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THE CORE OF A CONTINENT

Problems of Central and Eastern Europe

HENRYK STRASBURGER

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By

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Minister of Finance of Poland



JAMES-PATTEN-ROWE PAMPHLET SERIES No. 13

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PREFATORY NOTE

RECENTLY, a distinguished member of the Government of Poland, Dr. Henryk Strasburger, paid a visit to the United States and while in this country gave a number of lectures, including one before The American Academy of Political and Social Science in Philadelphia on November 16, 1942 on the topic "Confederation of Democratic Nations From the Baltic to the Adriatic." Other lectures were delivered at the Canadian Club of Montreal, the Brookings Institution, Washington, D. C., Princeton University's School of Public and International Affairs, Columbia University's School of International Administration, and the Harvard Club of Harvard University. All these lectures are reproduced in this pamphlet.

Dr. Strasburger has been Minister of Finance of Poland in the Cabinet of General Sikorski since 1939. Previously he served at various times as Under Secretary of State in the Ministry of Commerce and Industry of Poland; Polish High Commissioner in the Free City of Danzig; President of the Polish Industrial Association; professor at the University of Lwów and at the Universal College in Warsaw; editor of several volumes on political and economic matters; and delegate to the League of Nations. He has also conducted commercial treaty negotiations with Italy, France, Rumania, Yugoslavia, Finland, Belgium, and Japan.

Although he is at present a member of the Polish Government, the lectures represent Dr. Strasburger's personal point of view.

THORSTEN SELLIN
Editor

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The German Living Space

IN THEIR home and foreign policy, when addressing their own people as well as world opinion, the Germans love to use political slogans: simple, suggestive, apparently objective statements, catchwords or comparisons, repeated again and again. When carefully analyzed and closely examined, all these slogans prove to be false and misleading. Their main characteristic is that they vary according to the changing needs of German policy. Even if the average citizen possesses some knowledge as regards the political problems of his own country, he usually has neither time nor opportunity to check didactic statements thrust upon him, and quite unconsciously he accepts them as his own opinions, especially if they are dinned into him by constant repetition. It is not always easy at first glance to detect the significance of German political slogans. They are not mental concepts, but merely an expression of the dynamic German will. I cite two instances, the first from the history of Poland.

After colonizing the territories now known as East Prussia, separated from Germany by the whole of western Poland, the Germans incorporated these territories under the crown of Brandenburg, encircled the purely Polish provinces on the Baltic, and invented for them in the twentieth century the name of "Corridor." They then alleged that these Polish provinces divided Germany into two, and that the vital interests of the great German nation were injured. The idea of this unjustified and mysterious Corridor has been instilled into the minds of many millions of people all over the world, and has led to the complete falsification of historical and demographical truth.

A similar slogan, of even greater political significance, is the very subver-

sive and suggestive description of the German people as a *Volk ohne Raum*—the nation without space. This idea became popular not only in Germany but throughout the world. Overpopulation is undoubtedly one of the most important and difficult of Europe's problems, but Germans frequently use the argument of overpopulation in order to subjugate territories just as much and often even more overpopulated than their own country. Under the German Empire, after 1870, the same idea was put forward by Bismarck, but in a different form; it was a struggle for "Germany's place in the sun." Between the two world wars the emphasis was on "Nations without space," while the latest catchword is about the establishment by the Germans of a new *Ordnungsraum*—a "New Order" of space in Europe.

IMPLICATIONS OF "LIVING SPACE"

Before Hitler came to power there were even in Germany some people who supported the idea of "living space" in the form of an international community which includes an open door for everybody, equal rights for every nation, and the abolition of trade barriers, privileges, and monopolies. This is the ideal which found expression in Article IV of the Atlantic Charter. However, as soon as the Germans switched over from economic theories to political aspirations, they abandoned, as usual, their liberal approach and rejected this conception of living space.

The slogan of *Lebensraum* or "living space" was used by the Germans even before the Nazi regime, by imperial Germany and by the Weimar Republic, as an argument for dominion over other countries. The German lust for conquest has not shown itself in one era alone, nor is it the result of some eco-

conomic or political system or of something the German nation lacks or vitally needs; it is a constant phenomenon, its origin deep-rooted in the peculiar traits of the German mind.

In 1803, a prominent German poet and political writer, Ernst Moritz Arndt, used these words: "Every state is entitled to make resolute demands upon other states, if the latter unjustly take from it the air and light in which *in its own opinion* it must grow and develop." Another well-known German political writer, Joseph Ludwig Reimer, used similar terms in 1905: "We desire and must desire a Germanic stock empire of the German nation, a world empire of German stock under the hegemony of the German people."

As time went on, German utterances became more and more violent. One hundred and eleven years after Arndt, Professor A. Grabowsky of the Berlin School of Higher Political Studies declared: "Thence it is clear that the will to world power must of its nature be insatiable; any state of satisfaction would be decrepitude." Ferdinand Fried in his most interesting book *Wende der Weltwirtschaft* ("The Turning Point in World Economy"), published in 1940, argues on the one hand that economy on a world basis has ended, while on the other hand he contends that the era of small countries is closed and therefore big blocs must be formed, first and foremost the German bloc comprising the greater part of Europe. It therefore becomes obvious that this apparently new theory of big blocs is *ad usum delphini*, or rather "pour le Roi de Prusse." As George Crabbe said: "Be there a will and wisdom finds a way."

Before the present war, the main theme of German propaganda for the abolition of the territorial provisions of the Treaty of Versailles was not so much the need to expand German living

space as the desire to unite all Germans. The principle of nationality was popular. The *Anschluss* of Austria and the incorporation of the Sudetenland were motivated by these national postulates. Once all adjacent territories inhabited by Germans were united to the Reich, Hitler, as German Chancellor, solemnly declared he would have no further territorial aspirations in Europe. Yet in *Mein Kampf* one can find the gist of his future claims, as follows:

The German Reich as a state must embrace all Germans not only for the purpose of uniting and maintaining the most valuable racial elements of this nation, but also for the purpose of raising the German nation gradually and safely to a dominating position.¹

ECONOMIC EXPLOITATION

Superimposed upon the German postulate of national unity, a new political and economic factor appears—the desire to dominate and rule countries of other nationalities. Simultaneously and secretly, a practical attempt was being made to expand German living space by the so-called "peaceful penetration" of other countries. Even before the war, Germany aimed at reducing certain European countries to a state of economic dependence upon her. Various European countries were the object of German attempts to bring them into the orbit of German living space, but the majority succeeded in maintaining a sound ratio between their foreign trade with Germany and their foreign trade with other countries. Germany achieved her greatest success in southeastern Europe, in the Balkans.

Germany developed her economic relations with Balkan countries not on the ground of a natural division of labor benefiting both parties, but solely with political and military ends in view. Here we see the first application of

¹ *Mein Kampf*, p. 439.

those methods that now form the basis of the German New Order in Europe. Even at that time her aim was to create an economically self-sufficient area. The overseas trade of these countries was to be restricted as far as possible. On the other hand, Germany endeavored to create between herself and southeastern Europe an artificial complementary system of economic relations by designating certain countries as agricultural and others as industrial. The Balkan countries were to complement the German economy by supplying Germany with raw materials and foodstuffs, particularly needed in the conduct of war. Germany, on the other hand, was to provide the Balkan countries with manufactured articles.

With this end in view, Germany attempted to check the industrial development of these countries, and to exercise control over their agricultural production. Her economic exploitation is further revealed by the fact that by means of very clever manipulation of clearing agreements the agricultural countries were forced to import articles which they did not need. This is how it was worked: The Germans bought great quantities of raw materials they required, but the amounts due on these purchases remained frozen in Germany, owing to the lack of suitable German articles for export. In order to liquidate their balances in Germany, the Balkan countries were finally obliged to buy anything they could get, often at rather high prices. For internal political reasons, the governments of these countries were often willing to import even luxury articles in order to satisfy public opinion. That something was being done to liquidate the sums due them.

POLITICAL DOMINATION

The development of trade relations was used to strengthen Germany's po-

litical influence. Even then, as certain European countries were more and more drawn into the German living space, the Germans put forward a new doctrine, which they described as a continental Monroe Doctrine of "Europe for Europeans," really meaning "Europe for Germans." While the American Monroe Doctrine aimed at protecting the weak Latin American countries from intervention by strong European powers, the German idea was to allow Germany a free hand to intervene in the affairs of small European countries against their will and against their interests.

The conquest in 1940 of nearly all Europe gave Hitler the opportunity to apply the German living-space program on a much larger scale and much more fully than any Germans had ever dreamed of before the war. It might be argued that Hitler's New Order is not a true indication of his postwar plans, because created during the war and temporarily subordinated to war aims. But even if Germany won the war, the German New Order would have to place military considerations first in order to hold down the European nations subjugated against their will, and to prepare for an inevitable conflict with the powers remaining outside the frontiers of Greater Germany. The curse of this system is that it cannot stop being aggressive until it has conquered the whole world or has been destroyed.

During as well as after the war, the New Order, if allowed to exist, must aim at European autarky, to free Germany from the fear of a new continental blockade and to create a basis for the further struggle with the Western Hemisphere.

"DIVISION OF LABOR"

If Germany had her way, all industry in Europe itself, and in particular the heavy industries, would be concentrated in the Reich, while other European coun-

tries such as the Balkans, Poland, and France would be de-industrialized and converted into bases for supplying Germany with raw materials and foodstuffs. Under the pretext of an international division of labor, which is extremely primitive and thoroughly unjust to the non-German countries, this system would assure Germany a constant and absolute military supremacy over the conquered nations. Such a settlement would sanction the subjection of other nations to Germany.

This peculiar system of division of labor is also a means of providing labor for the Germans; the countries in which industry is being scrapped are compelled to send their unemployed workers to Germany. Germany, which before the war complained about her lack of living space, is therefore at present not only employing millions of foreign workers on her territory but even declares her intention to continue this system after the war.

On the other hand, the Germans expect to acquire an empty living space (*Raum ohne Volk*) in the western Polish provinces, illegally incorporated into the Reich, from which all Poles are to be deported. So far all the upper and middle classes have been expelled, so that only agricultural workers necessary to cultivate the land are left. Similar mass deportations are also taking place in Slovenia and Alsace-Lorraine, and it is interesting to note that this policy was discussed by the so-called German Colonization Commission before the last war, in anticipation of a permanent occupation of eastern France, Poland, and the southern Slav countries.

It is quite obvious that the Germans now intend to get rid of some of the population, especially in Poland and Russia, by starving them out or even by sheer murder. Furthermore, by a special policy of wages and prices the Germans are artificially reducing the liv-

ing standards of the population in non-German countries. By so doing they obtain a surplus of foodstuffs even from those parts of Poland which in prewar days were dependent upon food brought from other parts of Poland, and are sending this surplus to Germany.

In Berlin a new center is to be created as the clearing house for all financial transactions of the new system. Economic agreements that European countries conclude among themselves as well as with overseas countries will be negotiated by Germany. Already the degree of cultural autonomy or apparent state existence which some of these countries enjoy depends upon their willingness to co-operate with Germany.

For the moment, in view of the great tasks confronting the Germans, especially in the east, they are very anxious to obtain this co-operation. They maintain that, in spite of the relatively unfavorable situation in which the occupied countries find themselves as compared with the Reich, Germany can assure them a higher standard of living than these countries had been able to attain before the war, because economic crises were then frequent. But in such conditions a higher standard of living could be achieved only in the Reich, where industry would be concentrated, and not in the countries which would be de-industrialized by Germany! It is a well-known fact that, generally speaking, the per capita income of industrial workers is much higher than the per capita income of agricultural laborers.

GEOPOLITICS

The new conditions that Germany has created in Europe favor the continual appearance of novel theories regarding the important role played by space in history and politics. Race and space have become the fundamental concepts of Hitlerism. The worship of

space has acquired a semireligious character. In Germany the concept of space and its significance for the life of the nations is developed more and more extensively as a special branch of science, which the Germans call geopolitics.

It is interesting to note that just as it was a Frenchman, Joseph Arthur Gobineau, that originated the theory of the superiority of the Germanic race, so the inventor of the geopolitics was not a German, but a Swede, Rudolf Kjellén. German geographers, such as Karl Ritter (born in 1799), Friedrich Ratzel, Paul Rohrbach, Friedrich Knauermann, and finally General Karl Haushofer, a close adviser of Hitler, have developed for the use of German political interests the bases of German teachings on space and the principles of geopolitics. Geographers speak of Haushofer as a brilliant soldier, while in military circles he is highly appreciated as a distinguished geographer. Nevertheless, it seems certain that Haushofer has had a decisive influence on the views, utterances, and deeds of the German dictator. The ideas of Haushofer and other contemporary German geopoliticians are a strange mixture of pseudo-scientific tenets and terms and the fantasies of diseased imaginations.

While Haushofer and his school are concerned with finding geographical arguments for the theory of great spaces, Karl Schmidt is engaged in defining the legal political bases of the new creation. In place of the hitherto existing sovereign states, the world is to be divided into a few great spaces (*Grossräume*), each organized by a single power. The might of this power is extended over the whole of the space it organizes, and excludes the influences of any other foreign power (*Interventionsverbot für raumfremde Mächte*).

One can imagine the fate that Germany is preparing for the European countries in such circumstances. The

world has never known such a cynical application of legal or geographical theories to a nation's egotistic political needs as Germany is now attempting. The defeated post-Versailles Germans were strong supporters of the rights of national minorities. In their temporary hour of victory they put forward the principle of nonintervention in affairs connected with their living space. When they are defeated they will of course produce a new theory.

WORLD DOMINION

Until recently the Germans had chiefly intended to organize central Europe under their dominion; then they extended their plans to include all of Europe and Russia; but now their projects for a single *Lebensraum* are beginning to embrace the entire world. They declare emphatically that Munich and Berlin lie in the very center of the earth's surface, which of course is true, but which is no less true of every other point one might choose on the globe.

