

Belgium's Crisis Hits the Gold-Bloc Nations

The Weakest Member of the Group of Seven European Countries Adhering to the Yellow Metal Standard Is Helped by a United States "Loan" of \$25,000,000

THE fall of the Belgian Cabinet of Count Charles de Broqueville on November 13 at about the same time the United States Treasury Department removed the restrictions upon dealings in foreign exchange, brought about a strong movement of the American foreign-exchange market against the gold-bloc currencies of Europe and in favor of the dollar.

Count de Broqueville admitted that the Government, to which Parliament had voted full powers to govern by decrees, had been wrecked over disagreement among its members on economic and financial measures. The chief issue of controversy was said to have been raised by a conflict between those who favored devaluation and those who proposed deflation and retrenchment. The fall of the Belgian Cabinet caused deeper anxiety than the recent political upset in France when the National Union Cabinet of Gaston Doumergue was forced to resign.

It was predicted in some quarters that the new Belgian Government would issue a proclamation of reductions in salaries, pensions, and subsidies in keeping with the deflation policy, which financial experts have declared is the country's only way of remaining on the gold standard.

If Belgium deserted the gold bloc, it was reported from Amsterdam, the entire group of gold nations might be endangered.

The seven European countries adhering to the gold standard are Belgium, France, Italy, Luxemburg, Switzerland, Holland, and Poland. Its members, who control more than 40 per cent. of the world's gold currency, count, with their colonies, 250,000,000 inhabitants and share 24 per cent. of the world's trade. Belgium has been regarded as the gold bloc's weakest member.

Hostility in Gold Bloc

The most ominous sign was hostility within the gold bloc itself, such as was caused, for example, by the offer of Swiss hotel keepers to take pounds from British tourists all winter at sixteen francs. The French were particularly incensed about that, it was said, because it meant that the pound would be worth more in St. Moritz, Switzerland, than in Chamonix, France, right across the border, and so a British tourist would have more inducement to spend his winter holiday in Switzerland.

The French wondered why the hotel keepers did not reduce their rates, instead of indulging in what the French called "monetary dumping." The Swiss Chamber



"The Confusion of Tongues"

—The Daily Express (London)

of Commerce in France issued a denial that the movement meant abandonment of present parity, and said neither the Swiss National Bank nor the Government had anything to do with the matter.

The United States Treasury's removal of the restrictions on capital exports partly accounted for the dollar's strength, especially on the Paris Exchange. Paris dispatches related that the dollar was being sought, and would continue to be sought, for commercial needs. The French were reported as expecting a steady, tho moderate, gold drain to the United States for some time to come.

Not all the gold shipped to America represents an ultimate loss by the Bank of France, it was pointed out, because gold was coming to Paris from Belgium and Holland. In summing up the gold bloc's tale of wo, one Paris correspondent noted that the Italian lira also was weak on the day following the resignation of the Belgian Cabinet, the Polish zloty was under pressure, and the Stock Exchanges of all gold countries had a more or less bad time.

In discussing the United States Treasury's action in wiping out restrictions on foreign-exchange transactions, and the export of currency other than gold, Secretary Henry Morgenthau, Jr., discouraged speculation to the effect that this was the forerunner to definite steps for international currency stabilization.

"I don't see how anybody can draw any conclusions from these regulations," he told a Washington correspondent of the New York Times. "I mean as to stabilization.

"The fact was that when anybody wanted a permit to send money abroad, we gave it to him. Now he can go ahead and do it, but he has to give us detailed information. As a matter of fact, we are going to get

more information now than we got before."

The difficulties of the gold-bloc nations were reported as being watched closely at Washington in the realization that, should devaluation of their currency be forced, Britain and the United States might find it necessary to consider measures to prevent chaos in foreign exchange, or a new disruption of foreign trade.

For the present, it seemed, the time was not ripe for any move. Whatever action might be taken by Britain and the United States toward currency stabilization, according to expert opinion in Washington, might well be determined by the success the European gold bloc had in resisting pressure on the Belgian

belga, the Swiss franc, and the Netherland florin.

