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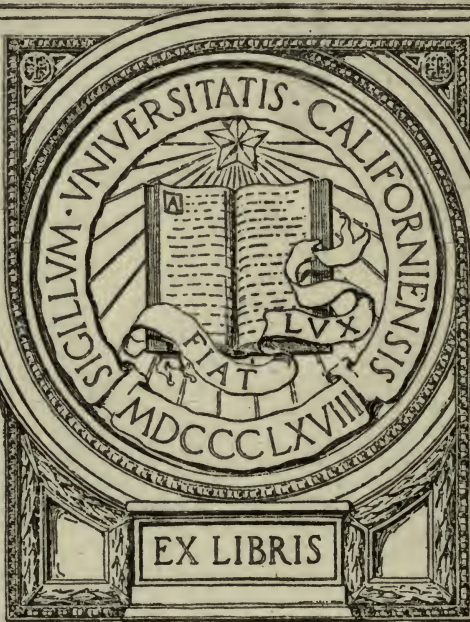
Taking Stock of the Future

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*Outlines of the Plans
of Various Foreign Countries for
Commercial Reconstruction*

Guaranty Trust Company
of New York

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Taking Stock of the Future

*Outlines of the Plans
of Various Foreign Countries for
Commercial Reconstruction*

Guaranty Trust Company of New York 140 Broadway

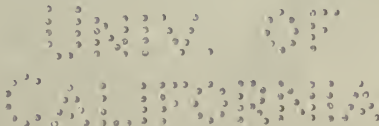
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TO THE
ADMINISTRATOR

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Foreword

THE Guaranty Trust Company of New York presents herewith, in book form, a series of papers upon the subject of financial and economic conditions in foreign countries, with especial reference to the preparations that they are making for holding and increasing their foreign trade after the war. The first of these appeared in March, and the last in November, 1918, and while in some instances the details of plans here outlined have been changed, the general policies touched upon have remained unaltered, and the papers are reproduced as they appeared originally.

It was believed that such authentic information, concisely presented, would be of value in stimulating interest in the subject of reconstruction. That belief has been justified by the large measure of publicity which these papers have received in the daily press, financial periodicals, and magazines of the United States and in foreign countries.

No attempt has been made to present a complete picture of conditions in any country, or to cover fully its reconstruction plans. The aim was to suggest such features of these conditions and plans as might stimulate the interest of our people in the opportunities which the war has brought for a fuller development of economic life, with all its implications of a larger individual and national prosperity.

Taking Stock of the Future

EVERYWHERE throughout the world, men and nations are preparing for peace. Their preparations are going forward not in the belief that peace will come in a month, or a year, or within any other fixed period, but rather in the conviction that no matter how far off peace may be, its known problems are of such magnitude and importance as to require immediate consideration. Even those countries which at the moment are chiefly concerned with war measures are taking stock of the future, and are seeking with all the prevision they can command to glean from its uncertainties some understanding of the principles that must obtain in reclaiming the wreck that this conflict has made of the activities and relationships of mankind.

THE WRECK OF WAR

The extent of that wreck is incalculable. It is only when one turns to the problems of eventual peace that some realization may be had of the destruction of the last three and one-half years. The money cost alone has been estimated at \$100,000,000,000. Literally millions of men, women, and children have been killed, have died, or have been rendered physically useless. Entire countries have been laid waste. In every warring country equipment for the produc-

tion and distribution of goods, other than war supplies, has been deliberately scrapped or allowed to deteriorate beyond hope of rehabilitation. Trade routes on land and sea have been abandoned and new ones, to meet temporary needs, have been established. The demand for ships has taxed the resources of every country in material and labor.

Wherever the inquirer turns he sees evidences of war's ravages among the material things which are the indexes of man's advancement. There is no less of tragedy in the destruction of a host of ideas, feelings, beliefs, sentiments, and personal attachments through which the moral, social, and spiritual aspirations of mankind were accustomed to express themselves.

SOME BENEFITS

On the other side, however, there are certain indisputable advantages, and in these are the seeds of restoration and future prosperity. As never before in the world's history, individuals and nations have been driven to a marvelous development of their personal and economic resources. Nations which have been among the most luxury-loving and care-free, have turned to the business of war with an enthusiasm, a fortitude, and a capacity for sacrifice that have astonished the world. To provide for the fighters and for themselves those behind the lines in every walk of life are toiling incessantly in farm and factory. The sheer necessity of preserving life and

property has forced them to a more efficient use of their own talents and of the resources which nature has provided. The easier habits of peace have given way before the stern demands of war. Thrift has become a necessity as well as a duty.

SELF-RELIANCE

Neutral countries, no longer able to import the things they require, are turning to their own fields and mines for food and raw materials. They are increasing their manufactures and developing their foreign trade. Out of this is growing not only an understanding of the wants of other peoples, the extent of their resources, and their methods of doing business, but also—and more important—an understanding of their own capacities. Accordingly there is observable a growing spirit of enterprise and preparation not unlike that of the Renaissance which swept over Europe at the close of the Middle Ages.

WHAT PEACE MEANS

To come to any appreciation of what part the United States may play in world affairs at the close of this war, and by what means it is to hold its position, a clear idea must be had of what the coming of peace will immediately involve. The warring countries for a considerable period must direct their efforts largely toward taking apart, or demobilizing, the vast and intricate war machine, and toward rearranging

society, not according to pre-war standards, but according to the new requirements which a long and disastrous war has made unavoidable.

ORGANIZING FOR PEACE

It is beginning to be realized that the individual nation must organize for peace just as it did for war, if it is to give effective aid to mankind in reconstructing the structure of a civilization which it took 1400 years to build up and less than three years to break down. The first step toward such an organization for peace, however, must be the clearing away of the debris of war. In this America will have the advantage of being able to turn more quickly to what may be termed development as distinguished from demobilization and rebuilding.

PROBLEM OF READJUSTMENT

It has been estimated that 35,000,000 men are under arms or are directly connected with the military and naval services of the nations of the earth. How many more, including women, are engaged exclusively in war work it is impossible to estimate. Then come others whose talents and energies are directed toward supplying goods and services that are needed only because so many men and women have been withdrawn from production and distribution. These are merely indicators of the vast multitudes who are now doing things they did

not do before the war, and who may or may not continue to do them after the war. In itself the demobilization of the fighters and their return to their own countries is a huge problem; but there are wartime industries, wartime railroads and wartime trade and shipping routes which will cease to serve any useful purpose when peace comes.

NEW INDUSTRIES

There are governmental policies, financial arrangements, legislative and military restrictions of all sorts in nearly every country which have created new forms of industry, developed new methods of doing business, established investments, and set up important obligations. To eliminate those no longer essential, to readjust relationships and make them suitable for peaceful pursuits—to clear the field for progress—is a stupendous undertaking which will demand all the wisdom of mankind.

Moreover, for Europe especially, must come the period of rebuilding—a replacement as well as readjustment. Outside the matter of rebuilding, in itself tremendous, there is the equipment of farming, mining, industrial and transportation enterprises, small and large, which have been destroyed or disorganized by the war. The needs of every European country along these lines must be studied, and studied carefully, by those who would fully appreciate the opportunities for service and for gain which they offer.

RENEWAL OF PROSPERITY

After this period during which they will reorganize their forces and lay the foundation for future efforts, the nations affected by the war see a new era of prosperity. Countries that are heavily in debt will desire to reduce their obligations and eventually to turn the balance of trade in their favor. To this end they are planning an intensive cultivation of the soil, a diversification and enlargement of industry, a development of their merchant navies, a general outpouring of energies of every variety such as the world has never known before. Every resource of nature and human ingenuity will be requisitioned in the interest of this development. It is a program to touch the imagination of the dullest.

EUROPE'S ADVANTAGES

While America will escape the burden of rebuilding, while her demobilization problem, difficult as it will be, is insignificant compared to that of the European nations, and while we shall accordingly have a very important advantage over our commercial and industrial rivals, it should be remembered that the European nations will also have certain very material advantages. First of all they will have the impetus given by their colossal national debts. To pay these will be the proud ambition of every honorable nation. None of them will care to face

the world with a record of repudiation. To their purpose to pay they will bring a skill in manufacture bred through many years during which competition forced them to produce cheaply and quickly. They will have colonies, rich in raw materials, which have developed during the last three years a higher degree of productive efficiency. They will have an intimate acquaintance with the conduct of foreign trade and the framework at least of an organization upon which its success depends. They will have a system of foreign banks with staffs of trained men in charge. They will undoubtedly have a degree of Governmental assistance and support with which American traders have heretofore been unacquainted. These are some of the disadvantages with which America must reckon. No American will admit that they are discouraging. They are suggestive of the roads to follow—the paths that lead to our commercial empires of tomorrow.

AMERICA'S STRATEGIC POSITION

Aside from a favorable position at the opening of this race for commercial supremacy, America has certain other advantages of importance. At the foundation lies a huge gold reserve upon which can be built a structure of credit sufficient not only to finance our own enterprises, but also to give aid to those of foreign countries. To guide and assist these credit extensions we have a banking system charac-

terized by some of our rivals as ideal. This system will lend itself to the extension of American financial houses into foreign countries. Already a beginning has been made, not only by the setting up of branch banks and foreign offices—establishments which may be termed money and credit depots for the advancing trade army—but also by the organization of merchandise banks, institutions with the usefulness and working of which European nations have long been familiar.

POLITICAL POSITION

On the political side of the situation America is fortunate in possessing a form of government which the vast majority of her citizens believe in and intend to cherish. Considering that we have a population of more than 105,000,000 the efforts of the disloyal or the misguided to overturn the fundamental things in our national polity are not likely to make much impression. With few exceptions the nations of the world understand that America is actuated by no policy of territorial aggrandizement. Suspicions engendered by Germany in Mexico and South America are rapidly giving way before an understanding of our purposes in this war and after it. Finally this country is not, and is not likely to be, cursed with a class struggle. Despite all their propaganda the Socialists have had little success in convincing us that the future of America depends

upon the domination of government and industry by one class. The prospect seems to be that for many years to come the Socialists will be extremely busy explaining why their theories failed so disastrously in Russia, the only country that ever had sufficient disregard for its own interests to try them.

ECONOMIC STRENGTH

Economically the position of America is solid and inspiring. With an immense population, compounded of many elements, she is assured of a richness and variety of productive effort that rightly directed will give her preëminence in satisfying the multitudinous wants of her world neighbors. An abundance of untilled farming land, inexhaustible mines, rich forests, and ample water supply both for power and transportation invite this population to their conversion into wealth. Our inventive genius in the past has revolutionized the forms of industry. For the research worker in the industrial field there were never greater opportunities than now. Back of these powers of production stands the fact that we shall have at the close of the war a merchant marine and facilities for maintaining it such as America or any other nation never has known before. To bring all these factors of industrial, commercial and financial strength into complete coöperation is a task for which the American faculty for organization is excellently fitted.

SOLVING THE PROBLEM

This, in broad outline, is the situation. To the solution of these problems every great nation of the world, with the exception of the United States, is already giving the thought of its most able men. Under the auspices of their Governments, financiers, manufacturers, traders, and workmen are being organized for the purpose of investigating and reporting on what will best serve to lift their respective enterprises out of the ruin of war. When all the resultant mass of information and opinion shall have been accumulated and organized it will be coördinated and will form the basis of policies which the Governments are expected to adopt. Already it is evident that some of these policies may shatter traditions and ideals long adhered to, and will be bitterly opposed both by those who live in the past and those who dream of the future. Certain it is, however, that these problems of peace must be solved and the nation that solves them with the largest measure of vision and practical insight will soonest get out of debt and resume a prosperous career. War is now the supreme effort of the nations. After the war, all will be concentrated no less vigorously on the work of reconstruction.

THE TASK BEFORE US

In the United States there has been, so far, no organized undertaking on the part of the Govern-

ment looking to the solution of these problems. The future political and military relations of this country to the rest of the world have been set forth by the President, but neither he nor the Congress has approached the question of financial, industrial, and social reconstruction as a whole. Here and there in war measures or in the proposals of Department heads may be discerned evidences of individual investigation and thinking, but thus far there has been no coöperative and avowed effort along this line as in other countries. No special body to enter upon this work has been organized here and while it may be fairly assumed that such Departments as those of the Treasury, the Interior, Agriculture, Commerce, and Labor are devoting much of their time to reconstruction measures there is as yet no agency for the coördination of their findings and the suggestion of general policies unless it be Congress itself, a purely political body.

COÖPERATIVE EFFORT

Up to the present time the task has devolved largely upon individuals, corporations, and associations who have no official standing. A great deal has been done in a desultory, detached sort of way, but no medium for interchange of opinion except the press, or for coöperative effort, has been created. This country seems not yet to have sensed the fact that the day of individual efforts and purposes, as dis-

tinguished from coöperation and public service, has passed; that this war has established not only the interdependence of nations but also the interdependence of individuals and classes within the nation and that common understanding, counsel, and coöperation are surely to be the watchwords of the future.

Organizing for the Victories of Peace

(Great Britain)

THE ASTONISHING growth of America's foreign trade has been an outstanding feature of the last three and a half years. To retain and enlarge the position we now hold in the commercial and financial world is one of our biggest problems. Other countries believe that their future depends upon their success in foreign trade, and are making their preparations accordingly. Every effort we now put forth here to meet the competition that is inevitable is a step toward organizing for the victories of peace.

Great Britain has approached her problem of reconstruction after the war with an enthusiasm and a thoroughness in which there is both suggestion and inspiration for the United States. In spite of the difficulties involved in her world-wide possessions and their diverse peoples, she is resolutely attempting to work out a detailed program for the restoration of her commercial and financial position. No secret is made of the fact that she expects a period of intense competition for the markets and the carrying trade of the world to follow the war,

nor of her intention to be as fully prepared for it as possible.

PERIOD OF TRANSITION

Her plans naturally divide themselves so as to be in accord with the varying circumstances which will prevail during the period of adjustment to a peace basis, and with the period following the completion of this readjustment. These two periods are hardly separable, so far as general schemes of reconstruction are concerned, and in studying the plans developed by the Ministry of Reconstruction it will be found that they overlap. As a matter of fact, it is the object of the Ministry of Reconstruction, and of all other agencies now engaged upon these problems, to arrange matters so that the period of transition shall be as brief as possible.

REDIRECTING A NATION'S ENERGY

To that end it is proposed to make plans now for giving permanent direction to all the energy, now temporarily devoted to war work, that will be released for other pursuits when peace is proclaimed. These plans are of tremendous import to the people of Great Britain, and directly to the people of other nations. The idea back of them is that, if the British Empire is to endure, there must be such a refitting of men and industries to meet changed circumstances, and such a redirection of effort, as will insure the utmost development of every resource.

GETTING OUT OF DEBT

Upon the surplus of these resources in goods and services which she can dispose of to other countries depends Great Britain's ability to get out of debt and to resume her commercial and financial leadership. Throughout the length and breadth of the empire the idea is being fostered that the future rests upon increasing production and reducing consumption, upon having more and requiring less. As Lord Milner said recently in an address before the London Chamber of Commerce:

“The greatest of all ways for an empire in debt to think is of production; to plan production, to borrow to be able to produce more; to lend to assist more production; to refuse all goods dumped at less than the cost of production—to insist on production from sources where the producers of our needs buy the products of our industries. Increase production, develop prairie, ocean, forest, and mine within your magnificent estate and out of the volume of that wealth repay your borrowed money, finding that, after you have so paid, your riches will increase.”

INVENTORY OF THE BRITISH EMPIRE

In preparation for this intensive development of her resources, Great Britain is taking what is probably the most remarkable inventory ever attempted. Under the general direction of the Ministry of

Reconstruction, the Ministry of Munitions, Department of the Foreign Office and Board of Trade, and other governmental agencies, nearly a hundred committees are busy collecting information regarding agricultural, mining, industrial, and commercial conditions within the empire.

The inquiries of these committees touch the life of the British people in all its phases. Wherever the British flag waves these committees are saying to men, women, and children: What can you do? What can you make your mines, your farms, your orchards, your plains, your forests, your seas and rivers and lakes do? Have they ever produced wealth? Can they be made to do so? Upon the answers will be founded the principles to which the British people will be asked to adhere in rebuilding the means of prosperity that war has destroyed or disorganized. In addition to these inquiries by committees sanctioned by the Government, other investigations are being made upon the initiative of individual manufacturers or merchants.

WORLD-WIDE INQUIRIES

Some idea of the extent of this investigation may be gained from the designations of a few of these committees. The Prime Minister's Committee on Commercial and Industrial Policy is to consider what industries are essential to the future safety of the nation, and what steps should be taken to maintain

and establish them; what should be done to recover home and foreign trade lost during the war, and to secure new markets; to what extent and by what means the resources of the empire should and can be developed; to what extent and by what means the sources of supply within the empire can be prevented from falling under foreign control.

THE SELF-GOVERNING DOMINIONS

The Dominions Royal Commission is to inquire into and to report upon the natural resources of the five self-governing Dominions, and the best means of developing their resources; the trade of these parts of the empire with the United Kingdom, each other, and the rest of the world; their requirements and those of the United Kingdom in the matter of food and raw materials, together with the available sources of supply; and to make recommendations and suggest methods consistent with existing fiscal policy, by which the trade of each of the self-governing Dominions with the others and with the United Kingdom can be improved and extended.

FINANCING OVERSEAS TRADE

The Financial Facilities Committee is charged to ascertain whether the normal arrangements to provide financial facilities for trade by means of existing banking and other financial institutions will be adequate to meet the needs of British industry during

the period immediately following the termination of the war, and, if not, by what emergency arrangements they should be supplemented. Particular regard is to be paid to the special assistance which may be necessary to facilitate the conversion of shops and factories now engaged upon war work to normal production and their expansion to meet the exceptional demands for raw materials arising from the depletion of stocks.

REQUIREMENTS OF RECONSTRUCTION

The Ministry of Reconstruction has a Central Committee on Materials Supply which is considering the nature and amount of the supplies of materials and foodstuffs which will be required by the United Kingdom, India, the Dominions, and the Crown Colonies during the period of readjustment; the probable requirements of belligerents and neutrals for such supplies at the close of hostilities; the sources from which, and the conditions under which such supplies can be obtained and transported and in particular the extent to which they might be obtained from the United Kingdom or within the Empire or from allied or neutral countries.

COTTON

Of special interest to Americans is the appointment of an Indian Cotton Committee to consider the work that has already been done toward the establishment

of long-staple cotton; to determine the measure of success achieved, or whether any failure is due to agricultural or economic causes or to administrative difficulties; to make a detailed study of local conditions in each cotton-growing tract, and to inquire into the methods of ginning and marketing; to consider the possibility of developing long-staple cottons in India, and to submit recommendations as to the amount of money and the organization that will be required for that purpose.

NEW INDUSTRIES

A suggestion of the effort that will be made to develop new industries is contained in the direction to the Engineering Trades Committee to compile a list of the articles suitable for manufacture by those with engineering trade experience, which were either not made in the United Kingdom before the war, but were imported, or were made in small or insufficient quantities, and for which there is likely to be a considerable demand after the war. These are to be classified as to whether they are capable of being made by women, by men, by women alone, or only by skilled men. This committee will also list the industries to which such new manufacturers could most suitably be attached; and will make recommendations on the establishment and development of such industries by the transfer of labor, machines, and otherwise, with due regard to securing the coöperation of labor.

MINERAL RESOURCES

The Imperial Mineral Resources Bureau Committee is to prepare a scheme for the establishment in London of an Imperial Mineral Resources Bureau which is to collect information in regard to the mineral resources and metal requirements of the empire and to advise what action, if any, may appear desirable to enable such resources to be developed and made available to meet requirements.

