

Central European History Society

The Myths of Reparations

Author(s): Sally Marks

Source: *Central European History*, Vol. 11, No. 3 (Sep., 1978), pp. 231-255

Published by: Cambridge University Press on behalf of Central European History Society

Stable URL: <https://www.jstor.org/stable/4545835>

Accessed: 05-05-2019 10:48 UTC

REFERENCES

Linked references are available on JSTOR for this article:

https://www.jstor.org/stable/4545835?seq=1&cid=pdf-reference#references_tab_contents

You may need to log in to JSTOR to access the linked references.

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



JSTOR

Cambridge University Press, Central European History Society are collaborating with JSTOR to digitize, preserve and extend access to *Central European History*

The Myths of Reparations

SALLY MARKS

REPARATIONS after World War I can be divided into two categories: non-German reparations, which remain largely *terra incognita* to the historian, and German reparations, an excruciatingly tangled thicket into which only a few intrepid explorers have ventured. Understandably, most students of twentieth-century history have preferred to sidestep the perils of travel on territory of extreme financial complexity and, as a consequence, a number of misconceptions about the history of German reparations remain in circulation. This brief summary is not addressed to those few brave trailblazers, whose work it indeed salutes, but rather to those many who have assiduously avoided the subject and to the myths about reparations which still adorn studies of the Weimar Republic and interwar history.

The myths about German reparations begin with the Versailles Treaty. The much-criticized “war guilt clause,” Article 231, which was designed to lay a legal basis for reparations, in fact makes no mention of war guilt. It does specify “the responsibility of Germany and her Allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies.”¹ That Germany committed an act of aggression against Belgium is beyond dispute.² Further, upon the theory of collective responsibility,

This paper was originally presented in abridged form as part of a panel entitled “Reparations Reconsidered” at the American Historical Association’s annual meeting in Washington, D.C., December 29, 1976. Its expansion has benefited greatly from the commentaries of Dr. Stephen A. Schuker and Professor Gerhard L. Weinberg.

1. Article 231, Versailles Treaty. The annotated text of the Versailles Treaty may be found in United States, Department of State, *Papers Relating to the Foreign Relations of the United States* (hereafter *FRUS*), *Paris Peace Conference, 1919*, 13 vols. (hereafter *PPC*) (Washington, 1942–27), vol. 13.

2. Under the treaties of Apr. 19, 1839, Britain, France, Russia, Austria-Hungary, and Prussia (later Germany) were obligated to defend the independence, territorial integrity, and neutrality of Belgium. Technically, Britain entered World War I and French troops entered Belgium to honor this legal obligation. Germany openly acknowledged her re-

the victors incorporated the same clause, *mutatis mutandis*, in the treaties with Austria and Hungary, neither of whom interpreted it as a declaration of war guilt.³ In later years, however, German politicians and propagandists fulminated endlessly about “unilateral war guilt,”⁴ convincing many who had not read the treaties of their injustice on this point.

While Article 231 of the Versailles Treaty established an unlimited theoretical liability, Article 232 in fact narrowed German responsibility to civilian damages as defined in an annex. Much ink has been wasted on the fact that civilian damages were stretched to cover war widows’ pensions and allowances for military dependents.⁵ In reality, since the German reparations bill was established in 1921 on the basis of an Allied assessment of German capacity to pay, not on the basis of Allied claims, these items did not affect German liability but merely altered distribution of the receipts. In brief, inclusion of pensions and allowances increased the British share of the pie but did not enlarge the pie. The chief effects of the expanded British claim were to increase vastly the difficulties of inter-Allied agreement on a reparations settlement and to heighten German resentment as German opinion reacted to the misleading appearance of enlarged liability. In this matter, as in so many other aspects of reparations, appearance and reality diverged, giving rise to one of the many myths of reparations.

Much has also been made of the fact that the treaty did not specify the total German reparations liability. While some financial uncertainty

sponsibility in regard to Belgium on August 4, 1914, and May 7, 1919. (J. H. O’Regan, *The German War of 1914*, London, 1915, pp. 49–50; *FRUS PPC*, 3: 417.) For texts of the 1839 treaties, see Great Britain, Foreign Office, *British and Foreign State Papers* (London, 1841 –), 27: 990–1002.

3. Article 177 of the Treaty of Saint-Germain with Austria and Article 161 of the Treaty of Trianon with Hungary. Texts of both treaties may be found in Fred L. Israel, ed., *Major Peace Treaties of Modern History*, 4 vols. (New York, 1967), vol. 3. On the question of Austrian and Hungarian interpretation, see *FRUS PPC*, 13: 415.

4. After Germany protested against Article 231, Allied language in response became intemperate (see, for instance, *FRUS PPC*, 6: 926–29) but did not charge Germany with “unilateral war guilt.” Random examples of statements by German officials concerning “unilateral,” “sole,” or “exclusive” war guilt may be found in *FRUS PPC*, 3: 417, 6: 38–40, 42, 12: 17; Great Britain, Foreign Office, *Documents on British Foreign Policy, 1919–1939* (hereafter *DBFP*), ser. 1, 15: 320; Public Record Office, London (hereafter PRO), German declaration, Sept. 26, 1925, F.O. 371/10740.

5. For example, A. J. Nicholls, *Weimar and the Rise of Hitler* (London, 1968), p. 58; Thomas A. Bailey, *Woodrow Wilson and the Lost Peace* (New York, 1944), pp. 239–43; John Maynard Keynes, *The Economic Consequences of the Peace* (New York, 1920), pp. 154–57; Thomas Lamont, “Reparations,” in Edward M. House and Charles Seymour, *What Really Happened at Paris* (New York, 1921), p. 272.

was thus engendered in both Germany and the victor states, and Germany was able to propagandize effectively about the iniquity of having to sign a "blank check,"⁶ delay was actually in Germany's interest. Because of inflated popular expectations in the victor countries, the reparations totals discussed at the peace conference were astronomic, ranging to sixteen times the amount finally set. The British experts, Lords Sumner and Cunliffe, were so unrealistic that they were nicknamed "the heavenly twins."⁷ As time passed, the proposed figures were progressively reduced and by 1921 a substantial degree of realism had set in.

Finally, the Versailles Treaty specified that Germany make an interim payment of 20 billion gold marks before May 1, 1921, by which time the Reparation Commission was to set the total liability.⁸ In fact, 20 billion marks is approximately what Germany paid during the entire history of reparations.⁹ During the interim period, she paid less than 8 billion marks, mostly as credit for transferred state properties. Technically, none of this was considered reparations, as it was fully consumed by prior charges, notably occupation costs and the expense of provisioning Germany.¹⁰ In time, however, there developed a certain tacit recognition of the 8 billion as reparations.

Reparations were to be paid in several categories. There were to be periodic cash payments and deliveries in kind, that is, continuing shipments of certain commodities. For Germany, "kind" meant coal, timber, chemical dyes, and pharmaceutical drugs. The gold value of the shipments was to be credited as payment against Germany's total reparations bill. With two exceptions, reparations credit was also given for

6. Keynes, pp. 157-58; Bailey, p. 243.

7. P. A. Burnett, *Reparations at the Paris Peace Conference*, 2 vols. (New York, 1940), 1: 60; Gaston A. Furst, *De Versailles aux experts* (Nancy, 1927), p. 346; Bailey, p. 245.

8. Articles 235, 233, Versailles Treaty. The exchange rate was approximately four gold marks to the dollar. "Billion" is used in the American sense (1,000 million).

9. The total figure was 20,598 billion gold marks. (Waley to Foreign Office, June 8, 1932, F.O. 371/15911.) Figures based upon publications of the Reparation Commission and the Bank for International Settlements. American figures credit Germany with almost a billion marks more, the discrepancy arising from small transfers made by the BIS after 1932 and balances held by it in 1937. (*FRUS PPC*, 13: 409.)

