

suggestion, has accomplished nothing so far, excepting a postponement of ultimate rehabilitation. The bitterness that has been uncovered and the increased thought of how to procure separate advantages will retard confidence rather than promote it. The United States by its wise determination not to participate leaves us in the strongest possible position to step in at the opportune moment and blast the way for other nations to follow in the recovery to the world of the Russian domain, and to place it once more among the world's assets, instead of, as it now exists, a liability of the gravest character, menacing not only the peace and prosperity of Europe, but also a civilization that has required centuries of bloody wars and continued effort to develop.

Briefly summarizing the subject from the point of view of an American

manufacturer or businessman, who not only loves his own country, but has a confidence in and an affection for the peoples of other nations, I firmly believe that American prosperity deeply depends upon the rehabilitation of Europe. I believe that Europe as a customer is morally sound and is entitled to our fullest confidence, and that the ultimate solution of the problem will be the creation of new engineering enterprises upon the basis of permitting sufficient time for payment to elapse, in order that the enterprise itself will produce the excess wealth necessary to repay its original cost. Europe will then not only be rehabilitated, but will be enriched, and the United States herself will prosper as she has never prospered before.

It is America's opportunity; it is America's duty,—we should respond to the call.

## America's Interest in the Rehabilitation of Europe

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I AM conscious that it is presumptuous in me to discuss in so short a space our interest in the rehabilitation of Europe. It is a great temptation to indulge in glittering generalities, but I have before me as a warning that wise paradox, that "all generalizations are false, including this one." It is also difficult at this time to refrain from uttering certain phrases, certain catch words, which might satisfy our judgments upon this very complex problem of our relation to Europe. But like a theologian who recently said that he did not intend to allow his Christianity to depend upon the credibility of Judges or the edibility of Jonah, I shall not allow my

judgment upon this present situation to be determined by any catch phrases, such as the "League of Nations," or the "cancellation of inter-allied indebtedness," or any other simple theory by which we are to pull Europe out of the mud. The rehabilitation of Europe must begin in Europe; it will not begin in the United States.

Our interest, however, in the rehabilitation of Europe is fundamental and very vital. I should not say that the prosperity of the United States depends primarily upon the economic recovery of Europe, but that we do have a direct interest in Europe's stability and prosperity.

Two English ladies were once dis-

cussing the difference between a misfortune and a calamity. Disraeli, who happened to be present, was called upon to decide the controversy. He said, "That's very easy. If my political opponent, Gladstone, should fall into the Thames, that would be a misfortune, but if somebody should help him out, that would be a calamity."

Perhaps, the failure of Europe to rehabilitate itself, from our point of view, would not be a calamity, but certainly it would be a tremendous misfortune. Our prosperity rests on a much broader basis than our trade and financial relations with Europe. For the present I am speaking only of economic problems. In spite of the tremendous expansion in our export trade, in spite of the importance of international finance to us today, the basis of our prosperity in this country is in domestic finance and in domestic trade.

#### CHANGES IN OUR INTERNATIONAL ACCOUNT

I am entirely aware of the very important changes which have taken place in our international account since 1914. We have piled up a gold balance which is embarrassing. Some of our industries, which before the War regarded the export market as merely incidental, have now come to depend upon it for their prosperity. We extended large loans, both private and public loans, to Europe. We have made a start toward—I was about to say a merchant marine—but I will not go that far; we have accumulated a large number of ships which are today carrying a substantial part of our overseas commerce.

These changes which ordinarily come to a nation gradually—in a generation or two—have come to us suddenly, and have precipitated a

clash of class interests in the United States somewhat similar to that which occurred in Great Britain in the middle of the nineteenth century. Some have even attempted to extend the analogy between our position today and that of Great Britain during that period. It has been pointed out that Great Britain came to a place where she had to export a great quantity of goods. Her industries had outgrown the home market. She had loaned a large amount of capital abroad—in the United States and in the Argentine—and dividends were beginning to become payable. She had developed a merchant marine that was carrying a great part of the commerce of the world. Because of these conditions, certain classes advocated the abolition of the corn laws in order that foodstuffs and raw materials might flow into Britain and support her growing industries. The measure was violently opposed by the agricultural classes, and there ensued a struggle between the manufacturing and agrarian interests which was nothing short of a social revolution. Certain classes in our country see a parallel, but Britain's situation then differs essentially from ours today. We are more vitally interested in the development of our great internal resources than in the extension of our overseas trade or in the development of our merchant marine, and while these latter interests are important to certain classes in the community and need to be considered in the wider aspect of our national development, they, nevertheless, are only a part of the picture and should not be given undue emphasis in considering the problem of the rehabilitation of Europe.