PRODUCTION AND DISTRIBUTION

In addition to these and many other committees having general powers of investigation the Department of Scientific and Industrial Research has more than a score of committees devoted to the investigation of specific matters such as metallurgy, glass and optical instruments, illumination, abrasives, vitreous compounds, tin, tungsten, lubricants, zinc, and copper. The very mention of the names will suggest that searching for raw materials, their exploitation, and the possible substitutes for them will enter deeply into the future plans of the empire. Great Britain is investigating many other things that are more social and political than economic, all bearing, however, upon the purpose of bringing her people and their possessions to the greatest efficiency in the production and distribution of goods and services.

INTERNATIONAL COMPETITION

Early in 1916 the President of the Board of Trade, which, it should be remembered, is an integral part of the British governmental system, appointed several Departmental Committees to consider the probable position of various important branches of British industry after the war, "especially in relation to international competition, and to report what measures, if any, are necessary in order to safeguard that position." These committees were the Coal Trades, Iron and Steel Trades, Engineering Trades, Electrical Trades, Non-Ferrous Metal Trades, Shipping and Shipbuilding Industries, and Textile Trades.

RAW MATERIALS AND TEXTILES

The reports of these committees have already been submitted and they constitute a formidable array of accurate and detailed information as to the situation confronting these several classes of industries. Just a part of the report made on raw materials for the textile trades will indicate the nature and purpose of the inquiry made. Recognizing the present superiority of the United States as a producer of cotton the committee reported that new fields must be developed to guard against the possibility of a shortage here. India, Egypt, Soudan, the West Indies, and the African colonies were discussed

as to the extent of land, the character of the cotton, and as to labor and transportation conditions. Of India it was reported, for example, that the yield is only from eighty to one hundred pounds of lint per acre as compared with the average yield of 200 pounds an acre in the United States and 450 pounds an acre in Egypt. But otherwise India with agricultural soil, plenty of cheap labor, and good railroads is favorably regarded as a place where British ingenuity and persistence may accomplish much. Other possibilities were discussed, with this significant conclusion: "If proper steps are taken it is reasonably certain that all the cotton required by the British Empire can, in time, be grown within its own territories."

AN IMPERIAL SELLING AGENCY

With these arrangements for increasing the volume and improving the quality of the things that can be produced in the British Empire have gone plans for building up a great selling agency. The Government has created a new joint Department of the Foreign Office and the Board of Trade which is known as the Department of Overseas Trade (Development and Intelligence). This body controls the Board of Trade's Trade Commissioner Service within the empire and the Foreign Office's Commercial Attaché Service in foreign countries. In other words a single body is to control and coördinate

the sources of information in regard to those who have something to sell and those who are ready to buy. The Trade Commissioner Service is to be strengthened and enlarged and likewise the Consular service. Better trained men are to be sent out to every corner of the world to keep a watchful eye for every chance to sell British goods. The Department of Overseas Trade is to undertake the bringing of buyer and seller together more quickly and less expensively than ever before. Inquiries are to be invited and answered, and by publications for general distribution and by confidential information, the whole industrial and commercial life of the empire is to be quickened.

POSSIBLE ELECTRIFICATION

Having set in motion the machinery for stimulating production and distribution, the British Government is planning to bring to perfection the agencies by which this may be accomplished. Much attention is being given to the possibilities of electrical power. A tentative scheme of dividing the United Kingdom into districts in which super-power plants would be erected for supplying motive power and heat has been broached. The theory is that less coal would be consumed, that less labor would be needed, and that a great saving would be effected. In England at least they are not without hope that electricity may prove as great a boon

to industry as did the steam engine after the disastrous Napoleonic Wars.

REBUILDING THE MERCHANT NAVY

Naturally the most attention is given to the restoration of the merchant navy, for in the past a great fleet has helped to promote the unification of the empire and the carrying charges coming into English pockets have helped to create a favorable balance of trade. Concurrently with plans to enlarge her merchant fleet, Great Britain is arranging for the improving of her harbors throughout the world. New transportation routes are already being decided upon in accordance with plans for the exploitation of certain colonies. At home and abroad railroad and canal development is to be pushed until every productive area has been brought into touch with its market.

COMBINATION AND STANDARDIZATION

Numerous plans are being made for bringing the purposes of the empire into harmony with the various industries. In general they adhere to the principle of amalgamation, as it is believed that only by methods of quantity production at lower cost, the division of fields both in production and distribution, and concentration of certain phases of the work in accordance with demonstrated skill,

can a single industry hope to compete with German concerns.

The idea is clear in the minds of many Britons now that competition after the war will be between nations rather than individuals and that no industry will thrive without the closest coöperation with all others of related character.

CONCENTRATING CAPITAL

The great British banks are aware of the demands that will be made upon them to finance this program of restoration and new developments. By amalgamations they are concentrating great reserves of capital upon which to build a credit structure adequate to the needs of the coming years. These amalgamations are significant of the growing feeling that to win their way—or even to survive—the peoples of the British Empire must draw closer together, socially, politically, and economically. As the war has welded them into a compact, coördinating, interdependent fighting machine, so, apparently, is the prospect of wonderful opportunities combined with an appreciation of the necessities of the case, urging them to unity of purpose and breadth of understanding in their preparations for peace.

The Inspiration of Adversity

(France)

AMERICA may well look to France for example and inspiration in making preparations for developing her foreign trade after the war. Particularly is this true because France is animated by the hope that her future financial and commercial relations with this country will emphasize the historic friendship of the two nations and give permanence to that mutual appreciation which grows out of present circumstances.

In all history there is no people whose rising to meet a seemingly overwhelming assault upon everything they considered worth while has had such power over the emotions of mankind. They are the glory of the world. To the discerning it will appear also that there has been something marvelous in the complete surrender of the nation as a whole to the idea that every available agency should be utilized for the single purpose of winning the war. The degree of concentration reached has been phenomenal. Through such use of her resources France has been able to sustain every shock of war despite the fact that some of her fairest portions have been overrun by the enemy since the beginning and others are useless except for military operations.

TRANSFORMING EMERGENCY INTO OPPORTUNITY

Now, with characteristic mental adjustability, the French people propose to transform emergency into opportunity. In all their preparations for reconstruction after the war there is disclosed an intent to make adversity their inspiration, and to apply to any problem that may arise the principles that have been at the foundation of their efficiency in war. It is their intention to keep under mobilization, for a considerable period after peace comes, that spirit of unity, coöperation, and concentration in enterprise that has kept the nation from vassalage during the last three and a half years. Taking account of such a purpose an English observer says that France will probably make greater progress in the next thirty years than any other European country.

FUTURE ECONOMIC RELATIONSHIPS

France recognizes clearly the double character of her future problem. She must restore the country itself and reëstablish its necessary and profitable relationships with other countries, and it is noteworthy that she looks to the United States for help in doing both. She proposes to place in this country those vast purchases of raw material, building supplies, and machinery which she must have, and which she cannot get from her own colonies, and will not be able to get in sufficient quantities from other nations engaged like herself in the work of rehabili-

tation. She proposes to pay for these things and to meet the debts she now owes by selling to this country not only an increased quantity of those things in the manufacture of which she excels, but also those things for which this country in the past has looked to Germany. In her present temper France refuses to consider the possibility of resuming purchases of raw materials in Germany, as before the war, and she is so confident of what our feeling will be after more extended contact with the common enemy that she believes we shall rather buy from her than from Germany. Whatever may be the hopes of mankind with respect to a political league of nations after this war, it is evident that in France, as in England, there is a disposition among financiers, manufacturers, and business men to eliminate Germany when proposals affecting future economic relationships are under consideration.

THE CHEMICAL INDUSTRY

In nothing is this better illustrated than in French plans regarding the future of the chemical industry. After taking from Germany for many years those chemicals which enter so largely into her own highly specialized finished manufactures, France intends from now on to develop to the limit that production of raw materials for use in the manufacture of chemicals for which the necessity of war has proved her capacity, and to increase greatly the number of her factories engaged in the manufacture of chemicals.

New companies have been organized and capitalizations have been increased since the war began, and special schools are graduating chemists trained technically and practically to enter the industry.

This same desire for economic independence of Germany is characteristic of the Republican Committee of Commerce, Industry, and Agriculture which was founded in 1914 under the auspices of the Ministry of Commerce and which has been making an extensive study of economic conditions. This committee has been surveying the possibilities of the French colonies and of friendly countries to ascertain where products formerly imported from Germany are to be obtained. With an acute perception of future possibilities along these lines the French Government is now concluding agreements for materials with countries which it is hoped will prove to be permanent sources of supply.

FRANCE'S INDUSTRIAL FAIRS

While France has been so nobly absorbed in war it is a further mark of the enormous energy of which her people are capable that from the very beginning of the conflict her industrial and business leaders have kept ever before them the likelihood of a period of intense competition after peace was proclaimed. They have seen that what Germany aimed at was economic monopoly rather than military dominance, and with spirit comparable to that of their fighting men they have set about to thwart that ambition.

They know that, immediately the war ends, Germany will drive her ships laden with German goods into every country where she can possibly make a sale. To offset that intention the French are trying now through the medium of great fairs, with their outpourings of catalogues, pamphlets, leaflets, and posters, to acquaint all the world with the excellence of their wares, and also to learn from the exhibits of others where French importers may look for their requirements. Fifty-three groups of manufacturers participated in the 1917 fair at Lyons, and 937 classes of articles were represented. The number of firms taking part in this fair was 2,614, and the transactions totalled 410,000,000 francs. The United States took over 50 per cent. of that business. The eleventh Paris Fair will be held next month, and so many applications have been received that it has been necessary to increase the number of exhibition halls.

At the close of the current year the war debt of France will probably be nearly \$24,000,000,000, or about four times what it was before the war. For several years France has been a lender to Russia and the present precarious state of that country has postponed the liquidation of this indebtedness. Probably Great Britain and the United States will make arrangements with their ally calculated to ease this burden somewhat, but even then the task of regaining her financial feet will require time to accomplish.

ELEMENTS OF STRENGTH

France has certain elements of strength, however, upon which she is relying to bring her through the hard days of rehabilitation and to restore her former prosperity. She has a splendid climate, a productive soil, and a population of industrious and thrifty men and women. With her coal and iron mines, her crops of wheat, grapes, hemp, and flax, her skill in the manufacture of leathers, hosiery, cotton goods, glassware, and silk goods, her future is exceptionally bright. There will probably pass from view, for a time at least, that France of highly specialized, highly individualized, and artistic manufacture to which the world turned for tasteful luxuries. Her leaders look forward to a long period of standardized, quantitative production for the markets of new countries. They expect also to exploit the French colonies that can produce raw materials and absorb finished products. Until her debts are paid France is to become a nation of traders, if those who now guide her thought and aspirations can bring it about. Her people have been schooled to make great sacrifices. They are prepared to make still more.

STRICT CONTROL OF FOREIGN TRADE

The exigencies of war have impelled France to exercise a supervision over her exports and imports. She has gone steadily toward her goal of bringing

foreign trade under the strictest control, as have Great Britain and the United States, and it now appears that the Government is to take advantage of this fact in order to insure the country against any private interference with the proposed rebuilding and rehabilitation. To accomplish revival of industry at home, and the renewal of her foreign relationships, France must have easy and cheap communications with her colonies and other countries. The prime essential is ships, and the plans of France to obtain such a merchant navy are illustrative of the degree of efficiency she has attained in making war measures serve the purposes of peace.

BUILDING A MERCHANT NAVY

All sea-going vessels have been requisitioned for Government service and placed under the orders of the Ministry of Maritime Transport and Merchant Marine. A rental is paid by the Government and an allowance for expenses, maintenance, working capital, and other things made. Shipowners themselves manage their fleets, and are encouraged to make them as effective as possible by the distribution of bonuses. When one of these ships is sunk the Government undertakes to replace it.

THE SHIPPING PROGRAM

This replacement of ships is a cardinal point in French plans for the remainder of the war and after

it. Ships cannot now be built in France. The Minister of Maritime Transport and Merchant Marine holds that to bring materials from the United States or England would handicap French shipbuilders because of the cost of the materials and transportation. This would mean that French exporters would have to pay higher freight rates to the owners after the ships were put into water. This would place not only the exporters but also all French industry under a handicap in the competition for markets that is to follow the war. In the circumstances he proposes that the State shall replace destroyed ships. Only from the Government will shipyards accept orders. He contends that the State can buy materials more cheaply, and that therefore it will be able to contract for new ships on a basis that will insure reasonable rates to the trader of the future. The Government contracts to replace ships in this manner within three years after the war is ended. These ships are to become the absolute property of those from whom their equivalents have been requisitioned.

A STATE-OWNED FLEET

On the other hand the Ministry proposes to build a State-owned fleet for the colonies. This fleet will be managed by shipowners, but the State will share in the profits and in the deficits. Hereafter, according to the intentions of the present Government,

there will be no more subsidies for ships in which the Government will have no interest. The colonial fleet will be used in the trade of the French colonies, either with France or with other countries, and will be the lever by which the Government will control cargo rates and the selling price of imports. Steps have also been taken to have the fleet now waiting for repairs put into shape for service immediately.

DEVELOPING HARBORS

With these plans for increasing the merchant navy, so essential to the development of foreign trade, go others for the improvement of harbors. France has today no harbor where ships of the largest type can dock. Many available places are being explored, and plans have in some cases been drawn for the enlargement of harbors and the reconstruction of ports on a scale commensurate with French hopes for a revival of foreign trade. Closely related to this development of ports is the plan to coördinate railroads and shipping lines, especially across the Mediterranean to Algiers and Tunis. All these undertakings indicate the importance which the French attach to making ready, so far as the war will permit, to handle an unprecedented amount of business, domestic and foreign.

AGRICULTURE

While France can not avoid making extensive purchases of building materials and machinery abroad, she will be able, if present plans go through,

to curtail largely her food imports. Wheat, barley, and rye are grown ordinarily, but the war has brought many changes and the French people have been getting acquainted with the cheaper cereals. They are trying to appreciate Indian corn, and millet and rice flour are now used in mixtures. Naturally frugal, the French may be relied upon to seize upon any advantages in this line which will solve their problem of living cheaply during the reconstruction period. It can hardly be doubted that the advice contained in a Government report on war economy will be applied in the trying days still to come. In that report it was recommended that every parcel of soil not cultivated be sown without delay with wheat, barley, Indian corn, and oats, and be planted with potatoes and vegetables. It is a country of peasant owners out of whose hoardings many of the war's expenditures have been met. Under the impetus of necessity their heeding of such advice is a foregone conclusion.

Legislation to increase agricultural production is being framed by the Minister of Agriculture. Deserted territory will be brought under cultivation. A back-to-the-farm movement has been inaugurated and bonuses are to be given to those who abandon their ancient implements for modern agricultural machinery.

RECONSTRUCTION

France has no such resources of men and materials as have Great Britain and the United States for

building a future out of the wreck that has been made of her land, her forests, her mines, her industries, and her shipping, by this war. She has nevertheless a rejuvenating spirit that will carry her far along the path she has chosen. She understands fully that without the most intense application of energy to such resources as she has, increased production, elimination of all waste, and a resolute effort to win foreign markets she will be unable to regain her standing among commercial nations. That effort she is making. She invites the United States to establish relations with her that will be of mutual benefit. There is for this country no greater opportunity for service and legitimate profit.

THE SUPREME TASK TODAY

There is neither time nor energy to spare in France just now to undertake the vast problem of rebuilding, remaking, and reviving her shattered country. Her immediate problem is to repel the invader. With all the strength and resolution they have her people bend now to the supreme task. Over her fair cities and pleasant fields falls the shadow that fourteen centuries ago buried the wealth and learning and culture of Rome beneath the ruin of political and military despotism. This time, however, the destroyer must reckon with elements of unity, moral strength, and capacity for suffering such as decadent Rome never knew. France will meet and solve this problem. Thereafter her future is secure.

Breaking Ties That Were Fetters

(Italy and Spain)

THERE is every indication that industrial and commercial conditions in the United States after the war will be affected to a remarkable degree by the measures which Italy is developing to re-establish herself when on a peace basis. The efforts which that country is making to extricate herself permanently from those Teutonic entanglements in which long established and highly profitable economic relationship involved her, deserve the closest attention of American business men. The success of those efforts depends in large part upon how American producers and traders receive the invitation that Italy extends to them.

ITALY'S INVITATION TO AMERICA

It is not an invitation to the home of an utter stranger. While for many years before the war Germany and Austria dominated the foreign trade of Italy and, by methods now fully exposed and understood, contrived to extract from their operations a lucrative return, Italy has long been one of our best customers on the European continent. In 1913 Italy imported more raw materials and food-stuffs from America than from Germany and Austria together, but she procured her partly finished and

finished products to a large extent from her Teutonic neighbors. Italian exports also went mostly to those countries. Exchanges with Germany in that year totalled \$183,872,058; with Austria \$93,424,457; with England \$161,899,440; with France \$96,740,416; and with America \$152,041,111. The total exchanges with all countries, including these, was \$1,184,091,723. Italy's invitation to America, therefore, is not to enter a new field, but to extend and enrich one that has already been explored.

TIES THAT BECAME FETTERS

To no country engaged in the present war did belligerency mean a greater disorganization of established enterprises and trade channels than to Italy. It was only when war snapped the ties which bound her to her northern neighbors that she realized how largely they have become fetters, and how far the Teuton had insinuated himself into the control of her important undertakings, and into the lines of communication that made them effective in world competition. Whatever the war has cost, Italy's men of affairs feel today that it has been worth while in awakening the country to a realization of what may be done through new methods and new associations to place Italy in the foremost ranks of international traders. To develop new methods of production and distribution, to form new relations through which to give the largest measure of effectiveness and the most remunerative returns to

the peculiar abilities of her people and the fertility of her soil, is now the object to which Italy's statesmen and financiers are giving all the thought and energy that can be spared from the immediate task of holding back the invader and preserving her nationality.

Italy's devotion of her industrial machinery and transportation facilities to war purposes has been complete. Italy's preëminence in the production of certain articles of commerce marked her as the chief source of supply for similar products of a war-like nature. Her ordinary production of automobiles, aeroplanes, turbines, and heavy oil engines has merely been intensified and modified in the direction of such a standardization as would permit quantity production. For example, it is well known that Italy excelled in the manufacture of automobiles designed for those able to satisfy luxurious tastes. Very few of such automobiles are being made now, and the large manufacturers have turned to the more useful, cheaper, standardized types. When this war ends they intend to continue the manufacture of these latter types.

INSURING INDUSTRIAL EXPANSION

The Government is very much interested in the plans which manufacturers are making to turn their facilities to the output of peace products. Despite heavy taxes, huge profits have been earned during

the war. To foster preparations for international competition after the war, the Government makes an allowance to manufacturers who invest a certain portion of their profits in new plants or in extensions. Extensions had to be made as a war measure. In making them the Italians availed themselves of every suggestion that meant economy of labor and materials in turning out the finished product. Now the desire for modern methods has seized the industrial mind and extensions of plant, intensive development of resources, and quantity production are to be continued as peace policies.

FOUR MILLION SKILLED WORKERS

These policies are especially significant to the United States because for many years we have looked to Italy for a large part of that increase in the labor supply which a new country must have. With the entry of Italy into the war the steady stream of sober, thrifty, but, for the most part, unskilled labor from that country was cut off. To-day more than 4,000,000 men and women who never worked in factories before are becoming skilled workers in plants from which the implements of war are being supplied. Many more are engaged in occupations connected with the care and feeding of the military forces. More than ever before Italy has become a nation of workers. In view of the plans being made for developing the resources of the

country it seems likely that no problem will arise as to employing these men and women, as well as the men now in the army, when the war ends. In fact it is the belief of Italian leaders now in this country that Italy's future depends so much upon the use of every available unit of human energy that emigration will be restricted and that conditions will be so favorable in the homeland that no general objection to such restrictions will be raised there.

