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THE WORLD CRISIS
AND
THE PROBLEM OF PEACE

THE WORLD CRISIS
AND
THE PROBLEM OF PEACE

BY
SHRIKRISHNA DATTATREYA CHITALE

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DEDICATED

With Gratitude and Love

To

My Brother-in-law Mr. D. B. Modak

And to

My Sister Mrs. D. B. Modak

For Their Parental Interest

In me, my three brothers,

Vishnu, Vaman and Yashawant

And my sister Venutai

THE AUTHOR REMEMBERS :

Mrs. Keith Ransom Kehler, M.A. an eminent publicist of New York for writing the Foreword

Prof. V. G. Kale, M.A. the world-famous Indian Economist and an ex-member of the Indian Tariff Board for writing the Preface

Mr. S. V. Joshi, B.A. LL.B. his esteemed and elderly friend for his deep interest in the publication of this work

Mr. V. D. Chitale, B.A. his younger brother—a keen student of political science—for his invaluable help in the preparation of this work.

FOREWORD

The exhaustive and painstaking presentation which Mr. S. D. Chitale has made of his material challenges the attention by its very mass of information and detail.

He has recapitulated in his analysis of the causes leading to the Great War the most important historical events in present day Europe and has also condensed and made quickly available to the inquirer the full thought of contemporary writers on the political and economic results of that hideous carnage.

Those seeking information and enlightenment on the delicate and world-menacing problems will undoubtedly find this a valuable, concise and enlightening treatise.

Let me add my hope that my young friend, the author, will find a wide and appreciative audience to reward him for his intensive and timely efforts in putting before us in succinct form the essential problems involved in social, political and economic re-adjustment.

New York.

KEITH RANSOM KEHLER

P R E F A C E

All lovers of peace, freedom and orderly progress have had abundant reason to feel keenly disappointed at the recent trend of world events. In spite of the hopeful declarations of fifteen years ago, to that effect, the world war has not put an end to the possibilities of war, it has not made the world safe for democracy and it has not ensured internal freedom and peace and international confidence and friendship. And this state of affairs is intimately associated with an economic depression, unparalleled in its extent and intensity and utterly baffling in respect of its diagnosis and remedies. The public discussion of questions relating to disarmament, lowering of tariffs, free movements of gold and the abolition of war reparation payments and inter-allied debts, which has been carried on for some time past, shows, how the minds of thinkers are working. The causes of the present malaise of the world are, however, deeply rooted in the developments of human society during the past few generations, and no solution of our difficulties is likely to prove effective or is calculated to confer lasting benefit, which does not take proper account of the economic and political forces which have been at work in mould-

ing our destinies during all these years. Such an examination of the world problem and the conclusions it suggests, ought to provide a valuable guide, whatever one may think about their immediate practicability.

In the study embodied in the following pages, Mr. S. D. Chitale has attempted an inquiry into prevailing world conditions in this spirit, and the facts and statistics he has marshalled in their historical perspective, will be found to be highly educative and suggestive. The reader will find in these pages ample material to form his own opinion about events which are happening before his eyes, and this is no small service which the writer has rendered to the public which ought to take interest in the problems of the day

We, in India, are concerned in the peace and the economic development of the world as much as people elsewhere, and it is a matter for satisfaction that a Young Indian Thinker has applied his mind to this complicated subject and placed the results of his work before the public.

The world is torn to-day by conflicting ideas and solutions, ranging between the extremes of rigid individualism and varied forms of communism, as also of exclusive nationalism and unfettered internationalism. The ultimate solution can of course not lie in any of these extremes, and national communities will have to adjust themselves in a manner suited to the needs of peaceful progress for

themselves and for the world at large. The mass of the people in the nations of the world will have to be guided to look at the problems of humanity from the correct angle of vision, and India has her own part to play in this regard.

Situated as they are, people in this country are apt to neglect the study of world problems, but national interests themselves require that this apathy should be given up and that they should carefully consider how they are influenced by world developments and what contribution they can make to their own and the world's progress towards the goal which all right-minded persons have, in common, in view.

Mr. Chitale's effort is to be commended for this reason, and it is to be hoped that it will have the effect of stimulating thought in the proper direction. Statesmen and Politicians in the West ought to realise their responsibility for the economic and political situation into which their policies have driven the world and for the solutions which they adopt for its improvement and they must appreciate the critical attitude towards them of thinkers in a country like India.

The searching analysis and the suggestions given in the following pages deserve responsive attention at the hands of all thinking people in the West as well as in this country.

Fergusson College,
Poona 4.

V. G. KALE

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CHAPTER I

INTRODUCTORY

TO-DAY, the whole world is threatened with a disastrous catastrophe. Capitalism which has set up the huge modern industrial civilisation is bewildered and maddened. The Imperial Powers which are trying to control the runaway car of Capitalism are unable to control it. The Great War has made their incompetency more manifest. The offshoots of the Great War are becoming more menacing and even challenging to the intellect and ability of the human mind. What shall we do and how shall we attempt an ever-lasting solution, are the questions which are agitating the minds of great thinkers and peace-makers.

In the pages to follow the writer has made a very sincere attempt, by making a scientific study of the whole question to suggest his own remedies which will prove interesting to the lovers of peace all the world over. It is his firm belief that the suggestions contained herein, if acted upon immediately,

INTRODUCTORY

will go a long way towards establishing permanent peace which is the corner-stone of a progressive civilisation.

CHAPTER II

STAGE SET FOR IMPERIALISM

BEFORE THE INDUSTRIAL REVOLUTION

A CENTURY before the industrial revolution, the nations of Europe were comparatively static. To the men of that century, the globe seemed much vaster than it seems to us. The seas were travelled in small wooden sailing ships, and the routes were still the same as those that were discovered at the close of the 15th century. The long duration of travel, the risk and the cost of sea voyages limited the frequency and the nature of commercial relations. Political wars were fought, nations conquered and people subdued, but the nature of these conquests was quite different from those of the 19th century accomplished by western powers. Western Europe was very nearly self-supporting. It produced upon its territory the food stuffs and raw materials that it needed. Its economic regime was agricultural and excepting England, which had advanced beyond the other nations, only small

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industries existed and they were mostly in the domestic handicraft stage. Roads were few and means of communication of the present type were unknown. Travel by land was slow and difficult. Animal traction alone was in use. Highways were almost unknown and, naturally, intercourse was rare. Canals, too, were few. Almost all products were locally consumed. Differences in prices, even for commodities of wide consumption were considerable from one country to another and the want of proper means of transport prevented their circulation. The population of Europe in the beginning of the 19th century was only 175 millions and the rate of increase was slow ; and even though emigration had begun, it was slow and irregular. Such was Europe before the Industrial Revolution which laid the foundations of a new society and a new economic order.

INDUSTRIAL REVOLUTION AND THE TRANSFORMATION

Human mind was at work with ideas which, when worked out in the laboratories, gave

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concrete results. It was this mind that in the beginning of the 19th century slowly began to change the face of Europe. Manufacture began to be carried on, with machines and the application of steam power. This made possible the manufacture of cheap goods of consumption. Agriculture improved and with it the supply of food. Population began to increase rapidly and cities grew. The population of Europe in the first half of the 19th century increased from 175 millions—which had remained stationary for a long period—to 392 millions.

Transformations of a far reaching character began to take place with the application of steam to transport. Navigation rapidly developed. As early as 1819 a steam engine had been fitted on a sailing ship as an auxiliary power. In 1838 a regular line of steamers—wooden ships with paddle wheels—was established between Bristol and New York. About 1840 the era of railway construction opened. In 1850 there were only

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23000 miles of rail roads in the entire world but a generation later Europe and America shared 1,40,000 miles of rail roads. From 1850, steam navigation, too, progressed very rapidly. Iron ships replaced wooden ones. Electricity began to revolutionise means of communication. Electric telegraphy replaced the semaphore and, in 1851, the first submarine cable was laid, linking Dover with Calais. Fifteen years later, in 1866, a trans-Atlantic cable united Europe and America ; and in 1869 the first trans-Continental rail-road joining the shores of the Atlantic with those of the Pacific was completed ; and the same year the Suez Canal was opened to navigation. This new sea route brought the Asiatic countries nearer to Europe.

FOUNDATIONS OF IMPERIALISM

All these inventions gave fresh impetus to industrialisation. It was already well advanced in England and began to spread over France, Germany, Central Europe and Russia. The countries of Europe, from being

STAGE SET FOR IMPERIALISM

mainly agricultural and self-supporting, began to transform into a vast and complicated machine dependent for its working on the equipoise of many factors outside them as well as within. This industrialisation of western and central Europe continued apace. England and Germany remained in the lead of this movement and manufacturing became predominant in the economic system of these two countries. Large scale manufacture, which became a settled fact, greatly reduced the prices of the manufactured goods, and their exportation to the undeveloped countries of the East became inevitable. The development of the means of transportation facilitated the export of manufactured goods, and the manufacturing industries and the population of these countries became dependent for raw products and food supplies coming from Asiatic countries. An uninterrupted supply of food and raw products became of vital importance. Trade rivalry began to increase and with it the tendency to monopolise. Trade, therefore, was followed by

STAGE SET FOR IMPERIALISM

flag. The clamour for colonial conquest was heard everywhere and all the industrial nations of Europe began to vie with one another in the struggle for colonial possessions.

