

## Mental Unpreparedness

TO a younger generation brought up with a humanitarian and evolutionist philosophy the war has been a shock that has dislodged all the old ideals. If the conflict had been over speedily, we might have dismissed it as a momentary aberration of our civilized world. The Balkan wars we could view calmly because they were too palpably contests between half-formed nations to shake our faith in the bettering Europe. But the war has not been speedy. And now after a year what was a shock in which the very universe seemed to reel has become almost the normal background of European affairs. We no longer ask how it can all be got back to its original state, but what the outcome will do to our world. While a year ago we could not have believed that we lived in such a world, we have now been fairly dragooned into accepting the fact that it is exactly in the sort of world where such things happen that we live, and may live for years to come.

That background of ours which was shattered by the iron touch of *Weltkrieg* was primarily one of social evolution. We studied the customs and movements of the peoples, the economic structure of society, rather than the life of camps and courts, the intrigues of rulers, and the bargainings and warfares of states. The "new history" told us how the peoples lived and worked, how they were conditioned by geographical environment. History became the clue to that understanding of society to which intellectual enthusiasm in these latter days has shifted itself.

The nineteenth century, which gave us the immediate setting for to-day, was sketched for us in wholly beneficent lines as an irresistible progress. The colossus of the industrial revolution almost smothered that French Revolution which for the orthodox historians had been the parting of the ways. The inventors loomed larger than the statesmen. We traced the clamors for political democracy to the root of industrial progress, and found in the transformation of the means of production and communication, the clue to that contemporary history which we studied with so much eagerness. Indeed, in the colleges it was exactly this modern time and the forces that had produced it that we most heavily emphasized. We studied comparative government, we knew the outlines of the labor movements and the extension of the suffrage in the various countries. We studied contemporary philosophies, Bergson, Nietzsche, the pragmatists. Current foreign literature made its way into the college course. It was to the modern world that that part of young America which has fallen under intellectual influences during the past ten years has chiefly devoted itself.

And yet, though no generation ever studied so closely its own environment, the war caught us almost staggeringly unprepared. It was not that our material was incorrect, or our interest vain. It was rather that all our interpretations had led us to expect a different dénouement to the drama. At the clinch we were to find that the forces which we had seen as the motivating ones were weaker than others more traditional, which had dropped to a subordinate place in our minds. Our cosmopolitanism had made us forget that the European states represented very tight and integrated cultures, with very diverse histories, group-wills, philosophies. We had inadvertently washed the colors out of our maps, and left only geographical boundary lines between the peoples, whom we tended to think of as psychically like ourselves. In putting our attention on "movements," we had neglected the richly-woven fabrics of the diverse "Kulturs." We persistently thought of democracy, universal suffrage, equal rights, social legislation, as benevolent diseases which were spreading through one after another of the nations of Europe. We made these movements into things-in-themselves, and they, rather than the entire culture situation, became the realities for us. Our young historians could speak of "the ever-recurring and increasingly successful movements throughout Europe for the extension of the suffrage, and the removal of legal disabilities in society," as if national differences were only differences of democratic altitude, and the same advancing wave would slowly and automatically rise above them all.

The Russian revolution, the Young Turks, Portugal, China, marked for us the ascent of the waters. Where we might have seen the Russians endeavoring to transcend the tepid constitutionalism of the western world in the interests of a truly social state on occupational lines; where we might have seen the political resurrection of the Ottoman as the fruit of German intrigue; where we might have predicted the dictatorship of Yuan-Shi-Kai; here we preferred only to see the nations strung along a straight line of democratic progress and straining all in the same direction. We scarcely saw that we were naïvely postulating an Anglo-Saxon standard as the goal for all.

After democracy we saw the coming of social control. When the peoples should have caught the benevolent disease of democracy, we saw them behaving in the interests of deliberate social betterment. "The people of each affected state," says a recent book, "thought of using their democratic representative mastery over government as a means to undertake industrial regulation and general social control." And we studied the forms of social politics in the different countries, scarcely stopping

to analyze the motivations which made laws in Baden mean something wholly different from the same laws in France. Always the emphasis was on the quality—the democracy, the representative mastery, the social politics—instead of on the country as a whole, with its attitudes and aspirations, its peculiar ways of interpreting itself, the interplay of its classes.

This interpretation of Europe in terms of democratic quality was immensely reinforced by international socialism. Here, at least, was a common force, an international political party. And the discovery that there were socialisms taking the color of the different cultures, rather than Socialism, was perhaps the hardest challenge which our old background received from the war.

Even nationality we saw in innocent terms, unsaturated with the menace of to-day. The integration of Germany and Italy in the nineteenth century came to our minds as noble attainments, not beginnings. National aspirations were veiled to us by the peace movement and the half-truths of Norman-Angellism. We saw only the internationalizing forces, which were in truth there. The peace movement seemed another of those benevolent diseases which should speedily bless mankind. To hasten its work, an American had built an inoculating station at The Hague. Peace took the guise of the mere prevention of war. The map became a symbol of fixity of status. All the "problems of power," the conflict of national interests, we deprecated as unreal. Such talk was the professional bias of a decaying military caste, which we saw everywhere as on the defensive. The real powers were the industrial and democratic elements. The language in which international affairs were discussed we dismissed as diplomatic jargon. Even when we saw the wagon-trains and regiments in European streets we could not take them seriously. We saw them only as a costly form of insurance. An armed peace, but essentially a *peace!* Increased armaments served to insure against calamity.