10. While the Reparation Commission's estimate of pre-May 1921 payments came to 8 billion gold marks, the actual sum eventually realized and credited to Germany was 7.595 billion marks. (*FRUS PPC*, 13: 439; Reparation Commission, 4: *Statement of Germany's Obligations*, London, 1922: 11.) On prior charges, see Versailles Treaty, Article 235. The cost of armies of occupation to May 1, 1921, was 3.143 billion gold marks. Food and raw materials supplied to Germany amounted to almost 4 billion marks. (Reparation Commission, 4: 10, 16.)

state properties in territories transferred to the victors, such as the Saar coal mines and German state railways in districts awarded to Poland.¹¹ Except in the case of Alsace-Lorraine, countries receiving German territory assumed part of the German imperial and state debts as of August 1, 1914.¹² Finally, reparations included certain one-time requirements. Return of art treasures did not receive reparations credit but materials to replace the destroyed Library of Louvain did. Similarly, supplies of livestock, agricultural implements, factory machinery, and construction materials in compensation for wholesale removals during the German retreat were credited to the reparations account.¹³

The reparations provisions of the treaties with Austria and Hungary were similar in broad outline to those imposed upon Germany. Again, the total figure was left unspecified, and the costs of carrying out the peace treaties were to be prior charges against payments made, not credited to reparations accounts. However, credit was to be given for payment in cash, deliveries in kind, and transfer of state properties, while the successor states also were to assume substantial portions of the prewar Austro-Hungarian state debt.¹⁴ The Bulgarian treaty set a fixed sum, which was soon revised downward.¹⁵ In the unratified Treaty of Sèvres, Turkish reparation liability was sharply limited in view of the magnitude of Turkish territorial losses, and in the Treaty of Lausanne it was eliminated altogether.¹⁶ Austria became so impoverished that she paid no reparations beyond credits for transferred property, while Hungary paid little.¹⁷ As it became clear that Germany was the only defeated

11. The exceptions were Alsace-Lorraine and territories transferred to Belgium. (Versailles Treaty, Article 256.)

12. Versailles Treaty, Articles 254, 255. Germany had refused to assume any portion of the French debt when she annexed Alsace-Lorraine in 1871. (Versailles Treaty, Article 255.)

13. Although the Reparation Commission decision of Apr. 27, 1921, excluded restitutions from the total reparations bill, credit was in fact given for such deliveries. *FRUS PPC*, 13: 433, 525, 504, 508.

14. Articles 177-190, Treaty of Saint-Germain; Articles 161-174, Treaty of Trianon.

15. The specified sum was 2¼ billion gold francs. (Article 121, Treaty of Neuilly-sur-Seine, text in Israel, vol. 3.) Article 122 authorized reduction. In 1923, Bulgarian reparations were reduced to 550 million gold francs plus a lump sum payment of 25 million francs for occupation costs set in 1924. (Arnold J. Toynbee, *Survey of International Affairs*, 1924, London, 1926, pp. 439-49.)

16. Article 231, Treaty of Sèvres (text in Israel, vol. 3); Article 58, Treaty of Lausanne (text *ibid.*, vol. 4).

17. Reparation Commission, 5, pt. 1: *Report on the Work of the Commission from 1920 to 1922* (London, 1923): 159ff., 224-25. By the terms of the Protocols for the financial re-

power able to pay appreciably, the battle was joined over German reparations.

Some controversy arose over credits for transferred state properties and one-time restitution shipments, but there was constant dispute over all varieties of continuing German payments in cash and kind. While shipments of dyes occasioned much difficulty, most of the problems were not of Germany's making. In this connection, it should be noted that, contrary to common belief, the United States had claims upon Germany amounting to almost \$1½ billion (or nearly 6 billion gold marks) and that the United States received regular shipments of dyes until late in 1922, when she renounced her right to reparations dyes. Counting mixed claims of private individuals, Rhineland occupation costs, and governmental reparations claims, the United States eventually received over 400 million gold marks.¹⁸

Dyes were a peripheral issue, however, and the United States government was a peripheral power in the reparations question. Attention focused upon cash, coal, and timber, while the actively concerned Allied powers were France, Britain, Italy, and Belgium, who were to receive the lion's share. Coal shipments were below quotas almost from the outset. At the Spa Conference in July 1920, the victors agreed to pay Germany a five-mark premium for each ton of coal, officially to provide better nourishment for the miners, and advanced Germany sizeable loans to facilitate coal shipments.¹⁹ Still the quotas were not met. An

construction of Hungary of Mar. 14, 1924, reparations aside from coal deliveries were to be abandoned during the period of reconstruction (until June 30, 1926) and paid in reduced amounts thereafter. (Toynbee, *Survey*, 1924, pp. 425-31.)

18. Reparation Commission, 5, pt. 1: 108-14; Furst, p. 316; *FRUS PPC*, 13: 516-18. While the largest American claims were for occupation costs and mixed claims, which technically did not constitute reparations, United States government reparations claims for submarine damage, the Veterans' Bureau, the Shipping Board, and the Railway Administration came to \$110,668,701. From the Dawes annuities, the United States received 300,430,667.80 gold marks up to May 21, 1930. (*FRUS PPC*, 13: 388.) Thereafter payments both for occupation costs and for mixed claims were regulated by German-American agreements signed on June 23, 1930. For texts, see *FRUS PPC*, 13: 942-48. Germany paid regularly on the mixed claims account through September 30, 1931, partly because German payments were going to private American citizens, not the United States government. For occupation costs, she paid less than half of what was due in 1930. Under the Hoover Moratorium, further claims for occupation costs were postponed. (*FRUS PPC*, 13: 630, 778; Memo by U.S. delegation, n.d., London Committee of Experts, 1931, L.(E)21, F.O. 371/15192.)

19. Reparation Commission, 5, pt. 1: 98-99. Germany evidently used the Spa premiums and advances to repay certain British claims, not for their intended purposes.

Allied occupation of the Ruhr to force Germany to meet her obligations was first discussed at the London Conference of March 1920, and was seriously considered at Spa.²⁰ Thereafter the question arose frequently, as defaults continued under the permanent plan which replaced the interim scheme in 1921.

As required by the Versailles Treaty, the Reparation Commission announced on April 27, 1921, a total German liability of 132 billion gold marks. This figure was a Belgian compromise between higher French and Italian totals and a lower British figure. It represented an assessment of the lowest amount that public opinion in continental receiver states would tolerate.²¹ The British pressure for a lower total and the continuing British effort thereafter to reduce German reparations derived from an assumption that restoration of British economic prosperity depended upon a rapid return to prewar patterns of trade which in turn required an immediate German economic revival. As British leaders assumed that sizeable German reparations payments would delay this sequence of events or overstimulate German exports to the detriment of British producers, they opposed enforcement of substantial reparations requirements upon Germany.²²

Paris, Quai d'Orsay archives, Leygues to Dubois, Nov. 20, 1920, Laurent to Leygues, Nov. 22, 1920, tel., *et seq.*, Millerand Papers/16.

20. Reparation Commission, 5, pt. 1: 229; *DBFP*, ser. 1, 7: 547; 8: 471–81, 584, 598–605, 623–25; Paul Hymans, *Mémoires*, 2 vols. (Brussels, 1958), 2: 567–68.

21. Furst, pp. 346, 124–26; National Archives, Washington, Wallace to Hughes, Apr. 27, 28, 1921, tels. 291, 296, State Department 462.00R29/708, 713; Étienne Weill-Raynall, *Les Réparations allemands et la France*, 3 vols. (Paris, 1947), 1: 665–66; John Maynard Keynes, *A Revision of the Treaty* (New York, 1922), p. 39. For text of the Reparation Commission decision, see *FRUS PPC*, 13: 433. Estimates of total reparations claims vary because the claims were submitted in assorted fluctuating paper currencies. (Reparation Commission, 5, pt. 1, Appendix VII, 191A.) By American estimate, total Allied claims came to about 266 billion gold marks. (*FRUS PPC*, 13: 475.) Furst (pp. 13–15) lists a total of 213 billion marks, of which about 108 billion represented claims for material damages while the remainder represented claims for pensions, wartime forced levies by Germany on Allied civilian populations, and similar charges. Weill-Raynall, 1: 323 gives a total of over 226 billion gold marks, about 102½ billion for material damages and more than 123½ billion for damages to individuals. None of these totals includes United States claims.

22. Some aspects of British views are displayed in David Lloyd George, *The Truth about Reparations and War-Debts* (London, 1932), pp. 15, 43, 45–51, 83. Others may be seen in Brussels, Foreign Ministry archives (hereafter BMAE), Moncheur to Hymans, Mar. 4, 1920, no. 1034/346, B/366/II; Moncheur to Jaspar, Feb. 4, 1921, no. 505/202, BMAE B/366/III; Report of Federation of British Industries on German Reparations, n.d. [late 1921], BMAE B/366/V.