The tremendous wealth acquired by the nations of Europe after the full development of the manufacturing industries, also, in a way, fostered Imperialism. It gave the Governments of European countries the means to exercise an influence, always very powerful, over the countries of the East which had remained backward in occidental civilisation. Trade had already followed the flag but now trade began to follow capital. Flag and capital became one, diplomacy and business became closely related and worked hand in hand. Clashes between rival interests began to increase, and new phrases such as "zones of influence", "spheres of interests" "financial protectorates", began to appear. The rival powers began to organise themselves into groups and the *ententes* and the "alliances" was the outcome.

STAGE SET FOR IMPERIALISM

IMPERIALISM IN ACTION

In the latter half of the 19th century, when the harvest of the industrial and political revolution was ripening to maturity, the new spirit of Imperialism began to find expression. In England, Disraeli heralded the new Imperialistic movement, by buying for the British Government 176,602 hundred dollar shares in the Suez Canal project (1875) and proclaiming Victoria "Empress of India". A generation later, Joseph Chamberlain put himself at the head of an enthusiastic party pledged to strengthen the British Empire. Meanwhile, the third French Republic had set itself with such zeal to seek expansion for the loss of Alsace-Lorraine, that, within 30 years three and a half million square miles of territory with 26 million inhabitants had been added to its Empire. Imperially-minded Hamburg merchants converted Bismarck to their views and the German Empire speedily acquired a million square miles and 14 million subjects in Africa and Oceanica. Italy had

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no sooner achieved national unification, than she, too, entered into the scramble for colonial dominions. Russia, Japan, and the United States, Portugal and Spain annexed new territories. Even Belgium acquired in the Congo a colonial empire, eighty times as large as the mother country.

CHAPTER III
**DEVELOPMENT OF IMPERIALISM AND
FORMATION OF GROUPS**
BRITISH IMPERIALISM
INDIA—A JEWEL

BRITAIN was the first to launch forth into industrialisation and she had already gained a great advance over other countries of Europe during the first half of the 19th century. She had already completed the conquest of India, a country with a population of nearly 250 millions and as big as Europe excluding Russia. On the strength of her political power she had succeeded in almost throttling the Indian village industries and had acquired the markets of this huge country. With the acquisition of a huge country like India, her industries began to develop rapidly as markets for her manufactured products were assured.

It is regrettable that even some of the most important historians and economists do not take proper account of the part India played in the history of the development of

DEVELOPMENT OF IMPERIALISM

British Imperialism. But for India, neither her industries would have prospered nor her wealth increased. In the 18th century Amsterdam had been the financial centre of the western world. The Napoleonic wars put an end to her supremacy and London became the financial centre. The possession of India led to the development of industries in Britain, increased her wealth and gave stability to London as the financial centre of the world. At the close of the 19th century the population of her acquired colonies was approximately 400 millions, of which 350 millions were Indians. At this period India's import trade amounted to nearly 90 crores of rupees. Britain enjoyed the privileged position by sharing 60 per cent of her import trade.

FREE-TRADER BRITAIN

The other powers of Europe being comparatively backward in the manufacturing industries, England advocated the policy of free trade because it suited her commercial interests. She had a privileged market in

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India which had remained backward in occidental civilisation. At the General Election of 1885, the English people guided by their Imperial masters pledged their faith to Free Trade which, with the advent of rival powers, began gradually to dwindle.

BRITISH EMPIRE

By the close of the 19th century, Britain had already completed her conquests. The acquired colonies included India, parts of the Near East and some parts of Africa including Egypt and the Dominions of Canada and Australia. In area, the United Kingdom constituted less than one hundredth part of the Empire. Just before the outbreak of the War, one-fourth of the earth's habitable area and a fourth of the world's population were embraced by the British Empire. So great was the Empire on which the sun never set.

The British Empire was truly a heterogeneous collection of people representing every phase of culture, inhabiting lands of

DEVELOPMENT OF IMPERIALISM

the most diverse climates, professing five great religions, inhabiting important territories in all the five great continents of the world—Europe, America, Australia, Africa and Asia.

IMPORTANCE OF COLONIES

The economic pre-eminence of the British Empire was very largely due to the Colonies. More than 40 per cent of the United Kingdom's external trade was with the colonies, the major portion going to India. The loss of the colonies, therefore, meant virtually the loss of the Empire and the end of her trade. British capitalists rightly held that the possession of a vast empire was vital to their prosperity. England exported manufactured goods and imported food-stuffs and raw products from the Colonies. The Imperialists on every conceivable occasion pointed out the dependence of England on the Colonies which were considered by them to be as necessary to her as the tender to a locomotive.

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The British bankers and investors enjoyed an important advantage by the possession of colonies. The Empire was a huge business enterprise in which the capitalists held a large share. During the 19th century the wealth of England had increased by leaps and bounds and she boasted of being the richest country in the world. London had already become the financial centre of the world. Her bankers had invested their surplus, amounting to millions of pounds in the Colonies which offered a favourable field because, interests were guaranteed by the Government. It is very difficult to estimate correctly the annual income from British capital invested abroad but roughly estimated, it comes to the huge and astounding figure of half a billion pounds out of which more than two-thirds comes from the Colonies, India's share not being insignificant.

EGYPT—HER IMPORTANCE TO BRITAIN

For more than 30 years before the outbreak of the War, Egypt had been practically

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a British protectorate, while remaining theoretically a vassal state. By the export of capital, Britain first penetrated into Egypt. A reckless Khedive, by plunging his country into bankruptcy, gave an excuse to his English and French creditors for establishing the dual control of England and France over Egyptian finances. On the pretext of suppressing a rebellion, British troops were landed in Egypt and in 1883, Britain most diplomatically replaced the dual control by the appointment of a financial adviser. The British Government, under the leadership of Gladstone, thought that the occupation of Egypt was a temporary affair but the Lombard Street Imperial financiers who controlled British politics and government, considered the possession of Egypt absolutely necessary, because, the main artery of the Empire—the route to India, Australia and the Far East where the British capital had already been exported—passed through Egypt by way of the Suez Canal controlled by a

DEVELOPMENT OF IMPERIALISM

French Company from 1859 to 1869. A few years after the Canal was constructed, in 1875 Britain had purchased a controlling interest in it. This clearly shows that Britain had completely realized the strategic importance of this Canal. The Great War of 1914 has amply proved it.

SAFETY OF THE EMPIRE

But the safety of the Empire could not be guaranteed by the mere possession of Egypt and this Canal. A strong and powerful navy was also considered necessary. Her financiers and capitalists had huge interests in India, Africa and the rest of her Colonies. Her traders were busy piling up wealth also in the Far East. All these Colonies and dependencies lie on the different continents with the trackless ocean between. The rebellions in the Colonies necessitated the hurried movements of troops by sea. To protect her trade, capital and the Colonies, she needed a powerful navy. Even to this day, Britain is maintaining the most powerful navy of any two first class nations of Europe. In addition to

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a powerful navy, Britain had also provided her Empire with coaling stations and naval bases, linking up her major possessions. The route through the Red Sea to India and Australia was guarded by Gibraltar, Malta, Cyprus, Egypt, Aden and Sokotra. In every corner of the seven seas, she had a station for her fleet.

No doubt, the cost of such a huge naval establishment was staggering but it was considered necessary in order to preserve the Empire. The Colonies on numerous occasions were saddled with a part of this burden. If a critic needs a proof of this assertion let him throw a glance at the military budget of India. The Empire without a huge and powerful navy was a frail structure, for, even though Britain had built railways and canals she had not won the affection of the people and even to this day they resent her rule. But whether colonial countries liked her rule or not, to her it was an imperial necessity. This rule she could hold only by a powerful navy and permanent naval bases.

DEVELOPMENT OF IMPERIALISM

These are (1) the impregnable rock fortress of Gibraltar with its adjacent towns with 20,000 inhabitants speaking Spanish (2) the mid-Mediterranean naval station of Malta with its two lacs of peasants and town people speaking an Italian dialect, (3) the Mediterranean island of Cyprus with its population of Greeks and Turks, (4) the Falkland Islands situated on the south-east of South America with their Scottish settlers and (5) an important naval station as well as a winter resort, the Bermudas with twelve thousand coloured and seven thousand white inhabitants. In all these naval stations Britain is all-powerful and the subjects do not possess the rights enjoyed by free people. To this long list of important strategic naval bases should be added the Singapore Floating Base which has now strengthened England's position in the Pacific. This base will now help Britain to keep vigorous eyes on India and a constant watch on Australia. It will also act as a restraint on the ambitions of the other Imperial powers in the Far East.

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GERMAN IMPERIALISM

GERMAN EXPANSION

The decisive victory in the Franco-German war of 1871, when Germany made annexations and levied a political tribute on France, gave her a commanding influence in European politics. Alsace-Lorraine gave her coal and iron. For a few years, even after this victory, Bismarck who was now controlling the reins of the German Government was not convinced of the necessity of directing its activities outside Germany but with the closing of the Berlin Congress of 1871 a new chapter appeared in European history. The struggle was no longer carried on on the Rhine or the Danube but in Tunis, Egypt, Nigeria and the Far East. The repudiation of Free Trade and the adoption of a protectionist policy by Germany in 1879 gave a tremendous stimulus to the Colonial Movement. Already for some years past, the merchants of Bremen and Hamburg had been asking for protection from the Government

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to their trading posts established in the islands of the Pacific and on the African coasts. Germany was gradually being transformed from an agricultural to an industrial country. The population was increasing and emigration was assuming large proportions. For the decade 1871-1880, the number of emigrants had risen to 5,85,000. For the years 1881-1883 it reached to 5,70,000. In the absence of German colonies they went to settle in foreign lands. Commenting on this emigration Moldenhauer said: "This stream of emigrants with all they have, furnishing knowledge and skill to our national enemies is a tax in gold and blood paid by Germany to foreign lands."

