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## THE ESSENTIALS OF A REPARATIONS SETTLEMENT

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**T**HE reparations question has dominated the politics and economics of the world ever since the signature of the Versailles Treaty, indeed since the day of the Armistice. In view of the tensivity of the present situation, it seems a proper moment to review briefly the main features of the problem and to state the terms of an acceptable solution.

### I. THE VERSAILLES TREATY

The Treaty of Versailles has been alleged, and is still alleged, to be full of all sorts of faults by those who take no account of the vast complexity and uncertainty of the factors constituting the many problems which it had to solve, and who have still to find any practicable substitute for even those sections of it which they condemn most violently.

The treaty requires Germany to make compensation for the physical destruction she caused, and for the pensions which have to be paid to the war widows and war cripples of the Allied powers.

The framers of the treaty, recognizing the great size of the sum thus envisaged and the economic and financial difficulties which its payment would involve, created an expert body, the Reparation Commission, which was specifically charged with the application of these reparation requirements. The Commission's first duty was to fix Germany's reparation debt at a definite figure. This it did in the schedule of money payments imposed by it upon Germany on May 1, 1921. It was further required to examine from time to time into Germany's capacity to pay and to vary Germany's annual payments in accordance with this capacity. It could not, however, reduce the total of the sum assessed except by unanimous vote.

II. THE ATTITUDE OF GERMANY AND OF THE ALLIES IN THE YEARS  
1920, 1921 AND 1922

Germany, when ordered by the Reparation Commission in 1920 to make certain payments in kind, made so much of the difficulties which faced her in carrying out the deliveries that an examination of the demands was undertaken by the Allies in the presence of German representatives at a conference held at Spa in 1920.

It cannot be said that any new treaty was *imposed* upon Germany at Spa. Germany freely accepted certain engagements after a full and open discussion with the Allies. Nor can the latter be charged with not having acted with liberality towards Germany at this conference. In particular, it should be noted that France not only consented at Spa to make important gold advances to Germany, but for the first time agreed to what was virtually a moratorium for Germany.

Nevertheless, by the beginning of 1921 Germany had repudiated the engagements which she had accepted freely at Spa.

As a result another conference between the Allies and Germany was held in London in March, 1921. The proposals made by Dr. Simons on behalf of Germany at this conference were so obviously inadequate that they drew a sharp rebuke even from Mr. Lloyd George. In his memorable speech on this occasion he termed them ridiculous.

I personally was present at the official sessions of this conference, as also at certain private meetings of the Allies with the German representatives; and I likewise took part in all the discussions among the Allies alone. I can say with perfect impartiality that it was the unanimous opinion of the Allies that the German Government then in power was literally seeking to make fools of them; and it was in consequence of this opinion that the occupation of Duisburg, Ruhrort and Dusseldorf was decided upon—unanimously.

Two months later, in May, 1921, Germany accepted the schedule of payments fixed by the Reparation Commission.

This schedule has been much criticized, as indeed it deserves to be. Nevertheless it is noticeable that, up to the present time, no other plan has been found with which to replace it. And in any case this much can be said for the May schedule: it permitted an adjustment of the payments required in accordance

with economic and financial exigencies. A Commission of Guarantee, functioning under the control of the Reparation Commission, was organized to undertake the arrangement of such adjustments as proved necessary.

In my opinion, this Commission of Guarantee never functioned in the manner foreseen by the framers of the May, 1921, schedule. There are several reasons for this. In the first place, the Reparation Commission, being somewhat afraid of this new organization, lacked the strength of mind to grant it sufficient freedom of action. Further, the members of the Commission of Guarantee did not decide to make their permanent headquarters in Berlin, which would have been the only way for them to exercise a continued and reasonable influence over the German Government.

In passing, I may say that to my mind the failure of the Committee of Guarantee to function properly, due to the resistance offered to it by Germany and to the timidity of the Reparation Commission, is in a large measure responsible for the present situation.

However this may be, in December, 1921, Germany announced again that she required a moratorium. The Allies first met unofficially in London to examine the situation thus presented, then later in conference at Cannes, in January, 1922. This conference was interrupted by the resignation of M. Briand.

The Reparation Commission thereupon decided, in virtue of the powers granted it by the treaty, to permit Germany a provisional moratorium. This action was taken unanimously.

### III. FRENCH OPINION IN 1922 AND 1923

I do not wish to speak here of what generally takes place in a country in circumstances such as prevailed in France in 1922—I mean the loosing of party strife. I have never hesitated to say that in all the countries concerned in the reparations problem there are unreasonable people, in France as in the others. But I do not sincerely believe that France has more than her due share of them; indeed, I am sometimes inclined to believe that the contrary is rather the case.