If we are to believe the arguments put forward by Hermann Storgel in one of Germany's most important economic publications, the *Bergwerkszeitung* of April 4, 1942, progress from smaller to a continually larger space is the destiny of world history. This author expresses the view that we are drawing nearer to the realization of a new political structure which he calls "Atlantropa." According to Storgel, fifty of the foremost German scientists have been working on this plan for fifteen years. The axis of Atlantropa runs from Narvik through Stockholm, Berlin, Munich, Rome, Tunis, the Cameroons, and Boma to Capetown. Atlantropa will be governed from two centers of power, *Machtzentren*, which are the expression of racial value (*Rassenwerte*) and which are situated in Italy and Germany. From these racial centers straight lines lead eastward to Calcutta and westward

through Dakar to South America and North America. The relation of Atlantropa to the United States is not yet defined in this work, but it would appear to be based on German domination.

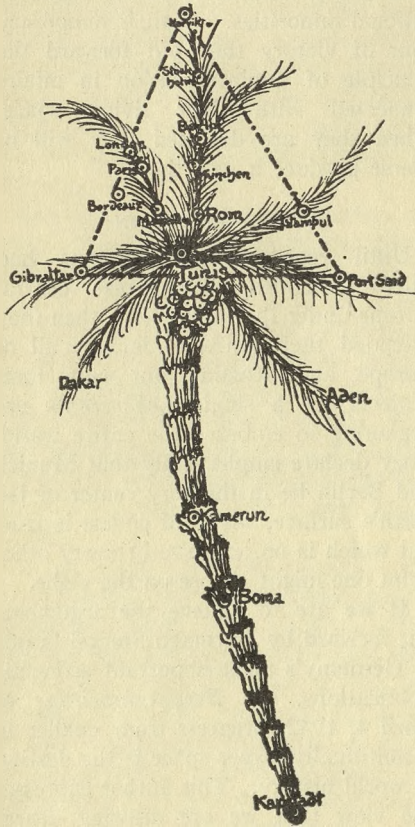


FIG. 1

According to other sources,² the population of the new world to be created by Hitler can be represented in the form of a pyramid. At the apex of the pyramid is Hitler, as the symbol and mythos of the new world; then comes the governing caste, consisting of members of the S.S. Elite Guard, some 500,000 people; then the higher caste of representatives of German blood, 110,000,000 people; then other whites (with the

² See *Die Zeitung* of March 6, 1942, published in London.

exception of Slavs and Jews), 400,000,000 people; then the labor slaves, i.e., Slavs and colored people, 1,700,000,000; finally the outcasts who are beyond the pale of society, namely the Jews, some 16,000,000 people.

In all probability the words written by Martin Iskraut are to be applied to this new world:

The operation of the law of space . . . depends above all on the racial type of the people inhabiting it. There are peoples who allow their life to be determined to a considerable extent by space; there are other peoples, and these include in particular the Nordic-German nations, who mold space, who place its forces at their service, who, indeed, feed their own strength out of its resistance. Thus the power of the blood confronts the resistances of the soil.³

There are reliable indications that when the German Chancellor declared in 1941 that he was initiating a new thousand-year era of history, he really had in mind the arrangement of space I have just outlined. Unfortunately, behind these crazy projects there stands an army of millions of men.

In my view, the German "great space" policy is neither a new political idea, nor a new economic program. It is merely a political slogan, put forward to justify German aggression, German pretensions, German territorial conquests. To this end the Germans distort known and recognized truths and principles, subordinating to the interests of Germany such worthy aims as the abolition of economic barriers, adjustments of overpopulation, and international division of labor. Even cursory consideration of the German claims and pretensions to extend their own living space shows them to be unjustified.

³ "Die Stamhaften Kräfte in der Deutschen Geschichte," *National Socialistische Schulungsschriften*, Vol. 2, 1939, p. 64.

THE QUESTION OF POPULATION

There is no more overpopulation in Germany than there is in many other countries. With 350 inhabitants to the square mile Germany has a lower density of population than certain other industrial countries, for instance: Belgium, 706 to the square mile; the Netherlands, 648; Great Britain, 500; Polish Upper Silesia 744; and the Free City of Danzig 552.

According to birth statistics the German population trend is not toward increase but toward decline—a process which began about 1910. The fact that the population figures were still rising in Germany before the war was due to a decline in the mortality rate of older people, and not to any increase in the number of births. If mortality had remained constant at the level of 1900, the population of Germany would have declined from 1923 onward. The Germans are becoming a nation of old people. According to statistics, in 1810 the Germans formed 31 per cent of the population of Europe exclusive of Russia and Great Britain; in 1910 the figure was 34 per cent; but in 1930 it was 30 per cent, and estimates for 1960 reduce the figure to 26 per cent. According to the statement of Germany's foremost demographic statistician, Burgdorfer, in the year 2050, i.e. within ninety years, the number of Germans will have fallen to what it was in 1816.

Even if we take these scientific predictions for what they are worth, they at least show that the Germans are increasingly apprehensive about the decline in their population.

The steady exodus of the German population from Germany's eastern provinces, and especially from eastern Prussia in recent years, can be explained only by a decline in vitality among the German people. Every year fifteen to twenty thousand Polish agricultural

workers had to be imported into Eastern Prussia. Here, too, we have the reason for Hitler's legislation aimed at raising the birth rate, dating from 1933, and Himmler's and Hess's appeals in 1939 to German women and girls to consider it an honor to have illegitimate children by German soldiers.

So it is not true that the Germans need space to feed any excess of population, but they are striving to increase the population in order to conquer new space. This also explains the feverish search for people of German blood and the drive to Germanize other nations. Recently, as we know, the Dutch, who for this purpose have been recognized as offshoots of the German "master race," have been used for populating the lands in the east.

GERMAN SUPERIORITY?

Rudolf Hess, who achieved more notoriety by his sudden arrival by plane in England than by his views on population problems, explains this policy as follows:

Why is the new Reich taking steps to increase the birth rate? To this we answer—because we do not understand why one of the most valuable peoples in the world should go under, why a people should go under to which mankind owes its greatest cultural benefits and progress, the most glorious contributions to its literature, to music, to graphic art.⁴

Unfortunately, today on the continent of Europe we know the Germans by other activities than the encouragement of music and graphic art. At any rate we know that the reason for their struggle for space is not demographical, but psychological and racial. The Germans are convinced of their own superiority and they want to dominate the world. To rid them of this complex is the first and most important condition of future world peace.

⁴ Rudolf Hess, speeches, 1938, p. 166.

The Germans are totally unfit to rule other countries. They know no method but brute force and physical coercion, they know nothing of persuasion, and they can understand neither the psychology nor the needs of other nations. All this is admirably explained by the great philosopher Keyserling, a Baltic German with a profound knowledge of the German soul. On the other hand, H. G. Wells in *Mr. Britling Sees It Through* says, "What I do know is that the Germans understand nothing of the spirit of man."

I am afraid that in the German religion of "great spaces" there is little that is good and much that is new. But there the goods things are not new, and the new things are not good.

UNITED NATIONS PROGRAM

To the German slogans and doctrines, for the benefit of one nation only, we must oppose the clear-cut, democratic program of the United Nations. We must seek to increase living space by intensive and not extensive measures; it must grow not by the conquest of foreign lands and the exploitation of other peoples, but by increasing the means of subsistence in each country, and in particular by industrializing the economically backward countries, thus augmenting their consumption capacity and raising the standard of living throughout the world.

We recognize the necessity for the international division of labor, as originated by Ricardo and not by Hitler's theorists.

I see no reason why international division of labor should not be on a world scale, or why it should be utilized to make large regions self-sufficient to become bases for the production of armaments and the domination of other countries. Large autarkic regions are no guarantees of peace; on the contrary,

they cause and make possible long wars. Autarky is the mother of aggression.

Influenced by the German theories of great spaces, certain political writers favor a return from the Treaty of Versailles to the Treaty of Vienna. They argue that small nations are bound to become objects of aggression by great nations and that it would be better to annex them to the latter forthwith. The development of democracy has caused the growth of national sentiment and this cannot be undone. A compulsory union of nations would bring no peace, but would end in the breakup of the great states.

To the idea of great areas subordinated to the interests and will of one governing nation, we would oppose the idea of confederation—a voluntary organization of states, associated for the defense of their common interests. The creation of such confederations is in accordance with the principle of self-determination and is inherent in the ideal of democracy. On the other hand, confederation is in accordance with the postulate that it is necessary to organize in terms of larger areas for the purpose of facilitating defense. Examples of such confederations are the Polish-Czechoslovak and the Greco-Yugoslav agreements. According to the declarations of their leading statesmen, these two confederations are eventually to unite in one single organization of all the states between Germany and Russia, from the Baltic to the Adriatic. This confederation would have no desire for autarky, but would seek co-operation with all other states on the basis of world economy.

We desire the largest possible exchange of goods between continents, because it will make for a better division of labor and greater security. It will be more difficult for Germany to prepare for a new war if she is dependent for her food, not on European countries under

her domination, but on America. Far-flung and widely disseminated international economic relations are the best guarantee of peace. Nations preparing for war have always begun by attempting to be self-sufficient.

We recognize the necessity for economic planning, but carried out on an international scale, with the co-operation of all countries, and not aimed at strengthening possible aggressor nations. The greatest difficulty lies in the neces-

sity to reconcile economic planning with the freedom of the individual and the maintenance of his rights and his free initiative. We hope to receive guidance and light in this respect from free America, and not from Hitler and his slave drivers. I believe that the future development of mankind will be decided not by considerations of race or living space, but by Man, by his moral and intellectual attainments and his strong determination to create a better world.

Confederation of Democratic Nations From the Baltic to the Adriatic

LET us look at the map of Europe: between the two most powerful countries of that continent, Germany and Russia, from the Baltic to the Adriatic and Aegean Seas, stretches an irregular expanse of territory. The Baltic Sea is its northern boundary, and its most southern outpost is the island of Crete.

This area is the very heart of Europe. If the term "Axis" were not politically discredited by German and Italian lust for conquest, it would be quite fair in terms of geography to use it to describe this important area that divides western from eastern Europe.

To the north, the great Polish port of Danzig-Gdynia is the main link of

this area with the outside world. To the south, the area has access to the sea at Trieste, although this port is now under Italian political dominion. Further to the east, Salonika on the Aegean Sea and Constanța on the Black Sea may be mentioned as great southern ports of this area. These ports are not only of economic significance—their main import is political. In view of the encirclement of central and eastern Europe by the two greatest European land powers, Germany and Russia, these ports constitute its links with the outside world and are a guarantee of independence to the countries lying within the scope of that area.



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FIG. 2. Reproduced from *An Atlas of World Review*, by Clifford H. MacFadden, by permission of the publishers, Thomas Y. Crowell Company. The line shading has been added to the original.

THE ACHIEVEMENT OF NATIONAL INDEPENDENCE

All the countries in the area have a common feature: they are too small to establish autonomous states powerful enough to withstand the continual pressure of their mighty neighbors; they are too large and have too great a national consciousness to be subjugated by them. That is why their history has been so tragic! At times, for shorter or longer periods of history they have lost their political independence; at times they have sought safety in federation with other countries. Poland, the largest of these countries, when federated with Lithuania, became the greatest power in Europe. And yet after nine centuries of existence she lost her independence at the end of the eighteenth century. For long years Hungary was federated with Austria; the Czechs, after the Treaty of Versailles, united with the Slovaks; and modern Yugoslavia is essentially a federation of three smaller nations.

These countries are both old and young—old, because they have long and often glorious pasts; young, because their independence was only recently regained in the nineteenth or twentieth century. Greece was the first to recover her independence, between 1821 and 1829, but she had to go on fighting for it during the whole of the nineteenth century. Serbia, Bulgaria, and Rumania were re-established by the Treaty of Berlin in 1878. Poland, Czechoslovakia, and Lithuania regained their independence after the Great War, and it was in 1918 that Estonia and Latvia became independent for the first time in history. None of these countries had time to mature politically before Europe became the theater of yet another frightful war, again the result of German aggression.

How did all these countries achieve independence in the nineteenth and

twentieth centuries? At the Congress of Vienna in 1815 the main considerations were still the rights and interests of the rulers, and it was thought quite proper to treat the nations themselves as inarticulate masses. In the twentieth century the ideal of liberty fostered by the American and French revolutions gained substance, and great masses of people attained to full national consciousness and would no longer tolerate the rule of foreign monarchs or of a small group of men of foreign nationality.

The countries of central and eastern Europe are the children of freedom and democracy. Some people refer to this part of Europe as "Unknown Europe," and as a matter of fact it has been sadly neglected by western Europeans and Americans. Other people would like to call it "New Europe," thus indicating that a great future awaits these countries. I should like to describe it as a potential confederation of democratic countries, because its character is not dictated by the political aspirations of any one group, but its very existence is conditional upon the principle of liberty, equality, and fraternity for all nations, as opposed to the spirit of conquest of the totalitarian states. Without the right of self-determination there can be no real democracy. At the same time these countries are also a potential confederation for peace. Because of their relative weakness none of them can aspire to rule its neighbors, and while all derive great benefit from the blessings of peace, they have everything to lose by war.

SINCE THE TREATY OF VERSAILLES

The restoration of independence to the countries of central and eastern Europe could not but encounter hostility and opposition from countries with imperialistic and aggressive tendencies,

keen to re-establish their own dominion. That was the fountainhead of all criticisms of the Treaty of Versailles, in which very skillful use was made of the argument that with the advent of new countries, new tariffs and new trade barriers arose. But it must be borne in mind that the Treaty of Versailles did not create new nations—it merely sanctioned the status of nations that had existed for centuries, making it as exact as possible, without violating the principles of freedom and democracy.

It is a matter of sincere regret that after the Treaty of Versailles certain countries, old as well as new, did not reach a better understanding with regard to customs, tariffs, trade barriers, or passport regulations; but the principle of self-determination cannot be lightly set aside for the convenience of tourists or for the alleged promotion of international trade.