Historians have focused upon the figure of 132 billion without examining the nature of its implementation. The London Schedule of Payments of May 5, 1921, both enshrined this sum and demolished it. The full liability of all the Central Powers combined, not just Germany alone, was set at 132 billion gold marks, subject to certain arithmetic adjustments. The German debt, however, was to be organized in three series of bonds, labeled A, B, and C. Of these, the C Bonds, which contained the bulk of the German obligation, were deliberately designed to be chimerical. They were entirely unreal, and their primary function was to mislead public opinion in the receiver countries into believing that the 132-billion-mark figure was being maintained. Allied experts knew that Germany could not pay 132 billion marks and that the other Central Powers could pay little. Thus the A and B Bonds, which were genuine, represented the actual Allied assessment of German capacity to pay. The A Bonds, amounting to 12 billion gold marks, constituted the unpaid balance of the interim 20 billion, while the B Bonds amounted to 38 billion. Therefore the A and B Bonds represented the total German reparations liability to a face (or nominal) value of 50 billion gold marks or \$12½ billion, an amount smaller than what Germany had recently offered to pay. The London Schedule also established modalities of payment toward redemption of the A and B Bonds, including two schedules of quarterly deadlines for fixed and variable annuities.²³

In the summer of 1921, Germany met her first cash payment of one billion gold marks in full.²⁴ She did so because west German customs posts and an area around Düsseldorf were under Allied occupation. These measures had been taken in March 1921, primarily in an effort to induce a satisfactory German offer, and were continued to force German

23. It was also hoped that C Bonds could be transferred to the United States as a means of disguising cancelation of Allied war debts to America. (Gaiffier note, Dec. 21, 1921, BMAE B/366/V.) For a more detailed analysis of the London Schedule of Payments, see Sally Marks, "Reparations Reconsidered: A Reminder," *Central European History* 2 (Dec. 1969): 356–65. The final version of the German offer of Apr. 24, 1921, via the United States, came in two forms: 50 billion gold marks (capital value) or 200 billion gold marks in annuities (nominal value). (*FRUS*, 1921, 2: 46–48, 53.)

24. Reparation Commission, 1: *Statement of Germany's Obligations* (London, 1922): 15. The payment in gold and assorted hard currencies was spread over three months by common consent to reduce dislocation of international money markets. (*FRUS PPC*, 13: 439–40; Weill-Raynall, 1: 653.) For added details, see Paris, Archives Nationales (hereafter AN), Reparation Commission, Annex 944b (199th meeting), June 16, 1921, Papers of French Delegation to the Reparation Commission, AJ⁵/406; Mayer to Reparation Commission, May 30, 1921, no. 3041, Mauclère to Doumer, Sept. 9, 1921, no. 1488F, AJ⁵/387.

acceptance of the London Schedule. After the 1921 cash payment, the Allies relinquished the customs posts but remained at Düsseldorf.²⁵ Thereafter, Germany paid a tiny portion of the variable annuity due in November 1921 and small amounts on annuities due in early 1922, but made no further payments in cash until after the Dawes Plan went into effect late in 1924. Through 1922, payments in kind continued, although never in full, while a variety of expedients papered over the absence of cash payments.²⁶ However, these stopgap measures would expire at the end of 1922 when either a new reparations plan had to be imposed or the London Schedule would revert to full force.

By the summer of 1922, it was clearly impossible to restore the London Schedule, which was in virtual abeyance, but there was no agreement on what to do. By this time, Germany's currency depreciation had become acute. This depreciation had begun during World War I and had continued at an erratic pace. A conjunction had developed between reparations deadlines and dramatic inflationary lurches of the mark.²⁷ Germans argued that reparations were destroying their currency while British and French experts agreed that Germany was deliberately ruining the mark, partly to avoid budgetary and currency reform, but primarily to escape reparations.²⁸ In this, the Entente ex-

25. F.O. Summary, Mar. 16, 1921, F.O. 371/6018; PRO, I.C.P. 208, Aug. 13, 1921, CAB 29/32; Hardinge to Curzon, Sept. 28, 1921, no. 2672, F.O. to Ryan, Sept. 28, 1921, tel. 86, F.O. 371/6068. The continuing occupation at Düsseldorf was justified on grounds that Germany had not met treaty requirements on disarmament and surrender of alleged war criminals. (*FRUS PPC*, 13: 434-35.)

26. The Nov. 1, 1921, variable annuity was 300 million marks. Germany paid a little over 13 million. (Reparation Commission, 1: 28, 15.) The annuity was deemed to be largely covered by payments in kind since May 1, 1921. (Failla to Jaspar, Oct. 17, 1921, no. 8050/3842, BMAE B/366/V.) The original schedules for 1922 called for total payments of a little over 3 billion marks. Germany paid about 435 million in cash. Cash payments ceased altogether in the summer of 1922 (except for paper marks requisitioned for use by occupation forces in the Rhineland). As the Cannes Conference in January 1922 did not resolve matters, a partial moratorium was devised in March 1922, and in August six-month treasury bills were substituted for cash for the remainder of the year. (Reparation Commission, 1: 28, 15; 4: 22, 12, 19, 23; Reparation Commission to German Government, Mar. 21, 1922, C.P. 3916, Annex 1352, F.O. 371/7476; Reparation Commission to German Government, Aug. 31, 1922, F.O. 371/7484.)

27. Dubois to Millerand, July 18, 1922, Millerand/22. For data on German currency depreciation, see Weill-Raynal, 2: 78n., 150n., 191n., 241n. Reparation Commission, 3: *Official Documents* (London, 1922): 121-24, 6: *Official Documents* (London, 1923): 20-22; I.C.P. 250, 251, Aug. 7, 1922, F.O. 371/7481.

28. F.O. memo, Nov. 23, 1922, F.O. 371/7487; Paris, Quai d'Orsay archives (hereafter FMAE), Saint-Aulaire to Poincaré, July 13, 1922, tel. 605, Serie Z/Allemagne/473; Las-

perts were correct. Those historians who have accepted the German claim that reparations were the cause of the inflation²⁹ have overlooked the fact that the inflation long predated reparations. They have similarly overlooked the fact that the inflation mushroomed in the period from the summer of 1921 to the end of 1922 when Germany was actually paying very little in reparations. They have also failed to explain why the period of least inflation coincided with the period of largest reparations payments in the late 1920s or why Germans claimed after 1930 that reparations were causing deflation.³⁰ There is no doubt that British and French suspicions late in 1922 were sound. The Reich Chancellery archives indicate that in 1922 and 1923 German leaders chose to postpone tax reform and currency stabilization measures in hopes of obtaining substantial reductions in reparations.³¹

However, the Entente agreement on the facts yielded no solutions, as

teyrie note, July 15, 1922, Seydoux note, Aug. 8, 1922, Millerand/22. As Allied leaders well realized, the depreciation of the mark also gave German industry competitive advantages on world markets. (Gaiffier to Jaspas, Dec. 9, 1921, no. 12121/5860, BMAE B/366/V; Seydoux note, May 23, 1923, Millerand/26.)

29. For instance, David Felix, *Walther Rathenau and the Weimar Republic* (Baltimore, 1971), p. 84. Felix also stresses the German budget deficit (pp. 26–29) which undoubtedly contributed to the inflation. However, all Allied experts consistently held that German monetary problems arose from irresponsible printing of paper money, unrestricted and massive flights of German capital to other countries, and the dramatically unbalanced budget which itself stemmed from lavish expenditures and very low tax rates, far below those in victor countries (where deficits were also large as a result of reconstruction costs). For a careful Allied analysis based upon German data, see *Conférence d'experts de Bruxelles, Rapport aux gouvernements alliés*, Jan. 18, 1921, BMAE B/366/III. A later tax reform was ineffectual because extremely slow collection in conjunction with rapid inflation insured that the tax yield remained low. See also Reparation Commission to Wirth, Mar. 21, 1922, AN, AJ⁵/385.

30. Heinrich Brüning, *Memoiren, 1918–1934* (Stuttgart, 1970), pp. 221, 329, 377. While payments in the late 1920s were financed chiefly by government borrowing and foreign investment, such payments as were made in the early 1920s were financed in the same fashion. See, for instance, Kerchove to Hymans, July 2, 1920, no. 4557/1702, BMAE B/366/II; Nieuwenhuys to Jaspas, Aug. 1, 1921, no. 5950/3076, BMAE B/366/V.

31. Stephen A. Schuker, "A Comparative Study of German, British, and French Strategies for Economic Reconstruction after the First World War: Finance and Foreign Policy in the Era of the German Inflation," paper read at conference: *Historische Prozesse der deutschen Inflation*, Berlin, July 1976, sponsored by Historische Kommission zu Berlin. See also Charles S. Maier, *Recasting Bourgeois Europe* (Princeton, 1975), pp. 287–88, 298–99, 358; Fritz K. Ringer, ed., *The German Inflation of 1923* (New York, 1969), pp. 90–93; Stephen A. Schuker, *The End of French Predominance in Europe* (Chapel Hill, 1976), pp. 16, 22; Akten der Reichkanzlei, Weimarer Republik, *Das Kabinett Wirth*, 2 vols. (Boppard am Rhein, 1973), 2, passim; *Das Kabinett Cuno* (Boppard am Rhein, 1968), passim.

Britain and France drew opposite policy conclusions from the same assessment. The British maintained that, since Germany had succeeded in destroying her currency, she should be granted a full four-year moratorium on all reparations payments to facilitate financial reconstruction, while the French objected to awarding a long moratorium as a bad conduct prize and insisted upon Allied seizure of something—mines, state forests, customs posts, or whatever—as a revenue-yielding guarantee that payment would eventually resume. The British opposed the seizure of “productive guarantees,” arguing that any compulsion would damage German recovery, while the French maintained that a moratorium without them would mean the end of reparations.³² Through the latter part of 1922, neither the Reparation Commission nor Allied conferences achieved any compromise.