By 1922 French public opinion had become exasperated. Germany had given continuous and blatant proof of a lack of good faith. Only one man, Herr Rathenau, understood the necessity for Germany to do her utmost to carry out her treaty engagements. He concluded with me the Wiesbaden Agreement,

the non-application of which will long be regretted; but after doing so he was almost immediately forced from office, and only a few months later met a tragic end.

The items on Germany's international balance sheet, then, may be set down as follows:

1. Sabotage of deliveries in kind.
2. Resistance to all honest execution of treaty requirements.
3. Refusal of all Allied financial supervision.
4. An insane and dishonest financial policy.

The accuracy of this statement is beyond dispute.

This was the situation which made France urge its government to action.

I do not wish to enter here upon any discussion of the negotiations which took place between Great Britain and France during 1922 and at the beginning of 1923. Was it possible for the two countries to act together? The question seems to me academic and to belong to the past. To reopen it can serve no useful purpose.

At all events, in January, 1923, France and Belgium decided to occupy the Ruhr without the assistance of England, although preserving cordial relations with her.

The question now is, what way out does the present situation offer? One must be careful not to indulge in illusions. It is necessary, in the words of an American friend of mine, to construct a policy which shall be based on realities. I agree. But what are the realities?

I think everyone will accept the following aims as reasonable:

1. The prevention of another great war. For this, it is necessary that the security of France shall be assured.
2. The payment of reparations up to the utmost limit of Germany's capacity. It is useless to claim the impossible.

This program is simple and reasonable. It ought, I repeat, to have the approval of all. The real difficulty lies in determining the precise limits of Germany's utmost capacity for reparations payments.

#### IV. MOTIVES WHICH ARE ATTRIBUTED TO FRANCE

Those who examine the fact which I have stated, but without

keeping in mind Germany's deliberate policy of evasion, persist in stating that France's aim is to ruin and dismember Germany rather than to be paid by her.

I have no intention of replying to such accusations by making an emotional appeal, by recalling the losses and the suffering which the war caused to France. Such a reply would not, to my mind, be adequate, particularly in answer to the common charge of imperialism.

I frequently have occasion to travel over most of France. I think I am fairly safe in saying that I know the temper of our workers and peasants, that is to say, of more than three-quarters of France's population. I further have the opportunity of mixing in intellectual and business circles. I believe that those Americans who make an honest attempt to gauge the opinion of my country, whether they be well or ill disposed towards her, will support me when I say that France wishes to annex not one inch of German territory and that she has no desire whatever to crush Germany economically. France knows that a population of 60,000,000 people has every right to live and to work. It was in a strong and sincere hope for peace that France accepted and signed the Treaty of Versailles.

If France had been confronted with a Germany resolved to respect her signature, as France respected hers in 1871, she would certainly have aided to the full measure of her ability in bringing about Germany's rehabilitation. But the Germany she found had exactly the contrary intentions. German statesmen developed and adhered to a policy which they believed adroit and clever. But not one of them has really measured up to the great task confronting him.

If one thinks back for a moment to the successive German offers of March, 1921, December, 1921, and March, 1923, or of the recent proposals of Herr Cuno, one is struck by the fact that they all are only variations in the common theme. They justify the conviction that here is a debtor who discusses his indebtedness with the sole object of avoiding its payment.

During these four years France has spent fifty-five billion francs on reconstruction, and in the next two years she must spend another forty billion francs to complete the work. Further, pensions have been paid to the extent of fifty billion francs.

I cannot help but ask myself what course the United States would have followed had she found herself in a position analogous

to that of France. I have an idea that her patience would have been more easily exhausted than ours has been.

#### V. THE POSSIBLE SOLUTION

It is also alleged that France insists on maintaining integrally the May, 1921, schedule of payments, because she knows that Germany cannot possibly pay any such sum, and because, with this inevitable default as an excuse, the Allies may proceed to occupy the Ruhr indefinitely.

This contention is wholly without foundation. It suffices, in order to convince oneself of its falsity, to read the proposals made by M. Poincaré in behalf of the French Government at the Paris conference in January last.

In the first place, where are the experts sufficiently expert to determine at the present time Germany's ultimate capacity to pay?

I am willing to admit that in my country, as in some others, very considerable errors have been made by those who understand nothing of the economic problem involved in reparations. Some people still seem to think that payments from one country to another are as easily made as payments within the boundaries of one's own country. It is exasperating that a great number of journalists and even certain statesmen continue to propound such illusions.

But this does not alter the fact that Germany has a very considerable capacity of industrial production, which she has recently been busily engaged in extending, and that it can be safely predicted that Germany will in the near future again be able to make important deliveries in kind, and, somewhat later, in cash.

