval armaments, as exemplified by the Washington Conference and the present London Conference; our efforts for the promotion of world peace, as exemplified by the Kellogg Pact; the adoption of numerous arbitration treaties, and our active participation in the splendid work performed by the Pan-American Conferences.

Nor should we overlook that it was the speech delivered by Secretary of State Hughes at New Haven in December, 1922, supported, of course, by the compelling force of circumstances, that led to the investigation of the reparations problems by the Dawes Commission. The plan which that Commission evolved laid the foundation for what I hope is the final solution of the

reparations problem – the Young Plan, in the formulation of which American citizens, notably Mr. Own Young, brought such credit to themselves and to their country. (Applause)

Some, doubtless, consider disinclination on our part to become parties to the Young Plan and to participate officially in the organization and management of the International Bank as due to a timid and parochial view. But consider the circumstances. The International Bank was primarily created to receive and distribute reparation payments. Now it is so happens that the United States has never had a claim for reparations, in the sense that our former associates have. Our claims against Germany on account of Army costs and mixed claims are comparatively insignificant. They might well be nonexistent today, and survive only because, though our Army of Occupation was withdrawn many years ago, we have never been reimbursed for its cost, and because, in so far as the claims of our private citizens against Germany are concerned, we elected not to satisfy them by the confiscation of private Germany property but to look to Germany itself for their satisfaction, once they had been legally adjudicated through a duly constituted tribunal. And I might say in passing that the policy of the United States in standing firmly for the principle of the inviolability of private property in the time of war, which was established in Europe as long as Magna Cart, and which existed until the World War, was a very definite contribution to international law and to the preservation of the rights of individual men. (Applause) We did not participate, in the first instance, in the fixing or apportioning among the creditors of the sums to be paid by Germany; we had no share in the attempts to collect those sums; we have never been represented on the Reparation Commission, which, after all, came into existence to deal with an

almost strictly European problem. Why should we at this late date reverse a long established policy and make ourselves responsible for the receipt, mobilization and distribution of German reparation payments? Moreover, without suggesting the probability of such an event taking place, supposing Germany finds herself unable to continue the conditional payments. If we were officially represented on the Bank Board or upon the so-called Advisory Committee, we, as the sole disinterested party, would find ourselves in the position of arbiter, called upon to settle and decide a controversial and difficult European question, in which we have no interest. To stay out under these circumstances, may seem timidity to some; to me it is just commonsense, leaving out of consideration the obvious attempt to link reparations and international debts, any relations between which we have consistently refused to recognize.

Irrespective of whether funds paid into the International Bank are transferred to the United States by our debtors in payment of their obligations to us, debts and reparations are not only unrelated as a matter of origin and principle, but in fact. Can anyone doubt but that the countries which are indebted to us will live up to their obligations if they are able to, irrespective of whether they receive reparation payments or not? Furthermore, I see no reason why they should not be able to do so.

It has always seemed to me that all debt discussions have laid too much emphasis on present difficulties, and given too little consideration to future possibilities. We seem to have forgotten that, prior to the World War, the rest of the world owed the principal countries of Europe some

30 billion dollars, and found no difficulty in meeting the interest on this huge obligation. True, this indebtedness represented a growth of forty years. In other words, it grew gradually, permitting international trade and finance readily to adjust itself to changing conditions; but when one considers the enormous increase of productive power of the United States in the course of the last few years, who can assume to foretell what the increased world production may be in the course of the next quarter of a century? In the old days, international trade doubled about every twenty years, and that rate of growth seems now to have been restored. Given increased production and a very much larger volume of international trade, it is not unfair to assume that the future burdens of these international payments will be much lighter than has frequently been claimed. It is well to remember that the settlements were made at a time when the economic fortunes not only of these countries, but of the world at large, were at a low ebb, and the terms of settlement were not ungenerous. Obligations aggregating over \$12,000,000,000 were sealed down to a present day value of approximately \$5,888,000,000, on a 5 percent basis. It is difficult to see how we could have gone much further without injustice to the American taxpayers.