The tension heightened on December 26, 1922, when the Reparation Commission by a three to one vote, with Britain dissenting, formally declared Germany in default on timber deliveries.³³ There was no disagreement about the fact of the default nor its size. Contrary to historical myth, the timber default was massive even though 1922 timber quotas had been based upon (and in most categories revised downward from) a German offer.³⁴ Nor was there any Allied dispute about the causes of the default, which implied German governmental bad faith.³⁵

32. F.O. memo, Nov. 23, 1922, F.O. 371/7487. See also Great Britain, Parliament, Cmd. 2258, *Minutes of the London Conference on Reparations, August 1922* (London, 1924) and Cmd. 1812, *Inter-allied Conferences on Reparations and Inter-allied Debts Held in London and Paris, December 1922 and January 1923: Reports and Secretary's Notes of Conversations* (London, 1923).

33. Reparation Commission, 5, pt. 1: 260.

34. For the myth, see, for example, W. N. Medlicott, *British Foreign Policy since Versailles* (London, 1968 ed.), p. 49, or E. H. Carr, *International Relations between the Two World Wars, 1919–1939* (London, 1955), p. 56. For the German offer and actual 1922 timber quotas, see Reparation Commission, 5, pt. 1: 140–41. There had been prior deficiencies from 1919 on; in 1921 France received only 20% of her quotas, but the balance was canceled by the Wiesbaden Agreement (which otherwise never went into effect). In 1922, at quota deadlines France had received 29% of her sawn timber allotment and 29% of her share of telegraph poles. The default was specifically declared on deliveries to France. (*Ibid.*, pp. 138–42, 249; Weill-Raynall, 2: 268–69.) There was also substantial default on timber deliveries to Belgium and Italy, while Britain admitted that she was still awaiting 99.80% of her 1922 quota of sawn timber. Reparation Commission, 5, pt. 1: 243–44, 246; pt. 2 (French ed.): 465–70.

35. Although the Reparation Commission credited German deliveries of timber in gold, the German government had entered into contracts with suppliers at fixed rates in paper marks. The fall of the mark rendered supply at the agreed price impossible, but the German government tried to enforce the contracts and refused to authorize the commencement of renegotiation until late July. (Reparation Commission, 5, pt. 1: 241–42, 246; pt. 2: 456–66.)

But Britain opposed declaring the default for fear that declaration would lead to action.³⁶ The only feasible Entente action of consequence was an occupation of the Ruhr Basin, which Britain opposed with mounting vigor as the prospect came closer.³⁷ While no action was taken on the timber default, its declaration raised the spectre of a formal declaration of coal default in January, as French patience was exhausted and French leaders became determined to use the technicality of repeated coal defaults to force execution of the Versailles Treaty in general. Coal quotas were monthly; Germany had fulfilled them in January and October of 1920, but otherwise had defaulted regularly in varying amounts, despite several downward quota revisions, especially after Germany lost the Silesian coal fields. Thus in January 1923 there occurred the thirty-fourth coal default in thirty-six months.³⁸

36. Sir John Bradbury, British delegate to the Reparation Commission, argued that the failures "in view of the financial obligations under the Treaty, were almost microscopic." (Reparation Commission, 5, pt. 1: 253.) Naturally, default in a single category in a single year would not loom large in comparison with total obligations in all categories over thirty-six years. Bradbury's argument also overlooked substantial default in coal and (to all practical purposes) in cash. See also Reparation Commission, 5, pt. 2: 473-88.

37. Unlike the Belgians, who had no illusions about the magnitude of the Ruhr operation, who opposed actions which would heighten the German desire for revenge, and who above all feared rupture of the Western Entente, British leaders had no clear-cut reasons for opposing the Ruhr occupation. Policy formulation was as unsystematic as usual, and the view had merely evolved that Britain was by definition opposed to punitive measures. See, for instance, Moncheur to Jaspas, Apr. 8, 1921, no. 1648/576, BMAE B/366/IV. Britain had instinctively reverted to her traditional balance-of-power role, and since British leaders consistently underestimated the German power of recuperation and equally overestimated the French power of sustained military predominance, the power alignment gradually shifted until it was, more often than not, Germany and Britain against an overmatched France, reluctantly supported by Belgium and sometimes Italy.

38. Coal defaults in March and June 1920 exceeded 50% of quotas and in July 1920 neared 50%. Between January 1920 and January 1922, Germany was scheduled to deliver 53,209,350 tons of coal but only delivered 37,554,461 tons. For 1922, Bradbury estimated the coal default at 16 $\frac{1}{4}$ %. French estimates were higher. (Reparation Commission, 5, pt. 1: 229, 104-5; pt. 2: 465-88, 430-31; *FRUS PPC*, 13: 512; Weill-Raynal, 2: 281.) On June 4, 1921, the Reparation Commission, in response to the Silesian problem, divided the coal quota into three categories of urgency, indicating that Germany should fill the first category. This was not fulfilled, although Germany was exporting coal to Austria and Switzerland. Therefore, on Dec. 9, 1921, the Reparation Commission banned German coal export except to Holland. Germany then agreed to fulfill the categories of first and second urgency if export were permitted, but in fact did not fulfill the first category. (Reparation Commission, 5, pt. 1: 181-82; Weill-Raynal, 2: 275-77.) Bradbury himself admitted that "it is no doubt true that until December 1922 the Reparations Commission exhibited a good deal of patience in dealing with Germany." (PRO, Bradbury to Bonar

On January 2, 1923, the Entente powers and Germany met at Paris. Each country except Belgium brought a plan and published it at once, thus inflaming public opinion everywhere.³⁹ The German plan, offering a Rhineland pact and thus foreshadowing Locarno, was an unsuccessful attempt at distraction from reparations default.⁴⁰ The French and Italian plans called for limited economic sanctions and Entente unity, although France declared that, in the absence of full unity, she would take more drastic steps.⁴¹ The British brushed both plans aside and insisted that theirs was the only basis for discussion. The new British prime minister, Andrew Bonar Law, ailing, inexperienced in reparations, and distracted by domestic politics and the Turkish crisis, had accepted the plan of Sir John Bradbury, British delegate to the Reparation Commission. This scheme was merely a variation of one already rejected by France, and it had been termed "impossible of execution" by Germany.⁴² It was so excruciatingly complex that Carl Bergmann, the leading German expert, grumbled that he would rather pay reparations than master the Bradbury Plan.⁴³ Amongst its other unpalatable features, the British scheme would have destroyed all Belgian benefits from reparations, granted Germany a four-year moratorium (twice what she had requested in December) on payments in cash and kind without any productive

Law, Feb. 19, 1923, Premier 1/23.) For further data on coal defaults, see Le Trocquer note, Dec. 23, 1922, AN, AJ⁵/414.

39. W. M. Jordan, *Great Britain, France, and the German Problem, 1918-1939* (London, 1943), p. 90.

40. Cmd. 1812, pp. 68-70.

41. Texts of the French and Italian plans may be found in France, Ministère des Affaires Étrangères, *Documents Diplomatiques: Demande de moratorium du gouvernement allemand à la commission des réparations (14 novembre 1922); conférence de Londres (9-11 décembre 1922); conférence de Paris (2-4 janvier 1923)* (Paris, 1923). All the plans are summarized in Carl Bergmann, *The History of Reparations* (Boston, 1927), pp. 163-69.

42. Cmd. 1812, pp. 112-16; Bradbury to Blackett, Oct. 13, 1922, F.O. 371/7486; Bradbury to Baldwin, Dec. 15, 1922, F.O. 371/7490; Bergmann, p. 160. British officials had given the plan to Germany, although apparently not to Entente representatives. Reparations were a Treasury matter and, since communication between the Treasury and the Foreign Office had deteriorated acutely (as it did from time to time), the Foreign Office did not see the final plan until after Cabinet approval. While the Foreign Office was aware earlier of the salient features of the plan, it did not take upon itself the task of reminding the Treasury of the political realities which were bound to dictate the plan's failure. (Phipps to Curzon, Dec. 17, 1922, no. 2944, F.O. 371/7490; Wigram to Crowe, Jan. 4, 1923, F.O. 371/8626; C.P. 4376, n.d., received at F.O. Jan. 2, 1923, F.O. 371/8625.)