Some people would have us believe that it has taken a Hitler to succeed in unifying Europe. That is utter nonsense. The old barriers still exist, and have become even more numerous. They have merely been shifted. Many economic restrictions are in force on all the new political frontiers. The frontier that once divided Poland from Germany now runs through the middle of Poland, as the western provinces of Poland were illegally "incorporated." There is another frontier drawn by the Germans within Polish territory, between the "Government General" and the eastern provinces of Poland. There are new economic frontiers between Serbia and Croatia, and between the Czecho-Moravian Protectorate and the Sudetenland, now incorporated in Germany, on the one hand, and the Protectorate and Slovakia on the other. Hitler's "New Order" does not contemplate the abolition of these restrictions, because he wants low prices to prevail in certain parts of Europe and high prices in

others. It is essential that these areas be isolated from one another.¹

GERMANY'S INTEREST IN CENTRAL EUROPE

There is a further reason for Germany's interest in the central European area. The fall in Germany's birth rate causes much concern to German statesmen. So what the Germans seek in central Europe is not only a source of raw materials, but also a source of population. They want to exploit it partly by Germanizing the people of the area, and partly by introducing slavery there.

Both these methods have been applied by the Germans in the present war. The normal procedure is to put on the *Volksdeutsche* lists, whether they wish it or not, people inhabiting territories contiguous to Germany. The population that the Germans do not intend to absorb is being sent as slave labor to Germany. Thus we get the figure of six million foreigners at forced labor in Germany, given by Goering in his broadcast of October 5, 1942.

With a view to political and economic dominion over central and eastern Europe, the Germans sought to isolate it economically from other countries by trying to establish a kind of economic monopoly for themselves there. In addition, they tried to separate it from the rest of Europe by political and propaganda devices, raising an artificial barrier between it and other countries. To this end the Germans sought to discredit the countries of central and eastern Europe in the eyes of western

¹ In recent weeks import and export duties between Germany and German-occupied countries have been considerably lowered and in some cases abolished at the request of German industry. However, strict regulation of all goods as well as exchange boundaries remains. The latest German trade arrangements cannot be considered as a step toward abolition of the economic frontier walls in Europe.—Footnote added February 1943.

Europe and of America. They succeeded in spreading untruth and exaggeration! While they prepared themselves for war, they talked of the danger to peace of the "Balkan cockpit" and the "Polish Corridor." Themselves bent on the extermination of other European nations, they accused the Czechs and the Poles of being intolerant of their national minorities. Before entering upon the systematic extermination of Jews, they spread untrue or exaggerated reports of Jewish persecutions or pogroms.

These German efforts were not unsuccessful. Western Europe and America often looked at central and eastern Europe through Zeiss glasses, constructed to augment deficiencies and diminish merits. Their attitude was one of ignorance and distrust. One expression of this was the attitude of financial circles toward the democratic states of central and eastern Europe. Between 1924 and 1930 American and British capital invested many times more dollars per head of the population in Germany than in central Europe, in the countries which today are their allies, where they invested only 2.12 gold dollars per head. This is the main reason why Germany has so many more tanks and airplanes, and why Poland, Greece, and Yugoslavia could make no effective or prolonged resistance to her aggressions.

That is why the nations of central and eastern Europe, especially those contiguous to Germany, have at last developed a sense of their common danger, and realize the necessity for joint defense against any further attacks by Germany and her junior Italian partner.

GAP IN NATIONAL DEVELOPMENT

In the political, economic, and even psychological structure of the nations we are discussing, there is another common feature: There was a gap in their de-

velopment as independent nations during the most important historical period of the nineteenth century. This gap could not but leave its mark on the character of these nations. They were unable to develop their national governments, their democratic institutions, their popular representation, their foreign policies, gradually and on sound lines. Where the citizens of certain of these nations actually had some part in government, through their presence in the parliaments of states that had annexed them, they could do no more than pursue a policy of permanent opposition to the institutions and authorities to which they belonged against their will.

National oppression was bound in the very nature of things to provoke corresponding reactions, in particular an acerbation of national sentiment and a rekindling of national aspirations. During the independent existence of these states after the last war, these qualities were swiftly brought under control. To reach maturity and prepare for coexistence, nations need to pass through a period of free national development. "The road to internationalism lies through nationalism," wrote that well-known expert on international law, Sir Alfred Zimmern, in his work on *Nationality and Government*.

Yet the lack of a national independent policy had its greatest effect on the economic development of these states. During the years when the great industrial revolution was being accomplished in other countries, these states did not exist. Their development was dependent upon the policy of the states to which they were annexed, a policy frequently opposed to the best interests of those nations and neglectful of the development of outlying areas that were unfriendly and displayed strong national tendencies. This explains the unhealthy economic structure of the states of central and eastern Europe, their economic back-

wardness, the weakness of industry, and the unsound ratio between density of population, economic husbandry, and density of investments. Only a few areas avoided this fate, among them southwestern Poland and Czechoslovakia (with the exception of her eastern areas) mainly because the Germans thought them sufficiently Germanized.

Because of the gap in national development, the countries of central and eastern Europe had a very restricted international commodity exchange. Prior to the war they were hampered in the development of extensive economic relations with other countries, except perhaps with Germany. Using her geographical position and world relations, Germany did her best to cut off these countries from direct exchanges with other states. Immediately before the war she succeeded in dominating the foreign trade of the Balkans, but Poland and the Baltic States managed to avoid disproportionate economic relations with Germany by developing commodity exchange with Great Britain, western Europe, and America.

INTERNATIONAL SOLIDARITY

Among statesmen of central and eastern Europe, as among statesmen, writers, and publicists of other countries, the realization that the political and economic structure of this area must be reorganized is gradually maturing. Reports from our countries show that the need for a future adjustment of prewar relations is also recognized. The extensive interest shown by international political circles in the question of central and eastern Europe points to a growing sense of the international community of interests. The conviction has spread that the peace of the world is indivisible, and a sense of the indivisibility of world prosperity is also growing. There must not be too great a disparity in the level and conditions of existence of neighbor-

ing nations. So the scope of the future peace treaty will probably be very wide.

Just as no one has been able to escape from participation in the war and its effects, so no one will escape from the effects of a bad peace. During the second half of the nineteenth century we saw indifference to the fate and situation of one's neighbor, indifference to the fate of entire classes of the population within the bounds of one state, gradually yield place to the idea of social solidarity. Social legislation was passed, social insurance policies were adopted, and care was taken for the welfare of the people. Today these tendencies and efforts are no longer confined within state frontiers. Social solidarity is being transformed into international solidarity. "Internationalism is the Socialism of Nations," H. G. Wells has justly said.

HOW TO REALIZE THE CONFEDERATION?

Planning on an international scale will undoubtedly lead to a certain restriction of the sovereignty of the various states and to some elimination of the frontiers dividing them. The necessity for caution in this direction must be emphasized. Attempts to interfere in the internal affairs of nations must not precede the gains those nations might derive from international planning. The ease with which certain international reformers dispose of the fate of other nations in their proposals sometimes surpasses in cruelty Hitler's own plans. These reformers divide the living bodies of nations, proposing new frontiers right across the middle of the country (of course, never suggesting such a step for their own country), forgetting that they are dealing with the most vital interests and ideals of dozens of millions of people and whole generations; forgetting that they are not solving a geometrical puzzle. German propaganda gladly seizes on such proposals and presents them to the

conquered nations of Europe with a view to break their spirit.

But I am well convinced that a confederation of the states of central and eastern Europe can be achieved without disturbing the national frontiers and interests of those states, if it aims at the defense of common aims and aspirations. Its purpose will be to put into practice the old maxim: "In essentials, unity; in nonessentials, liberty; in all things, equity."

We are not at present in a position to assemble representatives of all the central European countries in order to obtain their approval to proposals for our future joint organization. Some of these countries are under German occupation and others have yielded more or less unwillingly to the German orders. Only after the war may we expect to see the final acceptance and realization of these projects. At present we can only work to prepare the outlines of this future organization. For reasons already given, we cannot even fix the number of nations that will participate. But this common organization should include all the countries situated between Germany and Russia on the one hand and between the Baltic and the Aegean and Adriatic Seas on the other.

Our only serious doubts are in regard to Austria. She represented various elements before the war and probably will do so in the future. Undoubtedly there are many people in Austria who want peace and are opposed to pan-Germanic ideas. But one of the main aims of the democratic nations of central and eastern Europe is to safeguard themselves against Germany, and we should not like to give the German nationalists an opportunity to lay a cuckoo's egg in our nest. It would be perhaps better to see Austria organized on the model of neutral Switzerland, free from all ties with the Germans; unconnected or connected only

loosely with the Democratic Nations of Central Europe.

Apart from the common interests which unite the countries of eastern and central Europe, there are also, as often happens among neighbors, many divergent interests and antagonisms. These were often publicized by Germany to the outside world, and frequently they caused more difficulty than they were really worth. It should be emphasized that these disputes were encouraged and magnified by Germany and Italy in their attempts to create spheres of influence in these regions. A solution to these problems will be found more easily within a confederation, in which common interests prevail, than could be the case when dealing with states unconnected with one another. This is particularly true of territorial problems.

ATTITUDES OF FOREIGN POWERS

Confederation must come as the result of internal political grace, it must be decided by the future members of the confederation themselves, and not brought about by foreign pressure. Nevertheless, a negative and unhelpful attitude toward any such confederation on the part of the great powers might, of course, prevent this reform. In the past, the reluctant and hesitant attitude of the great powers has been largely responsible for the fact that up to now no satisfactory results as regards confederation have been achieved, and that some countries of central and eastern Europe did not appear particularly keen to work together, and were slow to support the idea.

Extraordinary as it may seem, even in the allied nations themselves, fighting for democracy, ideas based on the German theory of great spaces (*Grossraumpolitik*) are sometimes put forward, ideas with a view to restraining and weakening medium and small countries for the benefit of the great powers; note for example

the views recently expressed by Professor Renner of Columbia University, or those of Professor Carr in Great Britain. The protagonists of these views usually base their arguments on the necessity for maintaining peace. They argue that small countries, with no substantial economic resources, cannot defend themselves against aggression from powerful countries, and consequently should be placed under the tutelage of one of the great powers. So far as the European Continent is concerned, the idea of German or Russian leadership is put forward.

This theory is rooted in the conceptions of the Munich Agreement. It seeks to avert aggression by preventive strengthening of the aggressor at the expense of the weaker states. Its exponents take the view that if there are no weaker states to provide booty for the aggressor, the great military powers will not attack one another. Yet during this war not only the middle-sized and small states of Europe have fallen, but also great states like France. The opponents of the middle-sized and small states could agree that the condition of things they desire to see was in fact established on the Continent in 1940. The small states disappeared, conquered by and divided between Germany and Russia, and only two militarily powerful states having considerable resources were left on the field of battle. Yet peace between them did not last for more than a year. It is not the arming of great states, but universal disarmament that would seem to offer the best guarantee of peace.

It would be important to convince Russia that the creation of a confederation of democratic central and eastern European nations is not and cannot be directed against her, but on the contrary, is to her own interest as an element of European stabilization and as a protection against further German aggression.

PRESERVATION OF PEACE

The confederation of democratic nations of central and eastern Europe will be organized to attain the common aims of the countries that compose it. At the same time such organization will be in accordance with the general needs of other countries, that remain outside. The first of these aims is co-operation to preserve peace in Europe. The very basis of the confederation and the tendencies of the member countries, be they great or small, clearly reveal its defensive character. Each country, taken separately, proved too weak to resist German aggression. By pooling their human resources, complementing their industry, and aggregating their territory, they will undoubtedly increase their ability and strength to defend the peace.

The complete economic and political independence of the potential confederation of democratic states is a most important factor in the disarmament of Germany, and, as such, a guarantee of peace in Europe. This area is essential to Germany's military might as a base of raw materials and foodstuffs. If Germany does not have control of this area, her military autarky will collapse and she will be forced into world economy and exposed to the danger of blockade. From an economic point of view, Germany gains by utilizing overseas supplies; but from a military point of view, she is weakened by being dependent upon them.

The foreign policy of the confederation should have the same end in view. The policy of the German Reich was to destroy all co-operation among the various countries that were to be attacked and annihilated one by one. A common foreign policy should make this task very difficult for the Germans.

However, as far as the maintenance of peace is concerned, the confederation could achieve results only if it

co-operated closely in the political and military sphere with other democratic countries having the same aims, in particular with the United States and Great Britain. The confederation should also closely co-operate with reborn France. Apart from the political wisdom of such a step, one must bear in mind the pre-eminent influence of France's great men and ideas in the cultural development of all the countries of central Europe.

ECONOMIC DEVELOPMENT

The second main aim of the confederation would be a speedy and very substantial economic development of the countries composing it, as well as a rise in the standard of living of their inhabitants. The nations of the confederation must endeavor to attain this aim primarily by their own efforts. By uniting among themselves these various countries will undoubtedly be forwarding this task, because the economic systems of many of these countries are complementary, and an increase in mutual trade is quite conceivable. They possess sufficient manpower, good workers, and competent technicians, as far as these have not been destroyed by the Germans during the occupation. Their territories supply the necessary raw materials. The area has the second greatest coal base on the continent of Europe, and substantial deposits of potash. Before the war it produced 91 per cent of Europe's oil, 66 per cent of its antimony, 50 per cent of its bauxite, 33 per cent of its chrome ore, 31 per cent of its lead ore, 25 per cent of its copper ore, and 24 per cent of its zinc ore.

It must be emphasized, however, that the confederation could in no case, and indeed never will endeavor to, create an autarky—not even a limited one. It does not want to be a steppingstone to any kind of European autarky. Its aims must be the widest possible participation in the world economic sys-

tem, within which and only within which can an efficient international division of labor be achieved.

To raise the economic level of the countries of central and eastern Europe, it will be necessary for them to take common measures for the development and improvement of their agriculture. Before the war these countries were holding joint conferences and preparing the ground for co-operation by the agrarian countries. Similarly at present in London joint discussions are being held to define their future aims.

The overpopulation of the rural districts, a general phenomenon in this area, should be regarded as the most important problem awaiting solution. In Poland there were 210 inhabitants to the square mile, as compared with Canada's three. In Canada, out of 6,000 million acres only 44.5 million are cultivated; whereas of Poland's 96 million acres, 33.6 million were cultivated. In the vast expanse of Canada, 3.2 million people live by agriculture; in Poland 23 million lived by agriculture.

