

America and the Rehabilitation of Europe

ON October 23, 1923, in the midst of a lengthy discourse on the international situation, at the Imperial Conference in London, General Smuts made the significant remark that steps had already been undertaken to convoke an international conference to adjust the Reparation question, and that America had been approached on the subject. The same evening, Ambassador Harvey declared that "America is ready to help." On October 25th, the State Department of the United States published a Note from Lord Curzon, asking if the United States was willing to participate in an inquiry into the Reparation question. Hughes in reply affirmed "the deep interest of the United States in the economic situation of Europe, and its readiness to aid in any practicable way to promote recuperation and a re-establishment of economic stability." He stated that "present conditions make it imperative that a suitable financial plan should be evolved to prevent economic disaster in Europe, the consequences of which would be world-wide."

In accepting the invitation and pointing out the nature and scope of the projected conference, Hughes added, that the "Secretary of State notes the observation in the communication of His Majesty's Government that the European problem is of direct and vital interest to the United States, if for no other reason than that the question of inter-Allied debt is involved therein. The Government of the United States has consistently maintained the essential difference between the question of Germany's capacity to pay and of the practical methods to secure Reparation payments from Germany, and the payment by the Allies of their debts to the United States, which constitute distinct obligations."

On December 29, 1922, Hughes stated the policy of the Harding Administration, a policy that has been assumed as the official expression of the Coolidge regime. Among other recommendations, he made the following: that "men of the highest authority in finance in their respective countries—men of such prestige and experience, and honour that their

agreement upon the amount to be paid, and upon a financial plan for working out the payments, would be accepted throughout the world as the most authoritative expression obtainable. Governments need not bind themselves in advance to accept the recommendations, but they can at least make possible such an inquiry with their approval, and free the men who may represent their country in such a commission from any responsibility of Foreign Offices and from any duty to obey political instructions . . . I have no doubt that distinguished Americans would be willing to serve in such a commission."

The acceptance of the proposal by Poincaré, but with certain reservations, nearly wrecked the idea of a conference. Poincaré insisted that the commission should have no right to reduce the total Reparations bill against Germany of 132,000,000,000 gold marks; that it must adhere strictly to the letter and spirit of the Versailles Treaty, and that it must not call into question Allied seizure of German pledges. These restrictions would have rendered the commission impotent, and its work useless. After some negotiations, France yielded, and a Reparation conference was assured.

This is not the first time that America has participated in a Reparation commission on the European question. What is the reason, however, that just at this juncture, America realises the importance of co-operation in finding ways and means of settling the European problem, despite the continuous refusal to co-operate organically in the League of Nations and the World Court, which is at present an issue in the United States?

Hughes stated quite clearly that Europe faces economic disaster, "the consequence of which would be world-wide." The United States is feeling the consequence of this situation and realises that immediate steps alone will avert a collapse. The steady decline of industry during the latter half of 1923 and the exhaustion of the markets that American finance and industry has exploited during the past four years, force American capitalism to return to Europe, which is the most profitable field that it has found in the past two decades. The collapse of Germany in itself would be a serious blow to American commerce, the resultant reaction upon France and England would be mortal and would produce a chaotic condition which would challenge the stability of the capitalist world. Furthermore, the encroachments of France in the Ruhr and the Rhineland, the practical separation of Bavaria from the German State, the menacing power of the Nationalists, the disintegration of the Social-Democratic Party as

the last support of the German government among the workers, and finally the growing power of the Communist Party have sounded a danger signal which Washington is heeding.

Since the war, America has been in an anomalous position regarding the European situation. It was Wilson who laid down the notorious "Fourteen Points" on which peace was to be established. The fourteen points went the way of all good intentions, and peace or a sham-peace was ratified, which to-day threatens the world with more wars. The Versailles Treaty, work of Mr. Wilson, Mr. Lloyd George and M. Clemenceau, awarded mandates and protectorates to the European Big Powers, upon which American financial, industrial circles have frowned. But America had decided not to become "entangled" in European political intrigues and therefore paid the penalty of "splendid isolation." The Versailles Treaty was not ratified by the United States Senate who repudiated Wilson, declared a state of peace with Germany, and made a treaty with her that guaranteed "all the rights and privileges granted by the Versailles Treaty, but imposed no obligations."

