

HOW TO SAVE GERMANY

BY HUGO STINNES

[The following article is from a stenographic report of the address which Hugo Stinnes delivered before the Economic and Financial Committee of the German Economic Council on November 9.]

From *Deutsche Allgemeine Zeitung*, November 12
(BERLIN STINNES DAILY)

EVERY man who is engaged in manufacturing, whether on a large or a small scale, whether he is producing finished goods or raw materials, must wish with all his heart for a speedy ending of our present inflation and the definite stabilization of the mark. Opinion in Germany is divided only as to the conditions under which we can bring that desired object to pass. I believe there is no such difference of opinion, however, in the National Manufacturers Association and, above all, in the Directorate and the Executive of that Association. Naturally, there are slight shades of difference, as everywhere. But in the broad and large, opinion is entirely unanimous.

This opinion has nothing to do with vertical and horizontal trusts. I am happy to begin my remarks by clearing up this point.

Vertical trusts are the children of their time, and horizontal trusts are the children of their time. If money and goods are hard to get, we have vertical trusts, because they enable business to dispense with money and purchases of raw material by articulating all the stages of production under single control, so that very little money is used in the actual purchase of the things employed in production. But if raw materials and good money are abundant — which is a condition we shall eventually see again in Germany

— then horizontal trusts will come to the fore. I was personally very active in organizing horizontal trusts before the war, when we were a wealthy nation in respect to capital and raw materials. I hope, if I live long enough, I shall be able to swap horses again, when conditions change and again make horizontal trusts the more desirable.

We Germans are, in my opinion, much too doctrinaire. We are prone to imagine that institutions and devices that are the children of their time and the children of temporary conditions are absolute and will endure for eternity. And in my opinion, we should get rid of the idea that a man must stand for a particular theory because he has adopted a certain course under certain exceptional conditions, although he may never have desired those conditions to occur. There is hardly a man in Germany whose business was so shaken to the foundations, whose existence was so critically threatened, as my own — by the war in the first place and by our defeat in the second place. There are few men whose business had such a world-wide extent, and therefore suffered so by the destruction of world commerce.

I admit that certain industrial groups and certain branches of business are so affected by the present conditions that they cannot protect themselves,

partly because of Government regulations and partly because they lack knowledge, capacity, and ability to overcome these conditions. On the other hand, there are other industrial groups—naturally those that command greater resources and greater skill, and above all have broader business connections and a better knowledge of world conditions—that are not so defenseless under our present circumstances. It is quite natural that those industries that are better able to protect themselves should defend their interests more vigorously than those that are helpless. That is the only difference between them. Those industries and industrial organizations that are still capable of making a fight for survival believe that their salvation does not rest in any compromise or appeal for compromise; that compromises will result in a fiasco that will merely make things worse than they are to-day. Certain industrial groups who are still able and determined to fight for their lives take this position: 'We will agree upon no measure that will put us in a much worse situation three months from now, or six months from now, than we are in to-day. We intend to fight and to keep fighting without any remission, until we force some kind of settlement that will be a real, permanent settlement, and that will not surrender the control of German industry and German business to the people of a foreign country.'

For you, gentlemen, can hardly fail to be aware of this: war indemnities are being extracted indirectly from German business every day—through compulsory measures forced upon us by outsiders, and through the conditions that prevail at home—which are literally beyond reckoning. I know that enterprises have recently been organized abroad whose sole object is to take advantage of the present inflation

of the mark, to buy up buildings, land and other properties in our country, and that in this manner many billions of gold marks are being taken from us in ways that have nothing to do with the Peace Treaty.

I believe that the men who have it in their power to defend certain key positions in German industry are only doing their duty in hanging on to those key positions and not letting any foreigner have them. For, if these key positions do get into the hands of foreigners, as has already happened, for instance, in Austria, the reconstruction and revival of our country will be still more difficult, and we may never be able to recover our economic independence, on account of political duress.