MARKET FOR AMERICAN COMMODITIES

Italy looks to America as the chief source of supply for those raw materials and partly finished or finished materials which she formerly obtained from Germany and Austria. This she does partly from the desire for economic independence of these countries, and partly because she feels that these and other European nations will for some years be so busy with their own reconstruction programs as to have scant opportunity to fill the heavy demands of Italy. Coal, iron, lumber, machinery, and railroad and ship-building materials will be needed in large quantities. She also hopes to obtain directly from this country many things that formerly found their way to farm and workshop through England and Germany. Cotton she will need in large quantities because of her aim to rebuild the cotton manufacturing business that prior to the war was competing successfully with the English in the Near East.

AGRICULTURAL PRODUCTS

Italian agriculturists are preparing to meet the competition of the Spaniards in France, and of both the Spaniards and the French in England and the United States. Spain sells large quantities of oranges and lemons in France and in the belief that they can obtain a bigger share of this business the Sicilians now have a commission in France studying the markets and seeking to acquaint the French with the advantages of using the Sicilian products. Italy also seeks to supplant Spain in the exportation to France of those heavy wines which the French mix with their own lighter varieties. Much study is being given to the improvement of marketing methods and one of the first steps in this direction will be the cancellation of agreements giving sales monopolies in foreign countries. Restriction of agencies is now considered inimical to the best interest of the Italian producers.

SHIPS, HARBORS AND RAILWAYS

The opportunities to extend foreign trade have naturally turned attention to increasing the facilities for operating the proposed greatly increased merchant marine. New harbors on Italy's long coast line are planned and others are to be enlarged. The menace of the invaders to Venice has diverted trade to Genoa, and enlargement of this harbor is now under way. An engineering task of huge pro-

portions has been undertaken in the conversion of lakes near the Adriatic coast into supplementary harbors. These lakes are at sea level and it is practicable to connect them with the sea by channels. Plans have been drawn to make these lakes the nuclei of great manufacturing districts from which products can be transported at a saving of time and motive power. Italy's lack of coal has brought forward the possibility of using her water power for the production of electrical energy, to be applied not only to manufactures, but also to the railways. These railways are to be extended, and the familiar single track lines of the country are to be displaced by double track lines as rapidly as possible.

BANKING

Abroad there is planned an increase in the number of branch banks and in the investments of Italian capitalists in the financial institutions of other countries. There are no restrictions imposed by law upon the amounts which Italian bankers may invest in foreign banks and no restrictions upon the establishment of foreign branches. This means that every facility will be placed at the disposal of those who are trying to develop the foreign trade of their country.

THE NEW SPAIN

The present war has rejuvenated Spain. Like many another country younger than herself she has

been forced to rely upon her own efforts to sustain her population and through that experience she has come to be a producer for foreign markets on a scale such as has given her inspiration for the future. Her one thought now is to secure every advantage she can before the commercial struggle begins after the war.

COMPREHENSIVE STUDIES

In preparation for that struggle a Commission of the Directorate General of Industry and Commerce is now making a study of economic conditions with the object of so directing agriculture, industry, and trade in the future as to insure maintenance of Spain's present favorable international position. The field to be covered by the commission is set forth as follows:

(1) The state of the foreign trade of Spain in 1913 and 1914—including information regarding the countries with which such trade was maintained; the articles it consisted of; the competition encountered; and the reason why Spanish manufacturers found it impossible to retain markets.

(2) The disturbance of or modifications in the world market occasioned by the war—including particulars in regard to nations that have suspended their exports; nations that have maintained their export trade, and to what extent and under what conditions; markets lost and won by Spain; Spanish industries that have increased their productive

capacity by entering such markets; and inquiry as to the permanent or transitory character of new exports from Spain, as well as the strengthening of former branches of the export trade.

(3) Analysis of the economic consequences of the war—including the possibility of economic wars being instituted, and of the formation of two great irreconcilable groups, or the necessity in which these latter may find themselves of living together economically with no greater separation than that of certain differential tariffs among allies, or the forced submission of both parties to the economic laws of reciprocity and exchange; the consequences to Spain of one and the other forms of political economy, and the foundation on which the country may base the continuation of its economic relations with the various groups; an inquiry into the system of commercial treaties, including a consideration of the “most favored nation” clause; the system of a defensive customs tariff against any article artificially favored by an export bounty in the country of origin, as well as a tariff for encouraging and helping Spanish industries.

(4) Finally, as it is considered neither conceivable nor desirable that the economic independence of any country should be so great as to isolate it completely from the rest of the world, the Commission is to include in its memorandum a classification, according to countries, markets and products, of the goods

which Spain can contribute toward the trade of the world in such a manner as to allow of Spain obtaining the supplies that foreigners can supply, at the same time building up strong home industries by acquiring outlets abroad.

IMPROVING CONDITIONS

The tremendous boom in foreign trade brought to Spain by the war quickly demonstrated the necessity for improving the country's methods of production, conditions in the factories, and transportation facilities. From all that can be learned there is still room for great reforms in the treatment and payment of the laborers, whether in the field, vineyard, mine or shop, but under the impetus of still greater profits if a wiser course is pursued, and under the threat of social and political revolution, considerable progress has been made.

RAILWAYS

Spanish railways had been deteriorating for years before the war and the progress of the conflict imposed unusual burdens upon them at a time when it was least possible to get materials into the country for rebuilding and extensions. As a measure of relief coastwise shipping was forcibly increased. The movement of certain classes of traffic between seaports by rail was prohibited, and a Committee of Marine Transport was empowered to organize and distribute the service among these ships. These

temporary measures of relief have been followed by plans for great improvements in the future. The Congress of National Economy has suggested many changes in the matter of ownership, gauge, wage scales, and unification of freight tariffs. Four of the largest companies have joined in the formation of a company to manufacture locomotives with the idea of overcoming the necessity of importing them from Belgium, Germany, and the United States. Such preparations augur well for the future, indicating as they do an appreciation of the importance of transportation facilities in any program for the development of foreign trade. The Congress has recommended a careful revision of these plans by economic, technical, civil, and military specialists so that the nation's highest interests may be conserved. The Government has been asked to require the railroads to submit plans for improvements, and itself to float bond issues to cover costs.

GOVERNMENT SUPPORT

The Government has done much and indicated its purpose to do more to encourage the development of the country's resources by direct subventions and by the conclusion of favorable commercial understandings with other countries. More than \$2,000,000 has been appropriated to assist in the cultivation of oranges, lemons, and grapes for exportation in the provinces of Alicante, Almeria, Castellen, Murcia,

and Valencia. Under an agreement with England minerals are to be exported in return for coal, and in addition England is to take enormous quantities of oranges, grapes, almonds, raisins, bananas, and onions.

AMERICA'S OPPORTUNITY

For the present the United States is mostly concerned with rebuilding Spanish railroads and furnishing supplies of cotton in exchange for foodstuffs for the American Expeditionary Force. The renewal of mining, manufacturing, and agriculture on a large scale in Spain, however, and that country's evident purpose to participate in the struggle for commercial preëminence means the creation of an excellent market for American machinery and raw materials. Spain has become wealthy beyond her fondest dreams in the last few years. She is ready to buy when the world's markets are again thrown open. There appears to be no good reason why the United States should not become her chief source of supply.

Mariners and Merchants of the North

(Norway and Sweden)

SIGNIFICANT in the plans for reconstruction after the war, which many nations are making, is the determination to seek a commercial footing in those countries whose natural resources are still undeveloped, or which, by reason of internal changes made as a part of their own programs for the future, promise exceptional opportunities for the establishment of profitable relationships. This determination involves on the part of most of these nations a pushing of what they regard as their claims to a share in the new financial and commercial intercourse of these developing countries. It is the privilege of other nations to cultivate economic friendships rather than to impose them. Sentiment plays an important part in international trade, and a great advantage accrues to the nation with which to do business is a pleasure rather than a necessity.

STRATEGIC POSITION OF NORWAY AND SWEDEN

Norway and Sweden are both, in the larger sense, undeveloped countries. Both have made and intend to make great changes in the arrangements by which expression is given to their economic life. Both are affected toward the United States not

only by a feeling of friendship, but also by a very shrewd discernment of the extent to which this country will participate in the development of Russia, and of how profitable to themselves can be made their geographical position as stepping stones into that country.

NORWAY STRIVING FOR ECONOMIC INDEPENDENCE

Because customary supplies from Russia, Germany, and England were cut off, Norway realized early in the war that she must immediately take measures to render herself economically independent, a realization which the entrance of the United States into the war and the consequent curtailment of shipping served to accentuate. That she is still far from the attainment of that ideal is indicated in the long list of foodstuffs, textiles, raw materials, and miscellaneous products which she is to import from this country under a rationing agreement, but progress has been made and the future is being prepared for on a broad, carefully estimated basis.

AGRICULTURAL AND INDUSTRIAL ENLARGEMENT

During the last hundred years Norway has gradually been changing from an agricultural to a manufacturing country. With only $2\frac{1}{2}$ per cent. of her area now under cultivation, and with 21 per cent. of her area covered by forests, Norway has become known for her industrial products, and her resources

for producing food, other than fish, have been neglected. It is now proposed that agricultural rehabilitation go forward with industrial enlargement. There is a movement to nationalize the natural resources in order to fulfil both purposes. The Government has established a Department of Industrial Supply to distribute raw materials and to supervise manufacturing extensions, and has, at the same time, made a preliminary appropriation of \$7,000,000 for the encouragement of agricultural development.

NORWAY'S "WHITE COAL"

Upon a like ambitious plan is the determination to explore the possibilities of that country's bountiful supply of water power for the production of electricity. Its use in the manufacture of electrochemical products is already extensive. In the immediate future electrification of all the State railways probably will take place, several companies having already been formed for that purpose. In 1917 Norway had a total of 1970 miles of railroad track, of which $44\frac{1}{2}$ miles were electrified. The work of extending electrification to numerous short lines is already under way. Norway produces no coal, and even although in normal times she can import a sufficient quantity, the production of electricity by steam-power is more costly and less efficient than production by water power. What a cheap and effective medium for heat, light, and power

is to mean during the period of readjustment after the war has been appreciated by other countries now deeply in debt and looking to their industries for a renewal of their prosperity. With what additional confidence then will Norway enter that period—Norway that has become a rich and creditor nation, and whose industrial exports have in the last forty years increased from 8 per cent. to 47 per cent. of her entire export trade!

INTREPID MARINERS AND MERCHANTS

The Norwegians have long adventured across great waters and into strange lands. When first known to history they appear as intrepid mariners, and today, at the dawn of a new era in world trade, they again stand forth with hopes high to win a large share of the ocean carrying business. Hundreds of their ships have been destroyed, but a powerful merchant navy still remains. To extend and improve it Norway has already contracted for new ships in America and England. They are counted on not only to reduce the cost to Norwegian manufacturers of those raw materials they will require to carry out their industrial program, but also to increase those revenues from ocean carrying of which heretofore so large a part has gone to England and Germany. What they expect to do with these ships may be gathered from the fact that a single company of import and export merchants with large capital is to establish branches in New York, Petrograd,

Calcutta, Sidney, Havana, Mexico City, Manila, Kobe, Shanghai, and Hong Kong, and in all Central and South American Republics. Large investments are to be made in all of these countries.

SWEDEN

Like Norway, Sweden has been made dependent upon the United States and Great Britain for many products formerly obtained from Germany, and there is every indication that she intends to do everything in her power to maintain and extend the relationships thus fortuitously established. Some diminution in the imports from this country for her own use must undoubtedly be looked for, but imports will certainly be much larger than before the war. How much larger seems likely to depend to a great extent upon the initiative of American producers and their ability to maintain the high quality of their exports.

SWEDEN'S OCEAN CARRYING TRADE

Sweden is particularly anxious that her trade with the United States be developed because she believes that this country, more than any other, is ultimately to take part in that economic revival of Russia upon which the political and social future of that stricken country depends, and in America's future activities there Sweden sees an opportunity to develop a transit trade of vast importance to herself. Therefore her preparations for the future move forward

with a double purpose. She desires to extend her business with the United States; she hopes to gain for herself much of Russia's business, but more than for either of these she looks for a tremendous increase in her carrying business between America and Russia, with such other advantages as may come to her from free port operations and the possible conversion of partly finished products.

CROWDED SHIPYARDS

Her hopes along these lines rest upon shipping facilities, and from all reports Sweden is accumulating them. The preference of her ship owners for foreign built vessels has given way before war's necessities and now her own shipyards are being utilized to capacity in spite of the difficulties of obtaining materials. Some new yards have been established, but building is retarded because of inability to produce a sufficient amount of steel plates. It is asserted that all the yards have contracts which will provide them with business for several years to come.

THE HEAVY TRIBUTE PAID TO GERMANY

Heretofore the direct route facilities from America to Sweden have been pitifully inadequate and Germany took complete advantage of the situation. Goods meant for Sweden or Russia were taken into Hamburg and the docking costs and export commis-

sions exacted for that unwished-for service were duly added to the prices which the Swedish and Russian importers had to pay. The disadvantage to the American exporter under such circumstances is obvious. Less obvious, and in fact, not realized until the war exposed the practise, was the disadvantage to the American exporter of having his goods finally prepared for these markets by German manufacturers whose sole contribution to the product was frequently the mere stamping of a "Made in Germany" mark upon it.

SHORTENING AN IMPORTANT TRADE ROUTE

It is realized in Sweden that besides having a sufficient number of ships to maintain frequent and constant service with America, no means must be neglected to expedite shipments. Attention is now being given to a plan which will avoid the sea trip around the end of the peninsula. This involves the enlargement and improvement of the port of Gothenborg, and a Government appropriation for that purpose has been made. It also involves the improvement of the railroad route from Gothenberg to Stockholm on the eastern coast of Sweden. It is proposed that imports from the United States for Russia be unloaded from ships into freight cars at Gothenborg, and that these freight cars, arriving at Stockholm, be ferried across to Russia on huge ferries constructed for that purpose. With the certainty that standard gauge railroads will be the

rule in both countries before many years, Sweden believes that this scheme contains a prospect for a heavy and lucrative transit business.

SWEDEN LOOKING TO THE UNITED STATES

Sweden's plans for the future do not rest entirely, however, upon the theory that Germany has antagonized the only class in Russia of ultimate economic benefit to the Central Powers, and that in exploiting her resources Russia will prefer the aid of Great Britain and America. Sweden plans for the benefit of her own industries a great extension of her foreign trade, and because America is rich in the raw materials Sweden needs, and because America will come into intimate relations with her on account of the Russian situation, Sweden wants that extension to be mainly directed toward this country.

TO INCREASE EXPORTS

Already the amount of exports to this country is large. Swedish iron and steel, wood pulp and paper, matches, ball bearings, oil lamps, petroleum stoves, gas accumulators, steam turbines, motors, dynamos, milking machines, enamelled ware, and many other articles have been sold here in steadily increasing amounts. It is the purpose of the Swedish producers to foster this growth.

TRANS-ATLANTIC TRADING CORPORATIONS

Even before the war Sweden had directed attention to these matters. Its exigencies and the future

which it has imposed upon the world have merely stimulated the increasing of capital by many important industries, the amalgamation of others, the study of over-seas markets, the perfection of organization and equipment, and the intensive development of every natural resource. A number of transatlantic trading corporations, highly capitalized, have been formed. They are establishing branch offices in the United States and other countries, and by heavy investments are preparing to establish a situation which will insure markets here for Swedish products and at the same time sources of supply for their manufacturers.

THINGS SWEDEN NEEDS

The supplies which Sweden must have are considerable. For her wood pulp business she needs sulphur, lubricating oils, rosin, copper, brass, rubber, and felts. For her farms and manufactories she needs machinery. For her people she needs food-stuffs. She will need all of these in increasing amounts as her plans for the extension of industries develop. Those plans reach to the exploitation of iron-ore deposits extending far beyond the Arctic Circle. They contemplate untold riches from the use of forests which, although their possibilities have scarcely been approached, have given to Sweden a rank of close second to the United States as an exporter of lumber and its products. They are in the hands of business men of large vision whose reputa-

bility is being testified to by the large amounts of money they have been able to accumulate in joint stock and other companies through which exploitation is to take place.

OUR OPPORTUNITY FOR SERVICE AND PROFIT

Both Norway and Sweden have been badly pinched during the war, but their trials of the last three years have served to awaken them to the necessity of establishing commercial connections elsewhere than with Germany. They desire no longer to be known as mere offshoots of the Teuton's economic empire. They are doing much to make themselves important in the plans which any country may be devising for trade after the war. They would have to be reckoned with if they were rivals of America. In their desire to be coöperators with this country lies an opportunity for service and profit which ought not to be neglected.

A Record That is a Promise

(Canada)

TO Canada the war has meant self-realization. In response to the needs of her Allies customary activities have been intensified and enlarged. New undertakings have been promoted. From coast to coast the spirit of enterprise has been stimulated, until now, after nearly four years of war, she stands forth fully cognizant of all the inferences to be drawn from her remarkable achievements in finance and industry.

THE BOUNTIFULNESS OF CANADA'S RESPONSE

That she should provide generously from her vast stores of food and raw materials for the sustenance of the Mother Country was to be expected. That her hardy sons should be found in the forward ranks of liberty's champions was in keeping with the traditions of the race from which they sprang. But that a meagre population, still largely in the agricultural stage of economic development, should be able to lend more than \$760,000,000 to the Government, in spite of rising prices and heavier taxes; to take war orders aggregating nearly two billion dollars, and to expand foreign trade by more than one billion dollars, was certainly beyond the calculation of the most sanguine believer in Canadian resourcefulness.

SIGNIFICANCE FOR THE FUTURE

If anything has been more surprising than the bountifulness of Canada's response to the urgings of patriotism it is the readiness with which her people have grasped its significance for the future. Here is a country that has crowded into a few years an experience usually timed by decades and generations. Under ordinary circumstances the transition from agriculture to industrialism, from the subjugation of nature to the thorough development of her resources, from separation to nationalism, from colonialism to internationalism, is a matter of steady growth, of conscious striving along carefully drawn lines, or of an accommodation to circumstances enforced by the irresistible working of economic laws. The most enthusiastic Canadian does not maintain that anything like a complete transformation has taken place in the economic life of his country, but it is submitted that the necessities of the world struggle have forced changes in the relative importance of various activities, and that if the suggestions therein contained are judiciously availed of and the actual accomplishments sustained and broadened, Canada will move forward to a new and unassailable position among the manufacturing and trading nations of the world.

A RECORD THAT IS A PROMISE

Canada has hardly come yet to consider the period after the war as a distinct and separate

problem, capable of visualization apart from present conditions and activities. Lacking the experience of Great Britain or Germany in such matters she is incapable of the nice discriminations that in those countries have resulted in the creation and adjustment of elaborate machinery to fit each possible phase of the economic situation which their respective leaders believe will arise. Nor is she merely blundering into the future, but in her case the things she feels she must do now and the things she feels she may do hereafter are so interwoven and the absorption of her energies is so great that for the most part programs give way to performances and the country grows into economic power before creating the formulas for attaining it. Her hopes for the future are measured by the disproportion between what she has done and what it was thought she was capable of doing less than four years ago. Canada's record is a summary of her promise.