To take up one other of our economic problems that have been the subject of criticism, let us turn to the tariff. It has been claimed again and again that we have built a Chinese wall around the United States which seriously impeded the normal flow of international trade, and that we have taken a position inconsistent with that of a great creditor nation. But, as Assistant Secretary Klein pointed out this Club not so long ago, it is well to remember that 65 percent of our imports come in free of all tariffs, and that half the remainder is composed of luxuries of one sort or another,

which are only slightly influenced by tariff changes. During the last fiscal year, our total imports amounts to \$4,292,000,000, and it is worthy of note that, under the much maligned Fordney-McCumber Act, our imports from Europe have actually increased by half a billion dollars. Moreover, as Assistant Secretary Klein said, modern trade is not conducted through two-way movements; trade moves and trade balances are adjusted along very different lines, frequently involving several countries. For instance, again to quote Mr. Klein, when you consider the trade balance between England and the United States, the margin against England of \$499,000,000 last year appears formidable until, upon looking into the matter further, we find that we import from India and the Federated Malay States some \$290,000,000 more than we export to them, which the Doctor described as “in the front-yard of England, commercially speaking”. The tariff question cannot be disposed of as simply as some gentlemen would like to dispose of it. The plain truth of the matter is that we have had a protective tariff during the last eight years, and during that eight years we have witnessed a constant and steady expansion of our foreign trade, both exports and imports.

The day of isolation in world affairs is over. The prosperity of each member of the world community is, in a large measure, dependent upon the prosperity of all. We are vitally concerned in the maintenance of peace, order and stability throughout the world, without which progress and prosperity are unattainable, and in the welfare and economic health of the other nations, with which our commerce and economic life are so closely interwoven. As a nation, we must not shirk our responsibility as a world power, but we are entitled to maintain our right to define what those

responsibilities are, and to decide under what circumstances we shall use our power and resources. There is nothing new or surprising about such a policy, for it has always been the historic American policy. We adapt it, as the years go by, to changing circumstances, not only in our national life but in the world at large and in our new relation to it as one of the great and powerful nations. But in its essentials it remains the same policy as it has always been; and I, for one, hope we shall continue to chart our course in dealing with other nations by the landmarks which we have always known and by which America has been brought to her present position of greatness and power among the nations of the world. (Applause)

MR. EASTMAN: May I remind the audiences that after the next speaker has finished the various speakers – I should say that Mr. Mills has had to be excused or is going to go a little early because of his necessity of taking a train back to Washington – but the other speakers will be prepared to answer such questions as may be handed up to them.

In introducing the next speaker I was given a memorandum to show who he was and what he has done. I hardly need that because I have known him for so long, and he is known to most of us. The impression I got from reading this memorandum was that we are going to hear from one of our elder statesmen, and I shall be interested to hear what Mr. Morgenthau may have to say to us on the question of our position as a world power, and after a long life in public service, not only here but internationally, Mr. Morgenthau. (Applause)

Fourth Speaker

The Honorable Henry Morgenthau

Mr. Chairman, Ladies and Gentlemen: I will take advantage of Mr. Eastman's introduction of me as an elder statesmen, and therefore go back a little ways when I was still younger and could observe things a little more clearly. We all agree tonight, all the speakers and all the listeners, that the United States is a world power. We are not only a world power, but we are really a dominant world power today, and what I want to discuss is what use shall America make of this wonderful, tremendous power.

Those of us who were in Versailles and saw all the representatives of the various countries fighting to establish a permanent peace, will remember how finally the idealism of President Wilson and some of his associates predominated and succeeded in embodying in that Peace Treaty the League of Nations. That League of Nations was, to my mind, the greatest document that has ever been put across since Magna Carta. (Applause)

Some of us still feel sad and disappointed that that treaty was never ratified. I again was stirred up recently when Wilson was blamed by some speakers at one of the luncheons of the Foreign Policy Association, and it was asserted that the treaty could have been confirmed if President Wilson had assented to certain reservations. I contradicted that statement and Corinne Robinson,

the sister of President Roosevelt, arose and contradicted me, saying that she was present when Senator Lodge came home from the session where that treaty was defeated, and that Senator Lodge then said that he had been willing to put this treaty through if Wilson had consented to the reservations. A few days later an article or interview was published in the Washington papers from Senator Lodge's daughter, where she contradicted Corinne Robinson. I then wrote to Mrs. Williams, Senator Lodge's daughter, and I am going to read to you her answer which I think is going to settle this question of who is to blame for the non-ratification of the treaty, forever.

1818 H. Street
Washington, D.C.

February 27, 1930

Dear Dr. Morgenthau:

I have your letter of February 28th. On Sunday, January 5th, my attention was called to the article in the New York Times of that date, about your meeting, and Mrs. Robinson's statement there in regard to the attitude of my Father, the late Senator Harry Cabot Lodge, toward the Wilson League of Nations. My recollection was wholly different from Mrs. Robinson's and in talking the matter over with my friend, Mrs. Longworth; I found that her recollection agreed with mine. Mrs. Longworth and I were both in the thick of the Wilson League of Nations' fight. To the best of our knowledge and belief, Mrs. Robinson was not even in Washington when the final vote was taken in March of 1920, on the Wilson treaty with the so-called 'Lodge Reservations.' I know for a fact that she was not staying with my father.