Coming now to stabilizing the currency, we must first of all, I think, get a clear idea of the economic condition of the German Commonwealth both abroad and at home. Germany is running up a heavy deficit because she is not producing enough. I estimate Germany's underproduction as at least two hundred million gold marks a month. Germany not only must produce two hundred million gold marks more, but must produce them over and above the cost of production, if she is merely to pay her own cost of living. Not until we have done this can we begin to produce an excess to apply on our Reparations debts to other countries.

So right here, at the outset, we stand face to face with the enormously difficult question: how can we increase our production? and the second question: how can our Reparation debts be reduced to a reasonable basis?

I am firmly convinced that if the French and the Entente in general were enlightened enough to grant the German nation—conditionally upon our increasing our production to the surplus point—free control over our des-

tinies, and if they were to withdraw their forces of Occupation, the Germans would get down to work and in a comparatively short time would again become a prosperous people. Whether the French and the rest of the Entente will agree to such conditions, seems to me doubtful.

If we are to survive, then, we must produce more. We must also have access to the markets of the world. In spite of the control we are exercising over our exports — and I have no use for that kind of control — our country, with its worthless money, is shipping goods abroad to an extent that creates an almost intolerable condition among our neighbors. We have just had a report from a Netherlands expert, written with the boot and shoe industry of his country primarily in mind. We cannot blame him if he protests at the ruining of an industry through the effects of inflation in Germany. We shall soon be faced with insuperable barricades against our goods, with artificial obstacles of every kind to keep us out of foreign markets, because we have no dependable standard at home by which to control our own costs of production, and we are sending under-priced goods abroad that represent an actual subtraction from our national wealth. So long as we buy our raw materials on credit, such exports may afford a momentary relief. But they are a charge against our future prosperity, and will eventually force our manufacturers to shut down completely.

We cannot restore economic prosperity at home until we enjoy the most-favored-nation treatment abroad. We cannot expect most-favored-nation treatment abroad until we create conditions at home that convince foreign Governments that we are paying our costs of production on a sound-money schedule: in other words, we cannot dump goods, over and above what is

normal and reasonable, upon their markets.

In a word, I take the position, and I believe that an increasing number of other business men familiar with world conditions take the same position, that the first requirement for the recovery of Germany is to work harder — indeed to work to excess. I do not hesitate to assert that in my opinion the German people will be obliged, for ten or fifteen years to come, to work at least two hours a day more, in order to raise production to a point where they can live and have something left over to pay for Reparations. Furthermore, it is my conviction that we must have a general housecleaning and get rid of a lot of things that have hampered Germany's production during the war and since the war.

At the same time, the most-favored-nation treatment abroad is also essential for our industrial survival. That must be granted us as compensation for our longer working-day. Give us these two things and we shall have prepared the way for stabilizing our currency and for whatever else may be needed. It goes without saying that we shall have to put our wages back on a gold basis. I consider it absolutely impossible for Germany to recover her position in the markets of the world until she pays her wages in gold. But this is obviously a reform that must follow, instead of preceding, other reforms.

If you resort to some such quack remedy as a loan of 500 million gold marks from over-trustful foreigners, you will spend the last pfennig of it to no purpose inside of two or three months; and you will not have the 500 million gold marks later, when it is absolutely necessary for you to have them. Some one interrupts, that we are to get a billion gold marks. If you get a billion, you'll squander them in five months, and you will not get most-

favoured-nation treatment, neither will you get the wages of German working-men back on a gold basis. And let me repeat: wages in gold are absolutely indispensable, for you will not get England and the other countries to grant you most-favored-nation treatment in their markets until our working people are compensated on the same general basis as their own working people.

Now I come to the rate at which we should stabilize. In view of the monstrous sums of paper marks in circulation, fixing the permanent ratio of paper to gold at too high a point would mean a gigantic contribution to foreigners. For foreigners have bought up paper marks in enormous quantities, and the higher the ratio to gold that we fix as the permanent value of the mark, the heavier the contribution we shall pay to foreigners who have bought these marks at comparatively low prices. More than that: if we peg this ratio too far up we shall add correspondingly to the salaries of our officials and the wages of workingmen, whose nominal rates of pay in the present worthless currency are exceedingly high. We must expect our bureaucrats and wage-earners to fight bitterly to maintain their salaries and wages at the present rate, no matter what the ratio of the mark to the dollar. So by placing that ratio too high we shall invite an epidemic of strikes.