The intensification of agricultural production necessitates a gradual transition from grain farming to mixed grain farming and stock raising, a process that had already begun before the war. However, increased productivity in agriculture will open prospects of greater employment on the land and diminish the farmers' poverty only to a certain extent. The problem of overpopulation in rural districts can be solved only by the establishment of industries, which were most inadequately developed in these countries except in Czechoslovakia and the southwestern part of Poland.

The development of the confederation's industrial potential will undoubtedly be based on a better exploitation of its natural resources. There should be more extensive processing of raw materials available locally, and this

should also embrace the further stages of production including the manufacture of finished articles. There are particularly good prospects for industries based on agriculture. In view of the very favorable geographical situation, light industries would be able to find an excellent market for their products in the east, if only the Soviet Union would relax its autarkic tendencies. The heavy industries, and in particular machine, automobile, and aviation industries, also have good prospects of further development, owing to the coal and iron ore deposits that exist in Czechoslovakia and Poland.

These areas will have great need of industrial investments, and investments generally, in communications, electrification, town planning and building, and public utilities, all with the effect of raising the economic level of the countries concerned. In certain spheres the development plan will be drawn up by the respective countries; in other cases it will probably concern the entire area. Great prospects will be opened up for international planning.

A NEW CONSUMER GROUP

One of the international consequences of carrying out this program will be the emergence of a new consumer group, especially among the peasants. Throughout the area hitherto the peasants have to a large extent carried on a natural,

self-sufficient husbandry, and their participation in the commodity exchanges of their own countries has been insignificant, and in international exchanges it has been almost nonexistent.

Regarding the purchasing power per head of male agricultural workers in various countries, Colin Clark in his book *Conditions of Progress* shows that Poland has only one-tenth the per capita purchasing power of Australia and New Zealand, and only about four times that of China. The comparison is as follows: New Zealand, 2,244 units; Australia, 1,524 units; Argentina, 1,233 units; United States, 661 units; Poland, 195 units; China, 46 units.

Assuming that some two-thirds of the population live by agriculture and the total population of the area amounts to some 115 million people, it can be seen at once how great are the possibilities of raising the consumption potential. Equally with China, India, and Soviet Russia, the central and eastern European area must be regarded as an important and, to a great extent, as a new customer on the world markets. Although the consumers in this area are fewer in number than those of the other lands mentioned, they are better prepared for an increase in their standard of living requirements.

The consumption figures for the countries of central and eastern Europe, as regards both industrial and agricul-

TABLE 1—PER CAPITA CONSUMPTION

	Wheat and Rye	Meat	Sugar	Coal	Electric Current	Cotton Yarn	Pig Iron Production
	1932-34	1930-34	1932-34	1936	1939	1937-38	
	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Metric tons</i>	<i>Kilowatts</i>	<i>Pounds</i>	<i>Pounds</i>
United States	233.7	135	99.4	3.5	1,160	22.1	352.8
Great Britain	348.4	140	108.7	3.9	620	26.4	313.1
France	590.9	72	52.9	1.6	420	13.4	309.0
Czechoslovakia	553.4	73	39.9	1.4	286	12.2	176.4
Poland	456.4	41	19.6	0.7	113	4.6	59.5
Yugoslavia	291.1	29	12.2	0.2	39	2.6	7.5

TABLE 2—AVERAGE ANNUAL PER CAPITA FOREIGN TRADE TURNOVER

	Imports (Gold Dollars)	Exports (Gold Dollars)
Canada	127.9	120.88
United States	34.78	41.1
Great Britain	116.76	77.47
Czechoslovakia	38.6	42.03
Poland	11.3	9.57
Hungary	24.1	18.8
Lithuania	13.1	11.57
Rumania	10.9	10.67
Yugoslavia	10.0	9.11
Latvia	31.2	25.8
Denmark	126.97	119.67

tural products, are very much lower than those for the western European countries, for America, and even for Czechoslovakia, the most highly industrialized country of central Europe. Comparative figures for characteristic commodities are shown in Table 1.

Another striking feature of our area is its low index for foreign exchanges per head of the population. The average annual per capita foreign trade turnover is shown in Table 2. The figures for Canada are for 1929; for Great Britain and Denmark, 1928-29; all others, 1927-29.

One may fairly assume that the capacity of central and eastern Europe's foreign trade could increase considerably in quite a short period. A further reason why the area should be taken into account as a consumer of American and British industrial goods is that the annual increase in its population, especially in Poland, Bulgaria, and Rumania, is, with that of Japan, among the largest in the world. The proportion of Slavonic population in Europe to the Germanic, Anglo-Saxon, and Latin populations is steadily increasing.

Before the war the excess of population in this area found an outlet in emigration, especially to America. For reasons that one can readily understand, the former countries of immigration do not desire a large and steady influx of

people from Europe. On the other hand, we also do not want to lose our people if it is at all possible to keep them. So the third great task of the proposed confederation would be to free other continents from the pressure of immigrant population by keeping our peoples on our own soil and providing them with adequate employment.

Within the states of the proposed confederation we want to develop those principles of democracy and liberty that were the very basis of their independence, the principles cherished so highly in the United States. So the fourth great task of the future confederation of democratic states must be to cultivate these principles.

THE FIRST TWO FEDERATIONS

Judging by all the information received from the occupied countries, all our peoples have become deeply conscious of the necessity for our nations to draw closer to one another and to unite. So in taking this road we are sure that we have the full support of our peoples, and that without any doubt they will accept the understandings already reached among the governments that have their headquarters in London. We have come to recognize that the most satisfactory form in which our aims can be realized is that of two federations: a Polish-Czechoslovak and a Yugoslav-Greek federation. Article X of the Greco-Yugoslav protocol signed on January 15, 1942 declares that the understanding reached constitutes the basis of a future, broader Balkan confederation, to which other Balkan nations may later adhere. The Polish-Czechoslovak protocols of November 11, 1940 and January 19, 1942 also assume that other states will join later. Both these confederations express their readiness to unite in one form or another in the future, and have published a declaration to this effect. "According

to our conceptions," declared King Peter of Yugoslavia, "these two confederations concluded on the same principles and inspired by the same ideas, would together create a single common and supreme organization that would give serious guarantees for the peace and prosperity of Europe."

These two confederations will be based on similar foundations. Each provides for a common policy and the setting up of joint organs in all the most important departments of government. Article II of the Polish-Czechoslovak agreement declares that the object of the confederation is to assure a common policy in the spheres of foreign policy, defense, economic and financial matters, social problems, transport, and posts and telegraphs. The protocol provides for the establishment of a joint general staff and single command in wartime. The confederation will co-ordinate the commercial and customs policies of its members with the object of later concluding a customs union. On the other hand, two banks of issue are to exist, but a monetary agreement will be reached and the two currencies will be maintained at a permanent fixed rate of exchange. A common plan will be drawn up for the development of land and water transport and communications, and common postal and telegraph tariffs are to be fixed. Taxation, social, and education policies are to be co-ordinated.

The rights of the inhabitants of the two countries to move freely from one to the other country without passport restrictions, to settle where they will and follow their occupation wherever they wish in the whole of the area, are also foreshadowed. Full liberty of all kinds is guaranteed to the citizens of the states which become members of the confederation, such as personal liberty,

freedom of speech, freedom of association, equal treatment by the law, and parliamentary rights. In a word, it is a full application of the principles of the Atlantic Charter.

POLISH ATTITUDE

The Polish Government's attitude toward this question is that it advocates and supports the most far-reaching and closest understanding. Because we want to see the future confederation as strong as possible, the original Polish suggestion was along the lines of complete unification of the two states. Indeed, we were decidedly in favor of an alliance akin to the German conception of *Bundesstaat* (united states) rather than a *Staatenbund* (confederation of states)—an alliance in which there would have been single ministers responsible for foreign affairs, for national defense, and for economic affairs, and even a single parliament.

The conception of such complete federative union is a far-reaching one, and it aroused some doubts among our Czech friends as well as in certain Polish circles. It is an essential condition that if our alliance is to be strong and permanent, it must be entirely voluntary, and nobody must be compelled to go any farther than he wishes. For this reason, in the terms of the joint Polish-Czechoslovak declaration of January 19 as well as in the terms of the Yugoslav-Greek agreement of January 15, 1942, we restricted ourselves to the idea of confederation.

The future of these nations, and to a certain extent the future political status of Europe, will depend largely on whether the nations of central and eastern Europe reach an agreement, and on the success of our confederations.

The Baltic Charter

IN HIS farewell address 150 years ago George Washington urged his fellow countrymen not to link the peace and prosperity of their country with the ambitions, conflicts, and interests of Europe. For the United States that was certainly good advice. However, social, economic, and scientific progress has obliged the United States to intervene in the events of the troublesome continent from which I come. Today world peace and world prosperity are seen to be indivisible. It would not be possible to draw a line of demarcation along any coast of the American Continent. Everything that happens to the east or west of that line has its bearings on world events. This fact encourages me to discuss here in America the Baltic problem, the influence of which on world peace is, to my thinking, far greater than generally realized.

Low-lying shores, sudden storms, innumerable shallows and islands, long interruptions of navigation by ice, scarcity of fish and wealth of amber, curious lagoons behind the dunes of its south-eastern shore—these are the characteristic features of the Baltic Sea. In the straitness of its single natural gateway it is surpassed among European waters only by the Black Sea—that is how the Baltic is described by the British writer W. F. Reddaway in his book *Problem of the Baltic*.

IMPORTANCE OF THE BALTIC SEA

It may well be that there are many other seas and oceans which from the point of view of world economy and as world sea lanes are more important than the Baltic. The Baltic forms a dividing line between states—not between continents as is the case with the Mediterranean or the Red Sea. It is not a sea lane

connecting distant oceans, but simply a very large gulf, with one very narrow entrance.

Nevertheless, the political importance of the Baltic in Europe is enormous. It is the shortest route connecting north and east with west, and in time of war may easily become the extension of a line dividing the eastern from the western front. Before the war the shores of ten countries were washed by the Baltic. Two of them—Russia and Germany—were major opponents in the last war and are in this. Yet the attachment of these various countries to the Baltic Sea was very different. They were Baltic States in a very varying degree. Among them, Russia—the country of the seven seas—reached the Baltic only in the eighteenth century, and even manifested a tendency to reach the Atlantic through Sweden and Norway. The Germans are primarily linked to the North Sea, with easy access to the ocean, and it is in that direction that Germany's main lines of communication are extending. Norway and Sweden on their southwestern coasts are linked with the North Sea, and Finland has an outlet to the Arctic Ocean through Petsamo. All of Denmark's western coast is on the North Sea.

The essentially Baltic States are Poland, Lithuania, Latvia, and Estonia. The three latter had access to the sea, but no hinterland to take advantage of it. On the other hand, Poland's access to the sea was the only maritime link of a large country having thirty-five million inhabitants. Throughout the ages, various countries bordering on the Baltic have tried to turn that sea or at least a part of it into a *mare nostrum*—a national sea—by subjugating large territories, if possible those situated on the opposite shores. But their dominion was never lasting.

In the thirteenth century Denmark managed to occupy all the southern shore, from southern Sweden to Estonia. From the thirteenth to the sixteenth century imperialistic tendencies with regard to the Baltic were manifested by the Hanseatic League, which after the peace with Denmark, signed in 1370 at Stralsund, became the leading power in the north, possessing its own fleet and even making its influence felt when questions of succession to the Danish and Swedish thrones arose. Besides the Hanseatic League, another German organization with similar aggressive tendencies appeared—the Teutonic Order. From 1658 to 1710 Sweden controlled Finland, Karelia, Livonia, Estonia, Pomerania, Wismar, Pilau, and Elbing. From the eighteenth century onwards, Russia tried to establish herself on both sides of the Gulf of Finland, but the principle proclaimed in the third century by the famous Roman lawyer Ulpian that *mare omnibus patet*—the sea is open for everybody—seemed secure.

Poland, the greatest and most democratic state in Europe in the fifteenth and sixteenth centuries, was dependent on the Baltic. Poland never pursued an imperialistic policy on the Baltic. Neither, unfortunately, did she establish herself securely on the lands constituting her own access to the sea. Modern Polish historians and Polish popular tradition agree that this was one of the principal causes of the fall of Poland in the eighteenth century.

GERMANY'S OFFENSE ON THE BALTIC

The story of how Poland was pushed back from the sea by the Germans can be summarized in chronological order, as follows:

In 1229 the Teutonic Order of the Knights of the Cross settled somewhere in what is now East Prussia, to convert to Christianity the pagan Prussians—a

tribe closely related to the Lithuanians. This order continually extended its possessions, and in 1308 it even occupied Polish Danzig, putting to death the entire Polish population and thus providing Lord Vansittart with some first-rate arguments. Then came the Polish victory at Grunwald in 1410. Danzig and the whole of present-day Polish Pomerania, in other words the wide stretch of territory which the Germans misnamed the "Corridor," returned to Poland in 1466 and remained Polish for more than three centuries; but East Prussia remained in the hands of the Teutonic Knights, who became vassals of the Polish kings.

In 1525 the Teutonic Knights ceased to be a religious order, and East Prussia became a secular duchy. The last Grand Master to be elected by the order became the head of the duchy, and on the public square in Cracow did homage to the King of Poland for the fee of East Prussia. He was a Berlin Hohenzollern of the younger branch of the family then reigning in Brandenburg. In 1618 the Hohenzollern who was Duke of East Prussia died childless, and the duchy passed to the Berlin Hohenzollerns.

In 1720 these Hohenzollerns wrested from Sweden the area of western Pomerania, i.e., the Stettin area, and Europe witnessed the same phenomenon that in post-Versailles days aroused such indignation among the Germans and their friends: the Prussian possessions were split in two by the Polish state, by Polish Pomerania. It is often forgotten that it was not the Polish state that split up German possessions, but the Germans who settled in land lying beyond Polish territory. By a clever trick the Brandenburg Hohenzollern took his royal title not from his main territory of Brandenburg, but from the recently acquired Prussian lands, although the Prussians originally were not Germans. This separation of the two areas was ended by the

partition of Poland at the end of the eighteenth century.

Despite Poland's 150 years of slavery, the three powerful partitioning states completely failed to denationalize the Polish people, and in 1918, thanks to the support of President Wilson, Poland was reborn, free and independent! She recovered her former lands of Pomerania, where the population is Polish, she obtained sovereign rights over the mouth of her great river, the Vistula, in Danzig, her single sea harbor. East Prussia remained under German rule.

