

THE ECONOMIC CLUB

OF NEW YORK

NINETY-FOURTH MEETING

MONDAY EVENING, NOVEMBER 24, 1930

HOTEL COMMODORE

General Samuel McRoberts presiding.

MR. ELY: In twenty-four years this is the first time a dinner of the Economic Club has been held in any other place than at the Hotel Astor. The reason why it is not held at the Hotel Astor tonight is no reflection in on that hotel and/what I say there is no reflection on this hotel; no reflection on anybody; but the fact was that Dr. Schacht could speak only on the evening of the 24th of November and the evening of the 24th of November had been engaged at the Hotel Astor by other persons. I don't know who they are but I feel that they were somewhat less worthy than ourselves. (Laughter) But they got in first and they stayed and so we are here. But after tonight we are going back to the Hotel Astor. But if we had to go anywhere else I at least know of no place I would prefer to the Commodore, (Applause) for great pains have been taken tonight in this to us somewhat

strange place, to do things as we are accustomed to have them done. But the next dinner, which will probably be in January, will be at the Hotel Astor.

The second thing that it seems perhaps not improper to say is this: there are a number of most welcome persons here tonight who happen not to be members of the Economic Club. There are in this great city a few very estimable citizens who are not members, but not a great many (laughter). If any of those who are here tonight would care to join the Economic Club I think I ought to give them a word of friendly warning: the door, judging from past experience, will be closed about the middle of December when the limit fixed by the constitution will be reached, and those who would like to become members would do well to signify their wish quickly, for nothing hurts our feelings more than to return checks for annual dues (laughter).

My third task is the most pleasant of all. It is to present the new president of the Economic Club, General McRoberts (applause).

GENERAL SAMUEL McROBERTS: Gentlemen of the Economic Club; your honored guests and ladies; As Mr. Ely intimated this is practically the twenty-fourth year, the beginning

of the twenty-fourth year, in which the Economic Club has organized and held these dinner discussions. It is a notable fact that in spite of the tremendous slump that has struck the popularity of after dinner speaking these dinners have been uniformly well attended and enjoyed. I think the explanation of that fact is largely due to the ability of your Executive Committee to select apt subjects for discussion. Varying conditions naturally create or intensify interest in particular questions and as illustrative of the present conditions in this country, at least in the beginning, I am minded to make a very light contribution to a serious dinner by attempting to tell you a story. Recently a professional strong-arm man was giving an exhibition in one of our theatres. He bent coins, distorted bars of iron and tore telephone directories across; did the usual strong-arm stunts. Finally he took an uncut lemon in his hands and by exerting his enormous strength squeezed all the juice out of it. He then offered an important cash reward to anyone in his audience who came up and took this squeezed lemon and produced a single drop of additional juice. A young man promptly accepted the challenge, came forward, took the lemon as directed and by exerting his strength it would

seem that not one drop but three drops gathered on the lemon and dropped from his hand. The strong-arm man was astounded and he said to him, "Who are you and what do you do to produce such wonderful capacity?" He modestly answered that he was Tom Brown and that he was a margin clerk in a downtown stock brokers.

(Laughter and applause).

Considering the present condition at least in our own country our minds turn very easily to the discussion of some of the simple fundamental things, and especially economics, and I think that your committee has again been very apt in selecting a subject for discussion tonight. It is: The Economic Recovery of Europe and its Relation to this Country.

The first speaker to address you is one who is peculiarly fitted to discuss this subject, for apart from his experience as a banker and financier, he has within the last few years had the responsibility of an enormous task placed upon him, one that has compelled, quite apart from inclination, the most intensive study of economic conditions of his own country as well as of those that are opposed against her in active negotiations. To this task, which is probably without parallel in the

history of the world, he brought as a background the usual sound education of German schools, ^{and} a commercial experience which gravitated into banking. At the close of the war he was already well known in Germany and occupied a position as vice-director of one of the leading German banks. In the confused state of affairs in Germany which followed as an aftermath of the war he had always taken a stand for the sound things. He was for balanced budgets and secure currency and stability as against inflation. He came first into real prominence as one of the small group that invented the Reichenmark, the device used by Germany in its transition from inflation to the gold standard. He was also the man of the hour in Germany at the time of the stabilization of the mark. He was also a member of a small group, international group, that first suggested and afterwards convinced the world that the whole question of German reparation was not a political or much less a military question and could only be solved by cooperation of a more or less unofficial international group of financiers and trained bankers. In 1923 he was made president of the Reichsbank and in that capacity he attended and participated in the discussions that led to the formation

of the Dawes' Plan. He served in a like capacity in the formulation of the Young Plan. He came to the front as the strongest proponent of the German position. It is said that in some of these difficult discussions he developed a rather high voltage personality and in fact I believe his Government temporarily recalled him one time for the sake of harmony in the discussions. But he won his victories because he stuck to and advocated a very few very simple and very sound principles rather than through skill in the manipulation of subjects.

Last March he resigned as the head of the Reichsbank and became a private citizen and has remained so until now. This has enabled him to visit the centers of Europe and to obtain first hand information on the subjects with which he is involved. He has just completed a tour through the United States and we are very fortunate to have him address us tonight when he is fresh from this personal survey of the economic situation both in Europe and in the United States. I with great pleasure am going to present to you Dr. Hjalmar Schacht of Berlin. (Applause).

DR. HJALMAR SCHACHT: Mr. Chairman, gentlemen of the Economic Club of New York; I notice from your program

that there are not less than eight speakers tonight and I think that any one of these other seven will be able to say much better things than I about this situation, and that is why I hope you will forgive me if I deliver only a very short address to you.

I have been asked by Dr. Ely this morning, because this is the last time during this trip that I am addressing a gathering, to summarize a little bit of what I have said in this country on various occasions and of what I have seen and heard from the gatherings which I have met in this country, and he even asked me to prepare a little written statement, which was the reason that I could not take that nice dinner which you had prepared all ready for me tonight. I had to forego that and stay at home and dictate this statement which perhaps will facilitate the task of the press, which sometimes has misunderstood what I said because I have always tried to speak extemporaneously and not read a written address.

I would first like to say that my mission when I came to this country this time was an absolutely private one. I tried to find a place for my son who is twenty years old and has had one year's banking experience in Europe, with one of our best banking firms. But I wanted

him to become acquainted with American banking and general business methods and I have been lucky enough to place him in Chicago. (Laughter). I will tell you the reason why I did. When my intention was known I got three telegraphic offers from Chicago and none from New York. (Laughter).

