WHAT HAPPENED TO EUROPE

BY

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New York
THE MACMILLAN COMPANY
1919

Set up and electrotyped. Published, June, 1919

THERE was never a more unpremeditated book. We landed in England February 2, 1919, intending to take a hurried glance at financial conditions in London and on the Continent and be back in New York by the first of April. Almost within a few hours, I found that I had known practically nothing of what had happened to Europe. The process of learning proved so fascinating, there was such wealth of opportunity on every hand, that we cancelled sailing engagements on one boat after another while we traveled through France, Switzerland, Italy, Spain, Belgium and Holland. At last we sailed homeward, leaving Southampton May 10th, 1919, on the S.S. *Olympic*. Up to the time we waved good-by at the Southampton docks, I had had no remote intention of writing a book about European affairs.

Sitting down in quiet with the strange prospect of five days of leisure after three months of intense activity during which I had visited seven countries and had received impressions from interviews with hundreds of people of importance, representing at

least fifteen countries, for the first time it came over me how much there was to tell about conditions as I had seen them in Europe. I shrank from the prospect of going over the story hastily with various people who might be eager to get, in a word, my impressions of our new world. There was such a rush of observations and, indeed, not a few conclusions which seemed to me important, that the thought of trying to tell the story in the brief snatches of conversation that I might hope to have with men at home who ought to have the full advantage of all the views they can obtain, made the attempt seem hopeless. And so it happened that while I had not once had the idea of trying to write anything for the public at the time when my observations were being made, I reached a sudden determination to attempt to put them into a book. Knowing only too well my poverty in leisure hours after I was once back in New York, and recognizing if the book were written my motto would have to be "Do it now," I started on the task.

From title page to finis, every line was dictated in the five days between Southampton and Halifax. And so it should be taken for what it is — a quick review following an extremely interesting experience in observing a state of affairs so novel that the whole world's history has nothing comparable to offer. In

no sense was the trip planned with the idea of making a formal, exhaustive study of European conditions. Hardly a note was made, as would have been the case had there been in mind the possibility of writing about the experience. I do not write this preface as an apology, for I do not want what follows to be taken so seriously that an apology would be necessary either for what is said or for what is left unsaid. It is rather the sort of a talk I might give to a friend who cared for my impressions and if there were the opportunity to converse at sufficient length.

I am quite aware that a good many Americans have been in Europe during the same period that these observations were made who may not have seen the situation as I saw it. I can perfectly understand how one might have traveled the same rather extensive route that I followed, and have concluded the journey gratified at the normal appearance of life everywhere outside of the war zone. Fields are being plowed, grain is being sowed and there is the same rolling beauty of landscape with the same lovely rivers and picturesque villages that we have seen in former years from train or automobile in France. Switzerland presents the same neat and carefully garnished fields and dooryards in its agricultural regions that has always marked it, and its hills are unchanging. Italy is still the most beautiful place in all the world,

and viewed from a motor along still perfect mountain roads or seen in the aspect of the mediævalism of the old hill towns, it seems the Italy we have known before. Spain is more prosperous in its obvious aspects than has probably been the case in a century. No one with open eyes could have escaped the horrid marks of war in Belgium, but in Holland the cattle, though in decreased numbers, grazed placidly as usual and the great tracts of tulips, at the moment in the height of their bloom, made one feel that the world had not lost its love for flowers and beauty.

It is easy to understand how a traveler, seeing these almost normal externals, might conclude that, with the signing of peace, Europe was almost ready to resume its old life in the old way and, given time to heal the visible wounds of war along the battle-front, would again be the Europe we used to know. And so if there are returning travelers who have not seen what has impressed me, I shall not be surprised nor will I have any fault to find if they describe a Europe exhibiting little change from pre-war days.

I have reached what to me are some startling conclusions. They are set forth in what follows with such fullness as was possible within the limits of the time. If they were only my own conclusions, there are some of them that I should doubt myself. It is hard to believe, when one sees what is outwardly a

perfectly normal country with its people quietly moving about, apparently fed and clothed to a normal standard, that there may be impending a catastrophe for such people — a catastrophe that they themselves do not dream of at the moment, a catastrophe that may be marching with the grim certainty that marks tragedy. But this catastrophe may be averted if statesmen are wise enough and if America is wise enough; for America is the last hope of Europe.