Such was the trend in Germany during this period. Germany could no longer keep herself out from the scramble for colonial expansion. At the close of 1882 the *Kolonialvereni* was founded in Frankfort by men of all parties and of various professions. Its aim was:—"its principal work is to educate public opinion—to form a central organisation

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for colonial ambitions—not to found colonies which would involve the Government in serious political difficulties; but to confine its efforts to the establishment of small trading stations and to strive for the official protection of the administration.”

Within less than two years the goal was reached. In 1884 the post, founded a few years before, by a merchant of Bremen at Angra Pequena in South-West Africa was placed under the Empire's protection and almost at the same time the German Government annexed territories in the regions of Togo and the Cameroons. In 1885 Germany organised the German East Africa Company with the object of opening up territories through railways, farming and mine protecting. In addition to her share in the partition of Africa of which the major portion went to France and England, she also extended her hand to the Far East and elsewhere. In the initial stages of colonial acquisition Germany gained only about 200 square miles,

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about the Bay of Kiao-chow in China. There the Germans had constructed a modern town, a huge dry-dock and firstclass fortifications. Obviously Kiao-chow could be valuable only as a naval base, as a port (its commerce in 1913 exceeded \$50,000), and as a centre from which German influence might radiate throughout the Chinese province of Shantung. In the Pacific Ocean Germany had acquired the Bismarck Archipelago (1884), the Marshall Islands (1885), the Caroline Islands (1890), the Pelew Islands (1899), the Marianne Islands or Ladrone Islands and two of the Samoan Islands (1891). More important were Kaiser Wilhelm Islands, the south-eastern section (70 thousand square miles) of New Guinea which was annexed to Germany at the same time that Great Britain annexed the south-eastern third of the Islands (1884). Kaiser Wilhelm's Land was given in charge to a German commercial company which not only developed commerce and introduced cotton and tobacco growing, but also received from the German Government one lac of dollars when

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in 1899 the Company surrendered its administrative powers. In 1913 the German Empire was paying four lacs of dollars a year to defray the cost of government in New Guinea and neighbouring islands.

Thus ambitious Bismarck and the Kaiser laid the foundations of Imperial Germany and shortly after the Kaiser's trip to Palestine and Constantinople, Germany began to penetrate into the Near East by undertaking projects like the Bagdad Railway. She had now become an Imperial nation and wanted to play her part as a world power.

GERMANY AS AN INDUSTRIAL NATION

In the nineties of the 19th century the trend towards industrialisation continued its course with rapidity and the equilibrium in her economic system between agriculture and industry was lost in 1895. During this period the number of workers devoted to agriculture dwindled from 43.4 to 37.5 per cent and though she was exporting grain in the early years of her empire, she now became a

DEVELOPMENT OF IMPERIALISM

regular importer. Her population had rapidly increased from 40 millions in 1870 to 50 millions in 1892, reaching the huge figure of 68 millions just before the outbreak of the War.

This population was mainly absorbed in industries. Germany, even before the close of the 19th century, was trading with all parts of the world which necessitated a tremendous increase in her Mercantile Marine and to protect this, to ensure the supply of food-stuff from abroad, to protect her Empire from invasion and to play her ambitious part as a world-power, she needed a powerful navy.

GERMANY'S NAVAL POWER

To maintain her trade and commerce and her colonial possessions she resorted to the rapid extension of her navy. Already she had been the foremost military state in the world. Now she aspired to rival even Great Britain in the size and strength of armament on sea. The steady growth of

DEVELOPMENT OF IMPERIALISM

nationalism, the exhortations of politicians, merchants, economists and professional militarists that a powerful navy constituted the surest protection of large commerce and investment ; the lesson of the importance of sea-power learnt from the American victory over the Spaniards and from the British conquests of the Boers in South Africa ; the personal enthusiasm of the Emperor who made Germany believe that her future 'lies upon the water'; the organising ability of Admiral Von Tirpitz; these and many other causes contributed to the growth of her powerful navy.

EXPORT OF GERMAN CAPITAL

Germany's extensive industrialisation and the possession of colonies were the chief contributory causes to the increase of her capital which no longer could be absorbed by the home market. She began to invest her capital in comparatively undeveloped foreign countries. In the Ottoman Empire, assisted by the personal efforts of the Kaiser,

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she gained important concessions for German commerce and German investment. A group of German financiers, in 1889, secured valuable concessions for building a railway from Bagdad to Constantinople. In obtaining the lease of the Chinese port of Kiao-chow, the German Government secured for German capitalists important concessions for railway construction in China.

In Brazil also and in many parts of South America, German investments began to increase.

FRANCE, AN IMPERIAL POWER

HER COLONIAL EXPANSION

France's defeat in 1871 checked her ambitions in the European field and a few years after she recuperated her strength it was in Colonial expansion that she sought employment for her activity. In the partition of Africa she fared well. In 1881 a French Protectorate was declared over Tunis. Algeria was already a French possession and the Protectorate of Morocco was a later

DEVELOPMENT OF IMPERIALISM

addition. Besides, she had a small colony in South Africa. In India she held five of her former trading ports, Pondicherry, Karikal, Chandernagore, Mahe and Yanon aggregating 196 square miles. The chief French colony comprising the eastern half of the Indo-Chinese peninsula was Indo-China. The five states of Indo-China—Annam, Cambodia, Cochin-China, Tuoqueen and Laoo—were more than equal in area to the mother country and were governed by a French Governor-General who, with the aid of 10,000 French soldiers, kept the native population under control.

EXPORT OF CAPITAL

France having no emigration problem, all these colonies excepting Algeria which was colonised by Frenchmen, were intended as an outlet to her industries and capital. America and continental Europe had embraced protectionism before the close of the 19th century and these colonies alone served as a safety valve. Through the Bank of

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Indo-China with an authorised capital of 36 million francs, French investors were engaged in financial, commercial, industrial and mining enterprises. The progress of the export of capital was steady and continuous. At the close of the 19th century, France had exported her capital to almost all parts of the globe. In the export of capital England was first and France came next. The French investments at this period stood at the huge figure of nearly ten billion dollars.

RUSSIAN EMPIRE

The Russian Empire was greatest in territorial extent, sweeping from the Ural mountains east to Bering Strait and the Pacific. Its northern borders were washed by the icy waters of the Arctic Ocean. Its southern frontier bordered on Korea, Manchuria, Mongolia, Afghanistan, Persia and Turkish Armenia. For her future expansion she had already marked out outer Mongolia and Northern Persia and had begun to penetrate in that direction.

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Her industries were in a backward state and she had no financial capital to export. On the other hand Western powers had invested their capital in Russian industries, mines and railways. The characteristic feature of the Russian Empire during the 19th and 20th century was the extensive annexation to her territories.

AMERICA—A WORLD POWER

The movement of industrial expansion in America coincided with her war with Spain on account of Cuba, and the general crisis in Europe in 1897 which coincided with a good crop in the United States gave her a fresh impetus. American industries took full advantage of this situation. From 1893 to 1899 her export of manufactured articles doubled, passing from 158 million dollars to 339 million dollars, and in 1900 this export increased by one million dollars. This period witnessed the creation of the Steel Trust, the Shipping Trust etc. With the huge expansion of her industries, her export of

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manufactured goods increased and European manufacturers and statesmen were frightened at this growth. They felt most uneasy at the suddenness and the importance of her export of manufactured goods to Europe. Her wealth began to increase by leaps and bounds and like the European powers she began to export her capital. In the United States this boom created feelings nothing short of frenzy. In the introduction to the *Review of the World's Commerce* for 1898, an official publication, the author, after showing that the United States was making herself fast industrially independent, added : "The industries of the United States have reached the point where it seems not only practical but comparatively easy for them to supply a considerable portion of the world in addition to the home market." The same year the President of the American Bankers' Association, in his inaugural address at the annual convention of the Association, exclaimed in a tone of triumph, "We hold now three

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of the winning cards in the game for commercial greatness, to wit, iron, steel and coal. We have long been the granary of the world, we now aspire to be its workshop, then we want to be its clearing house”.

After her victory in the Spanish-American War, America became a colonial power. Imperialistic trend began to develop. Americans who had promoted the cultivation of sugar in Hawaii demanded its annexation. They had realized its importance. These islands by their geographical situation are a protective outpost for the American coast on the Pacific. The other islands on the Pacific—Guam and the Philippine Islands—and Porto Rico in the Arabian Sea were also annexed. The Sino-Japanese war created a new situation in the Far East. Chinese market opened to all powers and America looked forward for her ‘lion’s share’. This necessitated the tightening of her grip on the Philippines which provided a strategic base whence American influence began to spread over the Far East.

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The tremendous expansion of industries and the increase of wealth changed the United States from a borrowing to a lending country. The financial centre of the world was changed to New York and even England began to call on the New York market for big loans. From 1900 to 1902 American banks absorbed over 200 million dollars of bonds. In 1900 German Government sold in the United States a big portion of her loan. But before the dawn of the 20th century, European capital invested in the United States was valued at between 4000 and 5000 million dollars. Thus within a quarter of a century America from being a debtor nation became a creditor one. Financial centre was shifted to New York and America became a world-power.

SHARES OF IMPERIAL POWERS— SEEDS OF RIVALRY

In his book on the territorial development of European colonies, A. Supan, the geographer gives the following brief statement of this

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development, at the end of the 19th century :—

Percentage of territories, belonging to the European colonising powers, including the United States.