#### CLASS INTERESTS

There are a number of class interests in the country. Our great

exporting industries, importing concerns, shipping, and international finance, are, of course, interested in freer trade relations. On the other hand, there are our manufacturing interests, our great manufacturing structure, which has been built up under conditions which preceded 1914. At the present time the unsettled condition of the currencies in Europe<sup>1</sup> and the eager efforts which European industries are making to regain their pre-war markets in America, seem to justify Congress in giving to the producers of this country the benefit of the doubt, if any exists.

At the same time our agricultural classes have become very much interested in the problem of protection. A situation has developed which is sometimes overlooked, namely, that certain of our agricultural products are no longer on an export basis. We are introducing into this country large quantities of certain agricultural products from abroad. Take, for example, the meat industry. We had a net export of meat products up until 1913, when we shifted to a net import from abroad. This continued until 1916, when, under the stimulus of war, we again shifted to a net export basis. In 1920, however, the import tendency reappeared and we went back once more to a net import basis. That is probably the extreme case, but in general it may be said that our new lands have all been taken up. Intensive agriculture is taking the place of extensive agriculture. Abroad in Argentina, Canada, Manchuria and Siberia production of typical American products is being carried on under conditions of extensive agriculture. It is under this condition that our agricultural classes are gradually becoming interested in the problem of protection.

A problem of statesmanship is raised by the clash of different in-

terests as Mr. Strauss<sup>1</sup> so very interestingly points out. There are certain tendencies which need to be restrained on the one side and certain tendencies which need to be encouraged on the other, so that in building up the structure of our domestic prosperity, balancing the interests of exporters with those of producers, the interests of finance with those of the importing class, we may build up a diversified national structure which makes the real basis of our prosperity.

In saying that, I have done so partly as a warning. In discussing a subject like the rehabilitation of Europe there is a great tendency to over-emphasize the importance of individual factors. We do have an economic interest in the rehabilitation of Europe. Many of our agricultural products, for example, are still on an export basis and they depend upon the European market for their sale. Therefore, a poor Europe means the lack of prosperity in certain agricultural communities. Many of our manufacturing industries are on an export basis. They want to sell goods in Europe. A poor Europe means a decline of prosperity for them, and even in the case of our exports to South America and to Asia, a poor Europe will make it impossible for Europe to buy the products of those countries and furnish bills of exchange to pay us for our exports to them.

#### SUGGESTIONS AS TO REHABILITATION

It may be presumptuous for me to attempt any solution of the problem of Europe today, but having no expert record on this subject to preserve, I venture one or two suggestions.

The importance of Russian trade is widely recognized. At present the political difficulties bulk large, but

<sup>1</sup>See page 46.

necessity and time are working for a sane solution. It seems to me that much of the economic rehabilitation of Europe must begin with Russian trade revival; that the reestablishment of sound trade relations with Russia based upon progressive, productive methods in Russia, will be the beginning of the economic rehabilitation of Europe. Particularly is this true in the case of the rehabilitation of Germany. If Germany is to pay reparations she must increase her exports, and she must be able to base that export trade upon her trade with Russia. Until the reparations problem is settled; until payments are reduced to a definite basis and reparations to an amount which Germany can pay, it is probable that European countries will not balance their budgets. Until the budgets are balanced, the currencies will continue to be depreciated, and the difficulties arising out of that situation, which I may say in some cases have been greatly exaggerated, will not be remedied. Europe needs, more than anything else, political stability and a chance to re-assert her reproductive power.