In 1919, the attitude of all Europe and of America to the Russian-Polish war was one of fear and apprehension. Germany was a republic, and had at its head a Social-Democrat. The workers of Germany were suffering every sort of repression at the hands of the Social-Democratic government and were beginning to listen to the arguments of the more radical elements, especially the Spartacus Group. The capitalist world had had its experience with the Russian Revolution, and accepted the words of the German Social-Democrats, that they were the "best bulwark of Western Europe against Bolshevism." The Russian-Polish war was a warning. Would the Red Armies be victorious over Poland and pour into Germany, thus putting an end to the grand dream of Indemnity and Reparations? Then not only would these dreams be shattered, but the twilight of European capitalism would be near.

America was not the least apprehensive of the nations: even though she asked for and received no mandates or protectorates, and though, presumably she would also demand no Reparations, she insisted upon all the "privileges and rights" without any of the obligations." *These "privileges and rights" were asserted at all the subsequent conferences at which America had no official representative, but an "observer" who, at times, as at Lausanne, spoke officially*

for his government and practically presented ultimatums when the proceedings did not suit his fancy of American finance.

The Disarmament Conference in Washington in November, 1921, is not to be dissociated from the various international conferences dealing with European affairs. It merely dealt with a phase of the Versailles Peace Conference, which could not be settled there, and which was not settled in Washington. Although Germany was "out of the running," the strength of the imperialist powers was being challenged by the United States Government. The purpose of the plan was a new constellation of powers, taking the preponderance out of the hands of Great Britain and lowering France to a second-rate naval power. From a military standpoint, Germany was rendered impotent by the Versailles Treaty and yet France was raging up and down Europe, trumpeting the menace of German militarism and a war of revenge. In 1921, France had nearly 200,000 more men under arms than in 1914, despite the elimination of her "inveterate enemy." The Washington Conference ended in a farce.

The economic situation in the United States in 1921 was very serious. Prosperity had come to a sudden end, and tremendous unemployment ensued. There was a big surplus of wheat and cotton, which could not be disposed of. The farmers were beginning to grumble; their debts and mortgages were piling up to fabulous figures and there was no outlook of an improvement. In 1920, the exports amounted to more than 8,000,000,000 dollars of which amount 4,120,000,000 represented agricultural commodities in a raw state or semi-finished form. Of the agricultural exports, four products made up more than 80 per cent.: cotton to the value of 1,538,000,000; breadstuffs to the extent of 1,078,000,000 dollars; animals and animal products to the amount of 481,000,000 dollars, and tobacco to the amount of 290,000,000 dollars. In 1920, owing to the continued depression in the European market the exports dropped from 4,863,000,000 to 3,408,000,000 dollars, of which more than 2,800,000,000 came from the farms and fields of America. In the fiscal year ending June 30, 1922, the exports of Europe decreased to 2,067,000,000 dollars, the greater part of which consisted of agricultural produce. Before the war, Germany was one of the main buyers of American farm produce. Hence the economic and political situation of Germany, which reacted upon all the European countries, had a most damaging effect on American agriculture and industry.

Germany, on the other hand, realising her straitened position, and fearing that its continuance would result in a breakdown, appealed to the United States Government to present Reparation proposals to the Allies, believing that the intercession of the United States would be helpful. Hughes rejected the German proposals, on the plea that "they would be unacceptable to the Allies."

It is obvious, however, that America was greatly interested in a settlement of the German question, for diminished trade and the accumulation of gold made it necessary to find foreign fields of investment and foreign markets. The year 1921 was a sore test for the United States, and only the possession of savings and the lack of organisation of the workers prevented serious trouble in the country. The attitude of France, her blocking of an adjustment of the question was beginning to play on the nerves of American finance. France demanded security and Reparations: "Unless these two demands are recognised, France will block all Anglo-American attempts to solve the European mess to our own profit, and to the utter neglect of French interests," wrote an American correspondent.

America had another interest in the European situation. There were the war debts, amounting to more than 11,000,000,000 dollars, with none of the European debtors thinking of paying them or making an arrangement. England had consistently carried on a propaganda for a cancellation of the debts, contending that the Allies had borne the greater burden of the war and that the United States had profited before and during the war by the raised production. These arguments did not enhance the popularity of England in the United States. The American public and particularly the investor declared that without the aid of American arms and money the Allies would have lost the war; hence there could be no thought of cancelling the debts. France completely ignored the question, being interested in but one matter: the securing of Reparations, and insisting on taking any steps necessary to procure payment.