FINANCIAL ACHIEVEMENTS

Standing out instructively in this record is the financial achievement of 7,000,000 people, various in nationality, scattered over a territory of nearly 4,000,000 square miles. It is the more noteworthy in view of the effect of the declaration of war by the United States. Before that declaration there was a very restricted market for Dominion Government bonds in Canada and municipals sold

better in England and the United States than at home, so that every year Canada paid out not less than \$125,000,000 to British and \$50,000,000 to American investors for interest charges. In the first year of the war a bond issue of even \$50,000,000 would have been regarded as an impossibility except for the existence of surplus funds in this country. With the aid of American investors a loan of \$100,000,000 was actually floated in 1915, and another of similar amount was floated a year later. In March, 1917, before the United States entered the war, and when it still appeared possible she would not do so, a third war loan totalling \$150,000,000 was determined upon. Each of these loans was issued below par and with interest at 5 per cent. Now most financial observers saw that a declaration of war by the United States would mean loans and heavy taxation and undoubted curtailment of the market here for foreign securities. Exactly that happened, and yet in November, 1917, the Canadian people subscribed for \$418,000,000 of the Victory Loan issued at 100. Meanwhile loans totalling more than \$198,000,000 had been made from Great Britain and the United States, and War-Savings Certificates to the amount of \$12,000,000 had been disposed of. In other words the patriotic fervor of Canada was equal to an aggravated demand, and without thinking of it in that way her people suddenly discovered themselves financially competent.

That the net debt of the country has increased from \$335,996,850 in March, 1914, to \$1,010,780,470 in March, 1918, is no small matter, but that 75 per cent. of this indebtedness represents the savings of men and women who believe in Canada's ability to pay is, in the case of a country that hesitated at a \$50,000,000 loan at the beginning of the war, an indication of reserve strength that overshadows every liability.

INCREASE IN MANUFACTURES

The increase of Canadian manufactures has been amazing. The output of steel products has more than doubled since the war began, despite the shortage of raw materials, labor, and transportation facilities. A large part of the output has consisted of munitions, but progress has been made in other directions, notably in the production of agricultural machinery and tools. Along with the manufacturing has grown the shipbuilding industry, and in looking forward to future possibilities the Canadian has combined the two as mutually dependent and contributive to the upbuilding of foreign trade. At the very outset he has been apprised of certain difficulties in the way of developing them. In the case of the steel industry there are comparatively few places which afford easy access to markets and at the same time permit an economical assemblage in quantity of such necessary materials as coal, ore,

and limestone, and such places as there are have already been taken. In the case of ship-building there are inadequate facilities and lack of experience in the machine shops from which marine engines are produced, and materials are expensive. Heretofore Canada has produced no steel plates and ship-builders must pay \$85 per ton for them as against \$65 paid by the United States Emergency Fleet Corporation in this country and \$80 a ton paid in England.

SOLVING STEEL AND SHIPBUILDING PROBLEMS

To solve both problems at once it has been decided first to extend and modernize the existing steel plants which do have the necessary economic advantages. This done the variety of products is to be enlarged and, whereas steel rails have heretofore been manufactured mostly, hereafter plates will be rolled and other commercial shapes now imported from the United States will be turned out. Attention is already being given also to the small industries in Quebec and Ontario which produce tool steels, crucible steel, and alloys. As for meeting ship-building requirements there has been a great increase in the number of machine shops of all kinds and for four years there has been going forward a transformation of labor that means eventually a sufficient number of trained machinists.

In 1874 there were produced in Canada 190,756

tons of ships, but that was when the wooden vessel held sway. In 1914 Canadian production had fallen to 43,346 tons. Since March 1, 1917, contracts totalling \$64,500,000 have been let for the construction of ships in Canadian yards. Fourteen yards are at work on steel ships, mostly for the Imperial Munitions Board. The money for these ships is being advanced by the Dominion and it is a matter of pride in Canada that for the first time large vessels are being built in Canada with Canadian money and for the Canadian Government. When the yards have finished with the ships for the Imperial Munitions Board they are to continue building under new Government contracts amounting, according to present plans, to from \$30,000,000 to \$50,000,000 a year. These latter ships are not for the account of the Imperial Munitions Board, but will probably come under control of the Minister of Marine and Fisheries.

HUGE STEEL PLANTS

Returning again to the steel business and its connection with the shipbuilding program it is interesting to note that the Minister of Marine and Fisheries has made an agreement with the Dominion Iron and Steel Corporation under which the plant of that company at Sydney Harbor will be extended at a cost of from \$3,000,000 to \$5,000,000 to provide for the manufacture of 150,000 tons

of ship plates a year. The Government will not contribute to the cost of plant extension, but will take 50,000 tons of the product each year for five years. It is significant that Canada enters upon such a program despite the certainty that Great Britain, the United States, Germany, France, and Italy, to say nothing of Japan in the Pacific, will make extraordinary efforts to produce ships in great numbers and will probably be able to do so much more cheaply than Canada. Her decision in this matter rests upon the belief that for years to come the need for ships will be continuous and that the high prices to be offered for freighters justifies the investment and the effort she is now making.

WORLD TRADE

Canada is much in the position of many other countries which never realized the value of their natural resources until a world-wide shortage of raw materials and manufactured articles brought them into international trade, created new commercial routes to their very shores, and inspired them with golden visions of the future. In the fiscal year just ended Canada's exports of domestic and foreign merchandise were valued at \$1,586,169,792 and her imports at \$962,521,847. The total of her foreign trade has more than doubled in the last two years. In 1914 Canadian exports to the United States were valued at \$200,459,375 and imports from the United

States were valued at \$200,786,091; in 1917 the exports to the United States had reached a value of \$486,870,690 and imports from the United States a value of \$677,631,616. In the hope of retaining just as large a share of this newly acquired business as foresight, energy, and adjustability can make possible, Canada desires not only to enlarge and improve enterprises upon which she has recently embarked, but also to develop more efficiently certain natural advantages which war conditions and the prospect of an extended period of competition have emphasized. Various organizations are being formed to work out suitable plans in the numerous instances where Canadians have neglected opportunities in the past.

FISH TO BE A GREATER SOURCE OF NATIONAL WEALTH

An obvious instance and of particular interest to the United States is the fish industry. One-fourth of the world's supply of fish is produced from the waters of the United States and Canada. The value of the Canadian yearly catch is \$40,000,000 as compared with \$150,000,000 for the United States, \$52,000,000 for Great Britain, \$50,000,000 for Japan, \$50,000,000 for Russia and \$33,000,000 for France. Germany's annual production is valued at \$12,000,000 and that of Norway, Sweden and Denmark,

at \$25,000,000. The Canadian yearly catch before the war was 112½ pounds per person, of which only 29 pounds per person was consumed by the Canadians, while 83½ pounds per person was exported, chiefly to Great Britain and the United States. In Great Britain the consumption was 59 pounds per person per year. Since the war began there has been an increase in the demand both in this country and Great Britain and Canada is awakening to the possibilities of wealth in her unlimited supplies. The suggestion is made that the Government turn to the Canadian fisheries as a debt paying source and under the direction of a Dominion Fish Committee plans are being made to exploit both the Atlantic and Pacific coasts and the lakes in Alberta, Saskatchewan, and Manitoba. New methods of fishing are being promoted to the end that cargo space be fully utilized by taking in all varieties rather than by limiting the catch to the higher priced fish.

TIMBER RESOURCES

Exploitation of Canada's timber resources is also contemplated. Great Britain uses 650,000,000 cubic feet of lumber annually and will use a great deal more in carrying out her building program after the war. Heretofore 65 per cent. of this supply has come from Russia, Norway, and Sweden because freight rates from Baltic ports are less than one-

half those from Canada and the United States. Labor costs are also lower and the result is that Australia, New Zealand, and South Africa also have bought largely from Northern Europe. Nothing definite has been accomplished yet, but the lumber merchants in both Eastern Canada and British Columbia are hoping that somewhere in the reconstruction program which is being framed for the British Empire provision will be made to offset the factors in lumber marketing that have militated against Canada.

OTHER RESOURCES OF WEALTH

These examples are sufficient to show that Canada is fully aware of the necessity of employing every resource of wealth in order to hold her place in world trade. Further to encourage the country to that restriction of imports and that excess of production upon which success in foreign trade depends, new methods of production and distribution are being devised. The Canadian Wool Growers' Association is developing a scheme to bring the various Provinces into coöperation in the selling and marketing of wool. An organization limited to sheep breeders and agriculturists has received both Dominion and Provincial incorporation with powers that mean ultimate control of the business and privileges to the directors that indicate the permanency of the arrangement.

ORGANIZING INDUSTRIES

In the manufacturing field the Export Association of Canada is working with the Dominion Government to formulate plans for the development of the country's natural resources, their conversion into finished products, and their sale in world markets. The Canadian Mining Institute is on record as favoring a national organization of all technical and industrial bodies to prepare for after-the-war problems. The institute favors two organizations within each industry, one to encourage production and the other to secure trade. There is significance in the suggestion that employers and employes in equal numbers ought to be appointed to the production boards whose duties will be to accelerate output, improve educational facilities, and to classify, value and certify labor.

RECONSTRUCTION

The Canadian Industrial Reconstruction Association is now being organized. Its object is to maintain industrial stability and to consider reconstruction problems as a whole. It will investigate industrial conditions, labor prices, market possibilities, and transportation facilities. Under the general head of reconstruction the Association will inquire into the condition of technical and general education, land settlement, coöperation among rural producers, rural conditions, differences between capital and labor, and the welfare of women in industry.

The Canadian National Reconstruction Groups is still another organization formed for the purpose of studying the problems which will arise after the war. It will deal with business readjustments, unemployment, social well-being, capital and labor, the returned soldier, immigration, development of natural resources, and other industrial and economic questions. The effort to bring home to everybody the importance of the questions involved is thus described in the prospectus of the organization:

“It is proposed to form a large number of groups in all parts of Canada, each consisting preferably of some ten to fifteen persons of either sex, and representing as far as possible, different phases of agricultural, industrial, commercial or professional activity, and different shades of opinion, for the purposes of studying and investigating in detail, the many important subjects which the changed conditions at the close of the war will bring into the field of urgent practical politics, especially the ominous possibilities of widespread unemployment. In populous centres, several such groups may well be formed. It is particularly desirable that in these groups, there should be representatives of the returned soldier, organized labour, and the producer.

RETURNED SOLDIERS CARED FOR

The Department of Soldiers' Civil Re-establishment has already done a great deal for those who

have returned maimed, blinded, or in poor physical condition from the battlefield. These men are being nursed back to health and self-confidence whenever that is possible. They are being trained in new industries or arts so that they can again earn their own living. Thousands of them will be sent to farms. Throughout Canada there is a feeling on the part of those who have stayed at home that where his condition permits the returned soldier should have back the work he left to fight for his country and that where it does not permit he should be treated with every consideration until he finds his way back to health and personal independence.

The Advantage of Opportunity

(Japan)

THE economic possibilities of the world-war have made a profound impression upon Japan. No country has seen with clearer vision the meaning of the struggle as it will affect future international relations and the internal transformation of the individual nation. Japan has derived many immediate benefits from the fact that her belligerency has necessarily been confined mostly to the support of her allies rather than to participation in a welter of military destruction; but it is in the celerity with which the leaders of her people have appreciated tendencies and probable ultimate results that she becomes an interesting study for those who would promote the commercial welfare of America.

GOVERNMENTAL REGULATION AND SUPPORT

At the very outset of such a study it becomes apparent that Japan, like Germany, will have the advantage in the reconstruction period of a leadership in which political, industrial, and social elements representative of the nation as a whole are fused. Japan is not a democracy, and is accordingly able to arrive at decisions more quickly, and to advance general policies more effectively, than is a country where public opinion holds chief authority over the

character and extent of financial and commercial undertakings. In the main Japan is committed to a program of governmental initiative, regulation, and support which is carrying the suggestion of imperial wealth and efficiency and power into every activity, either of commencement, or reorganization, or extension, upon which her producers and distributors of goods and services are adventuring.

From such peculiarly governmental duties as the conclusion of political treaties to the minutest details of business regulation, the Government has not hesitated to assert itself if convinced that the future prosperity and world-position of Japan would thereby be more surely established. It has sent commissions abroad to study the methods of commercial competitors and the possibilities of new markets. It is spending money lavishly to stimulate ship-building. It is improving the railroads and ports. It is forming companies to engage in undertakings unfamiliar to the Japanese, and uncertain as to profitable outcome. Through the Department of Productive Industry it is making arrangements to supply raw materials and machinery for finished manufactures. Under treaties future buyers in the person of emigrants are being distributed to undeveloped countries. By agreements with other nations future fields for industrial and commercial expansion are being prepared. It is reforming financial laws to permit banking institutions to

render every possible service to manufacturers and traders.

TAKING ADVANTAGE OF OPPORTUNITY.

In such an atmosphere of determination to take full advantage of every opportunity offered by the turnover in the world's affairs are the people of Japan, whether of high or low degree, rich or poor, being stimulated to eager contemplation of the opportunity peace will bring for enlarged effort and increased wealth. Their hopes spring the easier for what their country has done in the last three years. They have seen Japan come gracefully from under the crushing burden of the Russo-Japanese War debt, which entailed an annual interest payment of \$30,000,000. The trade position has changed from imports of \$364,715,500 and exports of \$316,230,000, in 1913, to imports of \$517,381,000 and exports of \$801,236,000, in 1917—an increase of 42 per cent. in imports and of 153 per cent. in exports. No such result was attainable by Japan, situated as she is on the other side of the world, merely because of a logical change in trade currents growing out of the war, but rather because her merchants and manufacturers pushed their interests at the opportune moment.

TRADE EXPANSION

That moment was fleeting, for hardly was Japan set upon her course before the United States entered

the war with resultant restrictions on imports and exports, Russia threw herself upon Germany's mercy and ceased to be a market for anything, and the general circumstances of the war operated to retard further phenomenal growth of foreign trade. During 1917 imports increased 32 per cent. and exports 45 per cent. over those of 1916, but during 1918 imports increased twice as fast as exports. Nevertheless it is indicative of real expansion of profitable business that while the imports of half-manufactures increased \$22,631,277 in 1917, over 1916, the imports of manufactured goods increased only \$8,300,000, and that the big increases in imports in 1918 were in raw cotton, saltpetre, iron, steel, and pulp, and in the machinery by which these raw materials were to be turned into finished products.

INCREASED PRODUCTION

Such a growth in foreign trade has been accomplished only by an increased production at home, and the Japanese see that the proportion of this trade which they will retain after the war depends largely upon the measures taken now to continue that increased production. For that reason concerns of every kind are combining, either through amalgamation or by adopting agreements covering particular activities. They are increasing their capitalization. In many instances they are diversifying their efforts, and examples are numerous of

preparations to extend corporate management over several closely related businesses.

CHINA'S PART IN THE PROGRAM

China is regarded as an integral part of this program of industrial expansion. Japanese companies are reaching out over that country, testing its raw material resources, forming corporations peculiarly fitted to develop them, and preparing a market for increased sales of manufactured articles. Six of the largest Japanese firms have combined to place joint loans there. Another company has been formed to handle the industrial enterprises in China of several smaller firms. The China-Japan Industrial Development Company, backed by both Chinese and Japanese capital, is an example of Japan's desire to co-operate with rather than to dominate China. In Chosen the Mitsue Bishi Company is preparing to erect a \$16,000,000 steel plant, with a capacity of 90,000 tons a year. By the end of this year Japan expects to be able to turn out 1,150,000 tons of iron and 1,165,000 tons of steel; in five years she expects to produce 1,500,000 tons of iron and 2,140,000 tons of steel annually. Japanese capitalists have proposed that they finance the operation of certain iron mines in Canada in order to assure their manufacturers of ample supplies. Closely related to this extension of industries at home and abroad is the sending forth of emigrants under such plans as now

obtain with Brazil and Bolivia. There emigrants are human credits established in foreign countries. They are an assurance of a future market for Japanese goods.

NEW INDUSTRIES

For the last three years Japan, in common with other nations, especially the United States, has been benefiting from Germany's withdrawal from foreign trade. She has benefited in the first place by being forced to find at home, or to produce herself, the raw materials and finished products which Germany supplied, and again she has benefited by selling her own products to countries which formerly bought from Germany. Japan is making every effort to keep the buying world's attention upon herself, and new enterprises are constantly entering the field formerly dominated by the Germans. Because of their imitative skill and their supply of cheap labor the Japanese are particularly well equipped to compete for this kind of business. They have done a great deal with their newly-tried glove industry. They have evolved a substitute for celluloid and are preparing to export increased quantities of imitation leather, linoleum, stained glass, marble, lacquers, and varnishes. A cheap piano comparing very well with the German product is already being exported. The manufacture of needles for use in knitted goods has been greatly improved and modernized. Heretofore, Japan has depended upon Germany for needles.

Paints, glycerine, stearine, pitch, soap wax, potassium permanganate, and potassium carbonate are also on the list of new or extended industries to which the Japanese are giving much attention. During the war Japanese clocks have been exported to China, India, the South Sea Islands, the Straits Settlements, and even to the United Kingdom, France, and Italy. It is reported that springs are now scarce because of the restrictions on steel exports from other countries, and the Japanese clock-makers are said to be making clocks without springs with the idea of storing them until springs are available.

DYE INDUSTRIES

The scarcity of dyes has been felt very keenly by the textile industries of Japan and for the last three years the Government has been encouraging the formation of dye industries by granting subsidies. The amount of the subsidies is sufficient to enable the companies to pay a dividend of 8 per cent. per annum on their paid-up capital, and they are to be given for a period of ten years. The Government insists that subsidies shall be granted only when more than half of the capital of any such company is subscribed by Japanese subjects. Under these provisions some progress has been made toward effecting independence of Germany in this industry. The value of Japan's imports of dyes before the war averaged \$3,500,000 a year.

SHIPPING

Unprecedented profits have been earned by the shipping companies as a result of the increase in foreign trade, and the building of additional tonnage is going on at top speed. Practically every one of the owning companies has increased its capital with the purpose of making extensions. Several new routes have been established particularly to South American ports, and more ships have been placed in the service to the United States, Canada, and Asia. Since the United States entered the war ship-building has been greatly handicapped by the restrictions upon the export of steel from this country. It is reported that the Japanese have accepted these restrictions in good part, however, and that they realize that it is but another of the war-measures by which their progress has been cramped.

SHIP-SUBSIDIES

With less good-will have some of the shipping companies accepted the insistence of the Government on continuing ship-subsidies. In response to protests against further subsidies the usual subsidy-period of four years has been divided and the present allotments will run only to the end of next year. With one exception the amounts have been reduced. The Government maintains that the subsidies are necessary offsets for special obligations, and burdens which are imposed upon the shipping companies in

the interest of the Empire as a whole. The idea that subsidization implies rights of supervision and regulation is being carried out in all new enterprises to which the Government gives financial assistance. For example, in the formation of a new industrial country, capitalized at \$50,000,000, which is to finance commerce and trade, the Government purposes to exercise the same powers as in other cases where it is financially interested. With a view to encouraging the shipbuilding industry, now working at capacity, it has been decided to establish a loan bank to advance money on the security of ships under construction or to be built. The nominal capital will be \$10,000,000, but the bank will be able to enter into engagements up to ten times the amount of the capital.

BANKING FACILITIES

The close and necessary relation between adequate banking facilities and the expansion of foreign trade is recognized in the arrangements which the Japanese are making to have branch banks at every point where their merchants touch. The Nippon Kogyo Ginko, which has opened a branch in Kobe, has a new director in charge of shipping matters, and intends to specialize in Chinese business. The Bank of Formosa, already having a branch in South China, is planning another in Indo-China. A

banking commission recently completed a tour of South America and decided that banks should be established at Santiago, Valparaiso, Montevideo, Buenos Aires, Rio de Janeiro, Sao Paulo, Para, Pernambuco, Bahia, and Manaos. In Shanghai there are branches of the Yokohama Specie, Bank of Formosa, and Sumitomo Bank, while two other branches are about to be established by the Mitsui Bank and the banking department of the Mitsue Bishi Company. The connection between banking and business is well illustrated in the case of Shanghai. No less than 100 new Japanese business concerns opened their doors in that city last year. There are 14,000 Japanese residents, and the increase was 2,500 persons last year.