Country	Year	Year	Increase
	1876	1900	
Africa	10.8	90.4	+79.6
Polynesia	56.8	98.9	+42.1
Asia	51.5	56.6	+ 5.1
Australia	100.0	100.0	..
America	27.5	27.2	— 0.3

From the above statement it will be obvious that the western Imperial powers had completed the conquest of unoccupied territories on the earth.

The following statement, from the *History of Colonisation* by Morris, gives the following possessions of the three Imperial powers,—Britain, France and Germany—up to the end of the 19th century.

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COLONIAL POSSESSIONS

	Britain		France		Germany	
	Area in sq. miles	Popula- tion in mills.	Area in sq. miles	Popula- tion in mills.	Area in sq. miles	Popula- tion in mills.
1815-30	—	126.4	0.02	0.5	—	—
1860	2.5	145.1	0.2	3.4	—	—
1880	7.7	267.9	0.7	7.5	—	—
1899	9.3	309.0	3.7	56.4	1.0	14.7

For Britain, the period of vast colonial conquests, as will be obvious from the previous statement, is between 1860 to 1880. The last twenty years of the 19th century are also of great importance. France and Germany came in the field after the eighties.

Another important writer, Hobson, in his work on Imperialism marks the years 1884-1900 as being those of the greatest colonial expansion of the chief European states. According to his estimate Britain acquired during these years 3,700,000 square miles of territory with a population of 57,000,000 inhabitants. France acquired 3,600,000 square miles with a population of 36 million inhabitants; Germany one million square

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miles with a population of 14,700,000 inhabitants; Belgium nine lacs of square miles with 30 million inhabitants and Portugal eight lacs of square miles with 9 million inhabitants. The hunt of all the capitalist states for colonies at the end of the 19th century is a fact well-known in the history of diplomacy and foreign affairs.

The following table will give an idea of the colonial possessions of the great powers in the year 1914, i.e. before the outbreak of the Great War :—

COLONIAL POSSESSIONS OF THE GREAT POWERS (in millions of square kilometers and in millions of inhabitants)

	Colonies		Home		Total	
	Area	Pop.	Area	Pop.	Area	Pop.
Britain	33.5	393.5	0.3	46.5	33.8	440.0
Russia	17.4	33.2	5.4	136.2	22.8	169.4
France	10.6	55.5	0.5	39.6	11.1	95.1
Germany	2.9	12.3	0.5	64.9	3.4	77.2
U.S.A.	0.3	9.7	9.4	97.0	9.7	106.7
Japan	0.3	19.2	0.4	53.0	0.7	72.7
Total	65.0	523.4	16.5	437.2	81.5	961.1

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In the year 1914 the population of German colonies was 12.3 millions. As against this her home population was 64.9 millions, i.e. more than five times larger. She possessed 2.9 millions of sq. kilometers of colonial area while her home area was only 0.5. Germany's other rivals had a much larger share in area and population. France possessed 10.6 million square kilometers of colonial area as against 0.5 of her home area; 55.5 millions colonial population as against only 39.6 home population; Britain 33.5 million square kilometers colonial area against 0.3 of home area, 393.5 millions colonial population against 46.5 home population. Thus France and Great Britain both possessed an infinitely larger share than Germany in the colonial possessions.

In finance capital also both these countries were several times richer than Germany. In his *Imperialism* Lenin gives the following figures :—

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Capital invested abroad (milliards of francs)

Year	Britain	France	Germany
1862	3.6	—	—
1872	15.0	10 (1869)	—
1882	22.0	15 (1880)	?
1893	42.0	20 (1890)	?
1902	62.0	27-37	12.5
1914	75-100	60	44

Criticising this aspect of Imperialism, viz. export of finance capital and colonial possessions, Ed. Driault, the historian, has written the following in his *Social and Political Problems at the End of the 19th Century* :—

“During recent years all the free territory on the earth with the exception of China had been occupied by the powers of Europe and North America. Many conflicts had already occurred over this matter and many displacements of interests foreshadow in the near future, conflagrations which will be much more terrible. For, it is necessary to make haste. The nations which are provided with colonies

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run the risk of never receiving their share and never participating in the tremendous exploitation of the earth which will be one of the essential features of the next century. This is why all Europe and America has lately become seized by the fever of colonial expansion, of "Imperialism", that most characteristic and most unworthy feature of the trend of the 19th century." *

This form of Imperialism, i. e. the contest for colonial expansion, export of capital to the colonial countries promising a handsome return by way of interest and trade monopoly between the different Imperial powers of Europe in which Germany had badly fared, had sown the seed of war, which, to the critic of Imperialism, appeared to be unavoidable.

GERMANY'S HUGE EXPORT TRADE

Germany's drive towards industrial expansion continued rapidly, and within a few

* Lenin's *Imperialism*.

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years after the close of the 19th century she became England's rival. The following statement on Germany's export trade will give an idea of her huge export :

EXPORT TRADE OF GERMANY

Countries dependent on German Finance Capital	Millions of 1889	Marks 1908	Percentage Increase
Roumania	48.2	70.8	47
Portugal	19.0	32.8	73
Argentine	60.7	147.0	143
Brazil	48.7	84.5	73
Chili	28.3	52.4	85
Turkey	29.9	64.0	114
Total	234.8	451.5	92
Countries not dependent on German Finance Capital			
Gr. Britain	651.8	997.4	53
France	210.2	437.9	108
Belgium	137.2	322.8	130
Switzerland	177.4	401.4	127
Australia	21.2	64.5	205
East Indies	8.8	40.7	363
Total	1206.6	2264.7	87

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From the closing years of the 19th century, upto the outbreak of the Great War, Germany maintained a huge export trade. As will be obvious from the above statement her export trade from 1889 to 1908 increased by about 90 per cent—really a remarkable increase. In the production of pig iron England maintained her supremacy only upto 1892, during which year she produced 6,800,000 tons as against 4,200,000 tons produced by Germany. Since then, however, German products began to increase reaching in the year 1912 the huge figure of 17,600,000 tons as against only 9,000,000 tons of Britain, i.e. about one half of German production. Thus German hegemony in the field of commerce was increasing every year and Germany was becoming England's powerful rival.

ESTRANGEMENT BETWEEN ENGLAND AND GERMANY LEADS TO THE FORMATION OF GROUPS

At the close of the 19th century, the British Government was controlled by the

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Conservative Party which traditionally extolled Imperialism, a big navy and a vigorous foreign policy. The fear, suspicion and jealousy of the British politicians began to increase when, at the close of the 19th century, Germany began to construct a large navy. Viewing this construction with alarm, England replied by quickening her naval construction involving enormous expenditure. The policy of "splendid isolation" no longer suited her interests and she began to play the game of "balance of power". Heretofore colonial rivalry had divided England and France but now a higher political interest compelled England to form an alliance with France. France, too, hated Germany and the possibility of a Franco-German rapprochement was out of question so long as Germany held Alsace-Lorraine. Her defeat in 1871, she had still not forgotten. Theophile Delcasse, who was a pronounced enemy of Germany controlled the political affairs of France at this time. Alliance, therefore,

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between France and England was to the mutual advantage of both. The colonial differences between them were amicably settled in the year 1904 and England and France joined hands.

After her victory over China in 1895, Japan plunged herself headlong into the scramble for power and expansion. This policy involved an enormous expenditure on army and navy. She lacked capital to realize her hopes and kept her eyes on the London money market, where alone she could expect enough loans to meet her needs. England, too, had realized Japan's strength in the Pacific and in order to safeguard her interests in the Far East and to avoid the possibility of an invasion on Australia desired an alliance with Japan. In this she had a two-fold purpose. Firstly, this alliance would reduce her naval forces in the Pacific and, secondly, she would be able to concentrate her forces in the North Sea as a protection from the possible danger of the German navy which

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was powerful in the Baltic. When, therefore, in the year 1901 a Japanese envoy came to Europe to seek support for his country, England seized the occasion and the next year the Anglo-Japanese alliance was concluded.

Italy, though a member of the Dreibund, was often flirting with the rivals of her allies,—Germany and Austria-Hungary. Her membership of this Dreibund did not enable her to realize her dreams. The Berlin market could not supply her with the necessary credit which forced her to wish for admittance to the Paris Bourse. The economic crisis in Germany in 1893 necessitated Italy's alliance with France. Being poor she needed financial help which she could get only from France. The abrogation of her commercial treaty with France was for her a costly experiment and she had realized that she could not do without French market. These are some of the important circumstances which necessitated a Franco-Italian rapprochement. Geographically an exclusively Mediterranean

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power, Italy revolved outside of Germany's orbit and could not incur the wrath of a powerful naval power like England which had powerful naval bases in the Mediterranean. In the event of an attack from England Germany could not protect her. Her friendship with France and England was absolutely necessary in her own interests. Realizing this, she embraced the membership of the "Allies-Group".

Ambitious Russia was trying to push herself through, through Balkan territories, with a view to reach Constantinople. The Teutonic powers which desired to minimise both Russian and British influence in South Eastern Europe, began to buttress Turkey and train her army. Russia's alliance with the Teutonic powers was out of question. Besides, France, a sworn ally of Britain, had huge financial interests in Russia and exercised considerable influence on the Russian Government. And in course of time, Russia, too, became a member of this group. Thus a strong alliance between five powerful

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nations—England, France, Japan, Italy and Russia—was concluded a few years before the outbreak of the grave international crisis culminating in the Great War of 1914.

