

Trade Pact of Nations as Bar to Future Wars

No Government Could Afford to Forfeit Privileges in World Clearing House or to Imperil Gold Hoard Belonging Jointly to All Countries

By EDWARD A. BRADFORD.

THE Marquis of Lansdowne's letter has served one useful purpose in drawing out an almost unanimous opinion, on both sides of the ocean, that the military argument should be ended, as it was begun, by Germany.

American opinion resembles that indicated in a French cartoon, showing Fritz pinned to a wall by a bayonet and assenting to all that a poilu proposes. A peace to which the United States must be a party must also be a peace in harmony with the views of President Wilson. Germany's military defeat is necessary to such a peace, but after surrender Germany is in no danger of suffering such a peace as she would have proposed if she had won. Germany must make sacrifices, but they will be just and cannot be adequate. If they were adequate, there could be no future for Germany, and the world needs a Germany certainly repentant and perhaps reconstructed. Germany's sacrifices are necessary for the world's safety, which can be secured only by finding a substitute for militarism.

International law is a mockery so long as "scraps of paper" can be torn up at will and so long as there is no method of punishing such perfidy other than that at which the world is now shuddering. The world is no more ready for a weak or premature peace than it is for a peace dictated by Germany, but the world would welcome a formula of peace which would include some substitute for militarism. Hardly enough attention has been paid to the Marquis's suggestion of a new sanction for international law. His letter would serve a second useful purpose if it could bring out any useful idea for inducing rather than compelling good faith between nations.

The Marquis of Lansdowne suggests as an alternative to the use of force upon an offender against the law of nations "denial of commercial access and facilities." That would be the substitution of commercial war for military war. He says himself "a commercial boycott would be justifiable as a war measure." More-

over, it is clear that a commercial boycott injures both sides to it. Prohibition of trade has its complement in abstention from trade, and that means loss of business to both parties to the bargain. Is it not possible that a clue through the maze may be found by substituting profit for punishment, by making it better worth while to do business on friendly terms than to seek trade by conquest?

The United States gave the world an

example of political union based on commercial benefits. After a century's observation the world is so little able to understand it that the United Kingdom, the country which thinks most nearly like ourselves, is unable to federate its constituent kingdoms. A United States of Europe, as a League of Peace, is unthinkable so long as it is proposed as a settlement of disputes of race, religion, politics, and other subjects which are taboo in mixed company. If there can be no United States of Europe, there can be no United States of the World. If there is to be no peace until there is an agreement on dynastic and national rivalries, there is no room for hope. But why may not there be a separation between politics and commerce?

That seems an impossible suggestion. And yet here also the United States may offer to others the remedy which it took itself for troubles of its own. Our bank-

ing conditions were a welter of competition and confusion, complicated by jealousies between States and sections and cities. Yet they were all composed, and there emerged the world's only three-billion-dollar bank, the bank on which the winning of the war depends more than on any other one financial force.

The Federal Reserve Bank is like no other. It is not a central bank, with dependent branches. Neither is it a combi-

nation of independent banks. It is one bank, composed of members which are equal in rights, but unequal in other respects. All are ruled by the same law. The inducement to remain in good standing is so strong that no reasonable man can imagine either that any bank should voluntarily lose its membership or that its fellow-members should dis-fellowship it.

Imagine for a moment that the world's trade were conducted through a world clearing house, placed, perhaps, in Belgium. Conceive that memberships were offered to all countries which would make a suitable deposit of gold for the settlement of

balances between them, as is done by the use of gold deposited in the gold fund at Washington by the Federal Reserve members. Is it not clear that there would be a singular combination of freedom in action with remarkable reluctance to forfeit the advantages of

membership? Is it not also clear that membership could be retained only by compliance with the same rules for all? And how could there be surer or swifter punishment for breach of the common commercial law than the stoppage of the trade clearings of the offending nation?

Contrast this with other proposals for "after-the-war" arrangements. Instead of harmonizing the world they would array it in hostile camps committed to reprisals upon one another. Individually they would be based upon the theory of combination for mutual interest. Competitively they would foster discord. Nations disagree about tariffs more easily than about almost anything else. When even England and the United States have their internal dissensions over protection and free trade, how can it be expected that the world should agree about them?