In 1918 Mr. Kerensky, talking to me in London, said, "Go back and tell the American people to have faith in the reconstructive powers of the Russian people." I believe that if a political situation can be created upon which the people of Europe may go to work, there will come the rehabilitation for which we all hope.

There is a story of a Persian who had a donkey that would not go; so he went to one of the sages of his people and asked him what to do about it. This sage gave him a bottle of acid and said, "When you get out on the road just put a little of this on the donkey and he will go all right." So the Persian started out on his journey. When the donkey refused to go, he

applied a drop or two as prescribed, and the donkey disappeared over the horizon in a cloud of dust. The owner was left sitting by the road, contemplating his loss and wondering what to do. Finally, he bethought himself of the acid. He took it out and put a couple of drops on himself, and in a short while he found himself waiting for the donkey. If we could put some acid of that kind on Europe and start it to work, the process of rehabilitation would probably follow in short order.

### CONCLUSION

To avoid a misunderstanding, one or two things should be said in conclusion. I do not think that we should approach the problem of the rehabilitation of Europe purely as an economic problem, for, of course, it is much more than that. Europe is seeing ghosts of the past; she is sorely in need of political stability, and it will not come until her people learn more charity. Our attitude should be one of extreme generosity. We do not live by bread alone. We have an interest far deeper than economic gain in seeing Europe pull through. If Europe does not come back, America becomes the last stronghold of the white man's civilization, and even if she does come back, we may well give thought, we and Europeans together, to where our civilization is moving. If we go on exhausting ourselves by wars and post-wars, hatreds and hostilities, we may find ourselves divested of our leadership. Our civilization is essentially economic at its basis, and if that is cut away, what then? President Harding saw this problem when he called the Arms Conference, and its success presages other progress, I believe, toward international conferences on the great economic issues which divide nations and which nations, single and bargaining two by two,

cannot solve. European problems must be solved, but beyond them there are international economic problems, world-wide in importance—problems of raw materials, colonies, foreign

investments, shipping and electrical communications, which if they are not solved by some international coöperation will destroy not only Europe but also America.

## Europe and the Development of American Foreign Trade

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WITH an area constituting only 7.7 per cent of the land area of the globe, slightly larger than the United States and Alaska, Europe held, before the War, 26.4 per cent of the total population of the world. This is over four times the population of the United States, more than ten times the population of all South America and equal to the total estimated population of all Eastern Asia, including the islands of Japan, the Philippines and the Dutch East Indies. This large population gave to Europe an average density of 120 people to the square mile, a density of  $3\frac{1}{2}$  times that of the average density of the world-population or the population-density of the United States. The density of Europe's population is further indicated by the fact that out of approximately 400 cities of over 100,000 people, 190 or 47.5 per cent are in Europe.

The largeness of its population and the concentration of that population do not, of course, necessarily indicate that Europe is a region of great economic wealth. The economic importance of a region must be measured by its ability to support, in comparison with the rest of the world, a large population in comfort through the magnitude of its production and its facilities for carrying on trade and commerce.

Some measure of Europe's economic

importance is shown by the following facts. In 1913, Europe had 33.4 per cent of the railway mileage of the world. This was slightly less than the railway mileage of the United States. The net tonnage of Europe's merchant marine, on the other hand, was 69.3 per cent of the total merchant marine of the world. In telegraph wire, Europe possessed 60 per cent of the total world-mileage.

In agricultural production, Europe has been far the richest producing-area in the world. Europe leads in the production of most of the great food crops, in spite of the fact that she is also the greatest importer of agricultural products from the rest of the world. Table I shows the production in 1913 of the leading agricultural crops, indicating the per cent of the total world-crop produced in Europe. In 1913, European farms produced 96 per cent of the total world's rye; 62 per cent of the world's oats; 71.8 per cent of the world's barley; 52.4 per cent of the world's wheat; 18 per cent of the world's corn; 92.1 per cent of the beet sugar crop, and 42 per cent of the total sugar production of the world. Over 90 per cent of the potatoes of the world were then grown in Europe, and 92.6 per cent of the olive oil. Of the world's important food crops, only a few are not found in surpassing im-