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Book Review: America and the Balance Sheet of Europe

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America and the Balance Sheet of Europe. By John Foster Bass and Harold Glenn Moulton. New York, The Ronald Press, 1921. pp. vi, 361.

This book should be read by every person interested in international relations and public affairs. It presents a dispassionate and analytical diagnosis of the existing economic position in the world, essays a conclusion of the probable economic and political consequences if the position is not soon radically altered, and suggests the necessary remedies that must be adopted. In a sense it is a work supplementary to Keynes' *Economic Consequences of the Peace,* with the advantage of three years' tangible experience of those economic effects which Keynes predicted. The argument of the book constitutes an interpretation, in terms comprehensible by the layman, of the figures presented by a study of the current balance sheet of Europe. The book has a purely educational purpose and is so constructed that the reader is permitted, after a study of the facts in Parts I and II, to draw his own inevitable conclusions. In the last chapters, the authors venture to suggest a way out of the dilemma into which Europe and the world at large has been driven.

Part I of the book constitutes an analysis of the existing economic situation. The authors point out the tests and criteria, namely, foreign trade, depreciated exchanges, unbalanced budgets, mounting debts, and inflated currency, by which the position can be established. The conclusion is inescapable that the Treaty of Versailles and its execution have directly retarded the economic recovery of Europe and that almost before our eyes the position is from month to month rapidly growing worse. The authors indulge in few predictions, but, given the truth of the premises as presented by the figures, the conclusion is manifest that all Europe is approaching economic and social disintegration, and will soon find itself engulfed unless herioc measures are promptly adopted in common council by the statesmen of Europe. The authors seem none too hopeful of the ready adoption of such measures, although the recent calling of the Genoa Conference indicates that the pressure of facts has at last penetrated the chancelleries. Whether the situation can still be controlled and whether the remedies adopted will be adequate to meet the economic disease from which the world is suffering remains to be seen. The authors emphasize the point throughout that the problem is not special to any one nation, but is a unit affecting all Europe in very nearly the same degree and ultimately the world in general.

That brings the authors to Part II, which is confined to "The Reparations Dilemma." It is introduced by a history of the reparations controversy, followed by an examination of the economic effects of reparations on the payer and on the payee. The conclusion is reached that not only can the debtor not pay in the only way a national debt can be paid—in goods or services—but that the creditors cannot afford to permit themselves to be paid, because their own markets and industries would suffer badly. The authors regard the reparations as uneconomic and a bar to world recovery. The unwelcome but nevertheless inescapable conclusion is that the reparations must sooner or later be so materially reduced that they will yield little if anything. Almost the same argument leads to the conclusion that the inter-Allied debts and the Allied debt to the United States will have to be cancelled if trade is to be maintained in anything like healthy proportions. This thought, to which informed economists have already yielded assent, will soon have to be accepted by politicians and the people at large. Two long chapters on the "political factors in the European situation" are a masterly study of the unwillingness of statesmen to face the economic facts and, indeed, of perverseness in acting contrary to them, with disaster a consequence. The dilemma of France, either (a) to ruin Germany now in the hope that a resurrection will be impossible, but thereby inviting a general European financial, economic, and perhaps social collapse and upheaval, or (b) to permit Germany to recover, with consequent economic recovery in Europe, but danger of a war of revenge upon France, is strikingly, if dispas-

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sionately, portrayed. The inevitable divergence of the British and the French policies in Europe under these circumstances becomes clear merely by suggestion.

Part III deals with "Remedies—Proposed and Real." The entire catalogue of proposals for the relief of the world depression and the reconstruction of Europe is examined and most of them are found wanting. Nearly all require the taking of large chances on European stability by the American investor, and so long as the statesmen do nothing to make the risk safer, but, on the contrary, seem to be making it continually more unsafe, these proposals are not likely to have any considerable measure of success. Nor is "stabilization of exchange" a remedy. This cannot be effected while the causes of instability, namely, huge budget deficits, mounting public debts, inflated currency, and restricted production, continue to operate. On the contrary, when the causes of instability above mentioned are courageously attacked by statesmen informed by an economic rather than a political orientation, there will be no need for an artificial "stabilization" of exchange. This would then take care of itself. The four basic requirements of "the way out," as seen by the authors, are (1) an increase of domestic production in each country, bringing prices down; (2) a restoration of relatively unrestricted and balanced trade between nations, requiring practically a cancellation of allied debts, an almost complete abandonment of reparations and a removal of the trade barriers interposed among the continental nations of Europe; (3) a restoration of the gold standard, requiring probably a repudiation of a large part of the public debt of many European countries, as the lesser of possible evils; and (4) a balancing of budgets by a drastic reduction of expenditures, notably for armaments. If economic health can be restored to the world, through continuous economic rather than primarily political co-operation, and by the courageous adoption of the heroic measures advocated, there is still a chance that political health may return and internal disintegration and new wars, which now seem inevitable, avoided. The probable consequences of such an eventuality within the next generation do not require portrayal.

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Trust Estates as Business Companies. By John H. Sears. Second Edition. Kansas City, Vernon Law Book Co., 1921. pp. xx, 782.

The first edition of this treatise, which appeared in 1912, was a pioneer work in a field of constantly growing practical importance. There is still little in print upon the subject. It is included in Wrightington's *Unincorporated Associations,* and has received fairly full treatment in Fletcher's *Cyclopedia of Corporation Law.* There is also a small book by Guy A. Thompson, called *Business Trusts as Substitutes for Business Corporations.* The subject is certainly one which deserves more attention than it has yet received.

In Mr. Sears' book about 300 pages are devoted to an appendix containing forms which are of considerable interest. Only about 400 pages remain for the presentation and discussion of the law. This part of the book is loosely put together. The author first disclaims any desire to urge the use of the trust device as a means of evading the law, and attempts to remove the stigma attaching to trusts as a result of the activities of the Standard Oil organization and its imitators in the closing years of the last century. There is then a chapter on the various methods of establishing a trust estate in business, showing (what no one can doubt) that a trust may be created either by will or *inter vivos,* either by one person or by several. The author then proceeds to consider in a rather disjointed way the nature of a trust. He throws in a few paragraphs on spendthrift trusts and on passive trusts, which shed no light on the nature of trusts in general and which seem to have no bearing upon the more specific subject matter

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