FINANCIAL PREPAREDNESS

The Yokohama Specie Bank has perfected arrangements for regular advances to Japanese merchants in the United States, Hawaii, Canada, Buenos Aires, Rio de Janeiro, and Java. The Industrial Bank of Japan has been accorded the privilege of issuing loans guaranteed by the Government, and is to co-operate closely with the Oriental Industrial Development Company, a private concern which recently increased its capital from \$1,500,000 to \$10,000,000. Viscount Yataro Mishima, Governor of the Bank of Japan, must have had in view these manifesta-

tions of readiness for business after the war when he said in his last annual report:

“We should be ready for the occasion with the united strength of the whole nation. At home we must apply ourselves to the task of promoting productive industry, abroad we must endeavor to secure the extension of markets and the establishment of commercial credit. In this way, to further the augmentation of the national resources and to make preparations or eventualities during the war as well as after it—these are, indeed, I believe, the most urgent tasks for us at the present moment.”

POSSIBILITIES AND OPPORTUNITIES

No attempt has been made here to deal with the well established industries of Japan. Her position in the manufacture of silk, of cotton goods, and of a great variety of cheap products has been well earned and is secure. The matters dealt with here are rather suggestive than otherwise because of the impossibility of setting forth in detail the multitude of ways in which the Japanese have reacted to the war, and the variety of methods which they are adopting to promote their interests in the future. They seem to be aware of the adverse possibilities as well as of the certain opportunities, and because their position is in many respects similar to that of the United States it may be of interest to quote the following article from a recent issue of a Japanese paper:

“Our goods,” says the editor, “not being able to compete with the cheaper and superior productions of Germany. have

been driven out of the Russian market. This is what we have been expecting. The prosperity this country has enjoyed in the last two years has been due wholly to the war that has cut off German goods from the markets of the world. The world has been using our inferior and high-priced articles simply because they have been the only substitutes they could resort to. Our business men know that this condition will not continue very long and that as soon as peace is restored German goods will again drive out our productions. But what is particularly disheartening to the business interest of this country is the fact that in Russia the invasion of German goods has already begun to take place.

“We cannot help being alarmed at the remarkable efficiency of German industry, which is able, even in the midst of the war, to dominate the market of Russia so quickly. Our anxiety for the future of our industries is all the more heightened by the contrast of this German efficiency with our own incompetence. The Government has long been urging the improvement of the quality of our goods without any visible success. A further vigorous encouragement on the part of the Government is, of course, necessary, but at the same time the very fact that the improvement of the quality of our goods cannot be expected without the Government’s interference is surely evidence that the development of the industry of this country is still a long way behind that of Europe and America.”

The Awakening of a Continent

(Australia)

NOWHERE in the world was there quicker understanding of this war's significance than in Australia. From the moment Germany struck, the Australian's instinct for freedom taught him that the political system which his people had worked out as best suited to their needs was being assailed, and that however obscured it might be by immediate considerations, the fundamental issue was between autocracy and democracy, between military domination and individual liberty.

From the manner in which they have answered the challenge of Germany, it might well be supposed that the Australians are so completely absorbed in the business of war as to have neither time nor energy for other matters, particularly as they are few in numbers, widely distributed upon the fringe of a continent, accustomed to regard their problems as peculiarly their own, and inclined to rely upon Great Britain to establish policies affecting their international relations. Nothing could be farther from the truth, however, than to assume that because they are so bitterly aroused against Germany, and so intensely unselfish in their determination to defeat her purposes, the Australians have not been tremendously impressed by the changes in men's

affairs which the war has brought about, and will continue to bring about for many years.

AUSTRALIAN COÖPERATION

On the contrary, it is because the services formerly rendered to Australia by the Mother Country have been withdrawn, because man-power has been reduced, because her lack of facilities has prevented her from supplying out of her great store the things which her allies so urgently need, and because her satisfaction with things as they were has given way to a realization of things as they are going to be, that the astonishingly coöperative mind of Australia has bent to the task of preparation for the future. Political institutions and habits of thinking in terms of all the people rather than in terms of classes are making that task much easier. Geographical situation and many natural advantages indicate its direction and scope.

GREAT SHIPBUILDING PROGRAM

The war has shown how useless resources of wealth are, either for service or profit, unless facilities exist for making them available when and where they are wanted. With enormous surplusage of wheat, wool, sugar, beef, and fruits, Australia has been forced to erect storage-houses and to risk millions in losses because of lack of transportation. For the importation of much needed manufactured articles she has had to rely upon the uncertain

visits of sailing-vessels. Coal and metals have remained in the mines because of insufficient railways waterways, and coastwise vessels. It is to make sure that this shall not happen again and that in the future the Commonwealth will not have to rely on British ships that a great shipbuilding program has been inaugurated. Heretofore small vessels only have been built, and for the larger work the necessity of a suitable industrial organization has been recognized. Necessary materials for shipbuilding are at hand. There are huge deposits of iron ore. Coke and limestone are readily available for the manufacture of pig iron. Coal fields are large and the product of good quality. Indeed, it is asserted that the materials for turning out ship-plates can be assembled at Newcastle, in New South Wales, more economically per unit than they can be assembled anywhere in the United States.

Shipbuilding projects are afoot in many places, and the Commonwealth Government, which has already taken over the Victoria State yards, is prepared to support them financially. Yards for building ocean-going vessels are being made ready at Melbourne and Williamstown, Victoria; Newcastle, and Walsh Island, New South Wales; in Queensland, and in Tasmania. The Tasmanian Government has also placed orders for ships in the United States. It is proposed to build steel, concrete, and wooden vessels.

PORT IMPROVEMENTS

Closely related are the plans for port improvement. A commission which recently completed a survey reported that Port Pirie, Adelaide, Brisbane, Fremantle, Hobart, Melbourne, and Sydney were all capable of extension. The investigators constantly kept before them the possibility of berthing 1000-foot ships in these harbors. At Port Pirie a modern coal conveyer has recently been erected to expedite the unloading of coal for spelter work in that vicinity. Plans have been made for the extension of other metallurgical works there.

Railroad extensions are likewise contemplated. The Australian Transcontinental Railway from Port Augusta, South Australia, to Kalgoorlie, West Australia, a distance of 1,053 miles, was completed last April and it is believed that it will form the backbone of a system that will eventually open up to development a vast territory rich in mineral deposits.

INDUSTRIAL EXPANSION

Australia is capable of industrial expansion on a great scale. Her natural resources have never been subjected to the exploitation easily possible in lands well provided with railroads and waterways. The Germans were making some headway in mining and in related metal industries when the war broke out, but their holdings have been seized and steps

have been taken to prevent their return. Oil bearing shale exists in large quantities, and a considerable export business in this product was done with Great Britain and America. The only oil refinery in the country was in New South Wales, but in the belief that deposits exist elsewhere the Commonwealth Government has offered a bounty totalling \$337,500 for a period of four years. An American expert is now exploring the oil resources in New Guinea, which the Australians seized from the Germans and which they are determined to keep.

METAL INDUSTRIES

The output of the Australian metal industries for the next ten years has been contracted for. The second largest electro-zinc plant in the world has been established, and it is reported that Great Britain has arranged to take the surplus of zinc concentrates for the next ten years. Queensland has an abundance of copper and tin. More coal than gold has been mined there of late, and large deposits of wolfram have been discovered. New South Wales has coal, silver, lead, and gold. Much copper was produced there in 1917, and a plant for the manufacture of copper wire and other goods has been established near Sydney. In Victoria forty gold-mining companies have combined to insure more economical production.

TEXTILES AND SUGAR

Having an ample supply of wool, Australia sees no reason why her textile industries should not be expanded. Considerable progress in the manufacture of hosiery and woollen underwear has been made since the outbreak of the war. These industries have been separated from the woollen and tweed mills, and an effort to expand them is being made. The cane sugar industry has been expanded because of the fixing of high prices with the result that there is an unexportable surplus of thousands of tons at the present time.

TWENTY SHEEP PER PERSON

Australia is naturally an agricultural country, however, and her plans for industrial expansion will not be allowed to interfere with her standard sources of wealth. In the United States there is one sheep to every three persons; in Australia there are twenty sheep to every one person. Only two per cent of the wool clip is consumed in Australia, although there are now twenty-five textile mills, and some effort is being made to increase local sales. Great Britain may decide to take the exportable surplus and to distribute it in accordance with her own reconstruction plans. Such a possibility has been suggested. The Australians would like to do business in their high grade wools with the United States, but heretofore our purchases from them have

been made through London, a system of financing imports that was in contrast to the French and German method. The manufacturers of those countries bought direct and saved both British freightage charges and London bankers' commissions.

THE EARTH'S ABUNDANCE

Cattle raising flourishes in Queensland and the Northern Territory and much beef is frozen for export. This output of beef products and of butter and cheese is to receive stimulation under the Government's plans for extending export business. Australia has an annual surplus of 40,000 tons of butter for export. Plans for enlarging the orchard areas of the country are being made, and New South Wales expects that the evaporation of fruit will become an important industry there. Jam to the value of millions of dollars is now exported. Closely related to these agricultural projects is the purpose to extend the timber industry and sisal growing. Australia now imports a great deal of pine from the United States and hopes to find a market here for her own large quantities of hard wood. It is proposed to encourage sisal growing through the establishment of coöperative communities of discharged soldiers. Communities will be composed of about twenty men and each soldier is expected to be responsible for the output of thirty acres. It is proposed also to use the ex-soldiers in developing the

fruit farms and orchards. A minister of Repatriation has been appointed and he is working out plans to reëstablish the soldiers as farmers, poultrymen, and cattle raisers.

ORGANIZING FOR THE FUTURE

Early this year there assembled at Melbourne delegates from all parts of the country, and representing all shades of opinion, to consider an organization through which these efforts of Australia to develop her resources and expand her foreign trade might be coördinated and increased in effectiveness. Premier Hughes suggested such an organization of trade and industry, and an outline of its character and purposes as they have so far taken form should be inspiring and instructive for America, just now beginning to realize the necessity for preparing to hold her place in world affairs.

CHARACTER AND PURPOSES

“Industrial associations of industry”, says a report made by the Premier to the conference, “will be the units of the scheme of organization. The producers in an industry will form themselves into an association. They will elect a council or board, with a permanent general secretary, and probably, in the case of most industries, with branch secretaries in each State.

“The council will meet at regular and frequent intervals. The functions of the council will resemble those of the Wheat Board or Wool Committee.

OBJECTS

“The objects of the association will be economic, and confined within the limits of its particular industry. Its function is not to produce, but to consider and advise upon all the circumstances of the industry, including that of production, distribution, sale and finance.

“The association will ascertain exactly the position of the industry in relation to home and foreign markets, to promote its welfare, encourage its development, assist the individual to produce at the minimum of cost, and dispose of his product so as to give the best return.

COUNCILS

“The association will act through its council—which will be directly in touch with the General Council of Science and Industry, composed of representatives from all industries—and the Department of Commerce and Industry, under the presidency of the Minister for Commerce and Industry.

“The council will collect data relating to finance, export, transport, to the actual circumstances under which the industry is carried on, the kind of machinery or plant employed, the comparative cost of production; then make such recommendations and take such action as is necessary and possible, by the substitution of more up-to-date methods, improved plant, prevention of overlapping, adoption of the co-operative principle (where that is practicable and desirable) as will enable the Australian producer to hold his own in the local and foreign markets.

MARKETS

“In the export trade these councils will decide what markets it is desirable to exploit, and determine the best methods of pushing the products of the industry therein. For this purpose they will act through the Department of Commerce and Industry, which will have trade representatives in various foreign countries. The cost of these and all the machinery

of organization will be defrayed partly by the commonwealth as a whole, and partly by a charge upon the industry affected, based upon the business actually done, as is now the case with the wheat and wool pools. There will be no interference with the individual producer or manufacturer.

GENERAL COUNCIL

“The functions of the general council will be both advisory and executory. It will coördinate the activities of the various associations, give the support of its authority and influence to proposals put forward by them for developing trade, opening up new opportunities, improving methods of production, securing financial assistance, protecting local interests, recommending necessary legislation—for example, tariff or bonus, or whatever may be deemed desirable for the protection and expansion of industry. Just as the association will be the mouthpiece and executive of an individual industry, so the General Council will be the mouthpiece and representative of commerce and industry in general.

THE CENTER

“The Department of Commerce and Industry will be the nexus between the associations of manufacturers and the Government; and the center from which would radiate all the activities of the organization.

SCIENCE BUREAU

“The Government proposes to place the Science Bureau upon a permanent basis, appoint first-class men of high qualifications in charge, and give it such financial backing as is necessary to insure its success. The Science Bureau will be an integral part of the scheme of organization. It will be in direct touch with the Department of Commerce and Industry, and with the General Council and various associations formed under the scheme. Through it we will link up the technical

schools and colleges, and through them the universities and general schools.

AGENCIES AROUND THE WORLD

“Since the bulk of our products must necessarily find markets overseas, clearly no scheme of organization will suffice that does not provide for agencies in every part of the world where a demand already exists, or can be created, for the things Australia can produce. If such a scheme as I put forward cost £250,000 or even £500,000 a year for this purpose alone, it would be money well spent, and would in a very short time show a great return. The duties of these representatives will be to advertise generally and in minute detail what Australia can do; find buyers for her products, and supply the producers in Australia with full particulars of the exact requirements and possibilities of the country in which they are stationed.”

THE PROMISE OF THE FUTURE

Australia is one of the oldest of the continents and yet English, the youngest of languages, is spoken there exclusively. Her people are of a race that for more than a thousand years has recognized the values in custom and precedent, and yet these Australians have set up political and social institutions that impress even us as being far advanced. They are averse to a great stir in the conduct of life, and yet they have gone half-way round the world to die for human liberty. In men who set out to establish themselves on a continent peculiarly hostile to the extension of civilization as we know it, there

has developed a high idealism. It must be reckoned with in the days that are coming. For America's relations with this people, there is promise in the fact that they believe we are to be their closest friends in the future.

Planning Economic Supremacy

(Germany I.)

IT is the belief of the world, confirmed by the confessions of her own leaders, that Germany precipitated the present war in order to establish an empire sufficiently extensive and equipped to employ all the talents of her people and to make the rest of the world merely tributary to her wealth and greatness. From that ideal the rulers of Germany have never permitted their thoughts to wander. In the course of the last four years they have been forced to believe that their original method of attaining it would possibly have to be modified, but the idea of economic domination, based upon the primitive and absolutely false theory of self-sufficiency, is still the very heart and core of their thought and aspirations.

GERMANY'S IDEAL

Almost from the day the war began the supporters of this theory, and these include the political and business hierarchies, have centered their attention upon the problem of so preparing the political, economic, and social structure of Germany as to make the attainment of their ideal possible no matter what the result of this war. The existence of such an ideal, however abhorrent it may be to other nations, however determined they may be to

thwart it, is of incalculable advantage to those who are working on reconstruction plans. It gives an assertive cast to their analysis of the necessities and the possibilities of the future. It centralizes schemes involving widely separated and diverse phases of the same general problem. As an ideal of a kind which can be invested with a patriotic significance in minds properly prepared for any Governmental notions, however bizarre, it is especially useful, to those who expect to benefit most from it, as a smother for all individual enterprises either of business or politics which run counter to the purposes of the German rulers.

Therefore these rulers and guiding spirits in industry and finance have estimated the succeeding changes of the last few years altogether in terms of what opportunities they offer to create a situation out of which German economic domination will grow with syllogistic inevitableness. But they are not trying merely to create a favorable situation, they are trying also to get ready an economic organization which will operate with equal efficiency toward the attainment of their ideal whether the situation created by military, political, economic, and social influences is favorable to their hopes or distinctly hostile. They are drawing their arrangements with sufficient breadth to cover any eventuality and so elastic as to admit readily of expansion or contraction according to circumstances.

THE GREAT MISTAKE

Whatever preparations Germany may make, or how resourceful soever her people may be, their captains of industry, the financiers, the shipowners, whoever in all the empire formerly drew credit and profit from the standing of that country in the commercial world, must reflect bitterly upon the fact that all the future has been darkened because their rulers were not content with orderly, natural processes, but must needs in the vulgar pride of their military strength seek to establish economic domination by force of arms. That fundamental error of judgment will stand forth forever as the turning point in the history of a great nation. Germany could have had all she hoped for in the way of wealth and position had she continued for even another decade the methods that have characterized her policy for the last forty years, but she chose war. For four years now the world has been realizing steadily what the German purpose was, how it was being accomplished, and what its final attainment would mean. It is that realization that Germany must reckon with. It is a barrier not to be overcome by peace treaties or considerations of individual advantage. The world has been completely disillusioned. It cannot be imposed upon again.

“NECESSITY”

The least that Germany hopes for is a geographical position not worse than she occupied at the begin-

ning of the war. Whatever the protestations of her statesmen regarding indemnities or new territory which they declare is necessary to her reëstablishment on a peace basis a study of the policies followed so far and those mapped out for the future indicates the probability that Germany, even without such aids, can get back to a normal national life just as quickly and with more profit to herself than any other warring European country, providing always that her analysis of the feelings and purposes of her neighbors is correct. The word "necessity" is almost a fetish with the Teuton, and it has become the basis of his philosophy of the future as well as his excuse for the past.

PURPOSES OF DESTRUCTION

Many of the things done by Germany during the war which other nations have denounced as of insignificant military importance disclose themselves during a careful reading of Germany's after-war preparations as merely a part of her general plan of national rehabilitation. For example, there is reason to believe that neutral ships not engaged in traffic to or from a belligerent country have been destroyed not only because of the danger of their supplanting German ships in certain routes, but also, and more especially, to reduce the sum total of world tonnage and thereby increase the proportionate share of it which Germany will have when the war ends. If Germany can reduce the total of world tonnage to

a point where at the conclusion of the war every available ship will be necessary for the distribution of needed products to and from her present enemies and their colonial possessions German ships will be able to concentrate on neutral countries or even to revive transportation to enemy countries whose necessities are so great as to dull the edge of their resentment. And other nations' lack of ships combined with Germany's geographical position will be conducive to that enormous expansion of business with Belgium, Norway, Sweden, Finland, Poland, Russia, Ukrania, Roumania, Serbia, Albania, Montenegro, and even France and Italy, upon which the German economic prophets look as the foundation for the gradual building up of industrial and commercial supremacy.

CREATING MARKETS

The systematic stripping of such of these adjacent countries as have been conquered by the Central Powers and their allies is the initial step in a long and carefully devised process. Every possible source of wealth in these countries has been destroyed or, where absolute destruction was impossible, ruined, not to serve any present military purpose or as the result of blind, mad hatred, but in accordance with the plan of creating there a necessity for goods so great as to compel the welcoming of German products. According to the calculations of the Germans their own needs and the lack of ships will

operate to curtail the abilities of her present enemies to do much for the denuded countries adjacent to the Central Powers. Her estimate of the character and purposes of America, Great Britain, France, and Japan, is that when relieved of the burdens of war these countries will turn immediately to the revival of business with their own rich colonies or neighbors and leave Belgium, Poland, Russia, Roumania, Serbia, Albania, and Montenegro to regain their feet as best they can. Having stripped these countries of their wealth and having left them but slender means of creating it, Germany feels that she has prepared an excellent dumping ground for the vast quantities of cheap manufactures which she is organizing her industries and her distributing machinery to produce and market. So certain are her leaders of their opportunity in this direction that they affirm that Italy may be counted with the other immediately prospective buyers because position and the long custom of her people make Germany her natural source of both raw and finished materials.