Ambitious Germany could strengthen and extend her empire only with the help of Austria-Hungary, for, through her, the way to the East opened. Realizing this Bismarck had already concluded as early as 1879 an alliance with Austria and Hungary. A strong alliance between these Teutonic powers was a necessity. Turkey, which needed protection from Russia, joined this group in her own interests.

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and was their official representative and who also sat as a deputy for the Chancellor of the Exchequer on the supreme economic Council, in his two books "The economic consequences of the peace" and its sequel "The revision of the treaty," has most exhaustively dealt with the Reparation question.

After a very careful, detailed, and authoritative examination of the nature of the damages done to the Allies countries from land, sea and air, he estimates the amount as under :—

Country	Million £
Belgium	500
France.	800
Great Britain	570
Other countries.	250

Total £ 2120 millions

Discussing the above estimate as covering the entire claims of the Allies Keynes says :—

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"I believe that it would have been a wise and just act to have asked the German Government at the peace negotiations to agree to a sum of £ 2000 millions in the final settlement without further examination of particulars. This would have provided an immediate and certain solution and would have required from Germany a sum which if she were granted certain indulgences, it might not have proved entirely impossible for her to pay. This sum should have been divided up amongst the Allies themselves on a basis of need and general equity. But the question was not settled on its own merits."

My own view on this question is that the Allies, who had already crippled Germany completely, by subjecting her to innumerable losses, ought to have given up for ever the Reparation claim in the interest of world peace and allowed the deep wound to heal. But the short sighted peace-makers had not the sagacity and wisdom to settle

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this question in the larger interests of Europe as a whole.

ESTIMATE OF THE ALLIES

The Allies prepared the following estimate of total claims covering all war damages and pays and pensions :—

Country.	Milliard marks (Gold)
France	99
British Empire	54
Italy	27
Belgium	16½
Japan	1½
Jugo-Slavia	9½
Roumania	14
Greece	2
	223½

In the above estimate, the minor claims of other Powers are not included. The entire claims therefore as lodged before the Reparation Commission may be safely estimated in round figures at 225 milliard gold marks

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of which 95 milliards were in respect of pensions and allowances and 130 milliards for claims under other heads. Not only that the claim for pensions and allowances was entirely against the spirit of the armistice but even the figure of 130 milliard marks for claims under other heads was astoundingly high. The Reparation Commission without carefully going into a detailed and impartial examination of the whole question fixed the entire claim at 132 milliards that is to say about 58% of the sums claimed. Be it said here that even this figure was very high and was fixed without consideration being given to Germany's ability to pay.

Germany's capacity to pay was adversely affected by the total loss of her colonies, her overseas connections, her mercantile marine, her foreign properties and by the cession of 10% of her territory and population, of one third of her coal and of three quarters of her iron ore, by two million casualties amongst men in the prime of life, by the starvation of her people for four years and various other

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causes. But to all these, the Reparation Commission turned a deaf ear.

THE MAIN FUNCTIONS OF THE REPARATION COMMISSION

1. The Commission will determine the precise figure of the claim against the enemy powers by an examination in detail of the claims of each of the Allies under Annex 1 of the Reparation Chapter. This task must be completed by May 1921. It shall give to the German Government and to Germany's Allies a just opportunity to be heard but not to take any part whatever in the decisions of the Commission.

2. Having determined the claims it will draw up a schedule of payments providing for the discharge for the whole sum with interest within thirty years. From time to time, it shall, with a view to modifying the schedule within the limits of possibility, consider the resources and capacity of Germany, giving her Representatives an opportunity to be heard.

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In periodically estimating Germany's capacity to pay the Commission shall examine the German system of taxation first, to this end, that the sums for Reparation which Germany is required to pay shall become a charge upon all her revenues prior to that for the service or discharge of any domestic loan and secondly, so as to satisfy itself that in general, the German scheme of taxation is fully as heavy proportionately as that of any of the powers represented on the Commission.

3. Up to May 1921 the Commission has power with a view to securing the payment of £1000 millions, to demand the surrender of any piece of German property whatever and wherever situated. That is to say Germany shall pay in such instalments and in such manner whether in gold, commodities, ships, securities or otherwise as the Reparation Commission may fix.

4. The Commission will decide which of the rights of the German Nationals in

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public utility undertakings, in Russia, China, Turkey and other countries or in any territory formerly belonging to Germany or her Allies are to be expropriated and transferred to the Commission itself. It will assess the value of the interest so transferred and it will divide the spoils.

5. The Commission will determine how much of the resources thus stripped from Germany must be returned to her to keep enough life in her economic organisation to enable her to continue to make Reparation payments in future.

6. The Commission will assess the value, without appeal or arbitration, of the property and rights ceded under the armistice and under the treaty,—rolling stock, the mercantile marine, river craft, cattle, the Saar mines, and so forth.

7. The Commission will determine the amounts and values of the contributions which Germany is to make in kind, year by year, under the various annexes to the Reparation Chapter.

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8. It is for the Commission to report, if, in their judgment, Germany is falling short in fulfilment of her obligations, and to advise methods of coercion.

Commenting on this the German Financial Commission at Versailles said :—

“German democracy is thus annihilated at the very moment when the German people was about to build it up after a severe struggle—annihilated by the very persons who throughout the War never tired of maintaining that they sought to bring democracy to us. Germany is no longer a people and a state but becomes a mere trade concern placed by its creditors in the hands of a Receiver, without its being granted so much as the opportunity to prove its willingness to meet its obligations of its own accord. The Commission which is to have its permanent head quarters outside Germany will possess in Germany incomparably greater rights than the German Emperor ever possessed. The German people under its regime would remain

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for decades to come shorn of all rights and deprived to a greater extent than any people in the days of absolutism, of any independence of action, of any individual aspiration in its economic or even in its ethical progress."

Criticising the constitution and wide powers of the Reparation Commission, Prof. J. M. Keynes says :—

"The Commission is endowed with full executive authority to carry out its decisions. It may set up an executive staff and delegate authority to its officers. The Commission and its staff are to enjoy diplomatic privileges and its salaries are to be paid by Germany, who will, however, have no voice in fixing them. If the Commission is to discharge adequately its numerous functions, it will be necessary for it to establish a vast polyglot bureaucratic organisation, with a staff of hundreds. To this organisation the headquarters of which will be in Paris, the economic destiny of Central Europe is to be entrusted."

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PAYMENTS BY GERMANY BEFORE MAY 1921

Approximate Statement by the Reparation Commission of deliveries made by Germany from November 11, 1918 to April 30, 1921.

			Gold Marks.
Receipts in cash	..	..	99,334,000
Deliveries in kind			
Ships	..	..	270,331,000
Coal	..	..	437,160,000
Dyestuffs	..		36,823,000
Other deliveries		..	937,040,000
			1,780,688,000
Immoveable property & assets	..	..	.. 2,754,104,000
	Gold Marks.		4,534,792,000 or
		£	284,500,000

The whole of the cash, two thirds of the ships and a quarter of the dyestuffs accrued to Great Britain. A share of the ships and dyestuffs, the Saar coal-fields, the bulk of the coal and of the "other deliveries," including valuable materials left behind by the

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German army accrued to France. Some ships, a portion of the coal and other deliveries fell to Belgium. Italy obtained a portion of the coal and ships and some other trifles. The value of German State property in Poland could not be transferred to anyone but Poland.

But the sums as specified above were not available for Reparations. They were swallowed up by the Allies' army of occupation and a minor portion of it was adjusted on capital account.

Thus the whole of the transferable wealth obtained from Germany under all rigours of the treaty only covered the cost of occupation nothing being left over for Reparation account.

LONDON SETTLEMENT

The demands of the Allies under this settlement were becoming pressing. Under this settlement Germany was to deliver to the Allies 12 milliards of gold marks (£ 600,000,000 gold) in A Bonds, 38 milliards.

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(£ 1,900,000,000 gold) in B. Bonds and the balance of her liabilities provisionally estimated at 82 milliards (£ 4,100,000,000 gold) in C. Bonds. Thus in all she was to pay 132 milliard gold marks.

As a first instalment one milliard gold marks were to be delivered at once in gold, foreign currency or treasury drafts for three months endorsed by the leading German Banks. This demand was addressed to the German Government with threats of occupying German territories. No time was given her. The demand was nothing short of an ultimatum. This demand, Germany met somehow but she found it almost impossible to meet the further quarterly demands. Her export trade was already falling and levying duty on her export trade to raise sufficient funds to meet the demands was out of question. But Germany was genuine in her intentions. She was anxious to pay these instalments to the best of her ability. In order to raise funds to meet these demands,

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she began to purchase dollars by selling her own currency with the result that the exchange value of the Mark began to fall precipitately.