In an effort to prevent the "gold-bloc" countries from being forced off the gold standard, it was reported from Chicago, the United States "lent" Belgium \$25,000,000, taking that amount of Belgium's gold as security. For more than two weeks the monetary situation in Europe had been upset by a wave of runs on gold in the nations remaining on the gold standard, notably France, Belgium, Holland, and Switzerland. During this period there was a movement of approximately \$90,000,000 worth of gold to the United States.

France, with more than \$3,000,000,000 worth of gold reserves, was said to have been in no immediate danger of being forced off the gold standard by these runs. In the smaller nations, however, particularly Belgium, the situation had been acute.

The "Loan" to Belgium

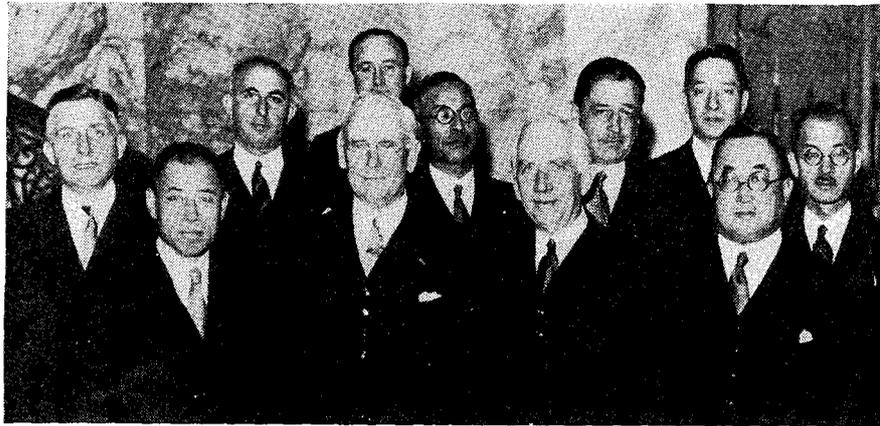
The "loan" to Belgium was described as being in reality no loan at all, but, rather, the purchase of \$25,000,000 of Belgium's gold for shipment to the United States, where it would be turned over by the Reserve Banks to the Treasury. About half of the gold already had been shipped to the United States, it was said, and the rest would reach American shores as fast as ships were available to carry it.

Whether additional Belgian gold would be bought on such "loan" arrangements, if the recent transaction failed to stem the tide of gold from that country, was not indicated by Treasury or Reserve Bank officials.

Under the law the Reserve Banks are not permitted to hold gold. So as fast as the metal was received, it was pointed out, it would be turned over to the Treasury, the Reserve Banks being paid off in cash.

Struggle of the London Naval Parley

*Britain's Compromise Proposal on Japan's Demand for Parity Assailed
by Noted Japanese in Tokyo*



Acme

American and Japanese delegates at London: (Front, left to right) Vice-Admiral Isoroku Yamamoto of Japan; Admiral William H. Standley, American Chief of Naval Operations; Norman H. Davis, American Ambassador-at-Large; Tsuneo Matsudaira, Japanese Ambassador to Great Britain; and (behind) members of the American and Japanese delegations

A naval-limitation proposal which would recognize Japan's nominal naval equality was taken under consideration by the United States after a strong appeal made by Sir John Simon, British Foreign Secretary, to the American representatives in the preliminary naval conversations—Norman H. Davis and Admiral William H. Standley.

According to the British compromise proposal, recognition of Japan's theoretical naval equality would be accompanied by a gentleman's agreement under the terms of which each Power would proclaim the limit beyond which its naval establishment would not be expanded during the next five years.

The British Position

The chief British objective, it was said, was to prevent Japan from cutting herself loose from all treaty restrictions and determining her own naval strength regardless of Great Britain and the United States.

To accomplish that, the British suggested that Japan's equality be recognized by both English-speaking Powers.

To match that yielding to Japan, the "concession" to the United States would be continuance of the ratios in fact on the present basis of 5-5-3.