The Genoa Conference came in 1922, and interests us here only in so far as the making of a treaty between Germany and Soviet Russia at Rapallo aroused American financiers. Rumours went the round of the Conference that oil concessions had been granted to German investors, which antagonised the American delegate. This was intolerable, and would only "injure both Germany and Soviet Russia" in the eyes of the capitalist world.

In the early part of 1922, W. P. G. Harding, of the Federal Reserve Board, and Paul Warburg, the well-known Wall Street banker, made the proposal that America and England grant a large loan to Europe, meaning Germany. President Harding in May of the same year, in answer to Morgan, stated that he would favour a loan "provided only that security could be furnished for a large loan." He feared that the loan subscribed would be used for the Reparations claims, so that the United States actually would be paying the Reparations claims of France, Belgium and England.

An international Bankers' Conference was called in Paris on May 23, 1923, at which Morgan presided. The proceedings of the Conference were kept secret, in order not to "embarrass the statesmen." Morgan soon made it clear that "the idea so prevalent in America that *you can consider Europe's economic troubles in a conference of business men with politicians locked out is a dream.*" He recognised that the loan would be used in great part for Reparation payments, and that the nations, which were interested in Reparations would not allow America to put any restriction upon the use of the loan.

The Bankers' Conference met and soon met stumbling blocks. It was ready to furnish a loan—*which was to come chiefly from America*—provided France was ready to reduce the indemnity. But Poincaré refused to reduce the indemnity, and made it clear that he would not tolerate any interference in the political action of France. In fact, it was the recognition of this fact that finally led to the termination of the Conference, which accomplished nothing. At this time, as before, France was openly working for the dismemberment of the German state. As "L'Action Francaise," stated, it is "the destruction of Germany that we want." This was equally dangerous to England and America, and was an intention that would not be brooked either by American finance or by the American government whom Morgan "unofficially" represented.

During the year 1922, trade in the United States improved. South American and East Asiatic markets were being exploited to the limit. But the capacity of industry was not exhausted by these markets. The gold reserves became burdensome. There was much liquid capital looking for investment. American manufacturers perceived that if the European market were not restored, permanent prosperity for American industry was endangered.

The occupation of the Ruhr caused great anxiety in

America. Not only that the American government saw through the scheme of Poincaré, who was frank in his aim to destroy the German state, but more particularly because the union of German coal and French iron was a fearful menace to American steel production. By the acquirement of Lothringen, France came into possession of such quantities of iron ore—*which are the most important in the world*—that she now controls 53 per cent. of all iron resources. Her production of iron ore is 40 per cent. of the total European production, against 7 per cent. of the coal production. It was obvious that France wished to secure for all time and against every contingency the possession of sufficient coal to handle her tremendous ore deposits. The ruthless occupation of the Ruhr, which England could not oppose, aroused America. France was operating on a cynical, fixed plan. It was necessary to reduce the German government to such a position that either she would endeavour to keep her pledges by securing aid from abroad, or by default be forced to surrender more territory "until such time as her pledges were kept."

Such machinations were against the interests of America and England. When Stinnes endeavoured to bring the German mark to such a low level that he would be able to overthrow the regime and put through his own demands, it was in the interest of the German Government to stabilise the exchange. The German mark plunged to the bottom: disaster stared the German Government in the face. The German financiers were negotiating privately with the French Government and selling out the country. This meant either more complete domination of French imperialism or a combination of French and German capitalists. America could not regard these manipulations with equanimity. Harriman furnished millions of dollars to the German government to aid in stabilising the exchange. At the same time, Morgan helped the French government to support the franc, which was following the same course. Nothing availed in Germany: the mark continued to fall, till conditions became chaotic.

The German masses, in the meantime, were beginning to rebel. Hunger was stalking the streets. Unemployment became rampant. Clashes with the police, political demonstrations and isolated uprisings were becoming the order of the day. There was little outlook for the restoration of Germany as a producer and as a consumer of the growing surplus of American industry.

It was not perfectly clear what form the intervention of America would take. Morgan, Stinnes and Schneider of

France form a concern that is exploiting all Europe, through Austria, Czecho-Slovakia, Denmark, Italy, Spain, Turkey, Yugo-Slavia, and Rumania. Rockfeller, Krupp, Wolff and Loucheur are carrying out similar actions in the same countries. Would the competing American banking houses operate through their German partners for the control of Germany, or would America independently seek to secure control?

The British war debt settlement eliminated a serious element in bringing about an adjustment of the German problem. England has been reduced to a secondary world position through the brutal aggressiveness of Poincaré. She is too weak to oppose his plans and can only utter impotent complaints and objections. The antagonism of the United States, and the continued rivalry made it impossible for any joint action between America and England to take place.