43. Weill-Raynal, 2: 336.

guarantees, required open cancellation of the C Bonds (a politically difficult act), reduced and reconstructed the Reparation Commission to end French preponderance therein, provided a British veto on any punitive measures against future defaults, and accorded Britain full dictation of Entente policy on non-German reparations.⁴⁴ As this plan would have meant the practical end of reparations, no continental politician could accept it and expect to remain in office. None did, and the conference failed.⁴⁵

On January 9, 1923, the Reparation Commission declared the coal default by a vote of three to one and, by the same vote, decided to occupy the Ruhr. On January 11, French, Belgian, and Italian engineers entered the Ruhr to procure the coal, accompanied by small contingents of French and Belgian troops.⁴⁶ Britain stood aloof, denouncing the occupation as immoral and illegal, but rendered it feasible by permitting France to mount it on British-controlled railways in the Rhineland.⁴⁷ While the question of morality perhaps depends upon viewpoint, the British legal opinion was based more upon what British leaders wished the Versailles Treaty had said than upon what it actually did say. Although no definitive ruling was ever made, since a unanimous opinion of the Reparation Commission was impossible, a close reading of the

44. For text, see Cmd. 1812, pp. 112–19. In return for its stringent requirements, the British plan offered war-debt relief to France and Italy. For the German proposal of Dec. 9, 1922, see pp. 57–60.

45. *Ibid.*, pp. 101–8, 135–36.

46. Bergmann, p. 176; *FRUS PPC*, 13: 486–87, 781–82; F.O. memo, May 28, 1924, F.O. 371/9832; Weill-Raynal, 2: 284. Denise Artaud, “À propos de l’occupation de la Ruhr,” *Revue d’histoire moderne et contemporaine*, 17 (Jan.–Mar. 1970): 1–21, and Walter McDougall, “Treaty Execution vs. Rhineland Revisionism: French Models for German Reintegration after Versailles, 1919–1924” (paper delivered at American Historical Association annual meeting, Washington, D.C., Dec. 30, 1976), both argue that Poincaré made the decision to occupy the Ruhr in June 1922 and that his chief aim was to force the Anglo-Americans to underwrite reparations (and, according to Artaud, to reduce war debts). This author finds their evidence slender and supports the contention of Jacques Bariéty that Poincaré’s decision was taken reluctantly and late. (Conversation with Prof. Bariéty, Mars Hill, N.C., Oct. 16, 1975.) See also n. 49, below.

47. Godley to War Office, Jan. 7, 1923, tel. c.o. 371/7/1 and minutes, F.O. 371/8703. The British later adjusted zonal boundaries to transfer a key railway to French control so that France could handle her increasing Ruhr traffic. (Crewe to Curzon, Feb. 11, 1923, tel. 173, F.O. 371/8713; Cab 10 (23), Feb. 15, 1923, CAB 23/45; Saint-Aulaire to Poincaré, Feb. 16, 1923, tel. 166–68, FMAE Z/Ruhr/11.)

text of the Versailles Treaty⁴⁸ indicates that the majority view had much legal substance.

As German passive resistance escalated the Ruhr occupation into a major military operation, Britain refused to take sides and thus both prolonged and exacerbated the crisis. Bonar Law dreaded breach with France and refused to recognize that it had arrived. As he wished above all to keep the breach from becoming irreparable, he took no decisive action in either direction. He also failed to understand the French premier, Raymond Poincaré. In the weeks before the occupation, Bonar Law ignored evidence that Poincaré was seeking to avoid such a drastic step, and he never realized that, in combination with the French right, notably Alexandre Millerand, he had forced Poincaré into the Ruhr by rejecting more moderate options.⁴⁹ Once the step had been taken, Poincaré recognized that France had played her last trump and must win on this card or go down to permanent defeat. She was inherently weaker than Germany and had already failed to enforce delivery of alleged war criminals, to obtain German compliance with the military clauses of the treaty, or to gain any effective German participation in the costly French reconstruction of the devastated provinces. If Germany did not pay reparations and remove some of the burden from France, her innate economic superiority, together with further progressive crumbling of the peace treaty, would soon tip the balance altogether. In applying the ultimate sanction of the Ruhr occupation, Poincaré was above all mak-

48. Curzon to Kilmarnock, Jan. 15, 1923, tel. 3, F.O. 371/8793; Cab 1 (23), Jan. 11, 1923, CAB 23/45. For the legal opinion of the Law Officers of the Crown (political appointees whose task it was to find the interpretation the Cabinet wished), see F.O. memo, Apr. 10, 1924, F.O. 371/9824. For relevant portions of the Versailles Treaty and prior Reparation Commission interpretations thereof, see Versailles Treaty, Part VIII, Annex II, pars. 12, 13f, 18; *FRUS PPC*, 13: 484.

49. On Bonar Law's reluctance to break with France, see Saint-Aulaire to Poincaré, Dec. 24, 1922, tel. 1171-77, FMAE Z/Allemagne/477; Saint-Aulaire to Poincaré, Dec. 24, 1922, tel. 1171-77(2), FMAE Z/Allemagne/236; Saint-Aulaire to Poincaré, Jan. 17, 1923, tel. 50-53, FMAE Z/Allemagne/237. On Poincaré's reluctance to occupy the Ruhr, see Crowe memo, Dec. 27, 1922, F.O. 371/7491; France, *Demande de moratorium . . .*, pp. 93-97; Ryan to Lampson, Jan. 5, 1923, no number, F.O. 371/8626. And later on: Grahame to Curzon, Mar. 1, 1923, tel. 39, F.O. 371/8718; Crewe to Curzon, July 14, 1923, no. 680, F.O. 371/8643; Phipps to Tyrrell, Sept. 8, 1923, Phipps to Crowe, Nov. 6, 1923, Phipps Papers (courtesy of Lady Phipps, Wilcot, Pewsey, Wiltshire). To this should be added the evidence from French sources presented by Schuker, *End of French Predominance*, pp. 21, 24-25, 117, and Jacques Bariéty, *Les Relations franco-allemandes après la première guerre mondiale* (Paris, 1977), pp. 101-9. See also Poincaré to Saint-Aulaire, Dec. 26, 1922, tel. 2681, FMAE Z/Grande-Bretagne/50, and Gaiffier to Jaspas, Apr. 27, 1923, no. 5614/2595, BMAE, Correspondance Politique, France 1923.

ing a final effort to force Germany to acknowledge her defeat in World War I and to accept the Versailles Treaty. He well knew that the fundamental issues were not coal and timber but rather survival of the treaty and of France's victory in the war.⁵⁰ The British never realized that they were watching an extension of World War I⁵¹ and, comprehending neither the basic issues nor France's genuine need for coal and money, could not understand why Poincaré hung grimly on when Italy and Belgium lost heart.

The British, who clearly won the propaganda battle, also claimed that the Ruhr occupation was unprofitable. Misleadingly, they compared the Ruhr receipts to the London Schedule of Payments, ignoring the fact that the London Schedule was dead beyond recall and that the choice, at their own insistence, had been between the Ruhr receipts and nothing. In fact, the Ruhr occupation was profitable, modestly so at first and then very considerably after the end of passive resistance. After all expenses and Rhineland occupation costs, the net Ruhr receipts to the three powers involved and ultimately to the United States amounted to nearly 900 million gold marks.⁵²

Others benefited as well. As the German government financed passive resistance from an empty exchequer,⁵³ the mark reached utter ruination. The astronomic inflation which ensued was a result of German policy, not of the occupation itself. The inflation enabled the German government to pay off its domestic debts, including the war debt, and those of the state enterprises in worthless marks. Certain industrialists close to the German cabinet profited greatly as well.⁵⁴ The ailing British economy

50. Curzon to Crewe, July 4, 1923, tel. 283, F.O. 371/8641; Brussels, Archives Générales du Royaume, minutes, Franco-Belgian meeting, Apr. 9, 1923, Rolin-Jaequemyns Papers/3; Archives Générales du Royaume, Jaspar to Gaiffier, May 17, 1923, personal, minutes, Franco-Belgian meeting, June 6, 1923, Jaspar Papers/226; Schuker, *End of French Predominance*, pp. 220–21; Le Trocquer note, Dec. 28, 1922, Millerand/52; Kerchove to Hymans, July 2, 1920, no. 4557/1702, BMAE B/366/II; Delacroix to Theunis, June 29, 1921, no. 3/466, BMAE B/366/IV.

51. Lord Kilmarnock, British High Commissioner in the Rhineland, pointed out this fact but went unheeded. (Kilmarnock to Curzon, Jan. 22, 1923, tel. 15, F.O. 371/8706.)

52. *FRUS PPC*, 13: 487, 785. Furst (p. 336) gives higher net totals. Under the Finance Ministers' Agreement of Jan. 14, 1925, the United States ultimately received 61,814,210 gold marks of the Ruhr receipts for occupation costs. (*FRUS PPC*, 13: 785.)

53. *Das Kabinett Cuno*, pp. 158–59; Bergmann, p. 181; Seydoux note, June 20, 1923, Millerand/27.

54. Maier, p. 367; Reparation Commission, 14: *Official Documents* (London, 1927): 25, 42; Seydoux note, May 23, 1923, Millerand/26; William Carr, *A History of Germany, 1815–1945* (New York, 1969), pp. 314–15; Furst, p. 10.

also benefited considerably from the disruption of German exports, but British officials would never acknowledge this fact, even to themselves.⁵⁵ Convinced that their economic data bore no relation to the evil event, they never ceased to urge resolution of the crisis.