Let us consider what Nazi geopoliticians say about access to the sea in general, and about Poland's access to the sea in particular. Henning and Korholz in their *Introduction to Geopolitics*, published in Berlin in 1938, say:

A culturally developed nation without a completely secured coast line is a continual source of political trouble. In the present-day civilized world the urge towards the open sea is one of the most ruthless of geopolitical motive forces [p. 38]. One can imagine the stupidity of the creators of the Treaty of Versailles who increased the number of landlocked states from four in 1914 (Switzerland, Lichtenstein, Luxemburg and Serbia) to six (namely, Switzerland, Lichtenstein, Luxemburg, Austria, Hungary, and Czechoslovakia) and who in addition allocated to two further states (Poland and Yugoslavia) only inadequate and narrow coastal belts, so that these states are in the same position as was Brandenburg at the time of the Great Elector in the seventeenth century.

As for the severance of Poland's access to the sea by the Teutonic Order, these same authors write:

In the new era if a state is cut off from the sea by the emergence of a maritime state the landlocked state must either break through to the seacoast, or be absorbed by the maritime state. The German Teutonic Order was a typical maritime state, that cut off both Poland and Lithuania from the sea.

FOLLOWING THE GREAT WAR

The political situation created on the Baltic after the last war was not based on sound foundations. It was the result of a compromise, rather than of a definite political conception. The peace treaties concluded with Germany and Russia restored or gave their independence to several nations on the southern and eastern coasts of the Baltic, i.e.: Poland, Lithuania, Estonia, Latvia, and Finland. The treaties that created this new state of affairs were based on the weakness or on the mutual antagonism of the greatest Baltic powers, Germany and Russia; but they hardly gave the new Baltic States a sufficiently strong basis for security. The largest of these states, Poland, obtained only a territorially and strategically poor base on the Baltic.

Poland was linked to the Baltic by the narrow belt of Pomerania, some sixty miles broad at its southern end and a little more than twenty at its northern end (if we exclude the Hel Peninsula). Poland's actual seacoast, excluding the Hel Peninsula, is forty-four miles in length. At the same time Poland acquired a number of economic and political rights in the area of the Free City of Danzig. These were the inclusion of the Free City of Danzig in the Polish customs area, the administration of the City railways, joint administration of the port, Polish administration of Danzig's foreign affairs, and other rights.

The seacoast of the Free City is about sixty-two miles in length. This settlement was an attempt to reconcile Poland's economic and political needs with the national viewpoint of the people in Danzig, who were predominantly German. Thus Danzig was separated from Germany, but was not given to Poland.

As might have been expected, this

settlement failed to stand the test of experience, although Poland did everything possible to make it work. This, I believe, was because German propaganda succeeded in convincing the people of Danzig that the settlement made by the Treaty of Versailles was not final, and that a change was bound to come in the status of the Free City. It can hardly be said that the people of Danzig failed to realize their community of economic interests with Poland. Also, an old tradition had survived from the days when Danzig was united with Poland in pre-partition times. If the citizens of Danzig were not very fond of the Poles, they had their economic interest very much at heart, and it is an indisputable truth that the economic prosperity of Danzig is entirely dependent upon its connection with Poland. When incorporated in Germany, Danzig loses its economic connections and trade.

Undoubtedly the citizens of Danzig would have developed a feeling of community with Poland in the course of time if the political situation in the Baltic had been stabilized. But continually increasing German propaganda encouraged and provoked a permanent state of unrest. Peace in Danzig was contrary to Germany's revisionist policy. Danzig's attitude forced Poland to build the port of Gdynia on her own coast. In my opinion these two ports could have complemented each other most successfully, and in fact they really constituted two parts of a single port.

Both in Danzig and in the Reich, and all over the world for that matter, the Germans had a strong propaganda argument in the territorial separation of East Prussia from Germany. In Germany itself the opinion was general that either Prussia would become territorially united with the Reich, which would entail cutting off Poland's access to the sea and the loss of her independence,

or else the Reich would lose East Prussia; in other words, there would be a return to the political position of Brandenburg in the seventeenth century.

THE BALTIC STATES AND RUSSIA

To the east and north of the Polish coast lie other areas in which there are differences of nationality between the coastal belt and its hinterland; there is some diversity between the national interests of the Baltic States—Lithuania, Latvia, Estonia, and Finland—and the economic interests of the inland areas, particularly Soviet Russia. Yet on closer investigation one discovers a great difference between these apparently similar coastal areas. The Baltic countries are small and much weaker than the hinterland state; they do not possess any national centers abroad that could form an irredentist movement or desire to create difficulties. As they have declared again and again by word and deed, these states wished to serve as a bridge between Russia and the Baltic Sea. So they are to be compared rather with the Netherlands and Belgium than with East Prussia and Danzig. So it does seem possible to be a friend of the Baltic States and also a friend of the great Russian state.

The peace treaties signed in 1920 between Russia and those newly organized states were concluded in a spirit of friendship. In 1932 pacts of non-aggression were signed between Russia and the Baltic States, except Lithuania which had had a pact with Russia since 1926. However, the events of 1939 and 1940, i.e., the incorporation of Lithuania, Latvia, and Estonia in Russia and the Russo-Finish war, proved that there had not been any genuine harmony between Russia and the independent states. In the period between the two wars, close alliance of the Baltic States, and between them and Poland, had not been achieved. A number of

Baltic conferences were held, beginning in 1920, in Helsinki, Riga, Balduring, and Warsaw, with no great results. The sole achievements were that in 1923 Estonia and Latvia concluded an alliance and made a declaration in favor of a customs union, that was without practical effect, and on September 12, 1934 a Treaty of Good Will and Co-operation was signed between Estonia, Latvia, and Lithuania.

If the Baltic States had been able to conclude a federation among themselves this would have strengthened them politically and increased their prestige.

THE SCANDINAVIAN COUNTRIES

The Scandinavian countries did not have all the difficulties the southern Baltic States had to cope with. Perhaps the dispute over the Åland Islands—the Malta of the northern Baltic—between Finland and Sweden at the beginning of the 1920's was the only event to make any deep impression on public opinion in that part of the Baltic. Like other difficulties in that region, it arose from a conflict between the national interests of the Swedish inhabitants of the islands and the geopolitical interests of Finland. A solution to this dispute was found and an attempt was made to reconcile the conflicting factors.

An unfavorable political phenomenon among the Scandinavian states was their anxiety to avoid responsibility for their common destiny and for the status of the Baltic, in the belief that they would thus save their own interests. Like a sword of Damocles, over every one of the Baltic States hung the possibility that Germany would close the Kiel Canal and the Baltic Straits. This was particularly the case after November 16, 1936, when Germany officially denounced all restrictions arising from the Treaty of Versailles in regard to this area.

ECONOMIC DEVELOPMENT

Thus one may say that the political status of the Baltic established after the Great War miscarried because there was no guarantee or assurance of peace. On the other hand, economic conditions in the Baltic during this same period were undoubtedly better than before. The achievement of independence gave an impulse to the Baltic countries to increase their production and exports of various kinds, especially their agricultural and livestock output.

Production of wheat, flax, milk, butter, bacon, eggs, malt, barley, and potatoes was greatly increased. There was also a marked development in agricultural industries and industries based on agricultural and forest products, such as cellulose, three-ply, paper, matches, also the tanning and fur industries. The Baltic countries in a sense followed the example of Denmark, developing in particular their agriculture and agricultural industries and exporting to the western countries standardized and highly profitable agricultural and animal products. Geological research led to the discovery of new mineral wealth. There was great development of individual farms owing to the extensive agrarian reform carried out in all these countries. In Poland one is struck by the prodigious growth of the Danzig-Gdynia port as the result of the transfer of her foreign trade from land to sea routes.

In all the southern Baltic States, including Poland, there was a steady growth of economic relations with Great Britain, accompanied by a decline in trade with Germany. While in the Balkan countries Germany had been eliminating Great Britain for a number of years, in the southern Baltic, trade relations with Great Britain steadily increased.

The extremely small part played by Russia in the trade and port traffic of

the Baltic is worthy of note. In fact, the Russian figures of trade and transit do not justify, for the time being, Russian claims for access to the Baltic, unlike the gravitation of Polish trade towards the sea. In the future there can be a change. Unfortunately, neither do statistics reveal any growth of economic relations among the states lying along the Baltic. Economic community among the medium-sized and smaller Baltic States was not yet in sight. The only exception was the growing trade relations between Poland and Sweden. In my view, however, it would be easily possible to increase trade between the Scandinavian countries and those of the southern Baltic.

POSTWAR BALTIC QUESTIONS

It would be difficult to exclude Baltic questions from any discussions as to the future economic and political system of the world, now receiving so much attention in both the Old World and the New. If less is being said about these matters now, it is for tactical reasons—the desire not to raise at this time problems on which differences of opinion might arise among the Allies. Yet the decisions affecting this area are no less important for Poland than the question of the central European federation which is so much talked about at present. The objective of any new Baltic settlement, like that of all similar proposals, must be in the first place to establish a lasting peace and to strengthen it by sanctions.

In his essay "Of the True Greatness of Kingdoms and Estates," Sir Francis Bacon wrote: "This much is certain: that he that commands the sea is at great liberty, and may take as much and as little of the war as he will." So control of the Baltic ought to belong to those who desire peace, and not to those who live by war.

The nations lying along the coasts of the Baltic, especially those having no

other window on the world, must be given free, sure, and direct access to the sea. Foreign enclaves, the outcome of imperialism, that are in the nature of political colonies in foreign territories, must definitely be eliminated. The aspiration of states on the Baltic to possess ice-free ports, open all the year round, should also be recognized as justified. This also applies to Russia, although her possession of the ice-free port of Murmansk with its open access to the ocean would seem to render this requirement less pressing. Perhaps the time has not arrived to discuss how the interests of the small Baltic nations can be reconciled with the guarantee to Russia of full access to the Baltic. In any case, Russia's interest does not go beyond Libau and does not extend to Lithuania, which has only one rather unimportant port in Memel.

In his book *Places*, recently published, Hilaire Belloc pays a great tribute to the small nations:

They maintain in this miserable confusion of the modern world one of the best things Christendom ever produced: a small independent state. It became the fashion to worship what was called "power," though it was not power at all, it was mere numbers; for there is no real power among men, save the power to create wherein man was made in the image of God. These big overgrown, bullying modern states were not the product of long time (the only true maker of states) but all rapid imitations. They breed nothing but evil continually. It was a very bad day for the Germans when they were tempted to follow this novel fashion to which they are unsuited and in which they are now trapped.

Free access to the sea is for the Baltic countries the primordial condition for the fulfillment of Article 4 of the Atlantic Charter, to enable them to obtain "access on equal terms to the trade and to the raw materials of the world which are needed for their economic prosper-

ity." As far as Poland is concerned, her need for free access to the sea is not theory, it is a necessity confirmed by bitter practical experience. With the intention of putting Poland in a difficult situation, Germany in 1926 declared a tariff war on her. Poland saved herself only by switching her trade from a westward to a northerly direction, transferring her trade from land to sea routes.

WORLD INTEREST IN THE BALTIC

It is my deep conviction that interest in the Baltic is not confined to countries washed by it. One of the conditions of maintaining a balance of power on the Baltic is to arouse the interest of Great Britain, and if possible of the United States so as to secure their co-operation, in the defense of the narrows and canals of the Baltic and of certain points on that sea vital to communications.

In 1939 the territories that gravitated to the Baltic in the economic sphere were: Poland and Danzig with 35.5 million inhabitants; the Scandinavian and Baltic countries (except Norway), with 20 million; Czechoslovakia, with 14.5 million; East Prussia and the northeastern part of Germany, about 20 million; the northwestern part of the Soviet Union, about 25 million; altogether about 115 million people. Of these, 45 million people, or roughly 40 per cent, belong to countries that can hardly be regarded as resolute and steadfast defenders of the ideals of peace. The appearance of a new and powerful factor from the outside world would greatly help to bring about stability and peace in this area. The interests of central European countries which have no direct access to the sea should also be taken into account.

Owing to their geographical position, the Czechoslovak territories and Polish Upper Silesia have an economic interest in the port of Stettin, and a way should be found to provide for this. But Dan-

zig—the Polish port of Danzig—should become the great northern port and trade outlet of central Europe. A similar role in the south might perhaps be played by Trieste and Salonika. I believe that the main economic centers of great regions should not necessarily coincide with their geographical centers, these being suitable chiefly as seats of government, but with points to which international lines of communication and commerce converge.

One of the most important problems is the opening up of approaches to the Baltic and a guarantee of free entrance and exit to ships of all Baltic countries, whether in peace or war. It is not right that the key to a house inhabited by many people should be kept by one of the tenants and be used by him according to his whim. From the day the Kiel Canal was deepened, the actual authority over all the approaches leading to the Baltic, including canals, the Sound, and the Belt, were in German hands. When Denmark carried out her disarmament in 1925, she *ipso facto* relinquished her control over the sea entrance to the Baltic.

During the last war as well as during the present war, the Germans had no difficulty in closing all routes to the Baltic, thus turning that sea into a closed German lake. The deepening of the Kiel Canal was above all of naval consequence. It doubled the power of the German fleet, which can at any moment be transferred from the Baltic to the North Sea and vice versa.

To discuss thoroughly ways and means of ensuring the freedom of Baltic approaches would carry me too far, but I should like very briefly to express a few ideas. I think that both banks of the Kiel Canal should be taken from Germany and given to Denmark. This entails the necessity for an agreement between Denmark and Great Britain, perhaps with the participation of the United States, for the military defense

of this territory, on the model of Suez. I think naval and air bases should also be established at the approaches to the Baltic. The question arises whether political control over the narrows should not be transferred to an international body, with all the Baltic shore states together with Great Britain participating in the commercial exploitation of this waterway.

THE BALTIC CHARTER

An international Baltic Commission could also supervise the exploitation of the Kiel Canal and exercise control over navigation in the canal and the narrows. Such a solution would undoubtedly create in the Baltic countries an understanding of their common interest, and perhaps give rise to wider co-operation, ultimately leading to federation.