MARK FALLS

The following table showing the collapse of the mark, reproduced from Lord D'Abernon's currency paper on German currency (Presidential address to the Royal Statistical Society, November 1926) will be found instructive :—

Date	Reichsbank notes in circulation. (Milliard Marks)	Exchange rate of the day (marks for £)	Equivalent in Sterling (million £)
31-12-19	35.7	184.8	193.2
31-12-20	68.8	258.0	255.5
31-12-21	113.6	771.0	147.3
31-12-22	1,280.1	34,000.0	34.4
31-1-23	1,984.5	2,27,500.0	8.7
28-2-23	3,512.8	1,06,750.0	33.0
31-3-23	5,517.9	98,500.0	56.0
30-4-23	8,583.7	3,20,000.0	26.8
31-5-23	17,291.1	7,10,000.0	24.3
30-6-23	20,341.8	8,00,000.0	25.4
31-7-23	43,594.7	50,00,000.0	8.7
23-8-23	2,73,905.4	230,00,000.0	11.9
15-9-23	31,83,681.2	4,106,00,000.0	7.8
15-10-23	1,23,349,786.7	18,500,000,000.0	6.8
15-11-23	92,844,720,743.0	11,000,000,000,000.0	8.4

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This fall in the German Mark was not due to inflation alone though it was one of the major causes. Germany's entire economic structure was already shaken by the Allies' previous action. The situation was aggravated by the post-war internal revolutions, industrial unrests and general upheavals. Her export trade from which alone further Reparation payments were possible was constantly falling. With the downfall in export trade and other causes her food supplies diminished and she thus found herself caught in a gigantic general crisis never witnessed before. Further payments of Reparations became impossible. She wanted breathing time. Under most distressing conditions she repeatedly asked for a temporary suspension of payments just enough to enable her to set her own house in order. But the French Government was not in a mood to listen. Its mood had changed for the worst by the advent of Poincare who some years after the treaty voiced his conception of Germany in the following words :—

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“England has an entirely erroneous conception of Germany. One cannot deal with Germany on terms of equality, and one must not expect Germany to live up to a voluntary agreement. Germany has always attempted to evade her obligations, because until now she has not been convinced of her defeat. France has learnt by sad experience that Germany as a nation will keep her word only under the pressure of necessity and only when she realises that she is dealing with a superior power ; and this she has never realised since 1919. As Germany will do nothing except under compulsion, compulsion must continue and be carried through without weakness. The pledge must not be released until Germany has met her obligations. Above all the pressure must fall on German industry, as the heart of the resistance and an ever present menace to French and Belgian industries.”

OCCUPATION OF RUHR

Britain began to realise the serious

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nature of Germany's internal situation. After a careful examination, Britain was convinced about Germany's inability to pay immediately, further instalments. The famous Balfour Note of August 1st, 1922 offered to cancel the Allies' debt to Britain and to forego Britain's share to the Reparation if France agreed to a more moderate and reasonable settlement of the Reparation Question. But Poincare was adamant. He refused to consider the case in the light of serious later developments in Germany and began to charge Germany with wilful default. On 26th December 1922 the Reparation Commission declared that Germany had failed to make full deliveries of timber to France. Allied Premiers therefore met in a conference at Paris on January 2, 1923 when Bonar Law unfolded Britain's plan of settling the Reparation question by substituting fifty milliard gold marks for 132 milliard gold marks previously fixed. By suggesting certain reciprocal concessions between themselves, Britain attempted for

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the modification of the Reparation payments by Germany which were all unacceptable to Poincare and the conference proved abortive. Poincare was perhaps not more particular to receive Reparation instalments than to humiliate Germany still further. With Britain, away from the field, France, on her own initiative occupied Ruhr. France was out to apply the screw. Germany replied by passive resistance. She also suspended deliveries in kind. With all these troubles the entire German economy was on the verge of disruption. America being a creditor country could not view this critical development with isolation. She immediately stepped in.

THE DAWES PLAN

In 1924 a Committee of experts known as the Dawes Committee after its American Chairman considered the whole Reparation position. Under the terms of reference, this Committee was to consider the means of balancing the German Budget and the means to be taken to stabilize the German Currency. But by this time, Germany had already succeeded to a great extent in stabilizing her

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Currency by various measures. With this need over, the Committee set itself to the task of settling the Reparation question without endangering the balance of Germany's budget and the stability of her Currency. After exploring all possible sources the Dawes Committee finally adopted the following programme of payments.

The programme of payments was divided in five years as under:—

Proposed.	(Million gold marks)			
1st Year				
Railways	..	..	..	200
Reparation loan ..	..	..	..	800
	Total	..		1000
2nd Year				
Railways	..	..	..	595
Transport Tax ..	..	..	..	250
Industries	..	..	..	125
Sale of Railway Pref. Stock				250
	Total			1220
3rd Year				
Railways	..	..	..	550
Transport Tax ..	..	..	..	290
Industries	..	..	..	250
Budget Surplus ..	..	..	..	110
	Total			1200

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4th Year		(Million gold Marks)			
Railways ..	..	..	..	660	
Transport Tax ..	..	..	..	290	
Industries ..	..	..	..	300	
Budget Surplus ..	..	..	..	500	
Total					1750
5th Year					
Railways ..	..	..	..	660	
Transport Tax ..	..	..	..	290	
Industries ..	..	..	..	300	
Budget Surplus ..	..	..	..	1250	
Total					2500

Before the Dawes Plan was put into force a loan equivalent to £ 40 million gold was made to Germany to enable her to establish her currency and industries.

This Plan was adopted by specific agreement in August 1924 and came forthwith into effect, from 1st September 1924. Even though Germany did not get the necessary breathing time, she passed the necessary legislation without delay and immediately began payments to the utmost of her capacity.

The following tables show the payments made by Germany under the Dawes Plan.

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FIRST ANNUITY TABLE

Year from 1st Sept. 1924 to Aug. 31st, 1925.

(Million Gold Marks.)

Country.	Reparation recovery acts	Occupation costs etc.	Deliveries in kind.	Total.
Great Britain	155.2	30.2	4.5	189.9
France	25.1	144.2	227.3	396.6
Italy	—	—	60.4	60.4
Belgium	—	20.7	72.8	93.5
Total	180.3	195.1	365.0	740.4

SECOND ANNUITY TABLE

1925 to 1926.

Reparation payments by Germany during the second year of the Dawes Scheme totalled 1060.2 million gold marks out of which 985.7 millions were distributed among the chief creditors as under :—

Country.	Occu- pation costs.	Delive- ries in kind.	Repa. reco. acts	Cash trans.	Miscell. payment	Total
France	56.9	426.1	41.5	39.2	1.9	565.6
British Emp.	20.6	—	201.6	4.5	—	226.7
Italy	—	71.8	—	5.2	—	77.0
Belgium	8.7	101.0	—	4.6	2.1	116.4
Total	86.2	598.9	243.1	53.5	4.0	985.7

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THIRD ANNUITY TABLE

Reparation payments during the third year totalled 1280.7 million gold marks out of which 1102.2 million gold marks were distributed amongst the chief creditors as under :—

Country	Occu. Cost	Del. in kind	Repar. rec. acts	Cash trans.	Total
France	49.1	413.4	59.5	116.3	638.3
Brit. Emp	20.7	—	230.6	51.2	302.5
Italy	—	76.5	—	16.3	92.8
Belgium	3.7	52.5	—	12.4	68.6
Total	73.5	544.4	290.1	196.2	1102.2

FOURTH ANNUITY TABLE

Out of the total payments of 1670.8 million gold marks 1457.6 were distributed amongst the chief creditor countries as under :—

Country	Occu. costs.	del. in kind	Repa. rec. acts	Cash trans.	Misc. payment.	Total
France	50.6	477.8	53.5	279.7	0.9	862.5
Great Brit.	12.9	—	297.5	56.7	—	367.1
Italy	—	80.2	—	39.3	—	119.5
Belgium	2.2	88.6	—	17.8	—	108.6
Total	65.7	646.6	351.0	393.5	0.9	1457.7

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FIFTH ANNUITY TABLE

The total amount for the fifth annuity amounted to 2500 million gold marks. During the official year, however, actual receipts amounted to 2420.8 million gold marks and the balance of 79.2 million gold marks was to be received in September 1929. Out of the actual receipts of 2420.8 million gold marks, 2352.0 were distributed as under :—

(Million gold marks)

Occupation costs	..	..	41.8
Deliveries in kind.	..	..	985.1
Deliveries under agreement	..	..	45.2
Reparation recovery acts	..	..	401.7
Miscellaneous payments	..	..	1.3
Cash transfers.	..	..	876.9

Total 2352.0

Out of this sum 2103.0 million gold marks were distributed among the chief creditor countries as shown in the following table :—

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Country	Occu. costs	Deliv. in kind	Rep. recov. acts	Cash trans.	Total
France	28.6	682.5	67.7	491.8	1270.6
Great Brit.	12.2	—	334.0	184.3	530.5
Italy	—	105.1	—	70.7	175.8
Belgium	1.0	80.3	—	44.8	126.1
Total	41.8	867.9	401.7	791.6	2103.0

THE YOUNG PLAN

Thus for five years Germany paid regularly on the Reparation account to her utmost capacity. No sooner had this plan ended, than another Committee presided over by Mr. Young from America was set up to determine finally how much Germany should pay and when these payments should cease.

This Committee was set up in January 1929. With deliberations and after a critical and thorough examination of German finances, lasting for some months the Committee made its recommendations which were adopted with few modifications at a conference at Hague in August 1930. The schedule of payments to be made by Germany is given on the following two pages :—

EXTRACT FROM YOUNG

(*Figures in*

Fiscal year to end of March	France	British Empire	Italy	Belgium
29—30	418.8	53.1	42.5	70.7
30—31	900.7	366.8	156.0	98.2
31—32	838.4	362.0	190.8	102.6
32—33	879.8	364.5	196.3	105.9
33—34	879.1	454.8	192.4	100.3
34—35	941.8	450.1	193.6	102.8
35—36	962.8	444.9	195.2	110.0
36—37	1004.1	438.1	197.2	116.9
37—38	1031.8	452.6	198.6	114.7
38—39	1052.4	447.1	200.2	114.8
39—40	1087.3	442.5	204.1	117.0
44—45	1190.7	450.5	230.5	123.9
49—50	1248.6	439.6	248.1	134.6
50—51	1248.1	453.6	281.3	134.7
59—60	1278.4	408.3	299.8	134.8
64—65	1277.9	406.3	331.0	134.9
Average 1929—66	1046.5	409.0	213.7	115.5
69—70	787.7	355.7	309.3	53.1
74—75	786.8	364.1	340.5	52.8
79—80	785.7	364.7	372.9	52.9
84—85	784.4	346.2	416.5	53.0
87—88	753.3	372.1	382.6	50.6

NOTES :—(1) These figures exclude the service of the Dawes Loan.