During the fight, I was at the Senate in my father's Committee Room nearly every day, and had had dinner with him most nights. He was living alone, and I was a widow at that time, and it was his habit to talk over with me every step of the negotiations. He was Chairman of the Foreign Relations Committee, and his task was a difficult and delicate one, as he had to try and hold together the Irreconcilables, the Mild Reservationists, and a few (most difficult of all) who were timid and undecided, and would not 'stay put'.

My father hated and feared the Wilson League, and his heart was really with the Irreconcilables. But it was uncertain whether this League could be beaten straight out in this way, and the object

of his Reservations was so to emasculate the Wilson pact, that if it did pass, it would be valueless, and the United States would be honorably safe-guarded. My father never wanted the Wilson League, and when it was finally defeated, he was like a man from whom a great burden had been lifted.

I had not intended to say anything publicly, but on Monday, January 6th, Mr. Thomas Carens, the Washington correspondent of the Boston Herald, telephoned me. He said he could not understand Mrs. Robinson's 'curious statement', as his impressions were wholly different, and he had had many talks with my father on the subject. What you saw in the Washington Post was the result of my conversation with Mr. Carens.

If you get hold of a book called 'Torchlight Parade', by Sherwin Lawrence Cook, published in 1928 or 1929, and will look at the paragraph on (I think) the 206th or 207th page, you will find what to my mind is a perfect description of my father's attitude toward Mr. Wilson's League.

I am,

Sincerely yours,

(Signed) Constance Williams

I am very glad of this opportunity to present this letter to you and to the public because this ought to settle what happened. President Wilson and many others were very anxious to really draw some benefit from this war. The great question, the biggest question that has ever occurred in many a century, is to try and establish permanent peace. All the speakers today, if you analyze their speeches, stressed the necessity of peace. They stressed the necessity of our having our say. I think that Mr. Lippmann put it as well as any one when he said that the consequences of the United States' decisions are momentous, and the world is unable to be established while the United States keeps aloof.

When you get right down to this question, I was very much interested and instructed by Mr.

Mills' speech. But that is not the real question. The real question to my mind today is, "Is the United States going to become the moral leader of the world, or are we going to develop into the biggest money bags that has ever been created?" It is irresistible. We are unable to escape this great prosperity. Yes, we are a hundred and twenty millions of people who have got all the gold. I could give you facts and figures. We have over half of the machinery of the world. We produce all these automobiles, everything of that kind. But that is not what America is here for. The United States has had the opportunity which no other nation has ever had to try out whether you can establish a real democracy, whether you can take away from a few people the leadership of the world and try and have a government by the people, for the benefit of the people.

When I paint for myself a picture of the conditions of the world at present, I look upon it as though on one side, call it street or river or stream, on one side of that is your dividing line where there are 52 nations who have gotten together and are laboring day and night to create what we folks have done to protect ourselves against ordinary conflagrations. They are trying to create a combination which will prevent further wars. On the other side, calmly sitting and getting richer, waxing fatter, wallowing in prosperity, is the United States. Next to it are these Pan-American countries. We are connected with these people. This ocean which divides us has become in your lifetime and is becoming daily, narrower and narrower. We are so close to those 52 nations that we talk across this dividing line. We deal with them. We have a common bank. We give them credit. We do everything as though we were part of it. But we are sitting on the other side of the line, taking advantage of their combination to prevent the recurrence of war, and we do not pay

our insurance premiums. We let them carry the insurance alone.

Now, my friends, that is not the true American character. If we study ourselves and realize what America really is, she is acting in a shamefaced isolated fashion. You may say whatever you like. We are doing a tremendous business with the world. Many of these things are inescapable. But the great question which confronts the American people is this: Are we going to allow these nations to suffer from the effects of this war which we all believe was fought for a good purpose? Are we going to stay aloof and allow others to suffer?

