

BANK OF MONTREAL  
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"THE WORLD CRISIS"

by Sir John Power -

The fact that the times are out of joint has been forced upon the attention of every individual whatsoever his situation in life, but the cause has remained somewhat obscure and the remedies suggested have conflicted in an extraordinary degree.

Before the War the U. S. A. was a debtor country, and, like all debtor countries, was mainly an exporter of raw material. She protected herself and her internal markets by a system of tariffs, thus preserving a high standard of living and giving security to her own manufacturers.

The change from a debtor to a creditor country was effected so rapidly that the ability to deal with this changed condition was conspicuously absent and the troubles of Europe are largely due to this undisputed fact.

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Owing to the War, the United States found herself in a position to receive large sums of money annually from her former Allies, but she did not change her policy in accordance with the demands of the new situation thus created.

For generations the theory has been promulgated that the only possible way of receiving payment for exported merchandise and services is by imported merchandise and services. The United States has exposed the fallacy underlying this universally accepted doctrine. She has continued a financial policy which has compelled her creditors to pay her in gold.

Europe could only fulfill the demands of the United States for gold so long as Europe could borrow money or obtain credits from the U. S. A. That country continued her policy of high tariffs which practically made it impossible for her creditors to pay in goods.

As soon as prices in the U. S. A. rose sufficiently to enable European exporters to get their goods over the tariff wall, the American tariff was raised to penal heights and, once again, Europe was forced to supply gold in payment of its debts.

So long as Europe was able to offer security for loans, the U. S. A. was able to carry out its financial policy, but this period came to an end in 1928 when the security offered by the U. S. A. debtors in Germany and other Countries became exhausted and suspects in the eyes of Americans! They, thereupon drew in their horns, curtailed their credits, and placed Europe in a hopeless and impossible position.

We then had the extraordinary spectacle of a great creditor nation making it impossible by its tariff policy for its debtors to pay their debts and thereby bringing about a world situation in which catastrophe and calamity were the inevitable end, not only to the unfortunate debtor nations in Europe, but also to the United States.