(2) Other creditors are Greece, Japan, Poland and Portugal. Japan and Poland do not participate after 1966.

(3) The British Empire figures in the last three years of the plan represent excess war debt receipts over payments.

PLAN SCHEDULE

Million Marks)

Roumania	Jugo-Slavia	U. S. A.	Other Creditors.	Total
—	72.1	65.9	19.7	742.8
10.0	179.4	66.3	30.5	1707.9
12.0	79.3	66.1	33.6	1685.0
13.0	79.4	66.1	33.8	1738.2
13.9	72.4	59.4	32.1	1804.3
14.7	72.5	59.4	32.1	1866.9
16.1	72.6	59.4	32.1	1892.9
17.2	73.8	59.4	33.1	1939.7
18.3	71.5	57.2	32.5	1977.0
19.1	71.8	57.2	32.7	1995.3
23.7	74.5	59.4	34.3	2042.8
21.1	88.5	66.1	36.2	2207.5
31.1	99.8	76.1	39.0	2316.8
31.1	100.7	76.1	39.0	2364.6
31.1	103.2	76.1	39.0	2370.6
31.1	106.0	76.1	39.0	2402.1
20.1	84.0	66.1	33.0	1988.8
42.9	22.7	40.8	17.9	1630.0
42.9	22.6	40.8	17.9	1668.4
42.9	22.6	40.8	17.9	1700.4
42.9	22.6	—	17.9	1683.5
42.9	22.6	—	17.9	877.8

- (4) The average figures for the first 37 years represent the flat annuities whose present value at $5\frac{1}{2}\%$ would equal the present value @ $5\frac{1}{2}\%$ of the actual annuities payable.
- (5) The year 29-30 covers only seven months September 1929 to March 1930.

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Even though as previously settled the Dawes Plan was to operate till December 31st, 1929, the creditor countries, it seems, had not the patience to allow the time to mature. The amended scheme provided that the Young Plan should come into force on September 1st, 1929, that is immediately after Germany had made the last payment under the Dawes Plan.

ANALYSIS OF THE YOUNG PLAN.

1. The final fixation of the debt:

Reparation proper to be paid to France and Italy for damage to devastated area is to continue for 37 years. Thereafter Germany has to pay net payments of the Allies to America on War-debt account and her obligation terminates in 1988. All outstanding accounts are liquidated in these annuities.

2. The reduction of the annuities:

An abstract of the schedule of annuity is appended. The discounted average

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annuity during the first 37 years is 1989 million marks. The present value of all the annuities at $5\frac{1}{2}\%$ is about 42000 million gold marks. The introduction of the principle of covering allied out-payments makes room for the scheme embodied in the concurrent memorandum of the Plan for allowing Germany to benefit from any reduction of the American debt schedules.

3. Unconditional a n d conditional annuities :—

Each annuity is divided into two parts. One to be paid unconditionally in foreign currencies, the other normally payable in foreign currencies but subject to transfer postponement should the German Government consider that the economic life of the country would be seriously damaged by an attempt to transfer. In such an event a special advisory committee, on which Germany will be represented, is to be called to advise what means should be taken to remedy the situation. The Young Plan fixed the

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unconditional portion at 660 million marks a year including the Dawes Loan.

4. The abolition of transfer protection and control :

Germany's solemn word is accepted as sole security for the annuities, all control over revenues or internal finances of Germany being abolished, along with the office of the Agent General and the Reparation Commission. In return as already mentioned Germany assumes responsibility for transferring the annuities into foreign currency. A special tax of 550 million Reich marks a year is substituted for the Railway Bond.

5. Function of the Bank for international settlements :

The purpose of the Bank is to provide additional facilities for the international movement of funds and to afford a ready instrument for promoting international financial relations. In connection with the German Reparation annuities it shall perform, as trustee for the creditor countries, the

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entire work of external administration of this Plan, shall act as the agency for the receipt and distribution of funds and shall supervise and assist in the commercialisation and mobilisation of certain portion of the annuities.

6. Deliveries in kind:

A decreasing schedule for deliveries in kind was fixed for ten years after which they were to cease (according to the Hague final Act).

As provided for in the Young Plan, Germany is bound down to make payments from 1929 to 1966 on an average of 1988.8 million gold marks a year. Due care has been taken, as will be clear from clause No. 6 of the Young Plan analysis, to reduce deliveries in kind.

After a careful examination of this Plan it is inconceivable to think that the creditor countries who were mainly responsible for drawing up this schedule have given any consideration to Germany's ability

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to pay. Each nation that was represented on this Committee was solely guided by her own interest in deciding this question, which was a question of life and death to Germany. In deciding this knotty Reparation question, if America looked to her own interests as a creditor country of the Allies, the Allies in their turn were guided by their own interest as debtors to America. None of them had either any desire or patience to see whether Germany could be made, due regard being given to the interests of her population, to pay an astoundingly high annuity nearly upto the close of the twentieth century. I do not know what the Allied countries would have done if placed in a similar position.

We have no parallel in the history of the world wherein a nation is subjected to so dire and heartless a punishment as is sought to be imposed on Germany. The Allies in imposing the drastic measures, through the Young Plan, of a far reaching character on

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Germany, have, I am afraid, followed to the letter the advice of the 'insensate few, who spoke of crushing and squeezing her until the 'pips squeak'. By the Young Plan schedule Germany is asked to do what is impossible. And yet Germany, under this Plan, until the Hoover Moratorium, has paid nearly 3 milliard marks on the Reparation account. She would have also continued to pay but the world crisis which had its repercussions on Germany compelled her to declare her inability to pay further Reparation payments.

WORLD CRISIS AND HOOVER MORATORIUM

Economic crisis of a far reaching character was gradually overtaking the world for the last some years owing to various causes. The crisis, however, was indeed precipitated by over-production and came down on agriculture like a bolt from the blue. The record crop in Europe in 1929 was the first factor which was the immediate cause of the crisis. It should be remembered that Europe is the

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principal consumer of agricultural products of other continents and the sudden decline of her demands owing to bumper harvests created a serious situation outside Europe. Agricultural products remaining unsold, the purchasing power of the producers of raw products decreased and accentuated industrial depression throughout the world. Depression in agriculture and industry, falling prices and the difficulties of selling resulted in the failure of a large number of commercial and industrial firms throughout the world which affected seriously the stock exchanges everywhere. The crash of Wall Street, which animates the life of about 9 to 10 crores of people across the Atlantic and Pacific, of October 1929, created a serious situation in America. Owing to these general causes American lending to Germany practically ceased. Capital was scarce. Interest rates were abnormally high. German production decreased. Her exports, owing to world wide depression, suffered heavily

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and the rationalisation scheme increased unemployment. It was feared that the successes of the National Socialists party in 1930 which were the logical consequence of these causes would lead to internal disturbances and external complications. With general uncertainty everywhere, there was a flight from the Reich-mark and Germany realized that the payments of Reparations were out of question for some years to come and intimated to the Allies her inability to pay the fixed instalments.

America realized the nature of the seriousness of the world crisis and to safeguard her own interests as a creditor country—lest the debtors might repudiate the debts completely—declared general Moratorium for one year beginning from the fiscal year of July 1st 1931. In granting this Moratorium to the debtor countries, America, be it repeated here, looked solely to her own interests as a creditor country. There was no question of cancellation of war debts. If America

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had been generous enough to cancel the debts altogether, it is my conviction that a new chapter in the history of mankind would have been opened. In announcing the offer of a one year Moratorium, President Hoover said :—

“The purpose of the action is to give the forthcoming year to the economic recovery of the world and help to free the recuperating forces already in motion in the United States from the retarding influences from abroad.

“I do not approve in any remote sense of the cancellation of the debts to the United States. World confidence would not be enhanced by such action and no one debtor nation has ever suggested it. But as the basis of the settlement of these debts was the capacity under normal conditions of the debtors to pay, we should be consistent with our own policies and principles if we take into account the abnormal situation now existing in the world.”

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One year's respite, however, as suggested by the Hoover declaration could not be expected to materially alter the position of the world which was throttled by the crisis. A Moratorium of five or ten years would have perhaps materially helped the debtor nations to recover partially from the shocks of this crisis. The situation during the few months that have followed the respite has not much altered the position. And with the lapse of one year the same question has to be faced again.

CHAPTER VII

THE FUTURE OF REPARATIONS

THE YOUNG PLAN ADVISORY COMMITTEE

EVEN though President Hoover suggested to all debtor countries a Moratorium for one year as from July 1st 1931 France insisted that the frame work of the Young Plan should remain intact, and Germany should be compelled to continue to pay the unconditional annuities, fixed under the Young Plan, into the Bank for international settlement. The unconditional annuities are charged on the surplus receipts of the German Railway system. The world crisis which adversely affected the entire economic structure of Germany had its repercussions even on the German Railway system. The income from the Railways was severely affected and the German Government in good faith came to the conclusion that they could not pay unconditional annuities under the Young Plan without adversely affecting Germany's exchange and economic life.