My second purpose was to see a little bit more of the country than I had been able to do before, especially of the Middle and Far West. I had never been beyond Chicago on my earlier visits here, although this is the sixth time that I have come to this country and now in order to be able to meet some people out there and not only to go through the country as a tourist, I felt that it would perhaps give me a good opportunity to meet people by offering some lectures to some rather few universities out in the West, and that I did. For the first time in my life I offered lectures to you and I tried to sell nine subjects, all about financial matters and banking questions and so on, and only one of them was about the economic side of reparations, and when I came here I found that not only those to whom I had offered my lectures had chosen the economic side of reparations, but also there were many other parties and bodies who wanted me to

lecture about that special subject, and I was absolutely unable to sell the other lectures. (Laughter).

I found that everybody was anxious to learn something about the present and about the future development of the reparations problem. My impression after having delivered these addresses is that in this country there is not only an increased interest in the reparations problem but a growing feeling that the unsettled problems which the war has left to us are a permanent menace to the economic prosperity of the world. So I want to explain my opinion about the meaning of the Young Plan, which is exactly the meaning of the Dawes Plan, stating that the main feature of the plan was to eliminate politics and to solve the reparations problem by economic means. Military and political pressure are not apt to procure money. They can only waste it. If on the other hand the money cannot be procured by economic means, in that case the Young Plan provides for an economic adjustment of the present arrangement by convening a so-called advisory committee of experts. The Young Plan further states, as the Dawes Plan has done and as all the economists in the world have done so far, that the reparations problem is not a German problem alone but a

common problem of all parties concerned and that Germany can only pay out of an export surplus of goods, for the simple reason that every transferable liquid asset has been taken away from Germany before the plan was introduced.

In order to obtain such a surplus of goods the Young Plan requires the cooperation of the recipient countries and provides especially as a help to that object for the Bank for International Settlements to which this task to some extent is transferred. So far Germany has not had an export surplus except in times of depressed home conditions, as for instance just now. At such times we restrict our imports and try to live on our existing stocks and force our exports even at low prices. But since Germany's currency was stabilized in 1924 Germany had an import surplus of nearly five hundred million dollars a year on the average. So far the reparations payments have been made out of borrowed money, part of which went into the improvement of Germany's industrial equipment and part of which by way of paying taxes went into the hands of the German Government for reparation purposes. This foreign borrowing within only seven years time has reached an amount which is already nearly as high

as the foreign indebtedness which this country has accumulated within a period of fifty years before the war, and the rates of interest which Germany has to pay on these loans and credits are so high as to affect German competition in the world markets most heavily.

On the other hand the nationalistic and protectionistic tendencies are increasing all over the world and making it still more difficult for Germany to obtain an export surplus of goods. Neither the recipient countries, who almost all have raised their tariffs, nor the Bank for International Settlements has done anything in the line of developing world markets and to let Germany have an appropriate share. Even the colonial fields and colonial potentialities have been taken away from Germany for the most hypocritical reasons. But there is still another side of the problem which is a social one. The present income of the bulk of the German people is so small that the people cannot maintain their standard of living. Out of a population of sixty-three million not more than three hundred and seventy thousand taxpayers have an income beyond \$2000; and 16,600,000 wage earners have an income not exceeding \$300 a year. The great problem is whether any Government can maintain social

order under those conditions and whether the great mass of people will not rebel against paying taxes for reparation purposes.

So far the political leaders in Germany have been able to get the parliamentary support for a policy which earnestly tries to meet the reparation payments, but with three to four millions of unemployed who depend entirely on the payments of the Government, and with no sufficient markets for German goods and with no colonial or other potentialities, it is certain that the payments cannot be made out of an export surplus which, if we had it, would do away with at least part of the unemployment and which would help to maintain the former standard of living.

On the other hand a further increase in private borrowing abroad for the purpose of paying political debts carries no economic reason with it. I doubt very much whether such methods will attract further private lenders, although certainly Germany wants to be loyal and faithful to them. Unless, therefore, some new international economic action will be undertaken jointly which will help to a greater export of goods, I do not see how the payment of reparations can continue.

I have advocated such a joint international action which, by the way, shows that I am not asking for a stopping of reparation payments. They will stop automatically. Nor am I asking for sympathy or anything of that kind. I am simply explaining the existing situation as I see it.

Nor am I suggesting anything about the cancellation of debts. The inter-allied debts are entirely different from reparation payments, because the principal has been received by the borrowers, whilst the German payments are merely tributes. The principal lent to the Allies it is true has not been applied for direct economic purposes, but has helped the borrower to win the war and to extort out of Germany so far much more than \$15,000,000,000 in cash or commodities. What all that means morally I have never discussed and I do not want to discuss it. But after all that happened and after we have wasted nearly \$220,000,000,000 during the war, to me as an economist and business man it seems to be absurd to keep the whole world in unrest and in political social and economic disorder just for extorting another \$10,000,000,000 out of one member of the international civilized community.

I would like to add a very few personal remarks. I have signed the Young Plan because it offered an

economic adjustment of the reparation problem, not because of need, and it did expressly away with all kinds of political and military pressure. When the Young Plan was accepted by the second Hague Conference, by the political governments, a new sanction clause was added to the plan and thereby the possibilities of this problem became once more a start for political entanglements and antagonism was introduced. This means a step backward to the time of the Ruhr Invasion, and while I am hoping that the moral opinion of the whole world will not allow the future application of that sanction clause I do not want to accept any responsibility for such a procedure and therefore I resigned from the office. Either the reparations problem is an economic problem and will be made feasible by economic methods or it must be wiped out. But I do not believe in the use of political and military pressure for its solution. I further do not believe in concealing the situation from the public. It is only by telling the truth that we can avoid trouble. (Applause).

GENERAL McROBERTS: At the request of the joint committee for unemployment Mr. George Gordon Battle will speak a word.

MR. GEORGE GORDON BATTLE: General McRoberts, ladies and gentlemen; On behalf of Mr. Seward Prosser, the Chairman of the Emergency Employment Committee, and the other officials of that committee, and on behalf also of those who will be the beneficiaries of the work of the committee, I want to thank General McRoberts and I wish to thank you gentlemen most heartily for the opportunity of saying here tonight a very few words in a very few moments to call your attention to the object of the work of this committee and to what it is doing.

Generally at this season of the year there are about 150,000 men out of employment in New York. These are for the most part in ordinary years single men, unmarried men, who have drifted to the city with the advent of cold weather. Many of them are men who do not care to work. Some of them are not, but a great many of the men who are usually out of employment at this time are men who are not anxious to work.

This year, instead of 150,000, there are about 350,000, due to economic depression, to lack of employment, and the tragedy of the situation is that this additional 200,000 are practically all of them men who desire to work, men who have worked and men who are only looking for the

opportunity to get employment with which to support themselves and their families. The situation is truly a tragic one. If I had time I could tell you of illustrations that would tug at your heart strings and furthermore, in addition to the humanitarian motives, it is manifestly most highly advantageous to the public welfare, to the well being of the community, that there should not be a large body of discontented unemployed and embittered men in our city during this winter.

