

Nov 21 Bismarck's dream realized; by Professor
J. Anton de Haas.

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DISCUSSION

following lecture by Professor J. Anton De Haas

November 21, 1938

Q. Professor De Haas, I wonder if you would tell us your opinion of the economic and political significance of the trade treaty we have just completed with Great Britain?

A. Well, this is the first trade treaty which we have made with a country that is really of importance. It opens up, it does not complete it, but it opens up the way for trade treaties with the rest of the British Empire as well. In the first place, the very fact of the size of the population and territory involved makes it of outstanding importance. In the second place, it is of very great importance economically because it is really the first trade treaty in which we had a chance to do something substantial for our farmers. Thus far our trade treaties have all been with countries which more or less were similar in production with our own, and, therefore, we weren't able to do very much for our farmers directly. We have been able to do that now and I think the effect upon the farming group will be very good, both from the point of view of giving them a better outlet for their products and helping solve the farm problem, and also the point of view of the support which they will give the general policies of the government. Then, too, it is advantageous from the political point of view. It very definitely strengthens the ties between the United States and Great Britain and Canada and it serves notice upon people like Hitler and Mussolini that the big Anglo-Saxon democracies intend to stick together. Also, if we are to lend anything--

it is inevitable that we lend money to Great Britain, and I think we ought to--the existence of this treaty will make it possible for us to look forward to being paid some time, which is sometimes a pleasant thought when you lend money. Then, of course, from the point of view of the Latin American situation. In Lima on the 9th of December the conference which will discuss Pan-American affairs will take place, and it is the first time that Canada will be present. Canada has been very definitely drawn into the American economic system more closely than it ever was before and it is a very significant thing from the point of view of the Pan-American unit that Canada is now going to be represented in Lima, all of which would have been possible perhaps without this trade treaty, but the trade treaty has undeniably strengthened the ties that bind us.

Q. You brought up the question of entering into an agreement with the German people. Is there any guarantee--is there any way we could guarantee that if we made an agreement with the German people that the German people would ever carry it out if it ever became to their interest not to carry it out. Looking back at the history of Germany it seems to me that any time a treaty got in the way of the German people it was always a good excuse to break it.

A. Well, that is, of course, a troublesome question, and I'll be the very first one to subscribe to this lack of faith in Germany. But the other nations haven't been doing so well either. England and France in recent months have not shown a very clean record. We are doing pretty well. I don't say it because I know that thought may be popular, but because I believe it to be the truth that our record as to keeping treaties,

although it is not always one hundred per cent perfect, it has in recent years been excellent. But the German record has been particularly rotten. Don't forget, though, that this bad record started really after the Republic was upset. It has been particularly bad since 1933 for the very good reason that the Nazi group set up as their ideal not to regard outside agreements as binding. It is part of their philosophy because they say the State is supreme. Now there can be nothing greater than the State. A treaty with another nation, if you allow that to interfere with the functioning of the State, then you are recognizing something bigger than the State, something outside the State. It is a great philosophy. The reason why I suggest this constructive thought, and it is dangerous, I know, but the alternative is no better--the reason I suggest it is that I got very definitely the impression when I was in Germany, that the decent people in Germany want to do something but they don't know what. I asked one of them, a friend of mine whom I have known for a great many years. He had me out in his car and drove me all over the place because he didn't dare talk at home. I said: "Why don't you shoot him?" He said: "It's a good idea, but what would we get? We don't want a monarchy because we can't sell it to the people and because there isn't any representative of the old regime that anybody wants. In the second place, there is nothing very attractive about the Republic form of government because our Republic didn't hold up very well. We have been taught right along, perhaps wrongly, that it didn't accomplish anything. Then, in this last few weeks we have had an opportunity to see who is weak and who is strong. We Germans like

a strong government. Then there remains nothing but another dictatorship, and it would be Goering or Goeltz and then where would we be? We'd be no better off than we are now." The issue, then, among the decent people of Germany is what have we got to offer the German people in the way of an attractive alternative to which they could rally. Now, if they could say: "Look here. We have a promise, and the United States doesn't break promises, we have a promise of better food, better clothing, an end to this war fear, and the kind of government which we decent Germans can live under. Now how about it." You have an alternative to offer. I may be wrong, but it was just a thought that came to me as I was talking.

Q. Professor De Hass, our past performances in Latin America have recently been subjected to criticism. Would you care to offer some plan for one of your points you mentioned in your program?

A. Well, of course, our actions in Latin America have been subject to criticism and I think rightly so. We were not worse than any other nation, but we have followed ever since Theodore Roosevelt, particularly, who philosophized about it, we have followed a policy of looking after our investments, which is all right, but not when it reaches the point when you enter into the internal affairs of another state. We have recently turned the pages and said: "No, we won't do that any more." The only way we can get along together is by the United States, although it is strong, recognizing that weak states have a right to exist, and that if any trouble starts, that these troubles should be straightened out, not by force, but by discussion and we will no longer play a lone hand. No interfering with other countries any more and no longer playing a lone hand. If now something important to the Americans happens, let us sit in conference and all together decide upon it. That is the only way you can make good will and