But I believe that we cannot stabilize the mark successfully unless we can look forward to a long period without strikes and wage conflicts. If we start out our stabilization with an epidemic of strikes, that stabilization will cease, in my opinion, inside of two months.

So I believe there are very weighty reasons for not fixing the gold value of the mark too high: namely, the prospect of an enormous loss of capital to foreigners, and the certainty of bitter

wage-conflicts. In my opinion you will never be able to make the average German at home understand that if you deprive him of half the nominal value of his paper marks, he may still have as much property as before. He will merely tell you: 'I do not care about that. If you try to take it away from me, I 'll fight back.' And if he does fight back for two months, your stabilization scheme will be a failure.

Therefore, I think, we must muster up courage in Germany, first to say to the people: 'You may keep your eight hour day; but you must work, for some time to come, enough more than that to accumulate an active credit balance, and in addition enough for us to live on, to pay interest and sinking fund on a loan to stabilize the mark, and to pay such Reparations as may prove absolutely necessary.' I do not think this Reparations payment can be very large, now that things have been allowed to come to their present pass. I believe that both France and Belgium are beginning to realize that the payment will prove a very moderate one. Still, I am convinced that it should be large enough to rebuild all the human habitations in the devastated districts.

I consider it an absolute disgrace that we have obligated ourselves to deliver materials that are not to be used directly for reconstructing human habitations in the devastated territory. For instance, when we deliver Belgium new rails to replace her old rusty rails, that has nothing to do, in my opinion, with Reparations. When we deliver England mine timbers, that has nothing to do with Reparations. When we enter into ambitious schemes for southern France and God knows where else — for instance to build great warehouses in southern Tyrol — that has absolutely nothing to do with Reparations. Although I know that I am unable, with my own resources, to rebuild

the devastated regions, I am none the less convinced that this task must take precedence, and cannot be evaded. In my opinion, they would long since have been completely rebuilt if we had been the victors in the war, for I take it that any victorious nation would unquestionably get rid at once of the incubus of such a chaos of wreck and ruin. That territory must be rebuilt, if merely for psychological reasons. The millions of people who are now living there, under intolerable conditions, must be conciliated and made contented. Otherwise I do not expect to see the country to which they belong recover its sanity and reason. That was my sole motive for making the Heimburg contract. I did not leave M. de Lubersac in doubt for a moment that we should not be able to deliver very much under that contract while conditions remain as they are at present, but I determined I would do everything in my power to see that the little we could deliver should at least benefit the human beings who were suffering, and should not be used for objects that were far less immediate and exigent than rebuilding those human habitations.

If you gentlemen charge me, and the men who think as I do, with opposing stabilization of the mark at any price, you are absolutely right. But at the same time I tell you that the hopes and the interests of all of us are identical. We are merely differently situated in respect to our ability to defend ourselves against our present evils. And let me tell you one thing more: I have never faltered in my determination to defend my interests and Germany's interests, and I shall never falter in my determination so long as I live. I shall always fight against transferring our wealth and the control of our industries to a foreign country, so far as that is possible. I shall do all in my power to promote the eventual understanding

at which we must arrive with our neighbors, on any basis that will make us again a free nation, disposing of our own destiny and our own resources.

I am deeply desirous that during the interval before this is accomplished we may not waste our national wealth by bad government at home, as we are now doing. Our real estate and our buildings are being sold to foreigners at no more than five or six per cent — in many cases at no more than three or four per cent — of their actual value. I beg you to consider what a fantastic tax that means upon the German property-holder. I admit that if we had legislation to prevent foreigners from making these profits of ninety and ninety-five per cent of the total value of the property they purchase, they would be less interested in a continuance of the present situation. To-day they figure this way: 'The danger of Bolshevism may make us lose everything; but so long as the situation continues as it is at present, we are making a mighty good thing of it. Germany is paying us every month, or every week, so many billions of paper marks which we are able to invest at an incredible profit.'