Mr. Mills alluded to Russia. There is a great example which is being held up to us. Correctly so. Russia is going to the other extreme. Now here is the America which we all know and which has been alluded to again and again this evening. If she just raises her voice and lets these other powers know – but she won't let them know what she would do – then the other powers would follow willingly. What I am driving at is this. I am not criticizing the powers that be. I admit that the light of the stars takes many years to reach us. I admit that the growth of education should be slow and deliberate. But I will tell you this; when Roosevelt said to Emperor William, "Stop this nonsense," at Algeciras, or whatever it was he said, or else we will take a hand in it, William threw up his hands. If Germany had known that Great Britain and the United States were going to enter the Great War, there never would have been a war. (Applause)

Now, the United States has become a great giant of the West. There has been no other nation that

ever existed like it. We did make a little entry into imperialism. It was wise. It was also one of those things that we could not escape. We had to have war with Spain, and the Philippines were wished on us. It may be very important for us in the future to have them. But if America stands aloof now and lets these nations become less and less prosperous and until the burden of the debts that they owe us overwhelm them – and I cannot discuss the tariff business in a short speech – but if we increase our tariff and keep on doing these things, I claim that we are not acting according to the real American character. We Americans, collectively and in our business, and in our other relations, we are an honest, aggressive, determined nation. We are a nation who wants to do things. We want to do constructive things. We are really anxiously seeking for bigger problems to solve. Here is the finest problem that has ever been presented in the history of the world, to try and establish peace in the world, and you cannot do it. It makes me really smile when I hear honest, capable people, intelligent people, talking to you that it is a great forward step to have that Briand-Kellogg Pact. There aren't any teeth in it. You cannot do a thing with it. It is just a gesture, an excellent gesture; it is very fine, as long as America is still not a grownup world power and admits that it is in its infancy, that it does not grasp the situation and is holding aloof for fear that it may make some entangling alliance.

Think of this picture that I have painted to you. Do you believe for a moment that if there is a serious conflagration or a war menaces those 52 powers, which are almost like our Siamese twins, that we are going to be able to hold aloof? It is utterly impossible. We will have to participate in it and do our share. How much nobler, how much more in keeping with our

character, would it be if we did say to France, “Yes, we will give you security.”

France is honestly and sincerely afraid. She fears that Germany is going to be stronger than she is, and she is right. Germany is coming back so rapidly that France, who is doing well, but sees distinctly that she is going to have a great rival. But I believe that if all of the leading men, or the few leaders who control the destinies of the world, were sincerely determined to have peace, and they believed in each other, that if they had that desire you could have peace in this world. But it does not seem like peace the way they are going at it now.

My belief, my conviction is, and I have seen this – I am one of the few, perhaps, in this room who had the extraordinary opportunity to see how a war is made in Constantinople. I listened day by day in the winter of 1913 and 1914 to the representatives of the other countries, as to what they were planning, what their aims were and what their desires were. I believe at that time it was absolutely unavoidable that we have war. All these nations had their tremendous military establishments. They had to make use of their navies. They were afraid of taxation, and today there is no change. There is again that same strained relation, and it is very largely due to the fact that the judge who is finally to be the arbiter as to who will win and what will happen, the United States of ours, is hiding his thoughts and hiding his plans.

This is not an occasion for the making of a political speech or to refer to the other party to which I do not belong. But I want to say this, that if we had courageous leadership in this country, all

the other nations would gladly follow us.

I will never forget when in 1917 I was in Europe on a private mission and it was known that I represented President Wilson. I met all the leaders. We only had twenty-five of fifty thousand soldiers out there. They told me when I was coming back to Washington, “Please tell President Wilson we are not so anxious to have more soldiers immediately. We know your difficulties. We realize” – they never believed at that time that we could send millions of soldiers across. They said, “Please tell the President to assume the leadership of the world. We are ready to follow him wherever he wishes to lead.” I told this to President Wilson and he gave me one of his characteristic answers after I explained it all to him, he said, “Morgenthau, where shall I lead to?”

We did not know where to lead to. We were at sea. I admit we had a little taste of world power. We had some little experience of importance, but we were not internationally minded. We were just like Dilettantes, like amateurs who had jumped into international experiences. But America is not internationally minded today. We are anxious to develop ourselves commercially. We are bewildered at the sudden transition from a quasi-world power into the greatest world power that exists. We do not realize the responsibilities that go with it. It is not fair toward ourselves and towards the rest of humanity for us who have had these unusual privileges and advantages that we have had in this country, unencumbered with traditions or hatreds or anything of that kind, where we have these tremendous natural resources, to fail to take advantage of the opportunity.

Here is a chance at least to say to the whole world that we are going to take this leadership seriously and we want to qualify as the moral world power, the moral world power, not simply the economic or political world power. (Applause)

QUESTION AND ANSWER PERIOD

MR. ELY: It is not yet half past ten and we may as well spend a few minutes more on the questions that have come in. First of all I should say that we cannot but be agreed that the addresses which have been given tonight should be printed. They will be. Any of you who would like copies, if you will drop a postcard to the office of the Club in due time these copies will reach you.