It is in order to meet this unusual, I may say this unexampled situation, that this committee has been organized and is doing its work. The purpose of the committee is to furnish work to from twenty to twenty-five thousand men, for the more part heads of families. It is the object of the committee to furnish these men honorable, useful employment for which they will be paid a very small wage, about \$15 a week, but sufficient to keep their homes together, to keep themselves from the necessity of getting their food in the bread-line, which is most demoralizing, and also to enable them to keep their children at home instead of sending them to institutions. In order to accomplish this purpose the committee is striving to raise a fund of \$6,000,000. Over \$2,000,000 have already been

raised. With this money it is proposed to furnish employment at the rate of wages I have mentioned, \$15 a week, employment which will not conflict with ordinary wage earners, such as cleaning City parks, cleaning up vacant lots in the city, which are often insanitary spots, and which require work which they usually do not get; assisting in organizations that do not pay any profits, in organizations such as hospitals, churches, schools, settlement houses, and the like.

Many of these men are skilled workers, painters, carpenters, plasterers and generally furnish service of this kind to churches or hospitals or settlement houses or schools that may need work of any character done in and about their buildings, and for work of that character all those who contribute to the fund may rest assured that every penny, every cent that is contributed, goes without any deduction whatever, to the cause of unemployment. The committee has no overhead, no administrative expenses. The fund which it raises will be distributed by four great charitable organizations already equipped for that purpose: The Charity Organizations Society; The Association for Improvement of the Condition of the Poor; The Catholic Charities of the Arch-Diocese of New York, and

the Jewish Service Association. These four organizations disburse and distribute the money and for such unavoidable administrative expenses, and they are very slight, that the committee will incur a separate fund has been raised. So that every penny, every dollar that is given to this fund will go 100 per cent to the cause of unemployment.

I can conceive of no better or nobler cause. The treasurer of the committee is Mr. James Cochran. The address of the committee is 40 Wall Street, and I beg of you ladies and gentlemen who are here tonight if the matter has not already received your attention, to bear in mind the appeal of this committee and to remember that a contribution sent at this time to Mr. Cochran will go far to serve the cause of humanity and the cause of the public welfare. (Applause).

GENERAL McROBERTS: Referring to Dr. Schacht's remarks about the seven speakers, I should have explained earlier that the program consisted of an address and a symposium of six short speeches, and for your assurance I can say that the program is run on time schedule and will be through by eleven o'clock.

I next want to present to you a young man who, for many years, considering his youth, has been president of

the General Motors Export Corporation. During that time he has been very keen in finding outlets for their products, which has brought him into touch with existing and prospective markets throughout the world and I take pleasure in presenting Mr. Mooney.

MR. J. D. MOONEY: Mr. Chairman, ladies and gentlemen: During my recent trip to Europe -- I returned about a month ago -- I heard more war talk than I had heard during my many visits in the past ten years.

I made my first trip to Europe in 1918, under the efficient auspices of General John J. Pershing. General Pershing didn't know I was there, but I ate boiled beans and sloshed around in the mud with the rest of the boys, and, incidentally, had my eyes opened to some practical fundamentals of international politics and economics.

Not very long after the great nations laid down their arms, an economic warfare began that has increased in momentum and intensity until we find ourselves today, twelve years after the armistice, beginning more or less seriously to discuss war again.

The thing I should like to ask you to face this evening, and I think we, in turn, must ask our leaders in government to face, is that great frictions are develop-

ing among these nations and that these frictions arise principally out of economic causes. This situation presents a challenge to leaders in government and industry and finance and the press to take advantage of whatever practicable steps offer themselves as a means of alleviating these frictions and preventing the development of an emotional background in the various nations that will provide the basis for war.

I think it is quite obvious from the last great war, and from the history of other wars, that programs for disarmament or limitations of armament are only a part of the work that must be undertaken. Armaments are less important than the will to make war. Once the emotional background is built up for war and a nation determines to make war, the provision of the armaments follows as a matter of course.

There is no doubt that in the present European situation some emotional background for war already exists here and there, and that a vapor of war talk is arising from this background.

Nevertheless, after weighing carefully the things I heard and the predictions that were advanced, I reached the conclusion that there is no danger of war among any of

the great nations for at least some time to come. The European nations, generally, are still too war-weary, still too full of poignant memories of the recent great tragedy, to make it at all possible really to provide any general emotional background of the kind that supports war.

When the next great war will come, whether in fact it will come at all, I do not even pretend to be able to say. I think you will agree with me, however, that if it does come it will come as a result of the frictions that will arise out of international competition. We already observe a tendency toward conflict among various nations and we observe that this tendency has its roots in economic causes particularly in the increased competition that is the natural outgrowth of the unending clamor of the peoples of all nations for higher and higher standards of living.

It is quite inevitable that this international competition should exist and that it should become increasingly keener. The remarkable advances and improvements made in the arts of communication and transportation during the past twenty years have actually made economic neighbors of all of the nations of the world, regardless

of distance as measured in miles. We observe, meantime, the ironic paradox of science and engineering placing the products of one nation readily at the doorstep of another -- and then of international politics slamming the door.

When the consumer cannot get what he wants, or when the producer cannot sell what he has, due to the interposition of barriers that are thrown in the way of a free economic movement of these products; and when the pinch resulting from this hindrance is felt severely enough in either direction, we hear mutterings of discontent and laments at the fall of living standards; politics takes the situation still more strongly in hand; flags wave and drums beat and we hear a patriotic call to arms to relieve the intolerable situation that has arisen. The war that ensues will actually be a war for living standards; ostensibly, however, the appeal that is made on this basis will be supported by an emotional background built up around some fetish that can serve better to fix popular hatreds and animosities. And in the struggle for better living standards that ensues, there will occur, paradoxically, a terrific annihilation of economic values that will defeat the very purposes pursued.

The international competition out of which these frictions arise is the same sort of competition, essentially, that exists between groups in our own country or in any country. In these domestic instances, however, we have learned to tolerate competition and to turn it to productive advantage. We foster it, actually, and legislate against any monopolies that would strangle its existence. We know from experience that it is a healthy condition, and that the prosperity of our neighbor across the street is conducive to our own prosperity. Is there anything inherently different in the competition that exists between Nations? Was Germany's and England's pre-war competition, which promoted consumption and prosperity, any less beneficial simply because the two competitors lived across the sea, instead of across the street, from each other?

I think you will agree with me, that for the effect on the world's standards of living, there is no essential difference. Yet the one instance brings about a healthy rivalry for the acknowledged common good of all, and the other brings about international jealousies that culminate in war.

There must be a reason for these two different

manifestations from the same cause. That reason is to be found in the distrust between nations that feeds upon traditional national pride; in the tribal spirit arising out of segregated racial characteristics, and above all, in a lack of understanding among the peoples of the world of their mutual economic interests and of their common dependence upon the soundness of the economic structure of the world as a whole.