None of these things troubles our Federal Reserve system. The member banks are situated in States which are sovereign toward each other, except so far as they have surrendered their sovereignty to the Federal Government. If they were completely sovereign it would make no necessary difference to the Federal Reserve system. Its clearings proceed, and would proceed, with indifference to local politics. The world clearing house would care nothing for races or dynasties or tariffs. Individuals would make their bargains, and they would be settled through the bank in disregard of everything but the arithmetic of the matters. Already there is greater agreement between nations upon commercial law than upon anything else. Bills of exchange and bills of lading are the same everywhere in principle. The tendency toward uniformity is irresistible in these days of telephone, wireless and transportation marvels.

Before the war the world was groping after something of this sort for the sake of avoiding shipments of gold between nations. It was officially suggested by Mr. Cortelyou, when Secretary of the



International Film Service.
Lord Lansdowne, Whose Letter on Peace Has Suggested the Idea of Future Trade Agreements to Curb Warlike Nations.

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Treasury, that deposits of gold might serve as the basis of an international gold certificate, and be drawn against to avoid the trouble, cost, and risk of ocean voyages. It is but a single step further to suggest that nations might do what was suggested for banks, and with cumulative advantage. It is true that the war suggests that a faithless nation might take the gold. But if all nations made deposits each would be the guarantee of the security of the others; and together they would be the world's security.

Germany might not have gone to war if she could have conceived that the world would rise to defend the signatures on a scrap of paper. But neither Germany, nor even Bolshevik Russia, could fail to see that the world would infallibly and instantly defend and avenge interests so peculiar to each of them, and yet so common to all, as the security for the world's commerce.

During the war there have been many incidents making the idea seem practical. A billion dollars of gold was sent from

England to Ottawa and counted as in the Bank of England until sent to the United States. That is fresh in memory, but it has been forgotten that the precedent was created when the current of gold was toward England. It was after our panic of 1907 that the Bank of England first established a depository in Canada of gold earmarked for its account. Part of the gold which is the basis of the money system of Argentina is kept in London. When recently we paid Denmark \$25,000,000 for the Danish West Indies, the gold was left here on deposit, creating an international credit in fact, although in form an interbank credit. Recently our Federal Reserve Bank has proposed that difficulties of exchange between the United States and South American countries should be lessened by the deposit of gold in our banks to the credit of the Governments of the country with which Americans wished to trade, and should be paid out in those countries by notes of the respective Governments. Germany manages its loan to Turkey in this manner. The Turkish Finance Minister explained to the Turk-

ish Chamber how he had issued currency in Turkey against £6,519,000 deposited in steel chambers in Berlin. It may suffice to close the list of precedents by perhaps the one in closest analogy. Not many months ago the International High Commission proposed to the State Department "to undertake treaties for the creation of gold trust funds in all the American nations similar to that maintained in this country by the Federal Reserve system," and Secretary McAdoo expressed his official approval of the plan and its anticipated benefits.

At the present moment one New York bank has on deposit in the Bank of England over \$50,000,000, and the Bank of England has made a precedent by paying interest to attract deposits from other nations. Why may not nations do what banks do? Or if political difficulties are raised, why may not nations appoint banks to do for nations what banks do for other depositors? It can no longer be objected, as it long has been objected, that the United States had no representative bank which could do business on equality with other national banks.

"After-the-war" arrangements should be independent of the military settlement. That is in the hands of Generals and statesmen. But this war is not going to be settled like other wars, by diplomatic and dynastic bargains. There has never been finality about those adjustments because they were selfish and rooted in disregard of the rights of those used as pawns by those who did not own them. The last spark of feudalism is flickering. When it goes out the world must be organized economically as a unit, allowing freedom of trade according to local regulations.

A single tariff for the world would not be practicable. No nation would let any other nation write its tariff. But there would be a double check upon penal or exclusive or unfriendly tariffs. No nation could disregard the danger to its clearings if it reduced its trade balances by any sort of commercial boycott. And the world clearing house would constitute an Advisory Council, such as exists in our Federal Reserve system, which it would require bravery rivaling that of soldiers to disregard.

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