

victims of intimidation. This was not so in the England twenty-five years ago, any more than it is now [1920] in the United States. Then the capitalists believed in themselves, in their value to society, in the propriety of their continued existence in the full enjoyment of their riches and the unlimited exercise of their power. Now they tremble before every insult; — call them pro-Germans, international financiers, or profiteers, and they will give you any ransom you choose to ask not to speak of them so harshly. They allow themselves to be ruined and altogether undone by their own instruments, governments of their own making, and a press of which they are the proprietors. Perhaps it is historically true that no order of society ever perishes save by its own hand. In the complexer world of Western Europe the Immanent Will may achieve its ends more subtly and bring in the revolution no less inevitably through a Klotz or a George than by the intellectualisms, too ruthless and self-conscious for us, of the bloodthirsty philosophers of Russia.

The inflationism of the currency systems of Europe has proceeded to extraordinary lengths. The various belligerent Governments, unable, or too timid or too shortsighted to secure from loans or taxes the resources they required,

have printed notes for the balance. In Russia and Austria-Hungary this process has reached a point where for the purpose of foreign trade the currency is practically valueless. The Polish mark can be bought for about three cents and the Austrian crown for less than two cents, but they cannot be sold at all. The German mark is worth less than four cents on the exchanges. In most of the other countries of Eastern and South-Eastern Europe the real position is nearly as bad. The currency of Italy has fallen to little more than a half of its nominal value in spite of its being still subject to some degree of regulation; French currency maintains an uncertain market; and even sterling is seriously diminished in present value and impaired in its future prospects.

A Sentimental Value

But while these currencies enjoy a precarious value abroad, they have never entirely lost, not even in Russia, their purchasing power at home. A sentiment of trust in the legal money of the State is so deeply implanted in the citizens of all countries that they cannot but believe that some day this money must recover a part at least of its former value. To their minds it appears that value is inherent in money as such, and they do not apprehend that the real

wealth, which this money might have stood for, has been dissipated once and for all. This sentiment is supported by the various legal regulations with which the Governments endeavor to control internal prices, and so to preserve some purchasing power for their legal tender. Thus the force of law preserves a measure of immediate purchasing power over some commodities and the force of sentiment and custom maintains, especially amongst peasants, a willingness to hoard paper which is really worthless.

The presumption of a spurious value for the currency, by the force of law expressed in the regulation of prices, contains in itself, however, the seeds of final economic decay, and soon dries up the sources of ultimate supply. If a man is compelled to exchange the fruits of his labors for paper which, as experience soon teaches him, he cannot use to purchase what he requires at a price comparable to that which he has received for his own products, he will keep his produce for himself, dispose of it to his friends and neighbors as a favor, or relax his efforts in producing it. A system of compelling the exchange of com-

modities at what is not their real relative value not only relaxes production, but leads finally to the waste and inefficiency of barter. If, however, a government refrains from regulation and allows matters to take their course, essential commodities soon attain a level of price out of the reach of all but the rich, the worthlessness of the money becomes apparent, and the fraud upon the public can be concealed no longer.

The effect on foreign trade of price-regulation and profiteer-hunting as cures for inflation is even worse. Whatever may be the case at home, the currency must soon reach its real level abroad, with the result that prices inside and outside the country lose their normal adjustment. The price of imported commodities, when converted at the current rate of exchange, is far in excess of the local price, so that many essential goods will not be imported at all by private agency, and must be provided by the government, which, in reselling the goods below cost price, plunges thereby a little further into insolvency. The bread subsidies, now almost universal throughout Europe, are the leading example of this phenomenon. ♦