In Europe today, therefore, we find these causes at work that threaten to build up an increasing momentum for international friction that may lead eventually to war. And I should like to interpolate here that when I speak of the European situation I am presuming that we in America are part of it. It is quite academic and unreasonable to presume that any scheme of splendid isolation can be pursued in our attitude toward international politics or economic affairs. It strikes me as a strange irony that it can be seriously argued that we have not a considerable stake in the European situation when you consider that we sent two million men to Europe in 1917 and '18 to engage in what was really a European war. Furthermore, our foreign investments of twenty billions of dollars certainly induct us into actual participation in international affairs.

I can summarize the European situation, therefore, according to my own observations, as follows:

First: Although there is a great deal of war talk in Europe at the present time, cool observation prompts one to believe that war is still a long way off. The masses of the people in the various countries are still too war-weary. The general emotional background or biological basis for the making of war still has too little substance.

Second: Where there is smoke there is at least some fire, and there is no doubt that the economic causes of friction in the European situation are beginning to generate heat and pressure, and that these forces are pointing generally in the direction of war.

Third: Any efforts that are made to alleviate these international frictions must begin with providing some sort of framework for the study of their causes. The rulers of the world have called conferences from time to time to consider dispassionately the reduction of armaments among nations. Why not a conference of the same sort to consider international trade relationships? This would strike just as deeply at the heart of the real problem that confronts us, and would provide increased hope for

avoiding war.

Finally: Gentlemen, I should like to suggest to the Economic Club that perhaps a body of this kind could make some contribution to the solution of this problem. The prestige and leadership necessary to such an undertaking is available among you gentlemen who are here tonight. Thank you. (Applause).

GENERAL McROBERTS: The next young man that I am going to introduce to you began his career as a railroad man in 1877 and went step by step up the line until he became president of the Baltimore & Ohio. He is now president of the Delaware & Hudson Company, about thirty-five other corporations, either railroad or affiliated with transportation. He is a member of the Executive Committee of Railway Executives and Chairman of the Eastern Presidents Conference, and Chairman of the Eastern Group on Federal Valuation of Railroads in the United States

In 1918 he was appointed Chairman of the War Labor Board in Washington. He was president of the Chamber of Commerce of the State of New York in 1928. This gentleman is always known as an independent mind. He has shown an ability to look at the entire railroad map of the United States, rather than his own particular line. In fact he

has been accused at times of trying to change that map without the entire cooperation of his fellow railroad presidents. (Laughter).

I take great pleasure in presenting Mr. Loree.

MR. L. F. LOREE: Mr. President, ladies and gentlemen: I was asked to talk about business conditions in the United States and I hope to keep within those confines. There may have been a time when all men were equal; if so, it could not have lasted long. If not always, then very early must have come the realization that some few possessed qualities of organization, direction and foresight, or, as we now call it, of "Management," and that the group was safer acting under leadership than acting as a chaotic mob.

So among other activities industry was developed. Men divided as Laborers and Managers, and these latter laying by the seed corn and increasing the store brought into being a congealed form of their productivity which we now call Capital. These relations and fields of action form the basis of a branch of science; "Political Economy." Its output is muddy and inconclusive, largely, I think, for want of an adequate vocabulary. (Applause).

For example, it has only two words - "Capital" and

"Labor," with which to identify the three elements I have enumerated and it seldom mentions, seemingly has no practical recognition of, "Management," the creator and maintainer of industry. Just as the human mind failed in the handling of analytical mathematics until an adequate notation was developed, so Political Economy fails in its thinking because of the lack of an adequate nomenclature.

We are now in the midst of one of the most serious industrial depressions in our history. The causes suggested, a declining output of gold, the fall in the price of silver, over-production, under-consumption, super-salesmanship, installment buying, price controls, the protective tariff, war debts, speculation, to mention only ten, leave me cold. (applause).

If Management turns the wheels of industry and if the wheels no longer turn to our satisfaction, why do we not examine Management for an explanation? For years it has been the sport of politicians; upon its shoulders they have climbed into office; for its torture they have continuously invented new instruments. They have sand-bagged, ham-strung and hog-tied Management until just now it is groggy, and but slowly turns the wheels of industry. How overwhelming these assaults have been you may surmise

when Habbit tells us that 62,014 new laws were passed by the State Legislatures between 1909 and 1913. If this ratio was maintained, and it was probably exceeded, 200,000 more laws have since then been passed, the bulk of them have had as their motive to harass, circumscribe and destroy Management. The most dangerous aspect of these laws is the creation and development of Bureaucracy, which the Lord Chief Justice of Great Britain calls "The New Despotism," pointing out that Bureaucracy is repeating many of the acts which drove the Stuarts from the Throne of the United Kingdom. Nor can we overlook that in the debacle of the past year probably as many as twenty per cent of the higher managerial staff have been destroyed or totally disabled as industrial leaders. Few men reach these positions of supreme command before forty and few enjoy thereafter more than twenty-five years of useful life, while to replace the fallen will require four or five years' training and experience of their juniors in the ranks. Further, it will be expensive. Forty years ago Mr. Addison Hills once told me he believed it cost one million dollars to qualify a new General Manager for the Lake Shore Railroad. Several billion dollars will doubtless be expended to restore Management to its late

high efficiency and competency.

It would seem incredibly easy to diagnose the cause of our industrial troubles. Is it not as easy to prescribe remedies?

Let the economists get together, formulate a vocabulary, use it consistently, so that they may think and we may act intelligently. Let the statesmen set the politicians aside and this winter in the various legislatures repeal one hundred thousand laws (laughter and applause) and recast the entire body of Bureaucratic legislation, abolishing many, and sharply defining and circumscribing the powers of those left.

Let us free, nourish and encourage Management. Then may we look to again see the wheels of industry revolve at a satisfactory speed -- for Management, and Management alone, can turn them at all. (Applause).

GENERAL McROBERTS: I am sure you will be glad to have speak to you a man who knows everything that you know before you get the news. I refer to and will introduce to you Mr. C. E. Hants, general editor of the American Press Association.