Their urgings became more imperative after a new German government under Gustav Stresemann abandoned passive resistance in September 1923 and quickly terminated the inflation. A new reparations plan was necessary, along with German financial reconstruction and a scheme to extract France and Belgium from the Ruhr. Other powers quickly combined to minimize the damage to Germany, and France found herself increasingly isolated. A decline of the franc further weakened her diplomatic position. When President Calvin Coolidge indicated that American experts could participate as private citizens in drawing up a new reparations plan, thus facilitating the essential involvement of American bankers,⁵⁶ a certain degree of inevitability set in. Poincaré could and did delay, but he could not prevent altogether. Thus the Dawes Committee began work in January 1924.⁵⁷ Its labors signified that while Poincaré had won the war, he had lost the peace.

The Dawes Plan of April 9, 1924, operated at two levels.⁵⁸ Its precise technical details owed much to the Belgian *Études* of June 11, 1923, concerning potential sources of reparations revenues, while the deliberately ambiguous political settlement was chiefly the work of the American expert, Owen D. Young. Although the Dawes Committee indicated that the problem of the Ruhr occupation was outside its frame of reference, it tacitly assumed an immediate end to the economic occupation and reduction of the military occupation to a skeleton force (to save French face).⁵⁹ The plan called for complete reorganization of German finances with foreign supervision, a large international loan to Germany, and an Agent-General for Reparations in Berlin to oversee a complex supervisory structure. To raise revenues toward reparations,

55. Cole to Wigram, Jan. 30, 1923, F.O. 371/8709; Ramsbottom to Bennett, Aug. 24, 1923, Board of Trade memo, Aug. 25, 1923, F.O. 371/8651.

56. *FRUS*, 1923, 2: 69; Library of Congress, Washington, Hughes interviews with Chilton, Oct. 13, Oct. 15, 1923, Hughes Papers/175/77a.

57. Reparation Commission, 14: 10. Once Poincaré recognized that an expert inquiry could not be avoided, he took the lead in proposing it in order to limit its scope. (Poincaré to Barthou, Nov. 11, 1923, no. 1337, Dec. 6, 1923, no. 1417, AN, AJ⁵/362.)

58. For text, see Reparation Commission, 14.

59. For the text of the Belgian *Études*, see Moncheur memo, June 11, 1923, F.O. 371/8639. For a summary, see Furst, pp. 166–69. On Young's role, see Schuker, *End of French Predominance*, p. 180. See also Phipps to Crowe, Mar. 20, 1924, Phipps Papers.

the plan demanded mortgages on German industry and the state railways, re-assumption of domestic indebtedness by the German government, and sweeping tax reform to end the anomaly (and Versailles Treaty violation) of much lower tax rates in Germany than in the victor powers. While some accounts indicate otherwise, in fact the incorporation of occupation costs, commission costs, and all other previously prior charges into the global amount of annual German reparations payments effectively reduced the total reparations bill,⁶⁰ although the size of the reduction was unclear, as the duration of the plan was not specified. Germany would pay one billion marks the first year, chiefly out of the international loan, increasing amounts for three years, and 2½ billion gold marks for one year. Thereafter she would pay 2½ billion marks plus a percentage based upon a complex index of German prosperity.

The call for commensurate taxation in the Dawes Plan was political window-dressing on the order of the C Bonds of the London Schedule. Tax rates equivalent to those in the victor powers were not imposed because the leading British expert, Sir Josiah Stamp, estimated that such rates would yield a surplus applicable to reparations of 4½ billion marks a year, far more, he thought, than could be transferred.⁶¹ The transfer problem (that is, the difficulties involved in transferring real resources from one country to another or, in effect, in converting German wealth into foreign currencies for reparation payments without depreciating the mark) plagued the history of reparations and provided a convenient impediment to payment.⁶² Those who for political reasons stressed the impediments to transferring reparations generally remained silent about the vast investment of foreign capital into Germany before and after the Ruhr débâcle, which constituted transfers of real wealth lost to the

60. Until the Dawes Plan went into effect, the cost of the Rhineland occupation, clearing house charges, and the considerable expense of maintaining the various commissions established under the treaty were all prior charges on German payments and only the balance, after these items were paid, was applied to the reparations account. (For instance, Versailles Treaty, Art. 241.) On commensurate taxation, see Part VIII, Annex II, par. 12. The misconception that the Dawes Plan did not reduce the total reparations bill is particularly prevalent in textbooks. See, for example, F. Lee Benns and Mary Elizabeth Seldon, *Europe, 1914-1939* (New York, 1965), p. 168.

61. Furst, p. 225.

62. This author agrees with Professor Marc Trachtenberg that the transfer problem has been greatly exaggerated. Marc Trachtenberg, "France and Reparations: The First Phase" (paper read at American Historical Association annual meeting, Washington, D.C., Dec. 29, 1976).

foreign investors through hyperinflation or debt repudiation and which provided Germany with foreign exchange for reparations payments. As to the German payments themselves, such transfer difficulties as arose with payment of the first billion in 1921, which constituted the only payment of substance before the Dawes Plan went into effect, were largely induced by Germany in an effort to escape reparations. In the later history of reparations, with the reduced payments of the Young Plan, transfers caused no problem. Under the Dawes Plan itself, protection against potential transfer difficulties was provided by specifying that Germany pay reparations into the new German *Reichsbank* and empowering an Allied Transfer Committee under the American Agent-General for Reparations to decide when transfers could safely be made.⁶³

When the Dawes Plan was issued in April 1924, the countries concerned were uniformly unenthusiastic for widely varying reasons, but each accepted it for lack of an alternative.⁶⁴ There remained the mechanics of its implementation, reconstruction of the Reparation Commission, and arrangements to remove France from the Ruhr. These were devised at the London Conference of July and August 1924,⁶⁵ which was a personal triumph for the British prime minister, Ramsay MacDonald. He deserves considerable credit for jollying his reluctant colleagues toward compromise, although the inexperience of the new French premier, Édouard Herriot, eased his task. Behind the scenes, however, decisive pressure was exerted by representatives of J. P. Morgan and Company, whose imprimatur was essential to raise the large loan to Germany upon which the Dawes Plan depended. Further, the French franc had continued to decline, and France urgently needed loans

63. Reparation Commission, 14: 14, 20–21, 31–32. While the mark depreciated in conjunction with payment of the first billion in 1921, it did so because the German government chose to acquire much of the foreign currency involved by massive selling of paper marks on the open market. Schuker, *End of French Predominance*, p. 16.

64. MacDonald to Barthou, Apr. 24, 1924, F.O. 371/9741; Brussels, Archives Générales, Hymans and Theunis to Barthou, Apr. 24, 1924, Mussolini to Barthou, Apr. 24, 1924, Hymans Papers/171; Poincaré to Barthou, Apr. 24, 1924, F.O. 371/9742; D'Abernon to MacDonald, Apr. 15, 1924, tels. 151, 152, F.O. 371/9740; F.O. Summary, July 10, 1924, F.O. 371/9750.

65. Heavily edited minutes of the technical work of the conference may be found in Great Britain, Parliament, Cmd. 2258, *Minutes of the London Conference on Reparations, August 1924* (London, 1924), and Cmd. 2270, *Proceedings of the London Reparations Conference, July and August 1924* (London, 1924). No formal minutes were kept of political discussions.

from American bankers, again dependent upon Morgan approval.⁶⁶ Thus France had to accept the final scheme, even though Morgan agents required provisions making future sanctions against default virtually impossible, since the American loans would extend for twenty-five years, whatever happened to reparations. Financial crisis and diplomatic isolation equally obliged France to swallow other unattractive terms. As a perceptive British observer remarked, "The London Conference was for the French 'man in the street' one long Calvary . . . as he saw M. Herriot abandoning one by one the cherished possessions of French preponderance on the Reparation Commission, the right of sanctions in the event of German default, the economic occupation of the Ruhr, the French-Belgian railway Régie, and finally, the military occupation of the Ruhr within a year. . . ." ⁶⁷

Under the Dawes Plan, Germany always met her obligations almost in full, thanks largely to a flood of foreign loans which at least equaled the amount paid in reparations. Each year there was a slight default,⁶⁸ probably as a point of honor, but never enough to cause a stir. However, as the French knew, Germany had always considered the plan a temporary expedient and counted upon revision before payments became onerous. After the Agent-General for Reparations called for a more permanent scheme late in 1927, Germany took up the call in 1928 as the Dawes standard year of 2½ billion marks approached. Further, early in 1928 Stresemann openly sought immediate unconditional evacuation of the Rhineland. French leaders, badly scarred by the severe

66. Schuker, *End of French Predominance*, pp. 300–318, 351–52; Édouard Herriot, *Jadis*, 2 vols. (Paris, 1948–52), 2: 155–58.