HER AGENTS THERE

Germany has no idea that those representatives she is now establishing in the conquered territories will be forced to leave when peace is concluded. Those who are supervising the collection of materials and the destruction of agricultural, industrial, commercial, and financial sources of wealth are keeping

accurate account of every item. The survey of vandalism is a necessary preliminary to selling back cheap substitutes for what is taken. It will be of incalculable advantage to the German producers. Having on the ground the men who supervised the creation of the necessity they will have field agents for a selling campaign with whose intimate knowledge of prospects no other trader could hope to compete even if the neglect of these countries after the war by their present friends is not quite so complete as the German economic philosophers believe it will be. As for payment German exporters can wait. They are more concerned with reëstablishing a custom of inter-trading than they are with immediate remuneration. None of these countries is entirely destroyed. If they can get the raw materials and machinery they will soon have exchangeable values. The soil is as productive as ever. The mines have been wastefully exploited, but not exhausted. There will be an abundance of labor.

PROFITS AND OPPORTUNITIES

By so using these adjacent countries—and the scheme, according to its exponents, will work almost equally well whether political ownership remains with Germany or not—several very vital purposes will be accomplished. The profits will be considerable, but not nearly so important as will be the securing of a market for the long future. If necessity can force Belgium to buy from Germany or

Serbia from Austria, then time will allay all commercial animosity. The war and all its horrors will be a memory within a decade. Bitterness does not thrive upon prosperity. Germany believes that in these now resentful enemy lands she can firmly establish her economic supremacy long before the general process of readjustment throughout the world is finished. While she is dumping without competition into these countries her industrial and trading machinery will be adjusting itself to circumstances elsewhere as they develop. It is expected that many neutral countries will resume the commercial relations with Germany that were interrupted by the war. They will do so because they like to do business with Germany, or because they are dissatisfied with the new relationships established during the last few years, or because America, Great Britain, France, Italy, and Japan fail for one reason or another to continue fostering those relationships. In any event the German exporters feel that there will be many opportunities for them in neutral countries. However curtailed this foreign trade may be because of lost custom, prejudice, or lack of the raw materials for manufacture the Germans are satisfied that the normal demand for their products will ultimately assert itself and that meanwhile such trade as they have, coupled with what they hope to gain from the restoration of Europe, will serve to keep their labor and capital employed until the period of untrammelled expansion arrives.

BARGAINING FACTORS

While willing and prepared to bide their time if they must until the years or growing needs allay the feeling against them the Germans believe that their bitterest present enemy waits only for the peace proclamation to begin a revival of pre-war trade. They have been told by those responsible for the war and for the reconstruction plans that Germany's enemies are in sore need of potash, chemicals, dyes, medicines, surgical instruments, and other peculiarly German products. That being an accurate representation of the situation, as they see it, Germany will be able to bargain for the cotton, hides, wool, copper, wood, iron ore, rubber, oils, tin, and other raw materials which she must have before her industries can fully return to a normal basis. Her statesmen believe that when the terms of peace are drawn they will include provision for at least some raw materials. Obtaining some they believe that with the substitutes developed since the war began they will be able to go along for a considerable period without ruining their chances for business revival after the force of possible boycotts and other restrictive measures has expended itself.

THE DARKEST VIEW

It should be said that this is the darkest view of the future possible to the German economists. It is not paraded to the world. It is disclosed only when one scrutinizes the possibilities of the vast

machinery which is being organized in Germany to meet conditions after the war. Those who are working upon the plans have considered the very rock bottom of their country's chances. What they are prepared for, however, is very different from what they expect. They expect to go into the peace conference with political and military control unquestionably established where continuing possession would be a long step toward attainment of economic domination or where their position would be so patently menacing to the security of rival nations that a bargain could be struck under which immediate resumption of commerce with all parts of the world would be possible. Should the parts of Russia, for example, now dominated by the Germans continue to be held, Germany would have there a source of raw materials combined with a market for finished products that would increase considerably the demands she is likely to make for offsets to her potash, chemicals, dyes, drugs, surgical instruments, and other distinctive productions. She desires to resume full commercial relations with the rest of the world and it is a fundamental feature of her economic strategy that the rest of the world will make concessions and tend to forget in direct proportion to the resources, whether of raw material production or buying power, of the territory which is possessed or dominated by Germany at the time peace negotiations begin.

PERFECTION OF DETAILS

Germany's preparations for peace are conceived on such a large scale and run to such details of management that it is impossible here to do more than indicate their general features. The present paper aims to explain what is believed to be the central principle of Germany's effort to accomplish economic domination of the world despite her military failure. If the peace terms leave her free to obtain by peaceful methods that control of the industrial and commercial processes of her neighbors which she thought it possible at first to accomplish by force of arms she will be forced to wait for the larger opportunity. She is prepared to do that. If measures are taken by the Entente Allies to finance the reconstruction of Belgium, France, Russia, Roumania, Serbia, and the other countries, and to supply them with materials in a way that will make it impossible for Germany to profit by her denudation of them, Germany will, according to her view, be able to resume her trade with other countries just the same. Her belief is that her present enemies will be unable to rehabilitate Europe, themselves, and the rest of the world at one and the same time, that somewhere will appear an opportunity for the German ship and the German product. She is prepared to throw the full weight of her commercial organization in the direction that offers the least resistance. How that organization is being constructed will be described in succeeding papers of this series.

A NEW DEPARTMENT

Upon first approaching the problem of reconstruction the German leaders visualized two distinct periods, the period of transition to a peace basis, and the period of industrial and commercial expansion which would follow. An organization was therefore created to handle all economic questions pertaining to the transition period, but its functions have now been absorbed by the Imperial Department of Economic Affairs. Curiously enough there had never been a Department of Commerce in the Imperial administration, commercial matters having been in charge of the Ministry of the Interior. The war brought a realization of the need of such a department and the Interior Department was divided. The extent of the powers and duties of the new Imperial Department of Economic Affairs is indicated as follows in a report of our own Department of Commerce:

“The new department is to take charge of matters of social or commercial policy, matters affecting the welfare of the working classes, commerce, and shipping, as well as economic questions affecting agriculture and industry. According to the *Deutscher Reichsanzeiger* of November 5, 1917, the jurisdiction of the department in matters of commerce embraces questions of commercial policy, commercial treaties, war economic measures (including retaliation), the economic aspects of the tariff and taxation, the

economic aspects of mobilization and demobilization, insurance, corporations, banks, stock exchanges, exhibitions, and matters concerning conditions of production at home and abroad, general statistics, statistics of the trade with foreign countries, weights and measures. The department will also be in charge of matters affecting marine and inland shipping, including the mail steamer services and the administration of the Kaiser Wilhelm Canal; war damages suffered by shipping; marine and inland fisheries.”

DISSATISFACTION MANIFESTED

There is not available a complete and detailed exposition of how the Imperial Department of Economic Affairs has been organized to deal with each of the questions which it is handling. There is sufficient information, however, to indicate that it has been done with customary German thoroughness. From time to time the findings of various committees are revealed. The discussion of them evidences in certain quarters a disposition to rebel against the application of autocratic methods to fields of activity where individual enterprise has brought success and national repute. Notwithstanding these protests the principle seems to be well established that all branches of business must consent to a very great degree of state control. The public mind is being soothed toward it by representations of the impossibility of doing justice to all

otherwise. The point that is agitating many foresighted persons in Germany is the seeming probability that the great over-lords of business, in cooperation with the ruling classes, will not only grind still farther down the utterly poor, but also will create conditions that will force many of the middle classes, who have had to go into the army or turn to temporary occupations because of war conditions, to join the ranks of those who work for hire. Wholly aside from the personal interests of these men there are some in Germany who see danger to the future of their country in the lack of a great middle class of substantial citizens who are neither rich nor poor but who always constitute the bulwarks of any economic society.

The Life-Blood of Industry

(Germany II)

THE life of the German empire, the fulfillment of what the leaders of the German people regard as their destiny, depends upon the variety and quantity of raw materials obtainable outside the boundaries of its territory as they stood at the beginning of the war. All of Germany's plans for having ready a great merchant marine at the end of the war, the syndication of industrial, commercial, and financial activities, the general application of the principle of governmental supervision, and, just now, the determination to continue fighting, hinge upon her desire to insure an abundant and continuous flow of such materials. Without them she cannot hope to regain her former position or to move toward her ultimate goal of economic supremacy.

THE MITTEL-EUROPA DREAM

"Mittel-Europa" was a dream of inexhaustible sources of raw materials within a compact geographical area which, when fully organized, would have given Germany an invaluable advantage over her competitors in world trade. It was a preliminary step toward a condition where German products would dominate all markets, and German services would monopolize the seas and the financial processes

by which commerce is made possible among civilized peoples. By the fortune of war Germany has lost her chance of attaining both of these objects. Her leaders now see that if she retains dominion over Austria-Hungary, Turkey, Bulgaria, Rumania, Serbia, Montenegro, Albania, Ukraina, Poland, Courland, Livonia, Esthonia, Finland, Belgium, and Northern France she will be able to obtain most of the raw materials she needs, and for several years will have in the countries she has devastated a market for her manufactured products; but she will be unable, for a generation at least, to adventure profitably in countries which are now her unconquered enemies, the countries which are the richest, which are the best markets by reason of the diversified wants of their inhabitants, the countries with which it is necessary to do business if Germany is to be commercially supreme.

On the other hand if she gives up or has taken from her these conquered countries Germany must rely absolutely on the justness and vision of her present enemies, upon their appreciation of what real world-politics and world-economics are, to obtain sustenance for her industrial and commercial machinery. Meanwhile no scheme by which a supply of raw materials can be forced from her present enemies is being ignored. Germany is neglecting no possibilities, ranging from the proposal of Prince du Loewenstein Wertheim Frenderburg that Germany be indemnified in raw materials and

be permitted before others are supplied to receive designated quantities from various countries, to the proposal of Dr. Bernhard Dernburg that there be formed a league of nations to provide a pool of raw materials out of which all countries shall be supplied according to their needs.

WAR RAW-MATERIALS SECTION

The importance of a raw material supply was recognized early in the war, and stress continues to be laid upon it in Germany's reconstruction plans. In August, 1914, a War Raw-Materials Section was organized under the auspices of the Prussian War Office. Administrative corporations of various agencies providing the raw materials were attached to this body, and a War Office Commissary was assigned to each as a managing director and supervisor. Closely associated with these agencies were distribution offices whose orders for allotments of materials were carried out by companies made up of representatives of the raw materials section and the consumers. In addition war committees were formed to maintain an equilibrium between demand for and supply of raw materials. These committees increased production by opening new mines and reopening old ones. They supervised a more intensive cultivation of the soil. They encouraged the invention of substitutes such as paper yarns, nettle fibre cloth, synthetic rubber, cotton and wool

made from old rags, and nitrate extracted from the air. They commanded the cultivation of hemp and flax. They increased the production of aluminum. Finally they requisitioned household utensils containing necessary metals and reduced the demand for raw materials by forbidding their use by the civilian population and their export to adjacent neutral countries. It was as a part of this program that the systematic looting of conquered territory was carried out.

TRANSITION ECONOMY

Much consideration was also given to the question of raw materials by the Imperial Commissary for Transition Economy before its functions were merged with the present Imperial Department of Economic Affairs. A feature of the Commissary's investigation was the conclusion that a combination of State socialism and individual enterprise would be necessary to insure proper distribution of raw material during the transition period. It was insisted on the part of small manufacturers that raw materials should be distributed fairly, a reflection of the suspicion that the larger manufacturers, who have been especially favored throughout the war, might insist on having a supply of raw materials after the war which would be out of all proportion to their normal needs. It was also proposed that the importation of necessary raw materials be the determining factor in allotting cargo space. Proposals

were made that supplies of raw materials be provided for in all peace treaties, and from such proposals it was an easy step to the declaration that having provided for them in treaties the Government must, throughout the transition period, maintain supervision of the importation and distribution of raw materials as well as supervision of the exports which were to be exchanged for them.

WHAT GERMANY NEEDS

The character of the raw materials needed has been set forth in "Welthandle," a Bremen journal, as comprising material for spinning, hides and skins, high grade ores, rubber, timber for ships and furniture, oil producing plants, animal fats, fodder, fertilizers, coffee, cocoa, tea, tobacco, and precious metals, and it was pointed out that the staple supplies ordinarily come from countries now hostile, as cotton and tobacco from the United States, coffee and tobacco from Brazil, wool from Australia and British South Africa, oil kernels from British and French West African colonies. The need for cotton is constantly in the minds of the German economists. They are figuring on a scarcity in Germany for some years because of the hostility of American and British producers and lack of cargo space. No satisfactory substitute for it has been discovered, and it is necessary to the German textile industries. For some time nettle fibre has been used extensively. Nearly 50,000 acres have

been given over to nettle culture this year and the crop is estimated at 18,000 tons. In these trying circumstances Germany is encouraging herself by frequently repeating that the United States needs phosphates, chemicals, dyes, medicines, orthopedic and surgical instruments, and certain types of steel, but now and then it is admitted that these are hardly an equivalent for cotton, wool, copper, and other raw materials.

INVENTORY OF SUPPLIES

The present Imperial Department of Economics continues to discuss ways of obtaining raw materials. Of the nine separate sections into which this department is divided six are concerned with the study of them, each section being assisted by committees of experts for the various groups of materials. One section is devoted to the study of iron ores, manganese ores, slag, chrome, wolfram, molybdenum ores, timber, paper, and stone. Another has lead, antimony, zinc, tin, nickel, cobalt, copper, china clay, graphite, and machinery. The textile section has sub-sections to deal with cotton, wool, jute, flax, hemp, textile substitutes, silk, rags, and worn textile materials. Another section is considering cereals, barley, maize, bran, meat, and live cattle. The section for seaborne imports, deals generally with groceries, sausage skins, gum, rubber, cane for chairs, hair, bristles, and tobacco, while there is a sub-section for oils, fats, oil seeds, and asbestos

and another for skins, hides, leather, and leather goods. The section for overland imports, deals with import restrictions, coal, other mineral fuels, and phosphates.

RECORDS OF CARGO SPACE

With the field to be covered divided in this way and with experts only employed it may be assumed that the fund of information upon which final policies will be based will be enormous. Data have been collected for nearly all commodities in order to determine exactly the amount of raw materials required for their production. Records are being kept as to cargo space and freight agreements made by the shipping companies. The various sections know now the character and amount of raw materials held for German account or contracted for in foreign countries and to what extent they will be immediately available after peace is proclaimed. According to the British "Board of Trade Journal" numerous conferences with the parties interested have in many cases already taken place "with regard to the provision of raw materials and goods for the various groups of industries and to their distribution. It is said that these conferences have been so far successful that a special organization can be established in a short time, so far as it is at all necessary for the goods in question. The requisite statutes to bring into force the decisions of the

committees working in conjunction with their respective sections have, it is stated, for the most part been drawn up and discussed.

“With regard to purchases which have been, or will be, effected by individuals or members of companies, agreement has been reached with the Reichsbank and with representatives of the parties concerned as to the principles which shall govern the conditions of payment, the obligations incurred, and the share in the imports assignable to firms in the same line of business. With regard to the raw materials which are stored in foreign countries for Germany’s account, returns have been called for.

PRIORITY DISTRIBUTION

“According to the ‘Norddeutsche Allgemeine Zeitung,’ the head of the Commercial Policy Section of the Department of Economics has successfully endeavored to secure these raw materials as far as possible for import after the conclusion of peace, and, while giving suitable preference to prior purchases, to make certain that firms in the same line of business should be given a share of these goods. For some raw materials which are especially needed by the general public, and which are difficult for an individual importer to procure, the head of the Commercial Policy Section himself has concluded arrangements for prior purchases. It is, however, admitted that the amount of goods secured up to the

present by this method of prior purchase is not large.”

These plans for obtaining raw materials through an exhaustive inventory of her needs, governmental control of cargo space, and autocratic supervision of their distribution will work effectively, according to the German view, whether Mittel-Europa remains as much of a fact as it is today, or whether by bargaining her conquests and her own raw materials Germany obtains equal privileges with her competitors in the markets for raw materials. Unless she can both hold her conquests and obtain the desired privileges—an unlikely situation now—Germany would prefer equality of privilege, trusting to her business ability and “the world-hunger for goods” to overcome prejudices and hatreds stimulated in the outside world by the war, and to her superb organization and the needs of her neighbors to work her way into actual domination of adjacent territory. With the exception of cotton Germany could obtain practically everything she required in the way of raw materials from Mittel-Europa, but favorable as it will be as a dumping ground for cheap products for some years to come, Mittel-Europa by itself is less attractive than the outside world both with respect to prices for products and the chances for imperial power.

VALUE OF IMPORTS

It is interesting to compare Mittel-Europa and the outside world as producers of raw materials for Germany. The imports of raw materials in 1913 aggregated \$1,189,000,000 in value. More than one-half of this value was represented by cotton, hides and skins, wool, copper, wood, iron-ore, and coal. Other raw materials imported were fur skins, Chilean saltpeter, silk, India rubber, tobacco, linseed, copra, mineral oils, palm nuts, jute, brown coal, tin, flax, and phosphate of lime. Among the countries which furnished materials valued at \$20,000,000 or more were: United States, \$170,000,000; British India, \$96,000,000; Argentina, \$75,000,000; United Kingdom, \$65,000,000; Australia, \$56,000,000; Chile, \$46,000,000; Italy, \$44,000,000; France, \$44,000,000; British Africa, \$42,000,000; Dutch East Indies, \$41,000,000; Sweden, \$28,000,000; Egypt, \$27,000,000; Spain, \$26,000,000; China, \$24,000,000; and Brazil, \$23,000,000. These are now enemy or neutral sources of raw materials which are outside Mittel-Europa as at present constituted.

Of the countries dominated by Germany now, only Russia and Austria-Hungary furnished raw materials valued at \$20,000,000 or more in 1913. The value of Russian raw materials imported was \$125,000,000 and that of raw materials from Austria-Hungary, \$76,000,000. Importations from other countries of

the present Teutonic group were nevertheless considerable. The figures in round numbers are: Belgium, \$17,000,000; Bulgaria, \$700,000; Finland, \$8,000,000; Rumania, \$7,000,000; Serbia, \$690,000; Turkey, \$8,000,000. These figures do not include foodstuffs, large quantities of which are imported by Germany in peace-times. The imports of raw materials into Germany in 1913 were valued as follows, according to continents: Europe, \$489,000,000; America \$354,000,000; Asia \$182,000,000; Africa, \$101,000,000; and Oceania, \$63,000,000.

WHAT RUSSIA OFFERS

These figures make it appear that there is not much comparison between the amounts of raw materials which Germany can obtain through her conquests or affiliations and those which would be obtainable from her present enemies or neutral countries if the blockade were lifted and equality of privileges restored. But it must be remembered that what her immediate neighbors supplied to Germany in 1913 is hardly a criterion by which to measure what they can be made to supply if organized and developed solely for the purpose of serving Germany. This is particularly true of Russia. There was recently prepared in France a study of the natural resources of that country. It says that "apart from its immense production of cereals, Russia possesses underneath her soil im-

mense treasures. Oil, iron, copper, manganese, platinum, gold, and petrol abound in Russia. From the Urals to the Altai the mineral wealth is reckoned each year in thousands and hundreds of thousands of tons. Germany would find in this wealth assistance for her actual requirements of war and a large support for her future needs. Russia is, therefore, a country of riches, upon which Germany has cast her covetous eyes, not only for her necessities of today but also for her future advantage."