cooperation. I know the American business man, every business man, the executive, always feels that cooperation is "I tell you what to do and you do it". That is not cooperation, you see. Now we are on the way towards real cooperation. You might say that it is weak. Maybe it is, but in the long run it is the strongest and wisest policy because, don't forget, after all, suppose the people in Venezuela or Brazil really decide they don't want American oil or American goods, what are you going to do about it? Force--it may look like an attractive thing, you feel you are doing something, but the ultimate outcome is never satisfactory. A policy of force places a mighty disagreeable job on the Army and Marine Corps and the Navy. No, it is better this way. You have the finest illustration--the situation in Mexico. There was no situation more full of potential trouble. There were, of course, the oil interests and other American people who had money invested in Mexico, who naturally said: "For God's sake, do something." There were also the Germans, anxious to stir up trouble because they were hoping that when the present regime in Mexico was upset that they might get in on the ground floor, and a great many other forces were at work to start actual trouble between the United States and Mexico. It came just at a time when we were preaching the good neighbor policy in Latin America and it would have been the worst possible time to take the wrong kind of action, but thanks to Secretary Hull's masterful statesmanship we haven't had any trouble. We have got all we could hope to get nationally. A commission is being appointed in which the payments that will be due to American owners from Mexico will be settled. That is all you can ever hope to get. So it seems to me that that policy is right now proving to be extremely wise.

Q. Will you comment on Germany? How were they able to finance the rearmament program that they have carried on and also the tremendous amount of public roads and so forth, in view of the fact that they lack gold and, as you say, they only found a little bit in the bank at Vienna?

A. Germany has spent an awful lot of money, nobody knows how much. Of course, the estimate is that this year Germany has spent four billion dollars in armaments, which is about four times as much as we are spending. Where in Heaven's name are they getting the money? Well they get it by i.o.u.'s. They get it by short-term promissory notes which are repeatedly re-used. The process in short is this: the Government places an order. They go to the manufacturer and say: "We want you to do so and so." They say: "Where is the money?" The Government says: "We will give you a Government paper which you can discount at the bank." This paper is circulated and finally reaches the central bank again. You say: "But they can't keep that up." Oh yes they can. They can keep that up just as long as they keep this process from influencing prices. Of course, if the people in Germany knew how much of this short-term paper is outstanding, if they knew there was no gold in the bank to back it up, if they knew and could act upon it, the prices would shoot up and you would have a period of the worst kind of inflation. In the first place, they don't know, and in the second place, they run the risk of going to a Concentration Camp. The success of German finance is at most a financial strength. It is a strong-armed success. That is the secret, and the answer is obvious, that as soon as something happens to the strong arm, Germany is

going to blow up. Germany cannot stop on the road in which she is going--spending enormous sums in building highways, building armament-- she cannot stop without facing revolution, because there would immediately be a tremendous increase in unemployment. If she faces revolution she faces absolute economic ruin. To make revolution possible you have to hold out to them the possibility of staving off economic ruin. That was the thought I had in mind in my positive suggestion. They are doing everything now to develop industries which will take up the slack once they quit producing armaments. They have got to quit some time. Hitler has had everything in his favor so far. He can say "Look here, I solved the unemployment problem." He did all right, but it isn't permanent. He put them in the Army for two years and then this Labor Camp. We could solve our unemployment problem to a very large degree that way, too. Put a brass button on a man and you don't have to pay him anything. But it is not only that. It isn't only that Hitler has built up an Army and put the heavy industries to work again, or that he has built and is building substitute industries to take up the slack in employment. They are now facing a comparative shortage of labor which results from the fact that during the War there was an absence of births. There is a tremendous gap in the amount of labor due to this absence of births, which now is beginning to be felt. So Hitler would have had no unemployment problem anyway, if he had gone ahead normally. Another thing they are doing to take up the slack is that famous automobile you have heard so much about. The beautiful car that they are building that is going to take up the slack. It is really a joke. We would call it just a cheap car but the Germans

wouldn't do that. They are calling it the "K.D.F.", the "Kraft Durch Freude", the "Strength Through Joy Wagon". You look at the thing and it looks like an inflated Austin. It has the engine in the rear and has very little frame because it doesn't need much frame. All the weight is in the rear. It has an aircooled engine and they claim they can go 85 miles an hour with a gas consumption of 35 to 40 miles a gallon. I wouldn't drive 85 miles an hour in it because in the front the only thing between you and eternity is the gasoline tank, which would land right in your lap if you hit something. That is their great German invention. What interested me most of all was the way in which they are marketing it. Of course I wanted to find out how it was done so I had them drive me to the Labor Front Office and I told the man at the desk I wanted to buy one of his cars.

"How much are they?"

"990 Marks."

"All right, when can you deliver?"

"Oh, they are not being made yet."

"Well, how can I buy one?"

"Oh, we don't sell them for cash, anyhow, only on the installment plan."

Well, he had me fill out a big sheet, a fine document like all German documents, which stated I would start out by paying five marks a week and I would keep that up until I had paid 990 marks, which would take about four years. Then, if, as and when, as the lawyer says, I get a number, and if, as and when the car corresponding to my number rolls

off the assembly line, then I get it. But the plant isn't built yet and they don't know when it is going to be built. They have got some plans and they might some time use them. What they are doing is building up this fund with which to start work immediately to put into effect this enormous automotive plant to build these automobiles as soon as the lack of employment resulting from the termination of the rearmament program begins to make itself felt. They have a lot of schemes like that. They have great hopes for the future. They may be able to work it out that way but I doubt it.

Colonel Miles: We are deeply indebted to Professor DeHaas for this fine talk. I think the applause must have indicated to him how much you really appreciated what he said.