In fact, companies are being formed to do this sort of thing. An Italian company has already been organized in Switzerland, and French companies are being founded. It is a marvelous speculation. In this way private parties are able to collect billions of Reparations that their countries could not get in any other way. And they are getting this money at the cost of the German middle classes, at the cost of the people least able to stand it: at the cost of people that the Government will eventually be obliged to support from the public funds in order to keep them from starvation.

But you can, in my opinion, remedy this situation. You must muster up

courage to say at once to the German people: 'You poor fools! No man can lose a war and then work two hours a day less than usual. That is impossible. You must work, and work, and still work. And if you work well and are firm in your resolve to work at some productive occupation and not to palaver, the way we are doing here, — these gentlemen and I could be producing a great deal more somewhere else, — the product of your labors may eventually make itself felt in the value of our money, and that will be a big step forward.' So that is what we must do.

But at the same time we must stick to this point of the most-favored-nation clause. I regard all the financial measures hitherto proposed by our Government as utter folly. In the first place, this is not a financial question. Our financiers can be of no use to us until our production has reached a point where we have finances with which to financier. When our industries are again running at the top notch of efficiency and when we have markets to which we can ship our products, then it is time for the financier to step in and say: 'Under such and such conditions I can supply you with a loan, and so much of this loan will be for your own uses, and so much for France and Belgium.' When we reach that point, we have solved the situation.

But so long as you hold a Damocles sword over the German citizen and threaten him that the harder he works, the harder he exerts himself, the tighter the noose will be drawn around his neck, you will make no profit.

I believe the world is coming to its senses. I am inclined to think that if we could get together and talk over the subject in not too large a circle, and start over with quite different premises and different points of view from those we have had before, we might make

quicker progress. But when I see a Reparations Commission coming here to Berlin and talking nothing but dollars and dollar-loans that we shall squander in no time, that leads us to nothing.

I have not talked with the Reparations Commission and therefore am not one of the men who are supposed to have submitted to that Commission an 'industry plan' — which, in my opinion, does not exist. But on this point there can be no doubt. If I conceive the German Commonwealth as a business amalgamation with considerable real assets but still not paying running expenses, — and I must conceive it as an amalgamation having a joint debt, — I am sure it cannot get any more money until it is run in such a way as to produce a profit. If it cannot make a profit, it will have to be dissolved. For the constituent firms can make a profit, and they will not remain in the combination unless the combination as a whole is profitable. In other words, the German Commonwealth will go to smash. And when we study the tremendous domestic difficulties with which we are dealing, and the secessionist sentiment in the different States of the Commonwealth, we discover at the bottom a feeling, and a justified feeling in many instances, that these States are individually running their Governments on a sound basis. They are alive and working. And why should they remain in a Federation that might run its affairs equally well but is not willing to do so — that has not the courage to face the truth? They ask why they should be involved in a general bankruptcy. If the Federal Government will get down to productive labor, the dissatisfaction with the Government in the East, in the Southwest, and also in the West will, in my opinion, vanish. But you are not doing that.

So let me say again: if I look upon the Commonwealth as a business enterprise, I first want to know how it is managed. That is what any banking house would ask before it extended credit: it would want to know where its creditor gets his revenue.

In a word, the Entente is nothing but an unfriendly bank with which we are compelled to make business arrangements. The first question it raises is: How can the business be managed best? How can we handle the situation? If the question is simply: How can this country, Germany, be put on a sound credit footing, I think we can clear up the present confusion very promptly. The unfriendly bank will have to make several important concessions. It must see that we have an opportunity to market our goods. It must unlock the world for us. Finally, when this and other similar preliminaries are settled, the bank will be in a position to say: 'Well, now I am convinced at last that you are in a position to do business at a profit, and will give you a current credit.' (Let me say, a stabilization credit would be, in case of Germany, nothing but a current credit.) 'In addition, I will advance you money enough to settle with your other creditors: that is, in your case, the Reparations Governments.'