I no longer find any great divergence in the estimates made by competent persons in America, England and France regarding the sum which Germany can pay; some say twelve billion dollars, some say ten billion, while others place it at a somewhat higher figure.

These figures are very much below those mentioned in the London schedule of payments. What does France say of the implied reductions? Her attitude is entirely reasonable. She points out to her Allies that *she can only accept such reductions if, on the one hand, the conditions governing the division of the sum assessed upon Germany are modified to meet the new situation, or if, on the*

*other hand, an equitable solution to the question of inter-allied indebtedness, insofar as she is concerned, is found.*

It seems that Great Britain is not averse to seeking a solution along the latter line. But what of the United States. . . ?

I have frequently and clearly expressed my opinion on this question of interallied indebtedness. I do not wish to seem here to criticise any one, but I cannot help noting that the very men who most insistently proclaim how difficult or impossible it is for Germany to pay the sums demanded of her, refuse to take into account how difficult or impossible it is for France to pay, given the fact that, by reason of Germany's default, she must by herself make good all the damage of the common warfare on her soil.

In view of these circumstances, I feel certain that America will prove liberal and reasonable when the settlement of the terms of payment of France's debt to her is discussed. France has always said that she would act in that spirit towards Germany, and in fact it was that spirit which prompted the French plan of January, 1923.

I am not one of those who cherished any great illusions in regard to the productivity of the Ruhr occupation. Nevertheless, a well-organized attempt to exploit the Ruhr would undoubtedly produce many millions of gold marks. But I think that the common sense of the German people will not force the issue to this extent; they must soon realize that the policy of passive resistance does them much greater harm than it does France.

What has passive resistance sought to accomplish? It has sought in the first place to provoke English or American intervention. It is a peculiar commentary on the intelligence of Germany's statesmen that they should seriously have entertained such illusory hopes. In the second place, it has sought to create differences of opinion within France, with a view to weakening M. Poincaré's position. Such an aim shows that Germany misjudges entirely the temper of the members of the French Chamber.

Some of us may differ with the present government as to the employment of certain means to achieve certain ends. We are in entire agreement with it, however, as to the just nature of the ends it seeks, the ends which I have described above. As I recently had occasion to say in the Chamber of Deputies, *once the issue is joined, as it has been joined, we are behind the government*

*as one unit.* Shades of opinion as to methods disappear in the pursuit of France's reasonable objective. Behind the government's present attempt to achieve this objective there stands a united and resolute country. The credits necessary to the occupation of the Ruhr, it may be recalled, were voted by an almost unanimous Chamber.

Should a French Government ever become imbued with imperialistic visions we should not wait for foreign advice, of which we have no need, in order to perform our duty. But fortunately this is not at all the case at the present time. The aims of France are clear and unmistakable. I urge everyone to read again the offer made by France to Germany in January, 1923.

Knowing as I do the economic and financial structure of Europe, and in particular the condition of Germany, I assert—and I think a fair and careful examination of our January proposals will bear me out—that this January plan (with which might be incorporated certain features of the British plan) offers a sound basis for a definitive settlement of the reparations issue.

To such a settlement there is one essential condition: that there shall arise in Germany a statesman who shall convince his countrymen that discipline and a policy of honest work and honest payment alone can lead it to peace and appeasement.

It is regrettable that in her hour of need Germany should not have been able to find a Gambetta, a Thiers, or a Léon Say to guide her destinies. The task which faced these men in 1871 was neither easy nor pleasant; their resolution, courage and honesty led the people of France to display similar qualities in the discharge of the obligation they had incurred. The German people has been victimized by a series of governments which have discarded honesty as an obsolete policy, forgetting that such a policy alone could bring them good will and lighten their burden.

France, more than any other nation, longs for peace. One must not forget in judging her acts today the patience we French showed in the years of 1920, 1921, and 1922. We shall show the same *sang-froid* in the examination of the new conditions which are now on the eve of developing.

Passive resistance is all but abandoned. German bankruptcy is an accomplished fact. The German statesmen and financiers who embarked Germany on her course of financial folly have indeed incurred awful responsibilities. But the situation is not yet altogether desperate. Courageous action can still save the day.

A new currency, the essential condition of which is a balanced budget, is not impossible—in fact, it is relatively easy of attainment. For the past three years I have neglected no opportunity of repeating this truth. If it is not now at the eleventh hour recognized in Germany, Germany is indeed lost.

But the initiative in such reform must come from within Germany. By a terrible paradox, the German state in depreciating the mark enriched itself at the expense of the bond and mortgage holders of Germany. These are ruined, but the state is freed of internal debt. The sums which Germany has paid on account of reparations are but an unimportant fraction of what a criminal financial policy has cost the German people. These are truths which cannot be disproved. When they are recognized as such by Germany, the basis of definitive peace will have been constituted. And only then.

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