Two or three questions have been handed to Dr. Schurman, and one or two to Mr. Lippmann. If they are disposed to say a few words about any of those questions, and any words of their own, that may bring the meeting to a natural conclusion.

DR. SCHURMAN: Mr. President, it is scarcely fair to the audience to have a second round of speeches after all they have heard, and for my own part, and although I have received two or three questions, I hope the gentlemen who sent them up will excuse me if at this late hour I do not enter in to a discussion of them. Only one aspect of one of them I should like to mention. It has been suggested to me in one of the papers that came to me that whatever advantages and

disadvantages may be claimed for the United States entrance into the World Court apply also to the United States entry into the League of Nations, that these are on a par.

I recognize thoroughly the value of the League of Nations. It is doing good work as I have already said. Its work is almost exclusively European work. I do not think it would be helped perhaps in the least, certainly not to any considerable extent, by our joining it, and there are many reasons for that. One of them is that we are tremendously ignorant of European affairs and don't know the problems that these European nations are wrestling with. I do not feel we would contribute anything of value to the elucidation of these questions. The second point is that the repercussions, as I have already said, of our participation in these questions on the elements of our whole population, might be very embarrassing for us, and so that I think we do wisely to let the European nations carry on as they are now carrying on so successfully the work of the League of Nations.

The World court seems to me, in spite of the implied thought of my questioner, to stand on an entirely different footing. So far as causes of war can be put on a legal basis, or so far as wars threatening to arise out of legal questions can be judicially disposed of, the case is entirely different from political issues which come before the League of Nations. The World Court is such a judicial body, and if two nations threaten to come to war over the application or the interpretation of some principles of international law, then that principle or the application of that principle, or the interpretation of that principle can be passed upon judicially by the Court, and it

seems to me there is no risk whatever for us or any other nation in referring such matter to them.

On the other hand, the questions that come to the League of Nations are of a political character and it would be very much more serious for us to be connected with them. For instance, there are today in Europe situations which have in them, if not otherwise disposed of, the seeds of future ware. Why should America be called upon to take sides in questions of that sort, full of dynamite, when in my opinion we could not add very largely to the wisdom of Europe in dealing with them, when we would bring perhaps, as I have already said on our own country embarrassing situations, and when probably if we did participate in the solution the blame of those who had lost their case would be thrown particularly on this nation, from across the Atlantic.

I am speaking very briefly. I am unable to go exhaustively into the question, but I hope I have been able to indicate to you at any rate the differences which exist in my mind between the League of Nations and the World Court and their respective functions. (Applause)

MR. LIPPMANN: I have drawn three large questions out of the bag. I will answer each of them very briefly, and I am afraid insufficiently for that reason. The first question is; Why has Great Britain allowed the United States to attain naval parity when in the past she has so ruthlessly destroyed other nations that have attempted to challenge her? I will pass over the question-begging form of the question and say simply that I think there are two main reasons. Great

Britain has recognized our power without argument, and she has recognized that our power does not really threaten any vital interest of her own, and those two reasons, I think are the reasons which explain the acceptance, within a period of ten years, of a status which she has never before accepted in modern history. (Applause)

The second question is; If the United States should decide to join with France, England and Japan in the enforcement of peace in the world, would not that be the surest way to establish lasting peace?

If the gentleman who asked that question means that the four nations are to use force, I should say that this was both impossible and undesirable. There are fifty nations, more or less, in the world, and no two or three or four or five powers have either the right or the power to police all the others. What they can do is to declare that they are prepared to join with the others in examining and exploring every possible avenue to maintain peace when a quarrel is likely to break it. This is the precedent which I referred to that President Roosevelt set at the Algeciras Conference; which Secretary Stimson has twice followed within a year in case of dispute between Bolivia and Paraguay, and in that dispute in Manchuria.

Mr. Mills said that the United States would always be found ready to take its part when some great issue was at stake. I entirely agree with him. I think the record bears him out. He knows that and you all know it. But the trouble is that the rest of the world does not know it, and what

the world at this moment is asking us to do is to say in plain terms that we are going to do what as a matter of fact we really are going to do.

The third question is this; What is your opinion of the effect of the adoption of a universal language as an influence toward international peace and understanding? Well, my opinion is that if you could agree among yourselves, if you could get fifty nations to agree on a universal language, you could get them to agree on many more important things. (Laughter and applause)

MR. EASTMAN: The meeting is adjourned.