You, gentlemen, have never got this idea into your heads, and so you have never tried it. But that is the way I would talk to these people if I had it to do. I am convinced that no Frenchman would be blind to such logic. The only serious difficulty I foresee is as to the order in which things are done: whether, we are to be given our freedom and the Occupation troops are to be withdrawn from the whole Rhine territory first; or, we are first to increase our production and our hours of labor. That is something that will have to be worked out by skillful

negotiation. I imagine, if you say to a Frenchman: 'You must get out of our country first, and then we will discuss other matters later,' he would say, 'No, I won't do that.' But if we talk over the other aspects of the problem, and the French become convinced that nothing can be done until they do get out, they will leave of their own accord. They will want certain guaranties; they will try to get some definite understanding with the Americans. For we cannot dispute the fact that any guaranties we may give merely to England and to Italy may under certain conditions prove no sort of guaranties whatsoever. If we are honest in our own minds, we shall confess that such guaranties are not satisfactory. . . .

We shall never secure the confidence of our creditors with such artificial measures as have been hitherto proposed: in my opinion they will never entice the dog from behind the stove. The world will have confidence in us when it sees that 'these Dutchmen are coming to their senses.' Then they, too, will begin to come to their senses. You cannot win confidence by childish experiments in manipulating your exchange. These may bring you a brief reprieve from the gallows, but they will not save you from the hemp in the end. That is why I am personally against all such temporizing measures that do not get down to the heart of the question.

Any loan that is advanced us for the purpose of stabilizing our exchange must be a long-term loan. I believe it absolutely necessary, if we are to accomplish results, that we lay our plans for a long period of crisis, so that we may be able to deal with the coming unemployment problem by credits from Europe and America; and we shall require such credits every six months, in order to carry us over the period until we can make deliveries on our contracts.

We shall be needing increasingly large quantities of raw materials.

You, gentlemen, see the situation much too simply. To be sure, with our vertical trusts we shall be able to speed up our processes of manufacture and thereby reduce our requirements for raw materials. Just now, with our eight hour day and the reduced efficiency of our labor, we have vastly more raw materials and half-manufactured goods in process of fabrication than we used to have. But in addition to that, for instance in our iron and steel industry,

we shall have to produce more, and we shall require more capital with which to produce. Our drafts for payment on our deliveries will not be collected for several months. So we shall inevitably need large sums of ready money. . . .

Everybody who has any brains and influence in Germany must take it upon himself to convince the people that there is no way out of our difficulties except by hard work. But if we are to work, we must naturally have places where we can sell the products of our labor.

LITERARY LANGUAGE AS A POLITICAL FORCE

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From *Kölnische Zeitung*, Nov. 11-12

(CONSERVATIVE DAILY, BRITISH OCCUPIED TERRITORY)

By literary language as a political force I mean such an adaptation of language to the needs of civilized mankind that it unconsciously imposes itself even upon people of another tongue, and spontaneously extends its conquests. Language merely as a device for communication is something quite different from this. Persons who do not speak the same tongue often make themselves intelligible to each other in a compromise idiom, and persons who speak different dialects of the same language can understand each other, as, for instance, a peasant from Tyrol and a peasant from East Prussia. Such emergency devices, however, have little in common with language as an

instrument of aesthetic expression. They are occasional, primitive, and obedient to no definite linguistic law. They never set a standard; never invite imitation; never impose themselves upon the mind of a nation.

It is a common impression that the spread of a language is due mainly to its practical utility, especially in business. That is a great error. 'Man shall not live by bread alone, but by every word that proceedeth out of the mouth of God.' History teaches us that the immediate practical purposes of speech do not determine the spread of any language. Artificial attempts to extend the use of a language and to impose it upon other nations have seldom suc-