America must be brought to understand what has happened to Europe and be filled with sympathy but not with sympathy alone, for charity alone cannot save Europe. America must understand how her own fortunes — her own future — are bound up with the fate of European civilization and that European civilization is confronted with extreme dangers. Without America's help, the catastrophe cannot be averted, I believe,— but by America's help I do not mean America's charity. If once we grasp the full import of what the war has brought to Europe, at once we see what vast responsibilities and opportunities the war has brought to us. I believe we will place ourselves at the service of Europe as a whole nation just as we threw our whole national strength into the task of saving Europe and the world from military domination. Europe is now to be saved from a financial and industrial breakdown. There

are possibilities of a cataclysm in the situation and time will move very rapidly. I believe much of the disaster can be averted but that can only be done if America understands.

I have said that I might doubt my own conclusions if I had reached them independently; certainly I would not venture to put them forth on a printed page if they were but my own conclusions. They are, in fact, the essence of the information gained in a great many interviews. In what follows I have directly quoted no one. It would be unfair to do that because in no case did I have a conversation when I had in mind at the time publishing anything regarding it, and certainly the people with whom I talked could not have expected that I was interviewing them for publication. Nevertheless, I think it is fair to the readers of this book that they should know something of the sources of my information because that may help them to put a value on my conclusions and therefore I propose to give a list of some of the men with whom I have had full opportunity for a serious interchange of views.

I met the Finance Ministers of all the Governments I visited except Holland. I also met the Finance Ministers or financial representatives of Czecho-Slovakia, Jugo-Slavonia, Rumania, Greece, Lithuania and Poland.

With Mr. Austin Chamberlain, it was the renewal of an acquaintance beginning some years ago. Like all finance ministers, he has a staggering load upon his shoulders but I found no man in England who did not speak with words of high respect of his integrity of mind, of his honest purposes and of his fine character. Monsieur Delacroix, Finance Minister of Belgium, is also Prime Minister. My impression of him is that he is a statesman in the true sense of the word, well trained, high minded, capable. I met Monsieur Klotz, Finance Minister of France. Signor Stringer, the new Finance Minister of Italy, had been an acquaintance for eighteen years. He is a trained banker, having been, I do not know how much longer than that period, the head of the National Bank of Italy. He knows the technique of finance and he has a problem that will fully test his large abilities. In England, I met Sir Robert Horne, Minister of Labor, and Sir David Shackleton, Permanent Secretary to the Minister of Labor, who in the Labor Movement is familiarly known as "Honest David" and who is regarded by the present Government as one of the finest assets that the civil service possesses. In my whole European experience, I met no one who looked facts more squarely in the face than did Sir Auckland Geddes, Minister of Reconstruction, who is soon to give up public life to take the head

of a Canadian university. I had an interesting talk with the Right Honorable George H. Roberts, who, since 1917, was Minister of Labor until he accepted from the present Government the portfolio of Minister of Food.

Among the labor people, I talked with Mr. J. H. Thomas, M. P., the General Secretary of the National Union of Railway Workmen, who represents a union of more than 500,000 workers. He is a statesman as well as a labor leader. He has twice been offered cabinet positions and it would not surprise me if some day he headed a labor cabinet. I talked also with Mr. A. Taylor in the absence of Mr. W. A. Appleton, the head of the General Federation of Trade Unions. Mr. Taylor is next to Mr. Appleton at the head of an organization of over half a million. I found him one of the most patriotic, most moderate and most sensible of men and I felt at the end of an hour as if I had been listening to an elevating sermon. If there are many such labor leaders in England and if they can lead their followers, I have little fear of how far the labor movement there will travel. The Right Honorable Arthur Henderson and Professor G. B. H. Cole represented the more radical view of the men who are not at one with the present social order but even they had a moderation of utterance and such a tentative character of program as

partially to disarm fears as to where they might lead an active minority.

I met the two active heads of the Government's employment administration — Mr. J. W. Philips in charge of Unemployment Insurance of the Labor Exchange, who is disbursing a million and a quarter pounds a week to the unemployed, and Commander J. B. Adams, R. N. R., General Manager of the Employment Exchange which is placing in positions 6,000 men a day. Commander Adams has had the interesting experience of accompanying Sir Ernest Shackleton to the South Pole.