MR. C. E. HANTS: Mr. Chairman, members of the Economic Club: The Associated Press as an organization

of course has no official opinion on the subject such as the one you are discussing tonight or, as a matter of fact, upon any subject. Its mission is entirely in the collection and dissemination of fair and unbiased news, news on both sides of the subject, without the injection of partisan opinion. For that reason Mr. Kent Cooper who had expected to speak here tonight, had intended to call his talk "A Digression from the Subject". In taking Mr. Cooper's place I intend to follow the same theme and for the same reasons. In considering this a digression, surely the economic recovery of Europe and its relation to the United States involves allusion to international trades. There is no other activity that modifies foreign trade as that of news dissemination. Trade accelerates or retards upon conditions that are reported in the news. The constant critic of international news exchange is the exporter, with a natural affection for his homeland and a natural zeal in the foreign exploitation of his products. He objects to unfavorable news being sent abroad. I never meet an American engaged in foreign trade but that he brings up this subject. It has been the theme of the declaration of American Chambers of Commerce in foreign lands and at home. These critics are patriots but, to

state it frankly, what these well-meaning, well-wishers of America want, is that the news disseminator shall tamper with the truth, either to state what is not true or to suppress all that is unfavorable. A procedure on either one of these lines would produce bogus news. It would be the export of bogus news. We could as consistently ask any exporter of merchandise to export bogus merchandise as for him to ask us to export bogus news.

Not one of these critics objects that New York, for example, hears news from California or Texas or Florida that is unfavorable to those States. That is all home stuff and all right for home consumption, and therein lies the thought I have in mind. My hope is, and it is a hope with confidence of attainment, that authentic foreign news will be read here and American news will be read abroad, with the same interest, with the same confidence, with the same sympathetic understanding and the same fraternal solicitude where dangers appear as we read and as they read the news of our respective homelands.

Without offense to our European friends we realize that as older countries have heretofore proceeded there is something novel in that hope. Abroad news and trade and even governments have been bound up in a single impulse

with results heretofore successful but not likely to be so in the future in this changing world. News exchange must go straight in both directions, the bad with the good. Thus and thus only can the good be believed, and never forget that there is a great deal more good than there is bad.

So there is one thing that news exchange is not. It is not selfish propaganda. Upon this basis the American idea in news exchange is building in the foreign field. That the idea is acceptable is evidenced by the fact that the business is one of the few, if not the only one, that has increased in scope and prestige in spite of world depression. American foreign trade in recent years has improved in technique. The intention is ^{certain} that in its future ascendancy honest news exchange and honest goods exchange will be fellow travelers. I thank you. (Applause).

GENERAL McROBERTS: I next present to you Mr. Harvey S. Firestone, Jr. It is hardly necessary for me to mention that name to this audience. You all know its long association with one of the principal industrial units of the country. Mr. Firestone, in addition to the numerous problems of conducting such an enterprise, is

particularly concerned in the development of raw materials, which has taken him, of course, throughout the world and has led him to a study of world conditions as well as our own domestic conditions. I take pleasure in introducing Mr. Firestone. (Applause).

MR. HARVEY S. FIRESTONE, JR.: General McRoberts, ladies and gentlemen: Any discussion of economic recovery, whether it be of Europe or the United States, reminds me of the colored parson who was speaking to his brethren and said, "We must do everything we can to break up this status quo." One of his congregation arose up and said, "Parson, what am this status quo?" The parson replied, "Brother, the status quo is ~~two~~ Latin words for the mess we is in." (Laughter). So I imagine the common cause which brings us all together tonight is to bust up this status quo.

In our effort along this line it goes without saying that no such thing could happen as took place recently in Washington. A gentleman who lived there took his little son to the opening of Congress. As you know the chaplain always opens its sessions with a carefully worded prayer. When he had finished the little boy turned to his father and said, "What is that minister praying for those men

for?" His father replied, "Son, he is not praying for those men. He is looking those men over and praying for his country." (Laughter and applause).

I feel very much honored to be here this evening and to have been asked to participate in this discussion from the standpoint of rubber and the rubber industry, especially when I consider the important part that rubber, in its various phases, plays in the economic life of Europe. As a raw material, rubber is surpassed only by coal, wheat and cotton as the most valuable single commodity of British trade. The Far East possessions of England have, since 1915, put the mother country in the position of having a virtual monopoly of this increasingly important article. This cannot be more clearly emphasized than it was by Winston Churchill in 1923, when he said, "One of our principal means of paying our debt to the United States is in the provision of rubber." Likewise, rubber from the Dutch East Indies ranks second in the products of Holland, and it benefits France through French Indo-China.

It is, however, in another form, I believe, that rubber will make its greatest contribution to the economic life of Europe -- that is -- in the form of tires which make automotive highway transportation possible.

I firmly believe that in the United States the growth of transportation facilities has been one of the very outstanding reasons for our great prosperity. It is surely no mere coincidence that in the period of great railroad expansion from 1860 to 1890, our national wealth increased in virtually the same proportion that railroad mileage increased, and that during the period of our great development of good roads and highway transportation, for the past twenty-five years, the growth of our national wealth has continued to increase in like proportion to the number of miles of hard surfaced roads built.

No less important than the economic advantages of good roads are the social benefits which result. With the passing of neglected and impassable dirt roads and the linking up of town and country, the misunderstandings and prejudices bred of ignorance and isolation fade away. Good roads bridge the gulf of distrust and suspicion between communities and countries; differences between nations, just as differences between people, cannot persist when the road is paved for friendly contacts, which are the forerunners of understanding and cooperation. Good roads are breaking down, and will increasingly continue

to break down, in Europe, the barriers of different languages, habits and points of view.

It is, therefore, with confidence that I venture the suggestion that from both an economic and social standpoint, a further aggressive motor road building program on the part of European countries should have a very important place in any plan for the future of Europe.

The relation of the American rubber industry to such a program would be an important one. In 1929, \$39,000,000 in values of tires, or approximately 12 per cent of tires consumed in Europe, were supplied through export from the United States. This has been a diminishing percentage due to the fact of high tariff walls which numerous European countries have built around themselves. The natural and necessary result of this situation has been the establishment of European plants by American tire manufacturers. In 1929 approximately 25 per cent of the European tire requirements were furnished by such plants, so that the tires of American companies manufactured either here or abroad, took care of nearly 40 per cent of the requirements of the European car owner. Consequently, if we agree with Calvin Coolidge, as I do,

that the establishment of foreign branches by our industries is beneficial both to the countries in which they are located and to our country as well, our rubber industry is, in still another way, an aid in the economic recovery of Europe.

Two years ago I had the pleasure of presiding at a luncheon we gave on the occasion of the opening of our English plant near London. Twenty-five European countries were represented among our guests. Our guest of honor was Sir William Joynson-Hicks, Home Secretary for England at that time, popularly called "Jix", and now Lord Brentford. In a stirring address he made one statement which, it seems to me, strikes a very practical key-note for an increasingly effective standard for the relations between the United States and European countries. He said, "I cannot myself admit for a moment, and I never have admitted, that there was even the remotest possibility of hostility of any kind between America and ourselves -- that is unthinkable; but, at the same time, we want something more in our international relationship than the mere negative one of non-hostility. We want the personal friendship, personal relationship and the personal identity of interest which, in my view, can only be

arrived at by the cementing of trade relations between the two countries."