Everything conspired then to make our background of contemporary Europe that most perilous of things—a field where a benevolent destiny was working itself out unaided. And nothing is more blinding than belief in a progress which is not conditioned by deliberate human intelligence. For to recognize the balking of the benevolent destiny seems too flagrantly like surrendering our whole host of ideals. If we have learned anything from a year of war, it is that we shall have to face a world very different from that with which our current imaginations have grown up. Are we to refuse to face it, and call our refusal idealism? Are we to balk at finding nationalism to be, instead of a finished ideal, an infinitely dynamic urge; at finding

potent ideals of valor and collectivism which bear solidly against the direction in which we saw civilization to be going? Are we to content ourselves with anger, and with a mere reiteration of our old ideals? Shall we still talk of "immutable principles," and petrify our desires? Shall we continue to make English conceptions of democracy and progress the measuring-rods for the nations? Shall we say, "Though it slay me, yet will I still trust in the nineteenth century?"

These are hard questions. Their very expression will seem to many to be a shameful surrender. Yet if we stand indomitably by our idealistic guns, shall we not perhaps put ourselves in the tragic position of being able to face the truth only by losing our ideals. To be immutable is really to be false to our whole American pragmatic philosophy. The war has been the first real test of that attitude. We are at the parting of the intellectual ways. We can put our ideals behind us and turn and worship them, or we can put them ahead of us and struggle towards them. It is an issue between an old immutable idealism and a new experimental idealism. We can reiterate or we can explore. To screw our ideals a notch higher, to live in a new century, does not mean spiritual defeat. We do not need to surrender. But we emphatically need to understand.

While the world is breathless, we can try resolutely to reconstruct our shattered background, find out what kind of a world we live in. We should make the time one of education, and not of prophecy or objurgation or bewailing. No one knows what will come. Certainly merely getting the war over will not bring back the old ideals. If we desire that new world where all can live, we must first thoroughly understand how all want to live. Our education can be in the way of learning what each nation thinks it is doing, and in comparing its pretensions with the good life which it has been able to build for itself, as a society and as a family of individuals. New ideals can work out only from such a vantage-ground of fact. The war gives us the incomparable opportunity of laying that foundation of stern realism on which to build our new ideals. And those new ideals must come, not in terms of metaphysical qualities as before, but in terms of the concretely envisaged good life, built on science, illumined with art, happy with intelligence and equality. But only by understanding what Europe is now shall we be able to understand the Europe that the war will leave, and the Europe that it may become. Only by becoming acquainted with the peoples, their wills, their philosophies, their "Kulturs," shall we save ourselves from being caught by some new crisis intellectually unprepared.

## The Exchange Situation

**S**TERLING exchange at \$4.50 or even \$4.60 is one of those disconcerting realities of war-time finance for which there is no explanation in economic theory or in strict business principles. Whatever the risk of shipping gold, it can be got across the Atlantic at rates well within the margin represented by a discount of from five to seven per cent. The owners of gold in England, if animated strictly by individualistic motives, would continue to export gold until stripped of their last ounce. Gold, however, we know is largely impounded in public or semi-public reservoirs, and is allowed to flow only when the national policy permits. But more astonishing is the behavior of the billions of American securities still held in England and France. For the most part the London price of these securities corresponds very closely with the New York price. The British holders of such securities can therefore make a profit equal to the premium on exchange by selling in New York. Now a rise of from five to seven per cent, known to be temporary, is ordinarily sufficient to precipitate an enormous selling movement. How are we to explain the fact that our securities are coming back only in negligible parcels, instead of in volume sufficient to wipe out the discount on London exchange?

It has been said that American securities held in England are in strong hands, and hence remain off the market in spite of the chance of a profit. But if pecuniary considerations alone are involved, there are no hands so strong that they cannot be pried open by so substantial a profit as the exchange premium offers. If funds released through sale of American securities could not readily be reinvested, the sluggishness of sale of American securities would be explicable. But with all the public treasuries of the Allies crying for money this hypothesis fails us.

To the average American it seems natural that the British and French should give us back our securities in exchange for the food, cotton and munitions we are sending them. If individual holders are reluctant to do this, why cannot the Allied governments, through the nationally controlled financial systems, bring pressure to bear upon them? It is superfluous to point out in what concrete ways such pressure could be brought to bear. No one would argue that the governments could not correct the exchange situation in this way, if there were no other ways that seemed to be more to their advantage.

As the war drags on, the Allied governments are developing an increasing interest in America as a source of funds. At the outbreak of hostilities our administration placed itself on record as

opposed in principle to the flotation of war loans in the American financial markets, and various early projects were dropped. American public sentiment is still probably somewhat unfavorably disposed toward such loans. But American public sentiment is keenly alive to the advantages of a growing export trade. Suppose that the alternative presents itself: No more purchases in America, unless loans can be floated here. It is probable that the opposition to such loans would be decidedly weakened. There is increasing evidence that Allied financiers are speculating on the possibility of effecting a combination between our interest in exports and their interest in floating loans here. The *New York Times* quotes "one of the best informed authorities" in London to the following effect: "America wants to sell Europe its goods, and if Americans hope to continue these sales they must find means of giving the usual credits and stabilizing exchange." It is admitted that munitions will be purchased from us, whatever the exchange situation. But wheat and meat and a thousand and one other things may be had elsewhere, and, we are told, we must expect our exports of such goods to decline unless we make satisfactory arrangements as to payment.

However much or little there may be in the threat to go elsewhere for goods, it seems tolerably clear that it is brought forward just now to prepare us to receive various proposals for loans with a reasonable degree of sympathy. And it is also tolerably clear why our securities are not coming back in greater volume. Through the volume of such securities exchange might be stabilized; but the difficulties inherent in the present anomalous condition of exchange, with the menace involved to our export trade, may serve the purpose of forcing open our markets to foreign loans.

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