In this connection I wish to point out an analogy with the Harbor Board of Danzig. Among all the mixed bodies in Danzig, it was the most successful in assuring Polish-Danzig co-operation in the field of practical common interests. Perhaps also certain other strategic points on the Baltic, such as Rügen and

the Åland Islands, should be placed under special control. To free the Baltic from the hegemony of a single state would be to apply the principle embodied in Article 7 of the Atlantic Charter, namely, that "the peace should enable all men to traverse high seas and oceans without hindrance."

The general outlines of the postwar world have been determined by the great Atlantic Charter. However, to apply its principles to each practical problem will require much effort and thought. In certain cases, particular sections of the Atlantic Charter may seem at variance with one another and may even point to contradictory solutions. On the shores of the Baltic, national exigencies, strategic and economic aspects, and, most important of all, the maintenance of peace, will all have to be taken into account.

So far all these various Baltic problems have been dealt with separately. I have tried to look upon them as a whole, as a single Baltic problem. I have no doubt that we shall find a permanent and just solution of this problem in a new Baltic Charter.

Imminent Postwar Problems in Central and Eastern Europe

FROM the statements made by responsible statesmen of the United Nations, it is abundantly clear that the basis of postwar world reconstruction must be international solidarity, which means that every nation will regard the prosperity of every other nation as being in its own interest. We want international solidarity not merely in words, but as the basic foundation for economic action. This is just the opposite of the German views on postwar problems. To Germans, the idea of international solidarity is abhorrent. What they want is German hegemony.

German hegemony is often so shocking and so divorced from all Christian principles that it is difficult to believe in the existence of such an idea. But we have the words of Hermann Goering in his broadcast to the German nation on October 5, 1942:

I am absolutely determined to observe rigorously the principle—which from now on becomes an axiom—that so far as satisfying of hunger is concerned and the provision of food in general, the German nation comes first and before anyone else. I want everybody to know that if there is going to be hunger, in no circumstances will it be in Germany.

How different are the United Nations' views on these matters!

The Inter-Allied Conference held in London at St. James's Palace on August 28, 1941, which I had the honor to attend, laid it down in its resolution dealing with postwar supplies to occupied European countries that the plans of the respective governments "should be co-ordinated in a spirit of inter-Allied collaboration, for the successful achievement of the common aims." Since then the common cause of the United Na-

tions has been enormously strengthened. It was an all-important event in the history of the war and indeed of mankind when, on December 8, 1941, the United States entered the war and together with Great Britain took over the leadership of the United Nations fighting for freedom.

DIVISIONS OF THE POSTWAR PERIOD

The postwar period may be roughly divided into three parts: first, the demobilization period which will commence upon the cessation of hostilities, when Europe, hungry and utterly exhausted economically, will need every kind of help, without being able to give anything in exchange; second, the rehabilitation period, will be marked by a gradual return to normal economic conditions; and third, the period of reconstruction, when the main problem will be to raise the standard of living in the economically backward countries.

This address is devoted to the first two of these periods, really to short-term problems, although some brief references are made to certain more fundamental problems.

In the period immediately following the cessation of hostilities, a certain international solidarity of interests will at once appear. The complete lack of certain essential commodities in some countries will be offset by surpluses of these articles elsewhere, large stocks having been piled up owing to the loss of export markets. The help given in combating disease in one country will protect other countries from the spreading of epidemics. And on the higher level of human solidarity, nations giving help will undoubtedly be prompted by the noble impulse to assist the countries that have been so terribly tried by war and enemy

occupation. Gratitude to the United States for the aid so generously given after the last war has never died in Europe.

CONDITIONS IN EUROPE

When speaking of postwar assistance to Europe, now reduced to the utmost depths of misery and degradation, we must picture to ourselves what Europe will look like after the fall of Germany. Reports, as accurate as possible, are now being prepared on that subject.

In this connection, one fairly common belief must be rectified. The idea is prevalent that Hitler, perhaps even despite himself, has done one great thing—that he has united Europe and abolished her internal frontiers. This is completely untrue. Besides old and new political frontiers and trade barriers, entirely new barriers have made their appearance: national and racial barriers, in particular the walls of the ghettos! Newly erected boundaries run through the center of towns having Jewish inhabitants, and none, Jew or Gentile, may cross them without a special permit. Jews who pass these walls without authority are sentenced to death. These death sentences, passed by German special courts, are later posted on the ghetto walls that all may read, learn, and be warned! These new kinds of barriers and frontiers make Europe more divided now than at any time in history.

There is also in some quarters another mistaken idea that occupied countries when liberated from the Germans will be unable to manage their own affairs, and that chaos will result unless those countries are put under some form of tutelage. Plans are actually being put forward with the object of limiting the sovereignty of European countries by various international bodies and institutions. To correct such mistaken ideas I would like to quote some very interesting and, to my mind, very sound ideas

of Harold Butler, a past President of the International Labor Office and now British Minister in Washington. In his recently published book *The Lost Peace* Mr. Butler writes:

The first point is that the world will still continue to be organized in a number of separate nations. The violence of the reaction against Nazism was due more to its attempt to stamp out national freedom and individuality than to anything else. To suppose that nations which have made unprecedented sacrifices in order to preserve their national identity are going to surrender it once they have regained it, is surely contrary to common sense.

ORGANIZATION OF RELIEF ACTIVITIES

Nothing could be more true. Judging from the experiences of the last war, even during the first period we can count on mutual assistance and on the great organizing capacity of the various peoples, although this time conditions may be different. The local population will undoubtedly be able to take a very active part in organizing and maintaining internal order and peace. Also, it will help considerably in the distribution of relief and in maintaining economic activity in agriculture and industry.

The peoples of most of the occupied countries are in close touch with their governments in London. Of course one must make distinction between countries which have two governments, one in London and the other a quisling government in the country itself, and those countries which have only one government, recognized by the entire nation. Nevertheless, it may be expected that in all these countries certain local national organizations will emerge which during the war have been working underground.

However, the situation in Germany will be quite different, and it is not easy to foresee what will happen. Knowing the organizing ability of the Germans,

my own view is that the Nazis will prepare and produce at the right moment an organization of "good Germans" ready to co-operate. Our attitude toward them will be dictated by events. But as regards occupied countries, immediately after the armistice there will certainly emerge organizations ready to co-operate with relief missions and with local welfare organizations that will undoubtedly be set up by the inter-Allied relief mission.

The organization of these missions, their powers and sphere of action, are now being discussed in detail. I sincerely trust that those missions will include as many representatives as possible of the United States. In Poland we cherish the warmest memories of our co-operation with the American relief organizations after the last war. We looked upon the Americans as our friends, we sought their advice, and not only in matters directly concerned with relief. This attitude certainly affords a far better guarantee of co-operation than the delegation of wide powers to inter-Allied relief missions.

The question arises whether the activities of relief committees should be limited to single countries or whether they should cover wider areas, for instance, several neighboring countries. In my opinion the people will have greater confidence if the relief committee has its headquarters in the capital of their own country and is not established somewhere abroad, which might give rise to a suspicion that discrimination is being shown.

This would not interfere with the accumulation at certain key points, especially ports, of large stores of goods intended for greater areas. So far as the north is concerned, in our own interest and in the interest of all central and eastern Europe, we should like Polish ports to be used for these purposes and not German ports on the North Sea

and the Baltic. In the south, Trieste and Salonika should play a corresponding part. In the choice of these key distribution centers the wider economic and political considerations should prevail over mere shipping facilities.

PROVISION OF EMPLOYMENT

The most important task of the inter-Allied relief organization will undoubtedly be to supply the liberated European nations with food, urgently needed articles, and medicines. In this respect the task will not be very different from that after the last war. But this time more importance attaches to other problems: every effort must be made to restart or keep going all centers of production, so that from the beginning the people may have not only bread, but also work. The wheels of production must not be halted for a moment. The chief concern of the various governments, even during the period of demobilization, must be to ensure employment. In order to meet this requirement it will be necessary to supply not only bread, clothing, and footwear, but also all the requisite industrial raw materials, and in addition a plan must be worked out for maintaining production during the immediate post-armistice period.

As regards employment and the re-starting of industry, public works will also play an important part, especially works employing the largest possible number of people with the smallest investment of capital. The part that can be played by such public works is especially important in countries suffering from lack of capital, and with inadequately developed land and water transport, as is the case in the central and eastern European states.

ATTITUDE TOWARD GERMANY

One of the resolutions of the Inter-Allied Conference held in September 1941 at St. James's Palace declared that

the aim of the United Nations was to supply the countries liberated from German occupation with food and necessities of life. The resolution says nothing about Germany. The question arises, What should be the attitude of the Allies toward feeding Germany? Should the work of the supply committee be extended to her also?

It seems to me that the duty of feeding the people cannot leave Germany out of account. Our preparations must include Germany. But it must not be forgotten as regards food, that Germany herself is discriminating between her own people and the people of countries she has overrun. After the war the Germans will physiologically be in a much better condition than the inhabitants of countries now occupied by them. The daily food ration for a German now represents about 2,500 calories, while the daily food ration for Poles in Warsaw amounted at the end of 1941 to 981 calories, and for Jews to only 260 calories. Peoples of the occupied countries, who have suffered so much, would not stand for any further privileged treatment for Germans. In the event of a shortage of supplies the German rations would have to be smaller, to compensate for what is happening during the war.

Also, large reserve stocks have been accumulated and concealed in Germany, and there are no such stocks in other countries. Elsewhere it is necessary to take the figures for prewar imports and consumption, but it would be completely false to apply such a method to Germany. Germany was arming for many years before the war, and this entailed a considerable increase in her import figures and home consumption.

I think, too, that at the moment of signing the armistice the Allies' views as to Germany's future economic structure should already be clearly fixed. We should know before then, how and to what extent Germany is to be deprived

of her war industry, and even of all industry that can be readily adapted to war production. The eventual decision as to Germany's economic disarmament will determine what raw materials she may receive. All of Germany's plans for future domination in Europe are based on the development of her own industry and the de-industrialization of other nations. This applies particularly to all metallurgical, engineering, and chemical industries, which the Germans plan to concentrate in the Reich. Here as in many other spheres, the transitional period will predetermine the future.

POPULATION MOVEMENTS

Allied to the question of employment is another great postwar problem, that of controlling population movements. Never before in history has this problem been posed on such a vast scale. Even before the war we witnessed the westward migration of millions from Chinese provinces occupied by the Japanese, and according to Chinese official sources the number of these migrants has now reached forty-six million. The primitive economic character of the country and the Chinese people's low standard of living facilitated their migration. The Spanish civil war caused an emigration of half a million people to France. Because of Nazi persecution some three to four hundred thousand people left Germany before 1939.

During this war two countries particularly have been forced to absorb a large number of emigrants, namely, unoccupied France and the so-called Government General in Poland. At one time it was estimated that there were from five to twelve million immigrants in unoccupied France. A large number of these have already re-emigrated, but some millions are left, if we include the French compulsorily evicted from Lorraine. The Government General has become an area of settlement for Poles

expelled from the western provinces of Poland, illegally "incorporated" in the Reich, and for Jews from Germany, Austria, and other occupied countries. The number of Poles deported into Russia by the retreating Russian troops has been roughly estimated at about one and a half million.

In his broadcast already referred to, Goering stated that there are now in Germany six million foreign workers and more than five million prisoners of war. Altogether it is estimated that when military operations cease, some seven million people in Poland alone will want to return to their former homes. The number of refugees and deportees in the boundless spaces of Russia as the result of the Russian-German war cannot be estimated at all.

It is surely not an exaggeration to say that after this war tens of millions of people will try to return as quickly as possible to their homes. This creates a problem of great intricacy, as essential transport will be lacking. The control of these migrations, the preparation of suitable camps, food, help, and employment, will be a task to tax the resources of the European governments and international organizations to the utmost. Without doubt, part of the transmigration movement will be spontaneous and will evade all control. Nothing will be able to restrain the elemental mass movements of these people.

The movements of population in Europe will present one of the most formidable problems with which the United Nations will have to deal. It will be necessary to take into account: (1) prisoners of war; (2) war refugees, i.e., the people who fled their homes before or during military operations; (3) people deported by the invaders from their homes and transferred to other regions; (4) German, Italian, Hungarian, and other settlers transferred to the regions from which native populations have been

deported; (5) people sent from occupied countries to forced labor in Germany; and (6) refugees who emigrated during the period 1933-39 because of political persecutions.

It can therefore be taken for granted that in the first months after the cessation of hostilities there will be enormous movements of people both nationally and internationally all over Europe. These movements will need to be carefully handled and special aid organized for them, not only for their own sakes, but for effect they may have on the general relief plans in Europe.

One condition of such migrations is the establishment of national frontiers. Even in Germany, annexation preceded deportation in Poland. So it seems to me essential that at the time of the armistice definite frontiers of the various states should already be established.

TRANSPORTATION OF FOOD AND RAW MATERIALS

The supply of food and raw materials to Europe is also essentially a transport problem. The Inter-Allied Committee has already estimated the tonnage that will be required. Priority of shipments must also be determined. There seems to be general agreement that a world shipping pool will have to be created and all allocations made from it. At this moment it is not easy to form an estimate of what tonnage will be available after the war. It is even more difficult to foresee what land transport facilities will exist in Europe. All available information indicates that rail and road conditions in Europe are steadily deteriorating.

In this war, various other phenomena, not unknown to previous experience, differ from the past by reason of their enormous dimension. The number of troops engaged, the technique of equipment and armament, the economic and legal consequences of war, for instance,

the shift in the character of agricultural and industrial production, the scale of the movements of population, the changes in property relationships, exceed all known facts and figures of the past.