COTTON IS ESSENTIAL

Attractive as are the oil, metal, fuel, and food resources of the lands under German sway they do not produce cotton in large quantities. Russia could not produce any for export before the war. The cotton obtained from Turkey in 1913 was valued at only \$498,000. The total importation of raw cotton into Germany in that year was valued at \$144,496,000. The value of cotton imports from the supply countries was: Brazil, \$357,000; British India, \$13,964,000; China, \$976,000; Dutch East Indies, \$568,000, Egypt, \$17,374,000; German East Africa \$487,000; Haiti, \$108,000; Toga, \$76,000; Turkey, \$498,000; United States, \$109,896,000. Less than one per cent. of the raw material which is absolutely necessary if Germany's textile manufac-

tures are to compete in the world's markets is obtained from friendly countries.

Despite her infinitely detailed plans for obtaining raw materials after the war and the repeated statements of her leaders that she has in the territory she now dominates ample resources to justify rejection of anything but her own peace terms it is very plain from these figures that Germany must contemplate with dismay any serious attempts to boycott her. It is a political rather than an economic matter but every evidence supports the view that this dismay is in direct proportion to the satisfaction which Germany would take in imposing similar restriction upon her present enemies if the opportunity presented itself. Those who speak for her steer a devious course according to daily developments. One day the declaration is made by Prof. Von Schulze Gavernitz that he does "not attach tragic importance to the threatened economic war after the war" and that "we have no choice but to secure for ourselves considerable colonies capable of supplying us with raw materials." On another day Herr Albert Ballin, Director General of the Hamburg-American Steamship Line, declares that "Germany must demand food and raw materials on the basis of her 1913 imports." But the prevailing tone of the moment is vocalized by Herren Dernburg and Huldermann, who are strenuously proving for the benefit of mankind that after the war all nations

will be so much in want of everything that to prevent universal destitution a world-pool of raw materials, in the distribution of which Germany should share according to her needs, is an absolute necessity.

For the Conquest of the Seas

(Germany III)

THE restoration of the merchant marine is a problem to the solution of which the ablest German economists and commercial leaders, in co-operation with Government officials, have given a great deal of attention since it became apparent that the war was to be something more than the short, decisive victory upon which the military authorities had planned. As the struggle continued and the chances increased that German ships lying in foreign harbors would eventually become enemy craft it became more and more necessary, from the German point of view, to devise some scheme through which a proper equilibrium would be restored by the time the war ended.

Two methods were determined upon. The first was an ambitious plan of State subsidies to encourage the building of ships and shipyards; the second was the determination to destroy every vessel possible, whether enemy or neutral, unless, there is good reason to believe, arrangements were concluded by the owners of neutral ships to place them at the disposal of the German Government after the war. Under the guise of a military measure—the starvation of England and France—the Germans announced their policy of unrestricted submarine warfare in February, 1917. In that same month there

began in the Reichstag a discussion of how to rebuild Germany's merchant fleet which resulted after several months in the passage of a subsidy law. Just a month before the wholesale destruction of the ships of other countries began and the discussion of how to build a new merchant marine was started, Herr Ballin, Director General of the Hamburg-American Line, declared that there would be too much tonnage in the world after the war and that German shipping would be unable to exploit the situation because of the regulation of German trade.

THE SUBMARINE FAILURE

Germany's purpose to cripple the world's shipping while increasing her own has failed. It brought the United States into the war, and while stimulating shipbuilding efforts in all enemy and neutral countries urged Germany's enemies to renewed vigor in eliminating the submarine menace. The plan to revive the German merchant marine was discussed for the greater part of a year and finally took shape in a law enacted last November. The provisions of this law are interesting as showing the extent to which the Government intends to keep its hands upon commerce after the war. That intention has aroused considerable opposition. Shipowners hold themselves to be the best judges of how cargo space should be allotted after the war.

SHIP SUBSIDY BILL

The bill for the reconstruction of the German merchant marine passed its third reading in the Reichstag on October 11, 1917, and became law on November 7. The text of the law is as follows:

1. The Imperial Chancellor shall be authorized to pay subsidies to the owners of ships and property destroyed or lost, or considerably damaged through the action of foreign governments since July 31, 1914; to pay subsidies to cover the expenses of laying up or interning ships, including harbor dues, wages and maintenance of crews, provided that such interned ships have been seized in a German colony or foreign country, or prevented from fulfilling their normal voyage.

Considerable damage shall mean damage the repairing of which will cost 50 per cent. of the pre-war value of the ship.

2. The Imperial Chancellor shall be authorized to recompense the loss of private property.

3. The subsidies shall be calculated on the proved claims of owners and crew before the Shipping Compensation Commission.

An imperial law shall be later presented with regard to whether and in what degree the State shall share in the profits of ships constructed under this law, and as to the restrictions which may be imposed on the operation of these ships.

4. A special commission shall be appointed to hear and adjudge the claims, from whose decision there shall be no appeal.

5. In the event of the owner of the ship receiving a subsidy, and subsequently being paid compensation under an insurance contract the insurance shall be paid to the State; should compensation be received from a foreign country, then the amount of the subsidy shall be reimbursed to the State therefrom.

6. Should a ship for which a subsidy has been paid be eventually restored to the owner, then the amount of the subsidy shall be repaid, or the owner shall pay an annual interest of 5 per cent. and amortize the total within a period to be fixed.

7. No ship on account of which a subsidy has been paid shall be transmitted to foreigners or to foreign companies,

or to Germans residing or having their place of business abroad, within ten years after registration without the consent of the Chancellor; nor can the ship be chartered to foreigners either on time or cargo space, nor any portion of the space so far as regards voyages between foreign ports. Permission may be given for such sale or charter only after repayment of the subsidy received. The penalty for breach of this clause shall be three years' imprisonment, and, or a fine of Rmks. 50,000, provided that no more severe punishment can be inflicted under another Act. An attempt to contravene this clause is equally penal.

8. The commission appointed under Clause 4 shall consist of seven members and seven deputies, of whom one member and one deputy shall have held high legal office. They shall be nominated by the Chancellor and approved by the Bundesrath, which shall nominate the president and vice-president. A quorum shall consist of five, of whom one shall be the legal member or his deputy. Decisions shall be by a majority, and the president shall have a casting vote. Each member shall vote independently. The method of procedure shall be that the commission shall take evidence on oath and shall have power to call any witness, experts or other persons whom it may consider necessary as also to order the production of any documents. The legal members of the commission shall act as legal assessors to the same.

9. All costs and expenses of appearing before the commission shall be borne by the State, except in the event of a false claim being made.

10. The proceedings before the commission shall be strictly secret, and all witnesses and other persons shall take oath of secrecy.

11. Further regulations for the application of the law may be added by the Bundesrath or the Chancellor.

12. The annual expenses caused by this law shall be estimated in the Imperial budget.

For the financial year 1917 a sum not exceeding Rmks. 300,000,000 may be expended from the funds to the credit of extraordinary war expenses account.

SCHEDULE OF REGULATIONS

1. The subsidies payable under Clause 1, Section 1 of this Act shall be used for the obtaining of ships, which shall serve for the carriage of cargo. The subsidies may only be used for the construction of passenger steamers, if such steamers

be provided with a considerable amount of cargo room. Ship-owners shall be allowed to divide the total amount of tonnage of all their lost ships among the new ships, according to their own wishes. If new ships have, since July 31, 1914, been bought or built to replace ships affected under the terms of this law, they shall be subject to the same conditions as replacement vessels to be constructed or bought in the future.

The compensation for considerable damage to ships shall be devoted to the repair of such ships, unless the ship shall as the result of such damage be irretrievably injured.

2. The scale of compensations shall be the value of the ship lost as at July 31, 1914.

In the event of the cost of the replacement tonnage exceeding the building price which would have been paid at July 25, 1914 (peace construction price), additional grants shall be made to meet the extra cost. These grants will be dependent on the construction and economy of the ship; on the financial conditions of the owners; the age of the ship lost; and on approval of the contract price. They shall be paid either at the delivery of the ship or on its transfer to German registry. The proportion of this excess cost payable by the State shall be:

- (a) From 50 to 70 per cent. for ships delivered in from 1 to 4 years after peace.
- (b) From 20 to 55 per cent. for ships delivered in from 5 to 9 years after peace.

In case of vessels of special construction the above periods may be extended. In calculating the compensation subsidy for ships lost, regard shall be had to the amount received under insurance policies. In the event of the cost of building being less than the amount estimated, a proportionate amount shall be refunded.

(3) and (4) refer to compensation to crews and for ship's stores and property.

(5) Half the pre-war value of the ship, costs of internment and value of property shall be payable forthwith on decision of the commission.

If the first half of the pre-war value compensation of the ship be not devoted to a contract for the purchase of new tonnage within $3\frac{1}{2}$ years of payment, the same shall be repaid, and owners shall deposit security to cover the same.

The second half of the pre-war value shall be paid at the time of the approval of the new building contract, and the settlement of the excess cost payments.

No grant whatsoever shall be allowed in any cases in which the price of the substitution ship shall have been fixed at too high a figure, for the purpose of obtaining a larger grant, or for any other ignoble cause.

The additional excess cost grants shall be paid at the time of registration under German flag in the case of purchase abroad; in the case of new construction. payments may be made, with the consent of the Chancellor, as the work of building progresses.

Two-thirds of the approximate cost of internment and other claims may be payable by consent of the commission before settlement of the final amount to be paid.

6. The calculation and payment of compensation for considerable damage (Clause 1, Secs. 1 and 2) shall be made in accordance with Sec. 2 of Schedule of Regulations, and shall be calculated and paid in the same manner as for vessels totally lost.

7. The State shall not pay compensation for damage caused by neglect of the owner or his servants.

8. In the event of loss or damage to a ship, incurred during a voyage made after the outbreak of war, and in knowledge of the existence of hostilities, compensation shall be assessed under the law of 1873.

9. The date of peace shall be the date proclaimed by the Chancellor.

In addition to the law the following were passed and tacked on to the bill in the form of resolutions:

- (a) To request the Imperial Chancellor to institute suitable measures whereby the South German industries shall be considered in a corresponding manner to the present law for the restoration of the German mercantile marine.
- (b) To request the Imperial Chancellor to endeavor to influence the proper authorities to promote to the utmost the laying out of the new installations and extensions of yards, and particularly in regard to the existing prohibition of the military authorities against new construction of yards, to point out the great national importance for the present and the future, of a speedy restoration of the German mercantile marine.
- (c) To request the Imperial Chancellor to endeavor to arrange that officers' and crews' quarters on the new subsidized ships shall be hygienic and meet all proper requirements.

PAYING THE BILL

On January 1, 1914, the German mercantile marine consisted of 4,935 sea-going ships of all classes, with a gross tonnage of 5,238,937. About 2,000,000 tons of this shipping were in the ports or waters of enemy countries, or of countries which later became enemies, when the war began. Another 1,000,000 tons were locked up in neutral ports. The Germans therefore estimate their losses anywhere from one-half to two-thirds. The extent of their shipbuilding since the war began is uncertain, but the best estimates, based on ships building when the war began, are between 900,000 and 1,000,000 tons.

The expense involved in rebuilding the mercantile marine will be enormous, and to overcome this difficulty many of the larger concerns have increased their capital greatly. From August, 1916, to November last, eleven of the larger companies had increased their aggregate capital from 41,900,000 marks to 69,200,000 marks. Many new companies have been established; others have been combined into corporations of sufficient size to cope with the new problems. Shipyards are being enlarged and new ones are being planned. Many of the great munitions manufacturers are making arrangements to enter the shipbuilding field as soon as the war ends. The big banks are interested as never before in promoting these ventures. Among the schemes to encourage shipbuilding is the establishment of a

ship-mortgage bank for the benefit of those who lack sufficient capital. Before the war this class was dependent upon the Dutch ship-mortgage banks, but the Dutch banks made advances only when the prospective ship-owner agreed to have the vessel built in Holland. Germany proposes not only to build her own ships, but also to have whatever profit there may be in ship-mortgage banking.

DRASTIC REGULATIONS

During the war Germany has imposed the most drastic regulations upon the shipping interests. Both exports and imports have been subjected to the closest scrutiny, and one very keen observer in Sweden believes that this supervision has been intensified not only for the purpose of grinding every possible penny out of adjacent neutral countries but also to prepare "a highly organized weapon of economic warfare, used in all nearby neutral theatres of war with a particular weather eye to the expected economic war after the war." To make the continuance of such an organization more justifiable the Government authorities are now carefully cultivating the idea that the proper distribution of available cargo space is a most important element in the economics of transition. While this distribution is being planned by the German Shipping Association, a specially organized central office for cargo space, and by the Clearing House for Mercantile Tonnage,

the object of which is to take such action at the various German ports as will insure the best possible use of the merchant tonnage calling there, there is no doubt that the operations of both these organizations of shipping men will be absolutely controlled by the Imperial Government.

FOR PROFIT, NOT SERVICE

First of all, the proposed new fleet will be used to bring food and raw materials into Germany the moment war ends. Then it will become the means of taking German products to other countries. Nowhere do the shipping plans of Germany disclose any intention except benefit to Germany, Germany first and Germany alone. The idea of helping to assuage some part of the suffering she has inflicted on the world apparently never has entered the mind of a single responsible person in the Empire. The nature of service, as used by the statesmen who speak for America and the Entente Allies, is apparently unknown there. As in her scheming to get raw materials, so in her shipbuilding plans, Germany is facing the future with unshaken faith in the philosophy of greed.

Industrial and Financial Field Armies

(Germany IV)

FROM the very beginning of the war the German rulers have perceived clearly the wide range and diverse character of the economic changes which a struggle so tremendous must bring. They began preparations to meet them as soon as the possibility of a quickly attained victory had vanished, and it is perhaps illustrative of their instinct for general ideas that they decided to apply to business organization the same principle that they relied upon to bring success in war—the principle of mass formation.

Adroit as they are in details, the leaders of Germany have staked their reputations upon the efficacy of volume, and whether it be of troops, or munitions, or money, or any other instrument of conquest, it is great numbers, under unified control, that preëminently distinguishes their military policy. That principle was not unknown in the industrial life of Germany before the war, and the cartel has stood for many years as its chief embodiment, but it was not generally applied until the necessities of war and the prospects of recovery after the war directed the attention of the authorities, largely dominated as they are by military officialdom, to its possibilities. It flattered the German mind to picture the divergent economic forces of the country marshalled into bulky

field armies in accordance with the precepts of military effectiveness. But mass formations, whether of soldiers or of business men, entail a subjection of individual abilities and opportunities for personal advancement, and as the time draws near when these economic forces are to test the mettle of their opponents, signs multiply that many of the units are ready to rebel.

GOVERNMENT IN CONTROL

The German economists define the great amalgamations of industrial and financial forces in the Empire as of two kinds, according to the motive which prompted them. In the first place concentrations have been made necessary by the existence of war and what it has involved in the way of embargoes, blockades, war work, and the destruction of economic goods. To obtain the highest efficiency in production, together with the greatest economy in employment of labor, raw materials, credit, and transport facilities, such concentrations have been declared essential. The other kind of amalgamation has been promoted, not to serve present needs or purposes, but as a part of the general plan to redevelop Germany's foreign trade after the war. The distinction between the two kinds became less and less marked as the amalgamation policy was extended and gradually the idea was inculcated that the fusions, either voluntary or compulsory, were likely to be of such permanent value as to warrant placing

supervision of them in one official body. Accordingly the Standing Committee for the Consolidation and Closing of Undertakings, which was created in December, 1916, has now been abolished and all matters dealing with the consolidation and closing of undertakings have been placed within the jurisdiction of the Imperial Department of Economic Affairs. In announcing this transfer of authority the War Department declared that "in working out schemes for consolidating and closing undertakings, it has become increasingly apparent that all these measures will have a far-reaching influence upon the future economic structure of industrial and commercial conditions."

GROWTH OF THE GOVERNMENT

At the beginning of this year a German writer stated that the fusion movement had extended to so many industrial departments and branches of commercial life that "only the most important of the perfectly incalculable number of transactions can be touched upon." In some cases this syndication has been voluntary, in others compulsory, the fact in most cases being that if it had not been voluntary it would have been compulsory. Most important of the voluntary syndicates are those of the bar-iron industry, the dyestuff interests, the silk industry, the textile industry, and the tool and implement manufacturers. Coal and steel syndicates already in existence have been extended for the period of the war.

The first industry to be centralized in a compulsory syndicate was the manufacture of boots and shoes, and as illustrative of what has been going on in other industries all over Germany it may be interesting to give the salient features of the construction and operation of this huge economic weapon as reported by the Department of Commerce.

SYNDICATE ORGANIZATION

The syndicate was formed under a decree of the Federal Council issued on March 17, 1917. The central authority is a supervisory committee of the boot and shoe industry, the members of which are appointed by the Imperial Chancellor. A representative of the Chancellor attends its meetings in an advisory capacity and may suspend its decisions for review by the Chancellor, who must be kept informed of all important events. The supervisory committee is kept in touch with the views of the trade and the public by an advisory committee of seven members, selected from the trade and the consumers by the Chancellor. It is a legal person.

The supervisory committee determines in individual cases whether a firm comes within the rules requiring membership in the syndicate, and what shares are to be taken by each firm; exercises supervision over the companies, appoints and dismisses their managing directors; determines the kind and

quantity of footwear to be produced by each member; prescribes the principles governing the purchase prices of the companies; the conditions and prices of sale, and of the distribution of profits; examines and approves their balance sheets; distributes raw materials as well as army and navy contracts. Any disapproval made by individual firms of materials supplied by the committee, or goods made therefrom, is legally invalid, if the permission of the committee has not been obtained. The committee may requisition for a syndicate company the plant, materials, and finished goods of any manufacturer of footwear. The committee administers an equalization fund, raised by contributions from the companies, from which indemnities are to be paid to those companies whose dividends, when compared with the turnover of the members for the year ending June 30, 1914, are in consequence of its measures less favorable than the average for all the companies. The expenses of the supervisory committee are met by a levy upon the companies.

CONTROL OF FOOTWEAR MANUFACTURE

The individual firms were compulsorily combined to form companies under the title of "Footwear Manufacture and Sale Companies," with a capital of 100,000 marks each. Areas were determined by the Chancellor, for each of which a company was formed to include all firms in the area. Eighteen such com-

panies have been formed, and their combined areas of operations appear to cover the whole Empire. The companies are to enforce the orders of the supervisory committee upon the individual firms, and to conduct the greater part of the wholesale trade in footwear.

The individual firms must manufacture footwear as required by the supervisory committee, which determines finally their share in the manufacture. They must obey the requirements of their company in the manufacture of footwear for sale, being answerable to it for good workmanship, etc., and, subject to an appeal for arbitration, they must sell their output to it at prices fixed by the board of directors in the manner prescribed by the supervisory committee. Two-tenths of 1 per cent. of the monthly output of each firm (at least one pair) is released from this obligation. It is a criminal offense for the members of the company to manufacture footwear except by permission of the supervisory committee, or to destroy or otherwise use contrary to its instructions materials obtained from or through it. The output is sold by and for account of the company, in the manner and at prices prescribed by the supervisory committee. Disputes between a company and its shareholder firms or its customers as to delivery of goods are arbitrable before a special standing board appointed for the district by the State government. A company may enforce in the ordinary courts

claims for damages against its members arising out of their default.