England continued to ask for a cancellation of the war debts, framing every species of moral argument. But American finance and the American Congress remained adamant. The American public is not prepared to make this sacrifice for the European governments. To have asked it for France would be to question the intelligence of the American people. They objected strenuously to France maintaining a tremendous military establishment, and refusing even to consider the war debt. They could not moralise between the "reasonable" position of England and the "impossible" point of view of France. It was a master stroke of financial operation for Morgan, the patriot and the eternal friend of Great Britain, when he brought about a settlement of the British War Debt. As a consequence, America and England—though still enemies and rivals, are brought closer together in the German problem, and can exert more pressure in neutralising French aims.

The occupation of a larger area in the Ruhr and Rhineland, and finally the separation of the Rhineland, the Palatinate and Bavaria, has thrown a panic into the American government. The most productive sections of the German state are being cut off and are surrendering completely to French influence. There is danger not only that no Reparations will be paid—but also that the American claim of 250,000,000 dollars for the maintenance of the American troops on the Rhine, and of 500,000,000 dollars in other claims (the Lusitania, etc.) may never be paid. Are the separated states to assume their share of the debt, or is it all to rest on the original German state? The future of American commerce also is jeopardised, for the most fertile market

is being dismembered and handed over to various influences. It was clear that in this situation, a call from England could not remain unheeded in America.

This became all the more essential since the economic boom has burst in the United States. The restitution of the Europeans—as well as the German—market, upon which all Europe depends directly and indirectly, has become the critical question of the hour. Four billion dollars in gold lie in American vaults. A vast surplus of foodstuffs and steel products lie in American storehouses. The tremendous economic and political conquests that America has made since the war do not suffice. *Europe must be cleaned up.*

In November, 1922, Clemenceau made a propaganda tour of the United States, to create a sentiment in favour of France. This would not have been such a difficult task, for despite the disgust with the militaristic bravado of France, there is considerable respect for the military prowess of French arms. The patriotic organisations, the American Legion, etc., still applaud France, but Wall Street understands the weight of French competition, especially since France has acquired such a powerful point of vantage in European economy. Hence the sabre-rattling of Clemenceau who was introduced by Wall Street bankers, met with little response. Clemenceau did France a poor service by his trip.

Lloyd George's trip in October, 1923, had a quite different effect. Through his persiflage and flippant eloquence, he brought the two rivals, America and Great Britain, closer together, merely sealing what Morgan and Baldwin had agreed. America and England will act conjointly in offsetting the power that France has gained not only over Germany, but the rest of Europe.

The settlement of the French war debt is not such a simple matter. The United States Congress insists upon some settlement being made and is in no mind either to cancel or reduce it; America, however, is in no position to force a settlement. The situation in Germany has become precarious not only owing to the disintegration of the government and the internal fight between the various capitalist and Junker groups, but to the rising rebelliousness of the German masses. Sold out by the German Social-Democracy, the masses have been driven to despair by the merciless exploitation of the German bourgeoisie. The breaking point is now approaching: it will be a fight against the German exploiters and their traitor-helpers, the Social-Democrats, and French im-

perialism. The French budget is being kept up artificially, supported on the hope of Reparations or productive pledges from the Ruhr, Rhineland, etc. The franc has sunk to a dangerous figure on the international exchange so that French finance is endangered. On December 19, 1923, the franc, nominally worth 19.30 cents was quoted at 5.18 cents. The American Government recognises that to demand payment of the war debt, would shake the stability of the already badly shaken franc. The American Government knows this, and the French Government knows it, too. Poincaré also states that France cannot be expected to pay or arrange for any settlement of the war debts until she gets Reparation from Germany. The American Government has repeated over and over again that the debt question has nothing whatever to do with the Reparation question, and that America will not allow them to be confused. The ruination of the franc would act not only on France herself, but on all the countries interested in France. Hence there will be no demands on the French Government. As a consequence on the plea of "German belligerency," France keeps up a tremendous army, and to-day is equipped with the biggest air-fleet in the world, having a force ten times as large as that of England. In recent months, she granted large loans to Rumania, Jugo-Slavia, Czecho-Slovakia and Poland, the greater part of which is to be employed in the purchase of war material manufactured in France. Thus two birds are killed with one stone: French industry is helped and the French vassals forming a ring around Germany are furnished with the latest and most powerful both to America and England—will be left till a later day. The Tremendous majority that Poincaré received in the Chamber on November 22, 1923, when his policy of remaining in the Ruhr with the support of the Allies if possible, without them if need be, was endorsed by a vote of 506 to 70, indicates that France is aware of her strength and the pitiable weakness of the other Allies, especially Great Britain.