TRANSFERS OF PROPERTY

Stupendous changes have taken place in Europe in property and ownership rights. These have arisen from a number of causes. Some are purely military and were brought about for the purpose of increasing industrial and agricultural production. Industrial works and farms have been expropriated, transferred from one owner to another, frequently thrown together to form a larger unit, more rarely broken up. Movable property, such as machinery and production plant, has been transferred from one establishment or property to another to meet the economic requirements of Germany. More complicated still is the situation of Polish areas occupied first by Soviet, then by German, troops. Land taken from its owners in eastern Poland by Soviet troops was not restored to them by the Germans after their occupation of the area. Further, changes in property rights have been effected for national or racial reasons. Jewish property has been confiscated by the Germans and their satellites everywhere. Real and personal estate has been taken without compensation—Polish real estate in Poznań, French real estate in Alsace and Lorraine. Certain industrial establishments have been handed over to great German concerns as their property, without compensating the owners. Funds for this purpose have been drawn from the banks of issue in the occupied countries, and the people of these countries have been burdened with the financing of these illegal transactions.

To unravel the tangled skein of these arbitrary abuses it will be necessary to establish detailed norms and a special procedure. Justice would seem to de-

mand the restitution of all property rights to original prewar status. But in many cases it will not be possible to return the same property to the former owners.

The Allied countries and the United States have warned neutral countries that they will not recognize any transfers or changes of property or ownership carried out in the occupied territories, even if such transactions wear the mask of legality. It may be added that the majority of the Allied governments have issued appropriate decrees covering this point.

THE HUMAN ELEMENT

After the cessation of hostilities special care will be needed, at least in certain European countries, to restore the ruined human element. This problem has so far attracted little attention. Apart from losses resulting from direct war operations, the intentional and brutal extermination of the educated classes in occupied countries calls for careful consideration. It concerns many countries, but especially Poland. It is not only quantitative human losses that count; the qualitative ones are even more important.

Losses in the technical spheres are of particular importance when the restoration of any country is undertaken. Thousands of skilled technicians have perished as a result of military operations and German persecution. For instance, in Poland we had eleven universities for technical education, all of a very high standard, attended by more than seven thousand students of our fifty thousand undergraduates. Every year some eight hundred engineers graduated from these technical schools. For the past three years these schools have been closed, which means that we have lost several thousand technicians.

Moreover, it will not be possible to get the schools going again for a con-

siderable time, owing to the death of many lecturers either by execution or in concentration camps. All the instruments and laboratory equipment, microscopes, many valuable books, and so forth have been taken to Germany. The Germans had thoroughly prepared for this step and had fully acquainted themselves, even before the war, with our scientific institutions. Their scientists and technical experts had taken the opportunity of visits and international congresses to go over and study our laboratories, our schools, and so on. Proud of the achievements that Poland had made during twenty years of independence, our professors and scientists conducted the German scientists around our museum and schools and showed them everything. After the German occupation of Poland these same German scientists arrived, accompanied by the Gestapo, to confiscate and plunder the scientific collections and other equipment which we had too hospitably thrown open to them. One of Poland's first concerns after the liberation of the country will be the restoration of our universities and scientific centers.

Then the psychological and moral condition of the peoples of Europe after the war cannot but give us all deep concern. The Germans, with the aid of quislings and local traitors, have done their utmost to deprave the people, especially the youth, and to inculcate subversive Nazi ideas.

Yet the psychological and moral condition of the people, especially the youth, in Germany itself gives cause for even more alarm. In that country there will be no shortage of scientific assistance or teaching staff. The German technical schools and universities are still open, research being directed toward new methods of destruction. But the political attitude and standards of the Germans will be the main difficulty. In Great Britain people are still discussing

the question of good and bad Germans. Some, headed by Lord Vansittart, declare that all the German nation has been led astray; others maintain that they have known good Germans and have had friends among them.

The controversy is really confined to the view to be taken of the older generation of Germans, from 35 years upward; for so far as the youth are concerned, there is no doubt that they have all been morally and intellectually depraved by the National Socialist system. All are agreed that there are no good German's among the younger generation. And yet it is with them that we must be chiefly concerned, for they are the element responsible for the future of Germany. The great lesson that the German nation must learn is that it has met with disaster because of the lust of conquest and the lack of moral principles displayed by its leaders. That lesson must be taught the Germans. It will be to the interest of the world and of the German nation itself that Germans should be made to realize and suffer all the consequences of the crimes they have committed.

HELP ACCORDING TO NEED

The present general approach to the problems of the future tends to regard financial considerations as of secondary importance. The situation will require bold action after this war. During the demobilization period the needs of the European countries will be entirely out of proportion to their ability to pay. Supplies and their priorities will have to be arranged according to the actual needs of the population and not in relation to their capacity to pay. In this respect the demobilization period will not be unlike an extension of the war effort, when every Allied country is making all possible efforts and sacrifices for the common cause, without worrying

much about financial settlement in the future. The help granted to the European nations will be in the nature of emergency relief, and those who receive the supplies sent will be unable to pay interest or to assure the service of a sinking fund except on a very limited scale.

During the period when, exhausted by the war and prolonged occupation, the nations are receiving relief supplies, it is certainly advisable to try to organize this help on businesslike lines. On receiving food, clothing, and medicaments, the great masses of semiskilled and highly skilled workers in the textile and allied trades of central Europe will, for instance, be able to produce, to the account of the countries granting the relief, important quantities of ready-made clothing to supply the needy populations of China and Russia. In return, they will be credited in the final settlement of the relief account.

CURRENCY QUESTIONS

Currency questions belong to a different category of problems which will have to be tackled immediately after the occupation is over. The chief problem will be one of providing the countries now occupied with new means of payment, and of unifying the various currencies circulating in each country. To show how important to national economy is the smooth working of the currency system, it is worth mentioning that one of the first consignments to be sent along the Burma Road when it was reopened after being temporarily closed, consisted of bank notes printed in London for the Chinese Government. Thus, together with the most urgently required armaments went the bank note; for currency is an essential technical resource for re-starting the economic machine by the free activities of the local population.

The problem of fixing and maintaining the purchasing power of the new

currency in all these countries, and thus providing the basis for its future exchange rate, is a matter of long-term economic policy and leads us to the further reconstruction period, which will be discussed elsewhere. The presence of American representatives at the discussion of all these problems would be extremely valuable if not absolutely indispensable.

WORLD SOLIDARITY

The problems I have mentioned are the main ones that Europe will face after the cessation of hostilities. No doubt these problems are varied and highly complicated. They are not restricted to the question of postwar supplies of foodstuffs and medical goods, but concern all the higher problems of civilized life. Owing to the special conditions created by the long period of German occupation of the European Continent, the short-term problems of Europe differ considerably from the short-term problems of America. On the other hand, reconstruction of the continent of Europe ought to be considered as part of the American plan for world reconstruction. I am well convinced that in spite of all her difficulties and misfortunes, Europe is still indispensable to America's development and prosperity. Just as today nobody can escape war, so tomorrow nobody would be able to escape the consequences of a bad peace. Prosperity and adversity have become interdependent. That is why the hearts of all the peoples of Europe knew fresh hope when on January 6, 1942 President Roosevelt brought tidings of great joy to all mankind! "I know," he said, "that I speak for the American people, and I have good reason to believe I speak also for all other peoples who fight with us, when I say that this time we are determined not only to win the war, but also to maintain the security of the peace that will follow."

International Trade, Past and Future

THE greatest meliorator of the world is selfish huckstering trade" said Ralph Waldo Emerson in his book *Works and Days*. Perhaps that is why trade occupies such an important place in the discussions of the world's future.

"The fullest collaboration between all nations in the economic field" and "furthering the enjoyment . . . of access, on equal terms, to the trade . . . of the world" are two of the most significant postulates of the great Atlantic Charter. The correctness of this principle is almost universally recognized. The statements of policy of nearly every government, political party, politician, or economist contain similar declarations. The dissenting opinions of skeptics, who maintain that after the war national tendencies to attain self-sufficiency will revive and develop and that consequently we shall be confronted with a series of closed and autarkic economies, are few and far between.

It is significant that when world economy was still in its infancy, politicians, economists, and businessmen all had a definite theory and quite positive views on the nature and the purpose of that economy. Today, when the need for the greatest possible exchange of goods is not even challenged, we lack a unified doctrine. Great differences of opinion appear to exist as to the aims and the mechanism of international trade.

PAST THEORIES

In the past it was held that the sole object of international exchanges of goods and services was to obtain maximum production. To this end each country was to produce those goods for the production of which it was best suited. The whole object was to get rid of the surplus of certain commodities

so produced and, through exchanges of goods with other countries, to acquire goods the country lacked. The difference in comparative costs indicated and measured the difference in production conditions. The theory stipulated, therefore, *what kind* of articles each country should produce. That is the principle of international division of labor.

There was also a theory as to *what amount* of goods and services a country should supply to other countries, and what goods and services it should draw from them; in other words, what should be the ratio of exports to imports in the various countries. This depended on the degree of economic development of any given nation. The older countries, of higher economic development, supplied the younger countries with more goods and services than they received from them. Or, to put it in another way, they made loans to the poorer countries. With the passage of years, as the latter countries became richer and more highly developed, they gradually paid their debts to the older countries by supplying more goods and services than they received. This was the theory of equalization in the balance of payments.

The whole structure of international trade rested on these two pillars: an international division of labor, and equalization in the balance of payments.

There was also a third and very important theory, namely, that movements of international trade are best regulated when they regulate themselves. Above all, they ought not to be interfered with, and the best possible international division of labor would be achieved automatically. Also, the amount of goods and services supplied by the various countries would best be fixed by free interplay, through the medium of the gold standard.

DANGERS OF UNPLANNED INTERNATIONAL EXCHANGES

For their time, I think, these views were quite sound and reasonable. If some superhuman power decided even today to compel all nations and governments to eliminate all barriers to the free exchange of goods and services, then our classic, if somewhat rusty, world mechanism would begin to work again and might lead to the best possible international division of labor, and to a balancing of turnover that would achieve the desired result—maximum production. Only we do not know how many years or decades, even generations, this great machine would need to achieve its aim.

But that would not be all. The great driving wheel of this mighty mechanism would shatter to fragments inestimable human values and the achievements gained by the effort of generations. Above all, those social achievements that cannot possibly be reconciled with free demand and supply of labor would be wiped off the face of the earth. Even if after many years the tragedy of unemployment were eliminated, during the transitional period it would be an even worse plague to humanity than before the war. In certain countries there would be an overgrowth and absolute predominance of certain branches of production, and one type of employment over all others; for instance, single-crop cultivation. That would violate the true relationship of the various trades and professions and social forces inside each country, while the one-sided nature of employment would react unfavorably on the psychological and intellectual development of the nation.

The relative economic independence and internal equilibrium of individual countries would be subjected to a heavy strain. The standard of wealth and the cultural development of the various

countries would decline and would lead to a widening of differences, and not to the elimination of antagonisms. Thus we should not draw nearer to, but move farther from, the realization of Christian and democratic principles, recently so splendidly laid down by Vice-President Henry A. Wallace: "Everywhere the common people are on the march." "No nation will have the God-given right to exploit other nations."

The economic ideal of the nineteenth century—maximum production—is undoubtedly a most worthy ideal, and is equally our own aim. But it is not our only aim. We must combine and reconcile it with other ideals of humanity—political, social, and national. "Policy first," a statesman once said, but by policy I here mean the aggregate of common human aims. We want the wealth gained as the result of the magnificent progress of science to serve the general good of mankind. To reconcile purely economic with noneconomic ends, we must, in my view, abandon all thought of a return to the attractive and compact mechanism of the liberal era that served one end and one end only—maximum production—and we must seek to reconcile the various tendencies in a system of international planning.

INTERNATIONAL DIVISION OF LABOR

International division of labor and equalization in international exchanges must undoubtedly remain the basis of international economic life, for without them the edifice could not exist. The principle of the international division of labor was again enunciated in a radio address by Mr. Sumner Welles on October 9, 1942. In the name of President Roosevelt, Mr. Welles declared: "The United Nations must have the right to produce to the fullest extent, commensurate with their ability, the things they are best able to produce." But both these principles will probably have to

undergo radical changes and be transformed to meet supra-economic aspirations. Nor can they be allowed free play, as in the past. They will probably be the outcome of agreement between the nations and will be directed in accordance with those nations' desires and interests, maybe even by one international center. One publication has called it a "world economic general staff."

Some consider that the international division of labor is destined to gradual extinction. They assume that international commodity exchanges must gradually decrease, parallel with the development of new and more difficult methods of production, as the result of technical education and training in the various countries. They assume that technical progress will administer a death blow to the international division of labor.

Undoubtedly, parallel with technical progress in each country there will be an increase in the number of articles each country can itself produce without outside assistance. Perhaps the best example of this is the production of synthetic raw materials by organic chemistry. Differences will persist, however, in regard to the contribution of labor and capital, the prime costs of production of different articles in different countries. Moreover, with the progress of material well-being, the scale of requirements increases and the gamut of indispensable articles is enlarged. The decline in the export of certain commodities will thus be replaced by the export of other and formerly quite unknown articles. Progressive specialization will gradually take the place of the former too primitive system of complementation between agricultural and industrial countries.

AGRICULTURE AND INDUSTRY

Even today, many people still cling to the conviction that from an economic

point of view, countries should be divided into agricultural and industrial producers. They believe this to be the best form of complementation, the most natural demarcation of the international division of labor. The advocates of such views are opposed to the development of industry in formerly agricultural countries, and would willingly withhold from them supplies of capital, production machinery, and other means of industrial development. On the other hand, they are alarmed by the development of agriculture in industrial countries. They fear that exchanges will come to an end between these two types of lands. Yet even past experience has shown that commodity exchanges were most active between the most highly industrialized countries and those that were becoming more and more industrialized, and not between the agricultural countries and the industrial countries.

The present war has led to a deepening of the conviction that every country should possess both agriculture and industry. The agricultural countries must be industrialized if they possess the requisite conditions for this development, especially if they have a high density of population and cannot support themselves solely by agriculture. Nor can the agriculture be neglected in industrial countries. The basis of the modern international division of labor should be a progressive advance in production in all countries, and not its restriction in a mean-spirited fear of competition.

Not alone economic considerations, but the parallel development and stabilization of social forces and classes also require full development in various branches of production. We are glad to read in the "International Report prepared by the Research Committee of the Institute of Export" in London "that the establishment of the strongest possible agricultural system compatible with in-

digenous advantages is desirable and is in fact a necessary adjunct to efficient industry and national well-being." This principle should be applied to the predominantly agricultural countries also.