67. Phipps to MacDonald, Aug. 29, 1924, no. 1893, Phipps Papers. The last French and Belgian troops left the Ruhr (and the area around Düsseldorf) in mid-August 1925.

68. Waley to F.O., June 8, 1932, F.O. 371/15911. This not only indicates the small annual defaults but also that German payments under the Dawes Plan came to about 7½ billion gold marks. According to Reparation Commission, 22: *Official Documents* (Berlin, 1930): 214, German borrowing abroad from January 1925 to April 1930 amounted to 6.7 billion gold marks, to which must be added the 800 million gold marks of the Dawes Loan plus any other loans made to Germany late in 1924. Much of the borrowing was done not by the Reich but by the several states, provinces, municipalities, private enterprises, and church organizations. It should be noted that, on the basis of German data, Erich Eyck reports higher borrowing totals for 1925–26 (*A History of the Weimar Republic*, 2 vols., Cambridge, Mass., 1962, 1: 75). For further information on the discrepancies in data on German borrowing and reparations payments, see n. 85. Finally, it should be remarked that the Wiggin-Layton Report on Aug. 18, 1931, stated categorically that German foreign payments (reparations and other items) were not made out of Germany's own resources (*DBFP*, ser. 2, 2: 487).

financial crisis which France had suffered in 1926 and aware that the bargaining value of an early Rhineland evacuation was declining as the treaty date for withdrawal drew closer, decided to trade early evacuation for French military and financial security. Thus the Geneva communiqué of September 16, 1928, issued by the Entente powers and Germany, called for a new, permanent, and final reparations plan, an early Rhineland evacuation, and a commission of verification to engage in permanent inspection of the demilitarized zone.⁶⁹

As the reparations plan was the most complicated part of the package, it was dealt with first. Thus, in an effort to achieve "final liquidation of the war"⁷⁰ and of the postwar, a committee under Owen D. Young devised a New Plan in the spring of 1929.⁷¹ It specified that Germany pay annuities in varying amounts, all below the Dawes standard-year figure of 2½ billion, for fifty-nine years, the duration of Allied debt payments to America. These annuities would cover all charges, including service of the Dawes Loan, but only 660 million marks (generally about one-third) of each annuity was unconditionally payable, the remainder being postponable under certain conditions of economic or monetary distress. This device papered over the gap between Entente expectations and German views of her capacity to pay, although the French demand for financial security was partially met by awarding her five-sixths of the unconditional annuities. Further, Germany succeeded in keeping annuities for all of the first ten years below two billion marks and expected either the end of reparations or another reduction within that period. Finally, in an effort to put reparations on a purely commercial basis, transfer protection was substantially reduced, while both the Reparation Commission and the entire Dawes supervisory structure were abolished. In their stead, a Bank for International Settlements was

69. Jon Jacobson, *Locarno Diplomacy* (Princeton, 1972), pp. 143–202 passim; Belgium, Académie Royale de Belgique, *Documents Diplomatiques Belges, 1920–1940*, 5 vols. (Brussels, 1964–66), 2: 480–560 passim; *DBFP*, ser. 1A, 5: 335.

70. Jacobson, p. 279. The phrase was common parlance in this era. For instance, Part 9 of the Young Plan was entitled "Liquidation of the Past" and began: "In order to arrive as rapidly as possible at a general liquidation of the financial questions raised by the war and the subsequent treaty of peace . . .": Reparations Commission, 20: *Report of the Committee of Experts* (Cmd. 3343) (London, 1929): 26. Further, the first Hague Conference was officially entitled "The Conference on the Final Liquidation of the War," and one of the committees it established was called "the Committee on the Liquidation of the Past." Arnold J. Toynbee, *Survey of International Affairs, 1930* (London, 1931), pp. 496–97; Denys P. Myers, *The Reparation Settlement* (Boston, 1929 [*sic*]), p. 36.

71. For text, see Reparation Commission, 20.

established in Basel to receive and disburse reparations payments and to provide a much-needed agency for cooperation among central banks. In its second function, the Bank still survives⁷² as the sole legacy of reparations.

The first Hague Conference to implement the Young Plan in August 1929 was largely consumed by Entente dispute over allocation of the receipts and by the related political questions. Stresemann, whose goal was to make an “unconditional Rhineland evacuation” conditional upon another reduction of reparations payments, was considerably abetted in his maneuvers by the new British Labour government, which successfully demanded a greater share in the Young conditional annuities, declared that it would withdraw British forces from the Rhineland before Christmas, and showed little interest in French security. Thus France had to abandon the commission of verification and advance the evacuation date in order to gain the reduced but supposedly permanent reparations settlement. While the essential decisions were taken in August, a second Hague Conference was necessary in January 1930 to formalize matters and to provide a comprehensive settlement of non-German reparations.⁷³ By then, hostility to the Young Plan in Germany had already become acute, expressing itself in a plebiscite in December 1929 in which Adolf Hitler gained significant national attention and valuable right-wing financing.⁷⁴ Further, 5.8 million voters registered opposition to the Young Plan.⁷⁵ While this raised questions about future German good faith, the sole guarantee of fulfillment, it did not overturn German ratification. As the plan had been designed to go into effect on September 1, 1929, it was made retroactive to that date, and Germany was paying less than half what she would have owed under the Dawes

72. For the convention establishing the Bank for International Settlements, see Great Britain, Parliament, Cmd. 3766, *International Convention Respecting the Bank for International Settlements* (London, 1931). For its present role in the European Economic Community, see *Encyclopaedia Britannica* (1975 ed.), *Micropaedia*, 1: 792.

73. For the Hague Agreements, see Great Britain, Parliament, Cmd. 3392, *Protocol with Annexes Approved at the Plenary Session of the Hague Conference, August 31, 1929* (London, 1929); Cmd. 3763, *International Agreements Regarding the Financial Obligations of Germany* (London, 1931); and Cmd. 3484, *Agreements Concluded at the Hague Conference, January 1930* (London, 1930), which includes all the non-German settlements. For the negotiations, see Myers or Jacobson, chaps. 8 and 9. On attitudes of the Labour government toward the Young Plan, see David Carlton, *MacDonald versus Henderson* (New York, 1970), chap. 2.

74. Joachim C. Fest, *Hitler* (New York, 1975 ed.), pp. 260–65.

75. Nicholls, pp. 136–39; Karl Dietrich Bracher, *The German Dictatorship* (New York, 1970), pp. 160–62.

Plan.⁷⁶ Her reward for accepting this reduction was evacuation of the Rhineland on June 30, 1930.

When Germany slid into acute financial crisis on the heels of the September 1930 election, German leaders began to seek reparations relief, although the initial credit crisis itself was caused primarily by a dramatic flight of capital in response to Hitler's electoral success, not by reparations. Since the French countered with political conditions, notably in regard to the Austro-German customs union proposal,⁷⁷ an impasse developed. It was broken by President Herbert Hoover's sudden proposal for a one-year moratorium commencing July 1, 1931, on all intergovernmental debts.⁷⁸ This represented the reaction of American investors to the deteriorating situation in Germany and was designed to insure the safety of private investments, which were specifically exempted from the moratorium. In brief, for creditor nations, including America, private investments would be put ahead of public accounts.⁷⁹

France, which would suffer a net loss under the scheme, recognized that, once halted, reparations would never resume. In addition, she

76. Waley to F.O., June 8, 1932, F.O. 371/15911; Myers, p. 44.

77. *FRUS*, 1931, 1: 2, 4, 9-12; Edward W. Bennett, *Germany and the Diplomacy of the Financial Crisis, 1931* (Cambridge, Mass., 1962), pp. 15-25, 34-36, 99, 181-82. On the sudden flight of capital, see n. 85. From 1928 on, new American investment in Germany slowed, but this decline was partially offset by investment from other countries. Thus, while the net inflow of capital decreased somewhat, there was no net outflow until the dramatic withdrawals after the 1930 election. Before the election, Germany was in recession, not depression. While the working class was suffering, it did not vote for the Nazis in noticeable numbers (William S. Allen, *The Nazi Seizure of Power*, Chicago, 1965, pp. 12, 24, 34; Eyck, 2: 278-79). Foreign-policy issues, including widespread calls for repeal of the newly ratified Young Plan, dominated the campaign (*DBFP*, ser. 2, 1: 502). Thereafter, the sharp reaction of investors to the election returns led to the flight of capital which in turn not only much accelerated Germany's swift plunge into acute depression but also aggravated the mounting international economic crisis. Germans, however, tended to blame both economic distress and currency deflation on the Young Plan (Bennett, pp. 116-17).