The dividends of the companies, including profits from military contracts and indemnities (if any) from the equalization fund, will, it is stated, be distributed among their members in proportion to their production for the year ended June 30, 1914, irrespective of whether or not they are actually at work. For this reason dues must be paid to the company for plant, land, and buildings used otherwise than in the service of the company. For the protection of firms shut down, footwear sold through the companies must not bear any name or trade-mark.

OTHER EXAMPLES

Syndication of the manufacture was followed by syndication of the trade, the retail dealers being compulsorily formed into big distribution companies, and distribution being confined to them. Since then amalgamation of the soap industry, graphite mines and works, and the toy industry have taken place. It was reported to the British Board of Trade Journal a year ago that "many fusions and acquisitions similar to those noted have taken place in the mining industry, as well as in the motor vehicle industry. It is held that a strong demand for cars and lorries will make itself felt after the war, first to replace the vehicles handed over to the military authorities, and secondly because an increase in motoring is

expected. A tendency towards concentration has also been manifested in the machinery industry.”

BANK FUSIONS

The same policy of amalgamation is being carried out by the banks, partly with the intention of meeting more easily the insatiable demands of the Government for war funds, partly with the idea of meeting more expeditiously and economically the needs of industry and trade after the war. The result is that a few of the great banks in Berlin are gradually coming into a position where they will control absolutely the economic policy of the Empire, and there is little doubt that they will control it in the interest of the classes whom we consider responsible for the war. At the end of 1917 the total deposits of the eight leading joint-stock banks of Berlin amounted to 16,399 million marks, as compared with 10,000 million marks in 1916; 7,250 million marks in 1915; and 5,000 million marks in 1914. At the same time the Imperial Bank showed an increase of 1,153 million marks in gold holdings.

The Frankfurter Zeitung “deplores the gradual thinning of the ranks of private bankers and the increasing concentration of deposits in Berlin.” It also asserts that the Imperial Bank is welding the banking system more and more closely together and adds that the Imperial Bank probably desires to make banking business profitable in order to find in it a

powerful support during the difficult transition period. Another leading journal states that "the general inclination is to regard the future prospects of German banking as rosy, inasmuch as the present economic organization is likely to be retained for some time after peace is proclaimed, and as long as this lasts the interests of the banks will be bound up with those of the State." Another paper reports that "in the banking world Berlin high finance has proved itself so powerful that it has been able to absorb provincial institutions irrespective of their size. The Deutsche Bank set the pace by the extension of its connections in the East. The Disconto Gesellschaft followed suit, but did not confine itself to the East alone, extending its borders to the coast and to Central and West Germany. Among its concerns the Allgemeine Deutsche Kreditanstalt, in Leipzig, which long ago had relations with the Schweizerische Kreditanstalt, has absorbed a number of banks. The Dresdner Bank has greatly extended its sphere of influence in the West; it now has over 88 branches and 100 deposit offices, many of the latter constituting a large bank in themselves."

A UNIFYING AGENCY

No one should get the impression that fusions of industries and financial institutions, such as those outlined, are confined to productive enterprises, as such, or to the institutions which finance them. The fusion principle is being applied to every phase of

economic life in Germany. There are amalgamations to obtain raw materials, to improve transportation facilities, to develop home and foreign markets, to foster commercial education and economic research. Wherever by any possibility the policy can be followed with advantage to the economic life of the country as a whole, there concentration appears. By this means there is being created a nationwide machine dominated by the Imperial Government and wholly amenable to its purposes. It is evidently the intention to continue the direction of this machine in the hands of the Imperial Department of Economic Affairs for some time, and meanwhile to foster the growth of some voluntary organization, such as the proposed Foreign Trade Institute, which will remain a nucleus for a unified national economic life. It is proposed that the various syndicates be supported by the institute, which would be formed by amalgamating the existing foreign trade organizations. The institute would have a central office, with a library and exhibition rooms, would organize advisory and executive bodies from the committees representing the various organizations, and would establish branches abroad.

PRODUCTION FOR EXPORT

The immediate problem of Germany when the war ends will be to obtain a supply of raw material and to resume the production of goods. There is no doubt

that such production, contrary to the normal procedure, will be primarily for export. Indications are that the great mass of the German people will be held for some time to their present reduced standards of living, that their use of the cheapest substitutes for ordinary food and clothing will continue, that strikes will be rigorously put down, that emigration will be restricted—all in order that foreign markets may be flooded with every variety of article that can be produced in Germany, always assuming that these foreign markets will be reopened to them. Germany must pay her debts and she will not be able to pay them by indemnities extorted from conquered nations. She can pay them only by exporting goods. Her preparations to do that have comprehended not only organization at home but also organization abroad, and organization upon the principle that investments abroad are the very best guarantee of a market for goods.

TRADE ASSOCIATION

In line with this policy there has been formed a new foreign trade association, with central offices in Hamburg, which will concern itself exclusively with the development of German oversea business. According to the *Kölnische Zeitung* important export houses, manufacturing corporations, shipping lines, and banks in Hamburg and all the other commercial and industrial centres of the Empire will be inter-

ested. The company is to serve as an active and efficient axis, round which all Germany's efforts to re-knit her old relations and establish new ones will revolve. It is not to be a bank in the ordinary sense, or an export bank. It will, on the contrary, refrain from banking operations of the usual sort. It will act primarily as a syndicate for exploring foreign markets, and when advantageous opportunities present themselves will fulfill the functions of a financial promoting company. It will take up, on behalf of all German interests concerned, promising projects abroad, such as waterworks construction and operation, railway building, harbor and dock works, and transactions of similar magnitude. These the company will not only promote and carry out, but if necessary provide the money for. The initial capital of \$5,000,000 is wholly provisional. It will be multiplied many times over as required.

All these plans for recalling the prosperity which was so foolishly thrown away in 1914, and for attaining that economic supremacy which she now sees is no longer to be had by force of arms, indicate a persistence in the German mind of absolute satisfaction with the methods which won for the Empire such a proud position in the business world before the war. Their tactics have merely been developed for the conquest of greater laurels. The whole scheme is a challenge to the enterprise of all nations.

Changing Economic Viewpoints

MOMENTOUS in their immediate importance as the revolutions are which the necessities of war have forced upon all peoples in the conduct of their internal and international affairs, they are of less significance with respect to the restoration of normal prosperity and the preservation of peace than certain tendencies which now appear as mere reflexes of the great struggle.

A BROADENED OUTLOOK

These tendencies are expressive of the new relation in which men find themselves toward their environment. That environment has been immeasurably enlarged both as to actual experience and as to the possibilities that lie in the future. Not by the trader and traveler and the international banker alone, but by the great mass of men and women the particular boundaries within which they happen to dwell are no longer felt to be the limits of their requirements. Those with whom they come in daily contact no longer form for them all of human society. This broadening of outlook has been effected by various agencies. In many cases the withdrawal first of luxuries and then of a part at least of such elementary satisfactions as food, shelter, and clothing has contributed powerfully to an understanding of

international as well as of interstate and intercommunity interdependence. The vicissitudes of the corner grocery have not infrequently served as an introduction to commercial geography. In other cases a quick perception of advantage to be gained has inspired a profitable interest in affairs hitherto far removed from the thought or care of the most numerous part of the population of any country. It was natural, of course, that the events in Europe and the progress of the gradual embroilment of all nations should attract an ever increasing number of persons to the study of other peoples. The result of these and other causes is a general realization of the fact that for many, many years the various countries of the world have been really dependent upon each other, the degree of dependency being in proportion to the degree of civilization attained, and that international commerce has not been the concern or the profit solely of those who conducted it.

EFFECT UPON PEACE PLANS

This realization, in combination with the vindictive feeling naturally generated by war, and especially aroused because of German barbarism and treachery, has had an important effect upon the plans which various nations have been making for reconstruction after the war. In the series of papers of which this is a part it has frequently been pointed out that practically the first thought in the minds of

those who were preparing for the future was as to what steps should be taken to render their particular country economically self-sufficient. There was no question as to whether or not such a condition was desirable, but only as to the extent to which it was possible. Partly this idea of becoming economically independent was based upon the theory that future wars are likely and a determination not to be caught at a disadvantage again. Partly it was based upon a tacit acceptance of the German doctrine that a state of commerce is a state of war, a doctrine which is in turn based upon the false and outworn theory that every exchange of goods or services must be to the disadvantage of one of the parties concerned.

ECONOMIC SELF-SUFFICIENCY

There was and still continues another aspect of this question of self-sufficiency. Some countries have been forced to strive for it whether they desire it or not. With them it has been not so much a matter of planning for the future as it has been a matter of continuing to exist until the war is over. With lines of communication cut, and facing impossible prices when the opportunity to buy has occasionally presented itself, these countries—and all countries have experienced the same difficulty as to one or more necessities—have sought by some discovery or new application, or intensification of effort, to satisfy their requirements from within their own boundaries. A vast amount of capital has been invested in such

enterprises, and readjustments not always profitable to the promoters and the working forces who went into them from patriotic motives have taken place.

THE SPIRIT OF INQUIRY

These effects of the realization of the economic interdependence of nations are noted here because they have contributed greatly to a tendency on the part of men and women everywhere which had its birth in that realization. No sooner had war opened the eyes of men to the existence of, and their necessary, intimate relation to the world as a whole than there was rekindled in every people on this earth such a desire for knowledge as mankind has not experienced since the close of the Middle Ages. The spirit of inquiry is abroad. In quest of truth, old and young, men and women, are alert today as they have not been in centuries. People want to know things. The impatience with secret negotiations and treaties is but a symptom of what is transpiring in the minds of men with respect to all other relationships, whether of politics or economics. Institutions of all kinds are being challenged to demonstrate their usefulness in the light of what this war has shown to be essential, not for the preservation of one nation or one class, either within a nation or composing parts of many nations, but for the preservation of all mankind and the promotion of equal rights everywhere.

NATIONAL SURVEYS

Characteristic of every plan to attain economic self-sufficiency is a general inquiry into the extent and character of natural resources, the capacities of the people as individuals and as a nation in diverse fields of endeavor, their methods of doing business. To make a survey of all the resources and activities of even a small group is no slight task, but to set down these matters for a nation and to set them down after a complete investigation is an undertaking that would seem fanciful if it were not actually observed to be under way in many lands. To accomplish it means an organization that reaches out to every corner, inhabited or uninhabited. It means the calling up of an army of experts in numerous fields. Their reports must be read by those who would coordinate the nation's activities and at some point, some time, they must come before the mass of people in understandable form, for no plan will go through unless the mass of people are behind it. Such surveys, opening up the possibilities of the soil, revealing industrial and financial conditions, pointing the way out of the mess of war, are being eagerly devoured by populations hungry for a better understanding of the things by which civilized life is lived. Whatever we may think of the motive behind these colossal inventories we must recognize their value in providing inspiration and subject matter for a world growing in intellectual curiosity.

RECONSTRUCTION

There is every indication that this questioning attitude, so marked even under the stress of war, will develop greatly during the reconstruction period. The world has suffered too much to take anything for granted any more, and every arrangement for the future is going to be inquired into by men who will be better informed than they were four years ago. Political chicanery and economic quackery are going to have the most trying time of their respective and concurrent careers. The demagogue with his smattering of terms and his ignorance of content is to be challenged in the same spirit as the self-satisfied and obtuse reactionary. Both of them have missed the meaning of our time. Both will go down before the judgment of sane and enlightened public opinion.

THE NEW EDUCATION

A great revolution in education seems imminent as the counterpart of this spirit of inquiry. Millions of men organized into fighting machines have required the services in the field and at home of other millions who were trained to do certain things and whose exact knowledge of matters pertaining to those tasks has been essential to military efficiency. Similarly, in the face of a shortage in man-power, in the equipment for carrying on normal activities, in time itself, a greater efficiency in producing and distributing and using the goods and services required

for ordinary living has become necessary. There has been on both the military and civilian pages of our economic register a demand for men and women who could do something that was worth while doing, or who, if they had no special training, had sufficient general knowledge and intelligence to make further training possible. The supply has been something far different. Through the examinations incidental to military service there has been disclosed not only a lack of men with technical education, but also an amazing number of men who can neither read nor write and whose fitness for life does not extend beyond their physical strength. Through the disruption of their working forces and the absence of a free labor-market employers have come to realize how scarce are men and women who have either special training or general knowledge.

A STARTLING FACT

Now it is not such a significant thing that this is the fact as it is that an increasingly large number of people in every country are beginning to be startled by it. As a result we see the need of education being emphasized in the plans of every country which is making ready for peace. The war has directed attention to this situation. The problems to be solved in restoring peace and preserving it are driving the lesson home. Therefore the periods of compulsory attendance at school are being lengthened. Extension courses are being multiplied. Research divi-

sions are being established in all large concerns for the ambitious student. It is planned to give elementary instruction in ways that will encourage rather than repel. Those already in employment are to receive opportunity to study under circumstances that make real study possible. The tendency is at the moment to direct youthful minds to modern languages, commercial geography, industrial sciences, business administration, mechanics, economics, finance, and other subjects bearing directly upon industrial and commercial careers, but it is to be hoped, and modern conditions will make it essential, that once full play is given to this awakened desire for education that will fit him to earn more money, the student of tomorrow will see the advantages of liberal training and will not permit himself to become merely a machine that breathes.

IDEA OF SERVICE

The new conception of what men owe to themselves and to each other, which has been fostered by the common sufferings and undertakings of the war, is permeated by the idea of service. That idea is expressed in a host of men drawn from every corner of the world to put down once and for all the injustices of a military autocracy. It runs through the thought of all those who stand behind these armies. It is the very heart of the ideal for which we fight. Whatever

terms of peace are drawn the animating purpose of them will be service. And it is upon a basis of service that the enduring plans of any nation for reconstruction will be grounded.

EXCLUSIVENESS GONE

Selfishness has not gone out of the world. Progress will continue to be made in the future, as in the past, by individuals or groups of individuals asserting their interests in opposition to the interests of others. But unless present tendencies are being grossly misinterpreted there is going to be a very much changed theory of what those interests are. It must inevitably be so in the circumstance of a keener appreciation of the interdependence of all classes and all nations. The war has broken down every distinction among men except the distinction of ability. As of old, common danger has been a great leveler, and the leveling has not been all on one side. If the powerful and self-satisfied have been shaken down, so also have the weak and the disgruntled been shaken up. They have approached to a better understanding of viewpoints and many errors of judgment and feeling have been corrected. This is not less true of nations than of individuals or groups, and some of the earlier plans made in hot blood for economic independence after the war are now being slipped into the waste-basket as gracefully as possible. Exclusiveness does not set well,

either with the present temper of mankind or with the growing spirit of service in which progressive nations are preparing themselves for the future.

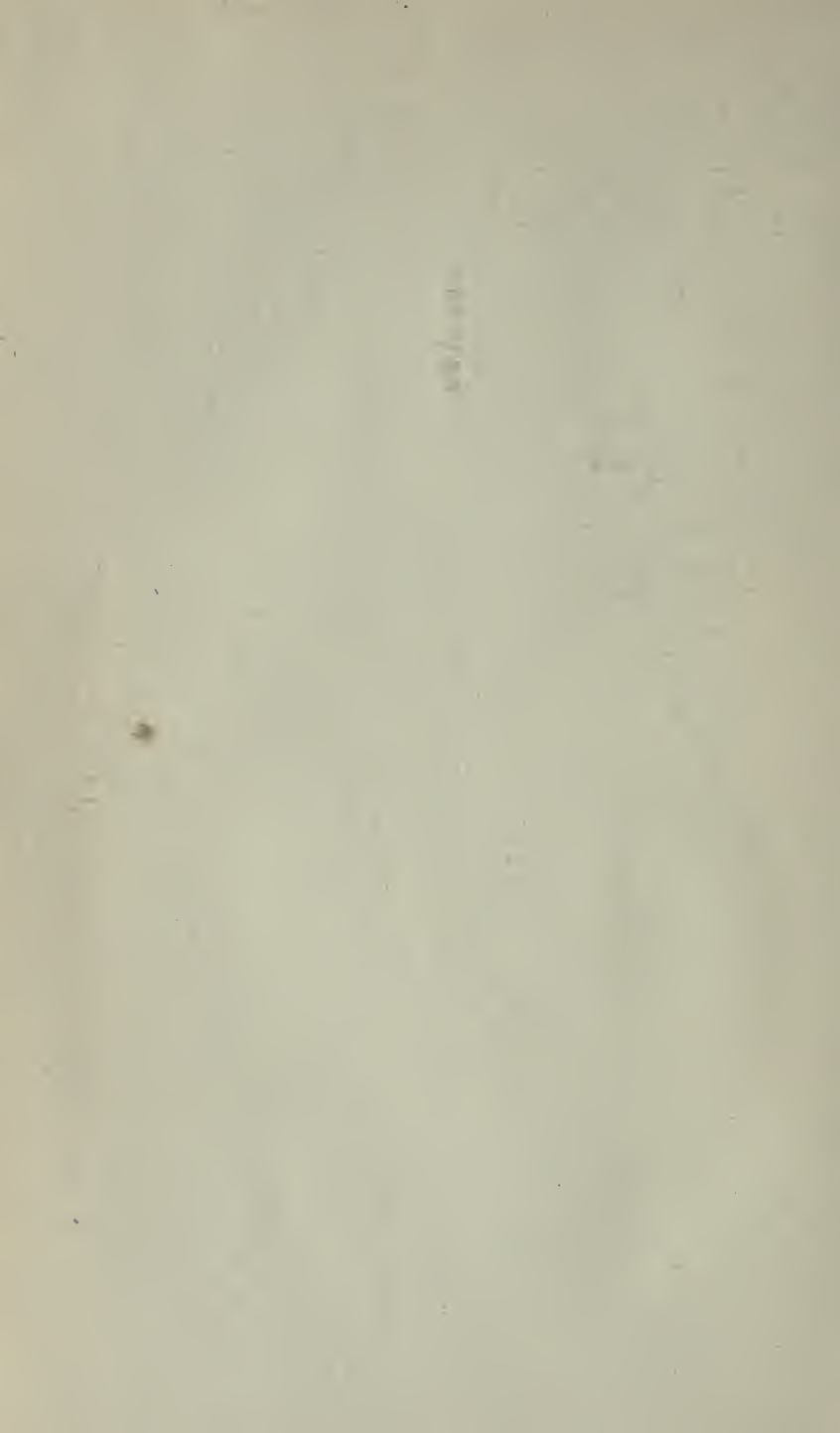
COÖPERATION

Coöperation among all classes and nations there must be if we are to escape the absolute ruin of civilization. How this Nation, wealthy beyond compare and strong to do many things, shall use its wealth and its strength to succor those who have borne the worst ravages of war is still a question, but there is no question at all that it is going to use them and for that purpose. Nor is there any doubt that we shall have the coöperation of other nations, so far as the war leaves them able to give it. There is visible no where in this country a disposition to take advantage of the weak and the oppressed. Goods will be bought and sold, upon fair terms and with equal opportunities to all, but service rather than profits will be the compelling motive behind every enlightened enterprise.

Despite the efforts of a very few persons, who are unable to grasp anything except the advantage of the moment, to arrest it, the same tendency is to be seen in the economy of the individual nation. Interests long hostile through want of understanding are drawing toward arrangements by which their divergent lines of thought will be brought together. That there is a necessary hostility between govern-

ment and business, for example, or between capital and labor, is a misconception that is gradually breaking down before the idea of coöperation.

These tendencies—the desire for information, the promotion of education, the wish to serve, the willingness to coöperate—are at the foundation of such progress as the world will make during the long time it is at the task of rehabilitating itself and attaining a solid footing again. They are running with the currents of constructive thought in every country. No plan or no part of a plan into which a just estimate of their importance does not enter will make much headway during these coming years.





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