of the last war, expenditure will rise even more rapidly.

In 1918 Britain spent on the war approximately half the national income. There is no reason to think that in the present conflict the proportion will be less, and, indeed, with the far greater exigencies of air-raid defense, it may well be more. The problem of the Chancellor of the Exchequer, therefore, is how to force or persuade British citizens to make available to him goods and services representing at least half the national income. The latter is now roughly five billion pounds, and by lengthening hours and recruiting the labor of women and others not usually employed it might be raised to six billion. Normally four-fifths of the national income is spent on goods for current consumption and the remainder "saved." Therefore, assuming that all private capital investment ceases and that the whole of this 1.4 billion pounds is at the disposal of the national treasury, an additional 1.6 billion must still be squeezed out of civilian consumption if the war-time needs of the state are to be met.

In the last war the main instrument of pressure employed to attain this end was inflation. The state issued new purchasing power, which it used to compete for goods and services in a more or less open market. Consequently prices rose, and as existing incomes shrank in terms of goods, consumption was forcibly curtailed. But this was a slow process as well as an unfair one, for inflation actually added to certain kinds of income, enabling their possessors to consume as much as before. Thus the whole burden fell either on those with fixed incomes or on those with wages and salaries which failed to keep pace with the cost of living. Moreover, after it reaches a certain point, this kind of inflation is difficult to halt, and even when curbs are successful, the effects on the whole economic system can be devastating.

An alternative method of forcing a reduction in consumption is the one the British government is apparently adopting. In order to meet the demands of the tax collector every British family will be forced to reduce its standard of living. In addition, certain direct methods are being employed, such as the prohibition of many luxury imports and restrictions on motoring, through the drastic rationing of gasoline, and on entertainments.

Despite its determined start, the British government evidently feels unable to go to the length of extracting from the taxpayers a full half of the national income. It will therefore have to resort to loans to make up the balance, which means that the individuals who subscribe must voluntarily eliminate some further part of their normal consumption. Should they fail to do so to a sufficient extent, it is likely that forced loans will be ordered.

The "pay-as-you-go" policy adopted by Britain may seem to add to the grimness of war for those not in the front line, but among its many advantages is its correspondence to reality. It does make clear the fact, which inflation finance tends to obscure, that, leaving aside accumulated reserves, the shells, planes, guns, and innumerable other articles up in modern war must be provided out of current production. Future generations may seem to pay part of the bills, but it is the present generation which must tighten its belt so that the goods can be delivered.

Because the British went into this war without illusions, knowing what they were up against and at what costs victory must be achieved, they accepted the blow of the budget comparatively unmoved. Much greater emotion was shown by business men in this country, to whom it came as the final proof that war had lost all glamour—unless this country kept out of it. Whatever influence Wall Street may have had in getting this country into the last war, there is no doubt that today it is full of pacifists. So much so indeed that, were we confronted with the kind of situation which Britain has faced in the past few years, it would probably out-Chamberlain Chamberlain in advocating appeasement. There are no private profits now to be found in war, only death and taxes.

Moscow-Berlin Axis

BY FRED A. KIRCHWEY

E XPERTS are still busy minimizing the importance of the agreement signed last week in Moscow by von Ribbentrop and Stalin. I wish I could accept their conclusions along with their unassailable statistics. I find it impossible to do so. I believe, on the contrary, that the Moscow-Berlin axis is a solid and menacing fact that cannot be figured out of existence.

Before this is in the hands of our readers, my belief may be verified or blown to pieces by events. As I write, the Turkish Foreign Minister is still closeted in the Kremlin. After hanging around Moscow while Stalin and Molotov dispatched their business with von Ribbentrop and the Estonian Foreign Minister, Mr. Saracoglu was finally called into conference. The outcome of his conversations will throw more light on the attitude of Stalin toward Hitler than any other single development. If he is forced to accept an agreement which conflicts with Turkey's commitments to France and Britain, it will indicate Russia's intention to shut the Allies out of the Black Sea and prevent any thrust northward through the Balkans. As I write, also, Ciano is on his way back to Italy from Berlin with the details of the Nazi "peace offensive" in his pocket. Do they include a guaranty of military backing by Russia and Italy? When Hitler speaks to the Reichstag this week, we may learn.

I recognize the limits of possible Soviet help to Germany. Two weeks ago Fritz Sternberg, in an article in
The Nation, effectively demonstrated the enormous discrepancy between available Russian resources and German war needs. Since then similar analyses have been published in the press, all indicating that the Soviet Union could not, even if it wished, contribute enough war materials to counteract the effect of the British blockade. And if Russia should send troops to Germany's assistance it would be even less able to provide the materials of war. These conclusions seem unanswerable.