Many radical changes and jealousies resulting from the World War have made unusually heavy obstacles for both Europe and ourselves to achieve those things of which Lord Brentford speaks. In addition, we have been handicapped by too much selfishness on the part of everyone. Unfortunately, selfishness seems to be one of the undesirable by-products of prosperous times. Perhaps, then, in the future, we may look upon the depression of the past year and the suffering it has brought to every part of the world, as of lasting benefit if its mutual distress awakes in us all a common sympathy, strips away selfishness and unites Europe and ourselves into that personal friendship, personal relationship and personal identity of interest. (Applause).

GENERAL McROBERTS: It seems that a characteristic of the American people is that they are all from Missouri and they all want to think in the present tense and that they ordinarily are asking, "How about now?" This is illustrated by the fact that since Dr. Schacht delivered his address numerous questions have come to the chair asking if Dr. Schacht could not be prevailed upon before

he sails to tell us a little more about Germany as she is now. (Applause). I have taken the liberty to call Dr. Schacht back to the platform and will ask him to address us on the present situation in Germany and he has very kindly said that he will be glad to respond to questions. Those questions you can address verbally or send them to Mr. Ely and he will read them so that every one will understand them before the answer. I think it is very kind of Dr. Schacht to consent to this and we will be glad to hear him now. (Applause).

DR. SCHACHT: Mr. Chairman and gentlemen: I have explained the situation of Germany during these last eight weeks and the general complaint I have met with has always been that I was too frank, that I told the truth at times when people did not want to hear it. Now, that has always been my unfortunate position in life. I was always six months ahead of somebody else. In December, 1929, for the last time publicly, by a so-called memorandum, I called attention of everybody, and certainly the attention of our people in Germany, to the fact that financial order should be established in Germany and that this was the essential part of meeting the requirement of the Young Plan which, after all, is not such a bad thing

as many people think, now that it has been published. Do not forget that the Young Plan was drafted under some political pressure at least. When the experts at Paris met there was, before they met, a meeting of the political leaders of the world in Geneva. Now, we have here today heard so much about the political leaders by Mr. Loree that I would not add any criticism to that. (Laughter). But it was true that the political leaders wanted something which they thought they could accept, and I remember before I went to the Paris Conference I asked my Government what policy they wanted me to follow at the Paris Conference, whether they wanted me to leave the conference and go home if something was done which I thought was not feasible, or whether they wanted me to sign by all means and do my best. Their answer to the first was, they asked me that I should leave the conference if I thought that something was going on there which I could not respond to, and then when we were sitting for the third or fourth month already, they turned their mind.

The economists or business men are not used to turn their mind as regards principles. They adapt somewhat their principles to the practical situation, because otherwise you cannot do business. But at least you stick

to some principles in life, and certainly in business lines. But they did not. They asked me to sign and not to leave the conference. Of course I was an independent expert, as you know, and so I tried to combine those two desires of getting something out of the conference on the one hand and doing something reasonable on the other hand, and that is why we put into the Young Plan this safe-guard clause which you have heard of, first, the Advisory Committee and secondly the bi-lateral undertaking of the parties concerned that everyone should contribute to the solving of the reparation problem in an economic way.

When I came home after having signed the Young Plan I found that all the announcement given out by the German Government was that after the acceptance of the plan we would have a great relief in our budget, did not prove to be true and here again I repeated what I had said for seven years that the foremost thing for the German Government to do was to cut down the internal expenses. What we have done during all these seven years in Germany is we have added a great deal to the public amenities, to social welfare, and we have just laid the burden on the managers of business in order to procure the money for that. I say that cannot go on, and in December I gave out

that memorandum asking now for a cutting down in expenses. But then of course I was blamed very much not only by the Government but by many people in Germany and everybody said that I was wrong. Since that time we have added to our budget well, roughly speaking, perhaps one billion and a half more taxes, and we have increased our budget altogether, including social expenses and social insurance from eight billion marks in 1913 to thirty billion marks in 1930. Out of a total income of the whole nation of something between sixty and seventy billion, that means almost half or more than two-fifths of the national income is going to the public authorities and they think that they can spend that money more wisely than the managers did in business.

That is of course one of the reasons why we are in this trouble today. Now, of course there is some excuse for the Government and although Mr. Loree does not believe in all these war talks and debt talks,-- I agree with him-- I do not believe either in all that -- but nevertheless it hampers international trade a great deal. I think it hampers German trade a great deal, and when German trade is hampered then there is an obstacle to international trade, because we form some part of international trade.

But there is some excuse, and that is when you have to face unemployment in your country to the extent that we have had to face it, and unemployment which is not occasional; which is not due to ordinary business cycle, as it seems to be here to some extent; if you have to face a structural change in unemployment; then you must think how you can employ these people and not how you are going to feed them, because feeding people without getting work for them is something very bad and demoralizing in addition. We employ them in just doing a great part of the public spending on all kinds of construction work, but that is no solution at all. We can only cut down our expenses if we get employment for these people again. We pay altogether, partly out of contributions by the Industrialists and the workmen themselves, and partly out of contributions of the Government 90 marks to an unemployed every month. Now, if you have to pay something like four millions of unemployed, as we expect to have in January, that means that you have to spend \$90,000,000 every month on that item alone, which, of course, is a burden to the budget which cannot be borne economically. So you have to find employment for these people.

What employment can we find for the German industrial

workmen? Germany does not command any raw materials of its own. We had some in our colonies. They were taken away from us. We must buy everything with foreign valuta. That means we first have to sell the goods which we acquire, and then buy materials and then manufacture them and then try to sell the goods, and we cannot find a market. That is of course an impossible situation. So as this problem cannot be solved by Germany alone I was very much impressed by the statement which was made here by Mr. Mooney, and I think that is the only way by which we can get employment, not only for all the industrial countries, but especially for Germany and I think the easiest way would be to give Germany back her colonial field, because it is an historical experience that industrial companies have never had an export surplus of commodities since 1854, which they sold to other people. At that time, I think 1854, that was the last year when Great Britain had an export surplus in selling goods. That was due to the fact that England at that time was the only industrial country in the world and up to that time she had been able to sell the goods she manufactured to other countries. But then it stopped. For what reason? Because the purchasing power of the other countries was exhausted,

and then she proceeded, as one step to an industrial development, that is she sold productive goods to the other countries not just on an installment basis but by making loans to the other countries and thereby enabling the other countries to buy those productive goods, and then to use those productive goods and build up an industrial country of their own.

As has been stated here by several of the preceding speakers already the developing of a country industrially means adding greatly to the purchasing power of that country and there is always an increase in demand for new goods. In the beginning of course it is clothes and leather goods, and shoes, but then it goes on to all kinds of the comforts of life. That means electricity, gas, water, and the acquisition of all of those things which other people would also like to have, and then it goes on to sewing machines, radios, and musical instruments, whatever it is. So we must not be afraid that by developing other countries we would lose markets, because they may go on to manufacture shoes or clothes, because by developing those countries we will increase their purchasing power for other goods, and the only thing which we have to do is to go on to other industries and not increasing our shoe

manufacturing, but increasing our production of radio apparatus and selling those to them.