The return of the Crown Prince to Germany was another incident that characterised the attitude of the other powers. America entered the war to put an end to "autocracy," and probably no American soldier would have been willing to lay down his arms as long as the Kaiser remained on the throne. To be sure, this was due to the broadsides of propaganda that passed through the press, so that every American child believed that the war was due to the barbarous aims of a few men ruling in Germany. Upon the announcement that the Crown Prince wished to return to Germany, Coolidge declared that he would not protest "since the American people insist upon their right to set up any kind of government they

see fit, and must also recognise that the same right must be conceded to other people," Official France could rightfully protest, that failure to protest supported the French contention "that American official opinion with which they must deal—has altered somewhat, if not radically." It has changed for the reason that moralising is trivial in face of the disaster that faces international capitalism.

The Imperial Conference in London was of further development of the European question. England recognises the seriousness of her situation. The internal economic condition and the growing power of France on the continent clearly showed the necessity of consolidating the British Empire, of opening up new avenues of economic exploitation and of unifying the fighting forces of the empire. London has become sceptical of maintaining good relations with France: France, on the other hand is equally doubtful of the permanence of the Entente. Each one of the powers is seeking the leadership and is utilising any means to secure it.

The visit of King George to Rome was another of those diplomatic voyages that have so often been undertaken by British kings, notably Edward. From it came the entente between Italy and Spain, as a consequence of which the rule of France in the Mediterranean is threatened. The weakening of the French position will be manifested in the German situation. America, too, is affected by this new rapprochement between Latin Powers. South America is to be invaded and the *economic* domination of the United States there questioned. These are clever manoeuvres on the part of England—manoeuvres arising out of England's weakness.

The growing desperation of the German masses and the anarchy in German finances are forcing the Allies to step in *now* if Germany is not completely to collapse. Now, furthermore, is the time for them to interfere and save some remnants for themselves. France has determined to hold the Ruhr, Rhineland and the Palatinate. Bavaria is to be encouraged in her separatist views. The covert alignment of Italy and Spain on the side of England and America against France will help to check France. Is Germany to be "aided"—and reduced to the status of Austria? Many signs point to this probability.

The coming Reparations Conference is the signal for the next act. For several months, appeals have been sent to America by German industrialists and the German Government for help against the famine that is arising in Germany. Cuno and Stinnes made efforts to secure a loan—100,000,000

dollars was spoken of. Coolidge expressed himself in favour of credits for more than a million tons of food : this would have been a double stroke—it would have helped the American farmer to get rid of part of his surplus, and it would have aided the German government to face the rising revolt of the workers. During this period, persistent rumours passed through Wall Street indicating that a large loan to Germany was projected. It was clear that the American Government believed that the time had come for it to take a hand—not in the “political entanglements,” but to secure economic points of vantage, which are more interesting to the bankers, while the governments take care of the rest.

A huge loan to Germany is being planned. Wall Street declares that it will “exceed any financial operations that have taken place in a long time.” The larger part of the loan to be called “Rehabilitation Loan,” must be furnished by America. It is to be secured by industrial assets. Unquestionably it will be conditional upon a supervision of Germany’s budget and customs. The German Government faced by separatism on the one hand, by the Nationalists and Junkers on the other, and by the masses of the dissatisfied workers on the third, who are losing the last meagre rights they gained through the “revolution” will be ready to accept any condition. America has appointed “unofficial experts,” two bankers, men close to Wall Street. It was decided not to send Morgan, since his presence there would give too obvious a clue to the whole transaction.

Can Germany be “rehabilitated?” Can she be reduced to a colony like Austria and thus be “stabilised?” To put her on her feet, to help her start her industries once more, means to furnish her with markets—something that the Allies have closed to her. Will the revolution which has only been postponed sweep the whole thing into the waste-basket? Or will particularly America, rebuffing all the Allies now get “securities on industrial assets,” which will put her in a position to control and dictate? Will the furnishing of a loan and food retard the revolution, or is not the situation rather too accentuated, the power of the German Government too undermined and the disunity of the Allies too great to stop the masses from revolt? The next few months will determine.

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