Among other British statesmen with whom I discussed conditions were Lord Milner, Lord Leverhulme (notable as a great employer of labor advocating a six-hour day), Lord Revelstoke and Lord Faringdon. Among the financial people in the city, I discussed conditions with Sir Brien Cokayne, Governor of the Bank of England, and Montague Norman, Deputy Governor, Sir Edward Holden, Sir Felix Schuster, Lord Inchcape, Sir Charles Addis, Sir Robert Kindersley, head of the National War Savings movement, Sir Robert Vassar-Smith and Mr. Henry Bell.

I had the pleasure of dining with the financial editors of London: Mr. Hugh Chisholm (*The Times*), Mr. A. W. Kiddy (*Morning Post*), Mr. Ellis T. Powell (*Financial News*), Mr. R. J. Barrett (*Finan-*

cier), Mr. H. Oakley (*Daily Express*), Mr. Walter W. Wall (*Daily Chronicle*), Mr. F. W. Hirst (*Common Sense*), Mr. E. R. Macdermott (*Railway News*) and including the master of lucid exposition in economics, Hartley Withers.

In France, I saw various members of the present Government as well as M. Briand who, many think, will succeed M. Clemenceau in due course, and I had several conversations with one of the ablest of French statesmen, M. Raoul Peret, President of the Budget Committee of the Chamber. Of course, in Paris one sees now the whole world, and so besides French officials and many French financiers, I met the premiers of all the new small nations, among them my old friend, Mr. Paderewski, and a most attractive new one, Mr. E. C. Venizelos of Greece. Here, too, were many important men from England, Italy and the Scandinavian countries and I had the opportunity of comparing notes with some of our own distinguished citizens, including Colonel House, General Pershing, General Bliss, Mr. Baruch, Vance McCormick, Thomas Lamont and H. P. Davison.

Without wanting to make any invidious comparisons, I cannot refrain from saying that of all the men I met in Europe I obtained the greatest amount of information, the broadest, most statesman-like views, the finest analysis of social conditions from

another American citizen, Herbert C. Hoover. I have known Mr. Hoover for some years but it was not until I had some long, undisturbed talks with him in Paris that I fully appreciated what an able man he is.

This list is already growing too long and I wish to make it only as an indication of my sources of information. I cannot refrain, however, from adding a few more names. In Italy, there are two that stand out with great prominence, Dr. Pio Pirelli, and Comm. Pio Perrone, the head of the Ansaldo Company. Their story is told elsewhere in this book. Nor in Spain must I neglect to mention a delightful hour spent with His Majesty Alphonso XIII. There, too, I also met the premier, Count Romanones, and other members of the Government, and perhaps one of the best economic minds I met anywhere in Europe, Ex-Minister Baldomero Argente. Nor, indeed, must I omit the mention of another hour with the King of Montenegro in Paris and several long talks with Dr. G. Vissering, President of the National Bank of the Netherlands, a strong, able figure in the financial life of Holland. I also had talks with leading Belgian, Swedish and Norwegian bankers and financiers.

I had the privilege of comparing notes with our own Ambassador to Great Britain, Mr. Davis, our

Ambassador to Italy, Mr. Thomas Nelson Page, our Ambassador to Spain, Mr. Willard, our Minister to Belgium, Mr. Brand Whitlock, our Minister to Switzerland, Mr. Stovall, our Minister to Holland, Mr. Garrett, all of whom I have to thank for extreme courtesy in inviting me to meet distinguished people and in aiding me in every way.

The list could be much extended. I do not, of course, profess that all of these people would agree with all of my conclusions, but I think I can fairly say that not a single statement is made in this book, or a single conclusion drawn, that could not be supported by some among the distinguished company who have been so courteous to me.

THIS book is dedicated to my six children, with the hope that they, and their generation, will grow up possessed of an abundant sympathy with their fellows, and a sufficient knowledge of economic law, to enable them to make a liberal and wise contribution of service to society.

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CHAPTER I

PARALYZED INDUSTRY

I WENT abroad to learn at first hand something of what the war had done to the finances of Europe. I had gone but a short way in that investigation before I perceived that there was something far more fundamental and important to investigate than finances.

Perhaps nothing worse than national bankruptcy, with its attendant results can happen to a people. I believe, however, that something more far-reaching and more disastrous than mere bankruptcy has happened to a number of European nations.

The most profoundly significant thing that I sensed in Europe is the disorganization and paralysis of industrial production. The paralysis is not confined to the war zone. It extends to the industries of the neutral countries. So long as it continues, there is danger of revolutionary development and of Bolshevik tendencies. Wherever unrest develops into