This does not justify the drawing of unwarranted conclusions as to the value of a completely artificial nursing of branches of production that have no basis of development in a given country, for this would lead essentially to autarky. For reasons partly supra-economic, partly economic—for instance, overpopulation—each country strives to achieve a certain minimum of production to cover its own needs. But international exchanges must absorb articles produced over and above the national requirements. As culture and technique progress, this supra-national quota, which is the basis of international commodity exchanges, will also increase and become more and more differentiated.

TRADE BARRIERS

According to formerly accepted principles, the international division of labor was achieved most perfectly and exactly when the exchange of goods and services met with no barriers or obstacles. Production could then be located ideally according to the difference in production costs. However, in practice, this ideal state of affairs never existed; for higher or lower customs tariffs, quotas, and so forth, and differences in national fiscal charges or in cost of transportation, slowed down international exchanges and acted as protection for local industries. It must be emphasized that the protection given to local industry by distance and costs of transportation is much greater in the United States, for instance, than in Europe. The distance from London to Moscow is less than that from New York to San Francisco. This may explain the European tendency to seek barriers of a different kind.

There are some aspects of tariff bar-

riers, the importance of which is not always recognized. It is frequently said that the many new frontiers set up after the last war, each with formidable new tariffs and trade barriers, obstructed international trade. Although that seems plausible, it is not necessarily correct. After all, American goods arriving in Europe paid customs duty only once, and so did European goods sent to America. The negligible volume of trade between the smaller European countries was due not so much to tariff barriers as to the fact that two poor and overpopulated agricultural countries produce very few goods that they can exchange with each other. There is very little exchange of goods between agricultural states in the United States, and they are separated by no tariff barriers.

In addition, nineteenth-century economy thought it permissible to institute customs protection for backward economies, if such protection were limited in point of time and restricted to some but not all commodities. Nations may be allowed an equal start if they have previously been given equal chances of development. So I feel that the tendency of economically backward countries, such as certain states of central and eastern Europe, to seek some measure of protection for their production is not without justification. That should be taken into account when planning future international trade. We cannot talk of promoting an economic revival and then deprive those countries of the conditions for that revival.

In prewar Europe, in addition to customs tariffs there was a widely developed system of controls and quotas; and it was considered that customs tariffs and quotas were alternatives acting as mutual substitutes. The question was often discussed whether it was better to adopt customs duties or a quota system. But it must be observed that the nature and the object of these two systems are not

identical. The object of customs tariffs is to correct the conditions of production—to iron out the differences in production costs. They are part of the weapons of commercial policy. On the other hand, quotas (I am of course thinking of restrictions on imports, as restrictions on exports were comparatively rare) were intended to preserve the balance of payments. So they were rather of a financial nature. Quotas are rather closer to international currency exchange control; these two methods are interchangeable or may be complementary to each other.

However, the manner in which exchange regulations and import quotas were applied, and the fact that in every case they were used as weapons of economic warfare against other countries, led to the chaos that reigned before the war. This system became one of the chief barriers to international trade and international economic co-operation.

POSTWAR TRADE ARRANGEMENTS

In some countries that will be particularly weak and exhausted by the war, the above methods of regulating trade and foreign exchanges will probably have to be retained in the postwar period. However, to what degree and how quickly these restrictions can be eliminated does not depend exclusively on the countries that may have to apply these methods. It will depend to a far greater extent on the countries that are economically and financially stronger. The abolition of these barriers can be achieved mainly by proper methods of adjusting the balances of payments, and particularly through an adequately developed system of medium and long-term credits.

In the customs sphere, undoubtedly the most-favored-nation clause will be in full force. However, the federation idea (for instance the formation of a Central-Eastern European Confederation) will influence the application of

this clause. In working to create a customs union in the future, the confederated states will have to apply a long-term system of reciprocal preferential tariffs. But it will be necessary for them to obtain the agreement of other states (probably in the peace treaty) to the confederation clause, as an exception of the most-favored-nation clause. Provided the great powers take a favorable attitude toward confederation, we are justified in believing that agreement along these lines will not be too difficult to obtain.

BALANCE OF TRADE

Equalization in the balance of trade is the next problem. Under the gold currency system, it was as a rule solved automatically, by means of well-known and fairly simple measures taken by central banks; but in future it will require very complex arrangements and a directing control. This problem is obviously one of the most difficult we have to face, as it arouses most comment and discussion. A lack of equalization is revealed not only in international economy between the supply and the receipt of goods and services, but also in the internal economy of countries in the form of disparity between production and consumption.

UNDERCONSUMPTION

The chief feature of our age is the permanent excess of production over consumption. "We put up with a civilization that was commodity-rich but consumption-poor too long to avert the present catastrophe," said Milo Perkins in his remarkable speech of May 25, 1942. It is generally expected that a similar situation will prevail after the war, at least after the brief transitional period of demobilization. "The dominant conditions after the war will be short-term deficiencies and long-term surpluses," the former British Minister

of Agriculture, Walter Elliot, has said. He admits that when he was Minister of Agriculture his chief anxiety was not the production of food, but its consumption. The special Milk Board which he started supplies milk to the schools. "Without the school milk there would have been neither market nor sympathy for the milk producer."

To any man unused to the economic contradictions of our age, the idea of a permanent surplus of commodities would be something quite absurd and unintelligible. He would be justified in thinking that if there was a surplus of commodities, obviously all the citizens of the whole world must be rolling in plenty, with dwellings ample for their requirements, quantities of food, opportunities for amusement, and a quite good bottle of wine on the table from time to time. He would be justified in assuming that obviously the limits of man's absorption of commodities had been reached. If that were the case, there would be a simple way out of the difficulty, i.e., to decrease production. In reality, the situation is completely different. The great mass of people in this world suffer from extreme need, and even in the richest of countries one can find a great volume of unsatisfied needs.

In particular, before the present war the needs of a great number of people were not met at all. How are they to be met? The war period has partly taught us the answer: By bringing these people into the production process. This principle could be applied not only to the mass of unemployed in the industrialized countries, but to the millions of people scattered all over the world who have not yet been fully harnessed into useful production. Partly they were left outside the economic progress of humanity, were seemingly forgotten by it, and carried on an al-

most self-contained natural husbandry. They took little part in the internal trade of their own countries, and far less in international trade.

This applies, among others, to the tens of millions of peasants in central and eastern Europe, many of whom so far have had no productive employment, and to the millions of underfed people in China, India, and Russia. In the boundless spaces of eastern Russia and Asia there are millions of people capable of development who have never had, and possibly have never even seen, motor cars, trams, watches, fountain pens, or even beds. They must be brought into the world of production and consumption.

INCREASED PRODUCTION NEEDED

The best way of dealing with overproduction is not to decrease production, but to increase it. The easiest way to find a consumer is to create a new producer. Someone has said: "We shall discover that increased production pays the real costs involved. Doing the job pays the bill." Henry Wallace said: "The peace must mean a better standard of living for the common man not only in the United States and in England, but also in India, Russia, China and South America." I simply add that in Poland alone, for instance, according to estimates there are some five million too many people attempting to live by agriculture. They are almost completely excluded from the sphere of trade turnover. To bring them into consumption, new possibilities of supporting themselves by industry must be afforded them. Similar conditions exist in the other countries of central and eastern Europe—in Yugoslavia, Greece, Bulgaria, and Rumania. Churchill's words "Give them the tools, and they will do the job," may well be applied to them.

For this reason I cannot entirely

agree with statesmen who declare, like the Right Honorable Walter Elliot in *How to Absorb Production After the War*, that "the century of equipment must in the nature of things give place to the century of production." I am sure that the equipment industries of the great industrial countries will have before them great possibilities, both in central and eastern Europe and outside Europe. Only when new industrial and public investments have been supplied to these countries in adequate amounts, will new markets open in these countries for consumption goods. Our century should be not only a "century of production," but simultaneously a "century of equipment."

MOVEMENTS OF GOODS

It would seem that the mutual contributions of nations after the war will not differ fundamentally from what was obtained under the former principle of equalization in international balances. In the postwar period the stream of goods and services must be largely in one direction, from the wealthy and undevastated countries, and above all from the United States, to the economically devastated and exhausted countries, or those which in one way or another are economically backward. But the direction of this movement of goods will no longer be automatic, but planned. People responsible for international economy will undoubtedly come to the conclusion that the United States exports ought to and will exceed her imports. This will be to the interest of the United States as well as to that of nations requiring both investments and consumption goods.

However, it does not appear that this predominance of movement in one direction will go on forever. Undoubtedly the time will come when the nations now receiving commodities from the United States will be able to return

them. Then a new period will begin, one of a less active, and in time possibly a deficient, balance of trade for the United States. Possibly European states will begin to pay their debts. My own conviction is that in principle there should be no such thing between nations as unrepayable contributions. There is no reason whatever why the European nations should have to receive outright grants from the United States. The one exception might be relief during the demobilization period. On the basis of complete solidarity among the Allies, possibly the ultimate reckoning will take into account not only financial contributions, but also other contributions and sacrifices in blood and possessions suffered by the various nations carrying on the war. I think that the Lend-Lease Act is based on that very principle.

It has often been pointed out that when, during the last war, the United States sent guns to France, France had to pay for them; but when the same guns were sent to France with their crews, it was the United States that paid for them, and not France. Surely this was an exaggerated observance of legalistic formulas, without taking into account the political and economic realities. It is worth recalling that even in the days of the so-called "pure economy," not all international loans were repaid. Somebody once said that generally speaking, in the nineteenth century, for every locomotive, every ton of steel, every dynamo, and each loom sent abroad and paid for, another was supplied for nothing. In practice, therefore, even then there was no full application of the principle *do ut des*.

But in those days losses were incurred automatically, just as the principle of the division of labor operated automatically, or balances of payments were equalized automatically. It would seem that in the age of planning, the losses incurred in the mutual exchanges of

goods should also be planned. To a certain extent the Lend-Lease Act is just such a deliberate step, where the impossibility of full payment by the debtor countries is adequately foreseen. This does not imply any rejection of the principle of repayable international credits, which to my mind would be neither wise nor equitable.

KINDS OF COMMODITY CREDITS

I therefore envisage after this war three kinds of commodity credits, granted by the great and financially strong countries to the liberated European countries. The liabilities of the European nations in respect of these credits will vary according to the character of the credits. First of all are relief supplies of food-stuffs, articles of prime necessity, and raw materials, to be delivered as soon as possible after the cessation of hostilities. Their scope and degree of priority are now being carefully computed, prepared, and planned. So far as these supplies are concerned, they cannot be considered as business transactions, but as alleviation of acute distress, and so they will not be a source of revenue. Judging from Article VI of the Wheat Agreement, I think that the countries granting the help perhaps intend to do so without expecting repayment.

Economic reconstruction of the devastated countries belongs to the second category. This includes supplies for industrial installation and equipment for the economically backward countries, especially for the countries of central and eastern Europe, to raise the standard of living in these countries and increase their production and consumption capacity.

In view of their size and the number of their inhabitants, the markets of China, India, and Russia seem to be extremely promising. The teeming populations of China and India are especially important in this respect. However, as

regards their standard of life, their requirements, and their technical education, the population of central and eastern Europe is much more advanced. These people represent a mass of more than a hundred million consumers, and qualitatively a better and more matured market, which certainly should be granted priority over the other markets I have mentioned, as it could more quickly absorb and fructify the invested capital and more speedily contribute to the increase of international trade.

In these cases it is no longer a question of relief, but rather a matter of carrying out one of the points of the new program for things to come, or of planning the new and better world. These investments will give a return one day, but they should not unduly burden or impede the revival of the national economy of any given country. The supplies should therefore be arranged as long-term loans, bearing low rates of interest. Their repayment, in goods or services of course, should be spread out in such a way as not to disturb the market of the creditor nation. These loans should be granted in execution of a systematically applied plan, and should not depend on the unco-ordinated oscillations of the trade cycle.

Finally, the third category of credits will cover the usual current exchanges of goods, in respect of which the receiving countries will pay for commodities with commodities. These supplies should more or less balance one another, or at any rate any surpluses should not be too great. If a debtor country should have a rather substantial deficit on account of these exchanges of goods, such deficit could eventually be converted into medium or long-term credits.

BENEFITS OF THE SYSTEM

This system should accord with the intentions as well as the tendencies of the great industrial countries, and also

with those of the younger, undeveloped countries which are to be industrialized, such as the countries of central and eastern Europe. Thus new markets will be created for the engineering industry of the United States and Great Britain. New consumers of manufactured goods will come forward, who so far have taken little or no part in the international exchange of goods. The great industrial countries need not fear their competition. Only producers can become consumers. If you do not give those potential consumers the possibility to produce, then although they will never become competitors of the great industrial countries, they will also never become buyers of either producer or consumer goods.

Only thus can the economically backward countries raise their standard of living and become active members of the world economy. The industrial countries, on the other hand, will find it pos-

sible to increase their exports at once, but will not have to increase their imports for a rather long time. Nevertheless, their export surplus will not be in the nature of a gift, but will be a loan, which will be instrumental in bringing about a new and better world economy. The words of Cordell Hull—"Continuous self-development of nations and individuals *in a framework of effective co-operation* with others is the sound and logical road to the higher standards of life"—will then become a reality. As far as Poland is concerned, she does not want to receive gifts, she is not seeking an outright grant, and she does not look upon the Lend-Lease Act as a perennial Christmas tree, as the London *Economist* once described it. Poland wants only the co-operation of the great democracies in order to raise her economic standard in the common interest of all mankind.



The first part of the report is devoted to a description of the general conditions of the country, and to a statement of the progress of the various branches of industry and commerce. It is followed by a detailed account of the state of the different departments, and of the measures which have been taken to improve the condition of the people, and to promote the interests of the country.

The second part of the report contains a list of the principal towns and cities, and a description of the principal manufactures and articles of commerce. It also contains a list of the principal exports and imports, and a statement of the state of the public revenue and expenditure.

The third part of the report contains a list of the principal public works, and a statement of the progress of the various branches of industry and commerce. It also contains a list of the principal public institutions, and a statement of the state of the public revenue and expenditure.