There are about fifty million colored people living in Africa, every family of whom wants a radio. (Laughter). And as the whole situation looks to me, I think here is this picture, gentlemen; here are 300,000,000 -- not quite as much as that -- 300,000,000 people which are industrially developed today. That is 120,000,000 Americans, something above 40,000,000 English; something like 40,000,000 French; something like 65,000,000 Germans, and then some Belgians and Swiss people. But altogether not more than 300,000,000 who really command the production capacity in industry. On the other hand we have 250,000,000 Eastern European people. We have 400,000,000 Chinese, 300,000,000 Indians, and something like 100,000,000 in the Dutch Indies; some 50,000,000 people in South America and 150,000,000 people in Africa. If you sum that up you get something like twelve hundred million people, and we 300,000,000 of people cannot afford^{to}/and cannot succeed in unifying our efforts to produce goods, productive goods, which will allow those other twelve hundred million people, four times as many as we are, to develop their countries and to become big purchasers of the goods we are

manufacturing. (Applause). And why can't we do that? Because of the envy which we have, every one of us, toward the other, and I think that is the worst of everything which men can have. Why can't we come to just what Mr. Mooney has recommended, to come to joint action? Here are all these backward countries, including all these colonial countries. Why can't we set up an international authority which gets busy about developing some of these markets in order to employ that little margin of our workmen which today form the unemployed? It may be perhaps five or even not quite ten per cent of what we are employing today. Altogether I think it is twelve million workmen which are without work today, without a job, and we cannot do anything jointly about developing these backward countries and say, "Here, you, Germany, you suffer from so much unemployed; you, England, from so and so much unemployed and here in America is some unemployment." Now, let us divide the orders which we get from these countries and let every one of them get busy and prosper." (Applause).

I fully agree with Mr. Loree. There is no over-production in the world as long as these 150,000,000 in Africa have no radio apparatus. (Laughter). There is only

under-consumption, and we have the means on hand to increase consumption.

Don't you think that the Chinese would also like to travel over their country themselves in these comfortable sleeping cars which you have in this country here and visit other places in China and visit their relations in other cities? They would love to do it. But we must deliver to them the possibilities of building the railroads. We must deliver the cars and the rails and so on and help them in their management and building up of productive industry and its productive traffic. It is nothing else but a question of organization, which means a question of management. But if all these governments are getting busy about something else, and trying to find out how they can prevent private initiative from developing, and will just let private initiative develop along that line which they think is best, then I think we would soon succeed along those lines.

So that is the problem of the day, to take the matter in hand yourselves, gentlemen, and not always rely upon the governments. There is already so much work among the socialistic parties for the government which they think owes them their livelihood. It is a great mistake to think

of governments as being outside parties who have some powers in hand wherewith they can interfere with private business. I think the government represents the community and nothing else, and I think it is the community, it is the individual, which has to take the things in hand. That is a constructive proposition which I was very glad to hear today from Mr. Mooney. I have expressed similar ideas on several occasions already and I think it is worth while to think a little about it and to start as early as possible. Now, I shall be glad to answer any questions, gentlemen, which you will ask me as far as the situation of Germany is concerned, as far as international relations are concerned. The only thing I would like you not to ask me is what should be done here in internal politics. (Laughter and applause).

MR. ELY: Dr. Schacht, it may be, sir, that some of the very questions that you would rather not be asked are the very ones that we are now about to ask you. For instance, here is one question: What do you think about the recent tariff legislation in this country in relation to the economic recovery of Europe?

DR. SCHACHT: Well, of course, that is a question which relates to your home problems but which to some

extent also relates to international affairs and I think that protectionism which is growing all over the world today is something which is one of the greatest hindrances to developing international trade. (Applause).

Let me just give you an example of the European situation. By the peace treaties after the war there have been created six new States in Eastern Europe, and I don't know whether you know them but I will enumerate them. There is Esthonia, Latvia, Livonia, Poland, Czecho-Slovakia and Lithuania. All these countries before the war formed parts of an economic unit which allowed them to interchange their commodities freely, without having any borders between them. Today every one of these small units is trying to build up an industrial country of their own. They are all trying to develop some industry, and here again I would refer to something that Mr. Mooney has said. From time to time nationalism plays a great role in that protectionistic movement, because if you were to maintain an army, then the next desire is to produce at least to some extent the means of armament within your country in order not to be dependent upon others. I fully agree with Mr. Mooney that there is not the slightest danger of war in Europe at least under

the present circumstances, and I think we should endeavor, all of us, to avert the need for war which might come in the future by one thing, by making people prosperous, but not by trying to make our own people prosper at the expense of our neighbors, but because it adjusts that fight for the standard of living which is at the bottom of war all the time.

Now, if we for instance could succeed in unifying economically some of the European countries at least into one market, we would certainly increase the purchasing power of that European economic unit, which would also be to the benefit of this country and all of the other countries, because we need not only some manufactured goods from you, but we need also a great many raw materials.

Germany before the war had always been a great purchaser, the greatest purchaser of manufactured goods from Great Britain, and I think the reverse was also the case as to Great Britain being a purchaser of German goods. If you could only do away with these custom barriers then I think we would greatly add to the purchasing power of every one of those combined in that unit, and you would have greater international exchange of commodities which would allow people to prosper.

The present situation of the Eastern European countries, which are almost all mainly agrarian countries, with the sole exception of Czecho-Slovakia which to some extent commands industrial production, they suffer enormously by the fact that they cannot sell goods to Central and Western Europe while this, of course, makes them unable to buy manufactured goods from Central and Western Europe. Here again you have perhaps noticed during these last weeks that France is going to offer loans to those Eastern countries. But it is offered on conditions. It is offered on the condition that the proceeds of those loans will be used for purchasing French goods. If you make that condition you in this country, being the richest country on this side of the Atlantic, and France being the richest country on the other side, will perhaps monopolize international trade. But I tell you one thing: this trade will certainly not develop very much because if you don't let your purchasers prosper you will not sell very long and not very much to them. (Applause).

I have always been greatly impressed with your business methods in your country. Every manufacturer here has a slogan which reads, as far as I understand it,

"Service to the customer." How can you serve the customer if you don't let him live and let him earn the money with which to buy your goods? It is not the fact that by other people becoming richer you become poorer. The contrary is true. By letting other people earn money you earn money too. But if you do not do anything of that kind then you must not expect that you will be able to sell goods to them, and that is why I am a free trader through and through. I do not believe in all this nationalism and protectionism. (Applause).