It is clear, too, that the long-range ambitions of Stalin and Hitler are bound to clash. Behind the ideologies of the two countries lie older and deeper conflicts. Pan-Slavism is emerging from its brief revolutionary eclipse. Armed with revolutionary weapons it is likely not only to sweep south through the hungry Balkan states but to threaten the foundations of Nazi control as well. Certainly Hitler must be watching Stalin's present progress with misgivings. For the major victories in Germany's war have so far gone to Russia. Nazi troops swept across Poland, killing and burning; Nazi bombs shattered Polish villages and cities and slaughtered thousands of helpless human beings; and in the end Hitler took over half of the country. But Stalin took the other half—and with a minimum of blood and effort. The agreement reached in Moscow gave Russia the eastern sections of Poland inhabited almost entirely by White Russians and Ukrainians—poor peasants, mostly, who under the instructions of their conqueror are hastening to seize the farm lands and arrest or murder their former landlords. Germany's share of the country is richer, but it is largely Polish in population and adds another indigestible ethnic lump to the alien territories already part of the Reich.

Even less troublesome was Stalin's conquest of Estonia. Under irresistible pressure in Moscow, the Estonian Foreign Minister, Karl Selter, turned over to Russia the islands of Oesel and Dageo in the Baltic and the town of Baltic Port on the mainland. With naval and air bases at these points, Russia will be able to dominate the Gulf of Riga and the northern part of the Baltic. And now, as we go to press, the Latvian Foreign Minister is in Moscow presumably to hand over to the Soviet Union the old seaport town of Libau only a few miles north of Memel. He is to be followed by the Foreign Ministers of Lithuania and of Finland. By the time the procession of pilgrims has ended, the control of the whole Baltic shore may have been deposited on the Kremlin shrine. This cannot please Hitler either.

But political relationships cannot be summed up in terms of reason and self-interest alone. It requires a different gauge altogether to measure the dynamics of change in Europe today. Revenge and the drive for personal power, patriotic nationalism, race mysticism, land hunger, mass unrest—these are only a few among the violent and irrational forces impelling men to wars or revolutionary alliances. In Germany a strong element both in the Nazi Party and in the army has long favored a close union with Russia. This group would be willing to swallow a larger dose of state socialism if Soviet collaboration made it necessary. In Russia, especially since Munich, anti-democratic, anti-Western, and anti-British feeling has swept out of official existence the old collective-security, popular-front policy. The Soviet-Nazi non-aggression pact heralded a new orientation that only optimists can today ignore. Both Stalin and Hitler look forward to a "new order" in Europe. However their concepts of this order may differ, both agree on certain basic features: a diminished or demolished British Empire, a new structure of national dominance in Europe and the world at large.

Britain and France will be asked, this week, to surrender to this new order. That is what the peace offer will mean no matter how it is camouflaged. It is certain that they will refuse—and then the war will begin. How it will end, no man can say. If Stalin backs Hitler, it will be for his own ultimate ends, but his backing would be no less threatening to the West. He may offer men as well as supplies, or he may provide gold for German creditors abroad. He may operate a fleet of submarines from his new bases in the Baltic, or send planes over the North Sea. He may launch a thrust in the Near East or through Afghanistan into India. If he moves in any or all of these directions, the war will be long and its outcome dubious. The next few days may give a clue to the future of Europe for years to come.

This Is a Queer War

BY LOUIS FISCHER

London, October 2, by Cable

Hitler doesn't shrink from slaughter. If he thought he could win, he would not propose ending the war without a complete victory. Much that has happened since August 23 testifies to his weakness, and Stalin has shrewdly exploited it. This autumn offered Soviet Russia its first opportunity for European expansion. It took it. That is Russia's business, but it forfeits the friendship of foreigners who abhor acquisitive nationalism.

On September 29, 1938, the British and French, under an alleged threat of war, yielded at Munich; on September 29, 1939, the same governments indignantly rejected the Stalin-Hitler "peace threat." Appeasers remain in high places in London and Paris, but the bulk of yesterday's appeasers are intransigent anti-Hitlerites. Today they fear that a truce might enable the Nazis and Bolsheviks to coordinate their economies and thereby give reality to the nightmare of a Germany triumphant on Russian supplies.

The incorrigible Munich men, a handful of bankers.