78. For text, see *FRUS*, 1931, 1: 33-35.

79. Lindsay to Henderson, July 10, 1931, no. 1083, F.O. 371/15188; Bennett, pp. 129, 136-40; Charles G. Dawes, *Journal as Ambassador to Great Britain* (New York, 1939), pp. 350-52, 356. Dawes was in America and in close touch with Hoover at the time. See also *DBFP*, ser. 2, 2: 70-71. As German trade balances improved in 1929 and 1930, Germany was earning enough foreign exchange in 1930 and 1931 to cover reparations payments in full (conditional and unconditional) but not enough to cover the annuities and the interest on her private debts. In 1930, the balance was covered by borrowing. The flight of capital after the 1930 election and the unwillingness of new investors to replace the old precluded continuation of this course; hence the credit crisis of 1931 and the Hoover Moratorium. Wiggin-Layton Report, Aug. 18, 1931, *DBFP*, ser. 2, 2: 487-89.

hoped to obtain a political moratorium on treaty revision, German naval rearmament, and the customs union in return for a reparations moratorium. Predictably, France protested the Hoover proposal, noting that Germany's problem was credit, not reparations, and that even with reparations the German budget was virtually balanced, unlike those of most European countries. Surely she could pay the unconditional annuities. Germany had indeed expected to pay that much; the British Treasury conceded that she had this capacity, but insisted that nothing short of a full moratorium would satisfy panicky private investors.⁸⁰ To save French face and to maintain a precarious fiction of continuing payment, a paper device decreed that Germany would pay reparations to herself, and the moratorium went into effect.⁸¹

During the Hoover moratorium year, the worldwide depression deepened. As Hoover found it politically impossible to renew the moratorium in a presidential election year, Britain and France belatedly called the Entente powers and Germany together at Lausanne in June 1932 to effect "a lasting settlement."⁸² What they arranged was a fiction. Germany was to make a final lump sum payment of three billion gold marks after the convention was ratified. But it was never ratified, since the four principal recipients signed an agreement not to do so until war debt relief was obtained from America, which was known to be impossible.⁸³ Thus the Lausanne Convention was a dead letter. Thereafter

80. Cahill minute, June 24, 1931, Tyrrell to F.O., June 22, 1931, tel., no number, Leith-Ross to Vansittart, June 24, 1931, Layton to Noel-Baker, June 22, 1931, F.O. 371/15182; Tyrrell to F.O., June 28, 1931, tels. 133, 134, F.O. to Lindsay, June 27, 1931, tel. 446, F.O. 371/15183; Dawes, pp. 353-54.

81. Bennett, pp. 186, 177. To insure that Germany did not use the funds involved for her naval building program or other rearmament, the final scheme specified that reparations (minus service of the Dawes Loan) be paid by Germany to the German railway corporation. France was induced to accept the moratorium by an American reminder that, if Germany postponed the conditional annuities, France, who received five-sixths of the unconditional annuities, would be required to deposit 500 million Reichsmarks in the BIS as a guarantee fund to safeguard the eventual rights of other recipients. This circumstance, together with continuing war debt payments to the United States and Great Britain, would leave France with a net loss for the year of about \$100 million despite receipt of the unconditional annuities. (Cmd. 3343, p. 65; Dawes, p. 356; Leith-Ross to Layton, Nov. 27, 1931, F.O. 371/15200.)

82. Tyrrell to Simon, Jan. 16, 1933, no. 70 (France, Annual Report, 1932), F.O. 371/17299.

83. For text, see Great Britain, Parliament, Cmd. 4126, *Final Act of the Lausanne Conference, Lausanne, 9 July 1932* (London, 1932). For the "Gentlemen's Agreement" not to ratify, see Great Britain, Parliament, Cmd. 4129, *Further Documents Relating to the Settlement Reached at the Lausanne Conference* (London, 1932). In a press release on July 9, 1932,

reparations were overtaken by events, as the futility of inviting Hitler to discuss payment became evident to all. Reparations were never formally canceled, but fell into limbo as they became increasingly unrealistic.

After the Lausanne Convention, reparations per se met their de facto death, but in actuality the problems they were designed to resolve still remained. The ultimate effect of German failure to pay reparations in substantial quantity was transfer of the burden to the victors. Reconstruction of the devastated regions still had to be paid for. Pensions for disabled veterans and war widows still remained. So did Allied war debts. In the end, the victors paid the bills. It is evident that the net effect of World War I and the peace settlement was the effective enhancement of Germany's relative strength in Europe, particularly in regard to her immediate neighbors. As Gerhard Weinberg has remarked, "The shifting of the burden of reparations from her shoulders to those of her enemies served to accentuate this disparity."⁸⁴

In addition to reinforcing German economic superiority, the history of reparations generated a vast bureaucracy, a mountain of arcane documents, much bitterness, endless propaganda, more than its share of historical myths, and just over 20 billion gold marks or \$5 billion, which was predominantly financed by foreign loans, many of which were eventually repudiated by Hitler.⁸⁵ It is evident that Germany could have

the State Department confirmed that United States views of war debts remained unchanged. (*FRUS PPC*, 13: 407.)

84. Gerhard L. Weinberg, commentary at "Reparations Reconsidered" panel, American Historical Association annual meeting, Washington, D.C., Dec. 29, 1976. See also Gerhard L. Weinberg, "The Defeat of Germany in 1918 and the European Balance of Power," *Central European History* 2 (1969): 248–60.

85. See n. 9. The exact figures for foreign loans to Germany are difficult to ascertain after April 1930, the last date covered by the reports of the Agent-General for Reparations. (See n. 68.) After the September 1930 elections, Germany lost within three months at least 1.3 to 1.6 billion Reichsmarks out of a total of 3.8 billion RM in foreign credits then in Germany. The losses were chiefly transfers out of Germany by German Jews and German liberals along with withdrawals of short-term credits by French, Belgian, and Swiss financiers. On the whole, Anglo-American creditors did not withdraw. (Bennett, pp. 15–17.) The Wiggin-Layton Committee Report of Aug. 18, 1931, for the BIS estimated withdrawals of short-term credits in the first seven months of 1931 to be 2.9 billion RM. Some long-term credits were also sold by foreigners, creating a total loss of around 3½ billion RM. The Wiggin-Layton Report estimated that during 1924–30 inclusive (a longer period than that covered by the Dawes Plan), German foreign indebtedness grew faster than her foreign assets by 18.2 billion RM. This influx of capital (together with earnings on shipping and services) enabled her to pay the interest on her debts, increase her holdings of gold and foreign exchange, cover an unfavorable trade balance in several years, and pay reparations to a total of 10.3 billion RM. At the end of 1930, the net debt

paid a good deal more if she had chosen to do so, particularly since she paid little out of her own considerable resources. But Germany saw no reason to pay and from start to finish deemed reparations a gratuitous insult. Whether it was wise to seek reparations from Germany is arguable, although the consequences of not seeking them would have been far-reaching, as the failure to obtain them proved in time to be. Certainly it was unwise to inflict the insult without rigorous enforcement. In the last analysis, however, despite the fact that reparations claims were intended to transfer real economic wealth from Germany to the battered victors and despite the financial complexity of the problem, the reparations question was at heart a political issue, a struggle for dominance of the European continent and to maintain or reverse the military verdict of 1918.

Historians, distracted by the intricacies of the reparations question, have either avoided the problem altogether or have tended to focus upon German capacity to pay, often on the basis of dubious assumptions, instead of addressing the more relevant question of German will to pay or, to be precise, determination not to pay. German leaders clearly recognized the political implications of the reparations issue and, from beginning to end, devoted their inexhaustible energies to avoiding or reducing payments. As the international climate became increasingly hostile to the use of force during the twenties, Germany had her way in the end at great cost to herself and to others. Since Germany would not pay and the other Central Powers could not, reparations dwindled and died. The tangled history of reparations remains to confound the historian and also to demonstrate the futility of imposing large payments on nations which are either destitute or resentful and sufficiently powerful to translate that resentment into effective resistance.

to foreigners was estimated at 15.8 billion RM, of which 10.3 billion RM was in short-term loans, over half of which were owed in March 1931 to American and British investors. (*DBFP*, ser. 2, 2: 486-89.) The German government declared on Oct. 23, 1931, that the Wiggin-Layton Report's estimates of German foreign indebtedness were much too low, claiming that the total foreign debt was 28 or 29 billion RM, of which 12 billion RM were in short-term credits. (*Ibid.*, p. 304.) As the German government was attempting to avoid resumption of repayment of private foreign credits at the expiration of the six-month Standstill Agreement on Feb. 29, 1932, it was in Germany's interest to inflate her total estimates of foreign indebtedness, and these figures must therefore be treated with some reserve. (Rowe-Dutton to Leith-Ross, Dec. 8, 1931, F.O. 371/15267.) According to American sources, German borrowing in dollar bonds totaled \$1,524,655,000 with an outstanding value of \$840,389,113, all of which were defaulted by the German government on June 9, 1933. Obligations in other currencies appear to have amounted to about \$250 million. (*FRUS PPC*, 13: 410.)