MR. ELY: You are understood to suggest that it would be for the welfare of Germany and all the world if Germany's former colonies were restored to her. It is objected that when Germany had colonies they were not well administered in some respects and it is not clear that to restore those colonies to Germany would accomplish the good that you have intimated you think it would.

DR. SCHACHT: German colonies were acquired by Germany partly at the end of the eighties and in the beginning of the nineties. Germany was able to acquire these colonies because they were so bad that formerly nobody else had taken them. (Laughter). They were in the hands of Germany only for something between twenty

and at the maximum twenty-five years before the war. Within that time we had been able to develop these colonies to the extent that they paid their administrative expenses themselves. In 1913 our colonies were self-supporting, and paid their administration expenses. There was one exception, and that was the military force which we had in our colonies, because in every colony you need of course some military or police force to protect the planters and the enterprises which you establish there. What was that military force in our colonies? It was altogether, in a territory six times as big as Germany and with a population of 13,000,000 colored people, it was altogether 6000 men, whereof 2500 were white people and 3500 were colored people. I don't think that is very much expense for maintaining order in colonies which, within twenty years, had developed to self-support.

I think I do not need to recall to your memory that there are European powers who had colonies for more than 400 years which do not yet pay today, but are run at a loss. The colonies have been taken away from us for two reasons, first, because, and that is publicly stated in the amendatory note of the Treaty of Versailles which was signed by all of the Allies, because Germany did not

possess the moral qualities to educate colored people. I would not like to discuss that very much with you. I would only quote a few Americans who have given testimony before the war and partly during the war about what Germany performed in the colonies. I must quote it by heart. I haven't the actual statements before me. But the first of them whom I would like to quote is the late President Theodore Roosevelt. He said that both the Germans and English in East Africa did a piece of work which was of worth to the whole world. And then there is another man, E. R. Forbes who in 1911 said that the educating of colored people depends very greatly upon temperament, and he stated that to him, after having studied all the European nations which were doing educational work in Africa, the Germans seemed to be those who gave way the least to temperament and to irritation, and that the German natives would certainly develop at least as highly as the others, if not higher. And then there is another man, Herbert Adam Gibbons, also an American, who wrote in 1917, during the war, and said that one only needed to go through the parliamentary documents, go through the big lists of colonial matters, go through the books which were written, to discover and to realize that

perhaps in Great Britain and nowhere else, was found such a humanitarianism and idealism about educating colored people as there was in Germany. So much about the moral side of the situation. This, by the way, was signed also by Portugal, this moral reproof of Germany. (Laughter).

But then it was also signed by Belgium, who, as you remember, in the nineties were very much accused all over the world for the so-called Congo atrocities. But I want to take up the other reason why these colonies were taken away from us. That was because they were considered by the Allies to be military points of support to Germany. I told you that we had 6000 people in the colonies, 6000 soldiers, and it may not be familiar to you that at the outbreak of the war it was Germany who suggested to the other belligerents that the war should be kept away out of the colonies in order not to drag into the war the colored people, and now this reproach of Germany against using the colonies as military supports was made by those Allies who took not less than 500,000 colored people from their colonies into the European war. I think they did very badly by doing so because I doubt very much whether greater respect for the superiority of the European races was increased very much with these black people through the war

and during the war. I think that some of this trouble which we are going through today, for instance in India and Egypt, and so on is greatly due to drawing these people into the war and teaching them how to kill white men. (Applause).

But I would come to the economic side of the question. I do not see why the others took these colonies from us if those two reasons do not hold, because by allowing Germany to develop those colonies one would certainly take some pressure away from the rest of the world's markets, and I think that the first relief which should be given to Germany in order to help the international trade situation is giving back to her the formerly owned colonies, partly for exploiting them into plantations and producing raw materials, and partly for settling. But I do not know for what reason this is not done. (Applause).

MR. ELY: The growth of Hitlerism has discouraged many warm admirers of Germany in this country. How about it?

DR. SOHAOHT: I think that this Hitlerite movement in Germany has been misunderstood on this side very much. I have not had the privilege of knowing Hitler personally. I have read his book which is called "My Fight", or "Mein Kampf." It is a book which is worth while reading because

it contains a great many moral opinions which I think we should have at these difficult times. I think that Hitler knows very little about the economic life of the world. I think his party is advocating the establishment of a 4 per cent rate of interest in Germany. I don't know by what means he would try to achieve that. I would take all the money for 4 per cent which he can deliver to me. He is not a political leader in my opinion. He is much more of an apostle or an evangelist who tries to educate the people morally. The reasons why he got such a large measure of support do not consist, in my opinion, in the economic program of the man -- by the way, I don't know whether he really has one -- but it springs up from two sources, as far as I am able to see the situation. One is a social movement, that is the dissatisfaction of the great class of Germany with their suffering which has come from the war, materially and socially. The industrial workman feels that socialistic leadership in our politics has at least maintained his standard of life or perhaps even improved it a little. There is a great mass of former middle class who have lost everything who are living much poorer today than they did before the war. In order to prove that I quote to you the salaries of the

officials of the State and Municipal and Federal and Reich officials. The lower officials, those who belong to the Socialists, they have nearly reached the pre-war income, but then the middle class of officials have only reached the income of something like 80 per cent of their pre-war situation, and the higher officials are today not even reaching 70 per cent of what they did before the war and besides, all their existing wealth has been wiped out through the inflation and through the cancellation of their claims toward the old government. You know all these bonds have really been wiped out, and also all the other bonds have been reduced to almost a minimum. So they don't know from what they can maintain their former standard of living and now then with this class, this middle class, that was just the class which produced that intelligent group of men which characterized German civilization and which contributed so greatly to the development of science and art in Germany, that class is dispossessed entirely, and I think they have voted for Hitler because they would vote for anything which would protest against the present situation.

The other reason why he found that great following is that while this German people was willing to take a

certain burden for making reparation payments, they are really war tributes. In addition to that they did not want to stand for that undignified treatment which the Allies have brought upon the German nation since the war up to today, because there is a great deal of self respect left in the German people. (Applause).

MR. ELY: You are so kind to us tonight that it may be a relief to you to know that we are near the end. There are two questions that may perhaps be omitted because they ask if something else had happened from what did happen then what would be happening now? (Laughter). Here, sir, is a highly personal question, but you have shown yourself willing to be frank to such an extent that the question itself involves a compliment to you. The question is this -- well, if one were to put it in a very blunt way it would be this: What kind of a reception do you expect to get when you come back to Germany?

DR. SCHACHT: The answer is very short. I am a private individual. I don't want to take up business. I do certainly not want to take up politics, and that is why I expect no reception whatever. (Applause).

GENERAL McROBERTS: I think you all agree that Dr. Schacht has earned his passage home and that he will bear

with him our grateful thanks for his most instructive and full comment given in this discussion this evening.

Gentlemen, this ends our program. I wish you good night. (Applause.)