Despite reports of the willingness of the Japanese delegates at London to give fair consideration to the British compromise proposal, Viscount Korekiyo Takahashi, former Finance Minister, declared at Tokyo, in an interview published in the Japanese newspapers, that Japan would absolutely reject any proposal to give her nominal naval parity but actual inferiority. "If Japan's clear demands for parity and common tonnage maximums are refused," he said, "it is futile to continue the naval discussions." Declaring that Japan would not concede one step, he said in the same breath that, if negotiations were broken off, it would not be Japan's fault.

The British naval compromise proposal was "a clever diplomatic trick to give Japan equality nominally, but not in substance, similar to granting Germany equality of armaments, but making it impossible for her to obtain it." That was the statement at Tokyo of Gen. Kuniaki Tanaka, head of the Merinkai, powerful reactionary organization composed mainly of retired officers.

When Britain and the United States had brought their navies up to treaty strength, he added, it would be too late for Japan to catch up, so the Japanese must "forge ahead to attain security from the day when the existing treaties are abrogated, or from the day when new treaties are concluded."

France was reported to be watching the London negotiations with the greatest interest. France never has been a believer in armed limitation by ratio, and even when the famous 5-5-3 ratio was proposed it, and France's part in it, was accepted without enthusiasm. The French believe the armaments questions can not be settled arithmetically. From the experience of its application, it was said to be France's conviction that instead of leading to a feeling of settlement and security, it leads to rivalry.

Seeing that the naval talks seemed to be leading nowhere *The Spectator* (London) wondered whether Japan was negotiating in the Oriental fashion, with a view to accepting later less than she has been asking. If not, then an era of appallingly costly competitive building appeared to be looming.

King George V, in his speech proroguing Parliament until last Tuesday, expressed hope for a new naval treaty "in order that the world may be spared the evil of unrestricted competition in naval armaments, so effectively averted in recent years by international agreements freely entered into by the parties concerned."

In Foreign Fields

London—A sum of \$10,000,000 will be set aside from the British public revenues to finance the activities of two special commissions charged with bringing new hope to areas in the United Kingdom which prosperity seemed to have forsaken forever. The distressed sections are in South Wales, Northern England, and the Scottish Clydebank. The commissions will give their whole time and attention to the problem of recovery in these regions. They will have the widest possible authority and will have a free hand to experiment. The Government, said Neville Chamberlain, Chancellor of the Exchequer, believed the commissions should frame schemes for employing local labor in the "derelict" districts, to plan them anew, with a view to making them more attractive. He also suggested the commissions should consider the extension of work in occupational centers and encourage agricultural holdings, including cooperative holdings. The commissions would have power to buy and sell land, or buy land and turn it over to local authorities.

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Prague—A new figure in the European race for armaments appeared when Czechoslovakia formally announced her entry. Minister of National Defense Bohumil Bradac declared in a budget discussion that it had become necessary to fortify Czechoslovak towns, which were particularly vulnerable. Construction of fortifications would commence next spring, he added. The youth of the nation, he said also, must be trained to bear arms as the work of gymnastic organizations in this direction was not sufficient. He urged the introduction of a two-year period of military service. Foreign Minister Eduard Benes said that for the slogan "if you want peace prepare for war," he would substitute "if you want peace, prepare for peace." Yet he was compelled to recognize that there were moments in the life of a nation when to neglect preparation for defense amounted to an invitation to war. Until now Czechoslovakia, compelled by her geographical situation and the disposition of her people, has remained the last one of the pacifist nations.

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Dublin—President Eamon de Valera was reported as having the satisfaction of feeling that he has behind him one of the strongest political organizations Ireland has had for many years. At the ninth Annual Congress of his Fianna Fail Party nearly 2,000 delegates, representing every county in the Free State, thronged the Mansion House in Dublin. The Secretary of the party reported that branches of the Fianna Fail had increased by 116 during the past year and now totaled 1,893. Only in South Mayo had there been a decrease in party strength, against which there were notable advances in Kilkenny and Cork.