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The German Government being convinced of the danger they were in, in accordance with article 119 of the Young Plan, applied in a letter to the Bank for international settlements in November 1931 for the convocation of the special advisory committee. The board of the Bank convened the Committee in accordance with article 45 of its statutes.

GERMANY'S APPLICATION

In applying for the convocation of the special advisory Committee the German Government in a letter addressed to the President of the Bank for international settlements, Basle, set forth its position in the following words :—

“As early as the beginning of June of this year the German Government became convinced that in spite of the most severe retrenchment in Government expenditure and repeated increases in the burden of taxation, it would be incapable of continuing the payment of the annuities

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under the new Plan. The economic and financial situation of Germany was at the time already most gravely threatened."

"The economic and financial situation of Germany has become exceedingly critical. The characteristic facts of this situation are universally known. In other countries also the pressure of the crisis has had a most serious effect. The world has come to realize in an increasing measure the inter-relationship of the various financial problems to which the situation has given rise and the necessity for immediate action for their solution as a whole. In considering the most suitable method of handling of this problem the view has gained ground that the special advisory committee should be convened."

"Present conditions being such that the necessary measures require to be taken with the utmost despatch, the German Government proposes that the special advisory committee should meet immediately

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and that it should complete its work as quickly as possible in order that a conference of those Governments which are competent to take the decisions then to be reached may thereupon at once be held."

Berlin, } (Sd.) H. Dietrich
November 19, 1931. } for the Finance
Ministry of the Reich.

The seven ordinary members of the Committee representing all the important Allied nations and Germany were nominated under Article 127 of the Young Plan as follows :—

1. PROFESSOR ALBERTO BENEDUCE

By the Governor of the Banca D'Italia.

2. MONSIEUR EMILE FRANQUI

By the Governor of the Banque Nationale De Belgique.

3. SIR WALTER T. LAYTON

By the Governor of the Bank of England.

4. DR. WALTER W. STEWART

By the Governor of the Federal Reserve Bank of New York.

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5. DR. CARL MELCHIOR

By the President of the Reichsbank.

6. DR. DAISUKE NOHARA

By the Governor of the Bank of Japan.

7. PROF. CHARLES RIST

By the Governor of the Banque De France.

The ordinary members held a meeting on December 7th at the Bank for international settlements at which Prof. Alberto Beneduce was unanimously elected as Chairman. The members availed themselves under Article 129 of the Young Plan of the privilege of coopting the following four additional members.

DR. R. G. BINDSCHEDLER

DR. DIOURITCH

MR. H. COLIJN

MR. OSCAR RYDDECK

The full Committee met for the first time at the Bank for International settlements on December 8th and held plenary sessions from December 9th to December 23rd. The full Committee set up the following

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Committees to inquire into Germany's present financial and economic position :—

1. Sub-Committee on statistics regarding interests and amortisation of German foreign indebtedness.

2. Sub-Committee regarding German assets abroad.

3. Sub-Committee on the German Budget.

4. Sub-Committee on the Reichsbahn.

All these Sub-Committees after critical and thorough inquiry into Germany's present position submitted their reports separately to the advisory Committee. After carefully considering all the reports of the Sub-Committees and after full deliberations the advisory Committee issued its most important report which is now known as the Basle Committee Report. The importance of this Report can be realized only when it is remembered that all the members nominated on this Committee, excepting Dr. Carl Melchior who represented Germany, belonged to the creditor countries.

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GERMANY'S PRESENT ECONOMIC POSITION

Germany's present position as we find from the Report has become extremely critical. Sweeping withdrawals of foreign credits led to the crippling of the German banking system, and strained the reserve and credit position of the Reichsbank to the uttermost. In order to protect the entire economic structure from disruption the German Government was forced to issue the emergency Decree of December 8th 1931, which included measures without parallel in modern legislation.

According to a Census taken by the German Government, short term debts to the extent of R. M. 12 milliards became due for repayment at the end of July. Out of this amount due for repayment, in the first seven months and principally in June and July actual withdrawals amounted to R. M. 2.9 milliards and upto the end of November 30, R. M. 1200 millions more were withdrawn. These withdrawals were responsible in a

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considerable measure for reducing the Reichsbank reserve which stood at R.M. 2685 millions at the end of 1930. In June 1931 the reserve fell to 2576 millions, in July 1931 it fell to 1610 R.M. millions and even in spite of stringent measures, until December 15th, it was reduced to 1161 R.M. millions. And with the most inadequate and limited resources at its disposal the Reichsbank had to give assistance to numerous credit Banks which found themselves in an extremely difficult position owing to heavy withdrawals of deposits by internal and external creditors.

Nor was the position of her import and export trade encouraging. I reproduce below from the report of the advisory Committee the following table showing Germany's Import and Export Trade :—

		(In millions of R. M.)			
		Surplus of			
		Imports.	Exports.	Imports.	Exports.
Monthly average					
1925-29		1,051	959	92	nil
Monthly average					
1930		866	1,003	nil	137

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Imports. Exports. Imports. Exports.

Monthly average

January to June

1931	..	..	634	794	nil	160
,, July	..	..	562	827	nil	265
,, August	..	..	454	803	nil	349
,, September	..	..	448	835	nil	387
,, October	..	..	483	879	nil	396
,, November	..	..	482	749	nil	267

The recent increase in the export trade of Germany is wrongly interpreted as showing the prosperous state of her external trade. Exports have increased partly because the need for cash has put pressure on producers to sell off stocks in many cases at a loss and partly because of exceptionally heavy sales made to Great Britain in anticipation of tariffs. The dislocation in her manufacturing industries resulted in unemployment, heavy cuts in wages and consequently the purchasing power of the people decreased and naturally the imports, as will be seen from the above table, began to fall heavily. The heavy withdrawal of loans also was an

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important factor in reducing the purchasing power of the people. The surplus which is interpreted as an index of Germany's prosperity has not become available to her in the form of foreign exchange which can be utilised to repay debts. Owing to the lack of confidence in the outside world, Germany has to pay cash for her imports while she has to give extended credits for her exports. And still if any surplus from the export trade is left it is absorbed by amounts required for the interests and normal amortisation of her foreign liabilities and for Reparation payments.

The position of the Railways also is most unsatisfactory. Owing to growing stagnation of business the receipts of the railways fell by 14.6% in 1930 compared with 1929. And even in spite of stringent measures of economy the surplus of receipts over operating expenses fell from R.M. 860 millions to R.M. 480 i.e. R.M. 180 millions short of the amount necessary to cover the Reparation liability. The Young Plan fixed the unconditional

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portion of the annuities at 660 a year which is a charge on the surplus of German Railways. Owing to all these severe handicaps, even the adjustment of the German Budget became the most difficult task. No sources of income were left untapped by the Government. Increase in taxation was out of question. In this connection the reporters of the advisory Committee in their report say :—

“The Committee is of opinion that the burden of taxation has become so high that there is no margin for a further increase.”

GERMANY'S ATTEMPT TO MEET THE CRISIS

But Germany made a praiseworthy effort to meet the situation by taking various measures and issuing emergency decrees. In order to secure the stability of the currency, the German Government first tried to balance the Budget by increasing taxes, by the imposition of heavy duties on beer and tobacco and effected sweeping economies by

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resorting to cuts in salaries by over 20%, by the levy of a new additional tax in the form of a poll tax and various other taxes such as a tax on beverages, beer duty etc. In short Germany left no stone unturned in order to prevent a wide-spread collapse. Even the advisory Committee was satisfied that Germany had done everything within her reach to meet the crisis. The reporters of the advisory Committee say :—

“The Committee consider that the steps taken to defend and maintain the stability of the currency and the Budget, show, in their opinion, a resolute desire on the part of the German Government to meet the situation.”

ADVISORY COMMITTEE AND THE CRISIS

The concluding remarks of the members of the advisory Committee through which they appeal to the Governments on whom the responsibility for action rests, are most instructive. They show in the most modest language the seriousness of the problem.

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I therefore reproduce some important passages from the concluding chapter of the Report for the benefit of my readers :

“The Young Plan with its rising series of annuities contemplated a steady expansion in the world trade not merely in volume but in value, in which the annuities payable by Germany would become a factor of diminishing importance. In fact the opposite has been the case. Since the Young Plan came into effect, not only has the trade of the world shrunk in volume but the very exceptional fall in gold prices that has occurred in the last two years has itself added greatly to the real burden not only of German annuities but of all payments fixed in gold.

“In the circumstances the German problem which is largely responsible for the growing financial paralysis of the world, calls for concerted action which the Governments alone can take. But the problem has assumed a world-wide range. We can recall no previous parallel in time

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of peace to the dislocation that is taking place and may well involve a profound change in the economic relations of nations to one another. Action is most urgently needed in a much wider field than that of Germany alone. The economic interdependence of the various countries of the world to day needs no further proof; recent years have most strikingly illustrated it.

“Since July last for example it has been evident that, if the crisis by which Germany has been overwhelmed were not remedied, it would spread to the rest of Europe, destroy the credit system so painstakingly built up and create profound repercussions in other parts of the world.

“This state of things is complicated by the repercussion of economic affairs on the political situation and vice versa. The economic decline which has taken place in the last two years and the increasing distress which it has brought in its train, have produced a general political instability from which an anxious world is suffer-

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ing more and more. Similarly, political considerations have often been allowed to influence the treatment of economic problems by the Governments thus preventing the latter from viewing these problems in their true light and from dealing with them on their merits.

“When Governments come to examine the whole group of questions allied to the subject of the present report they will have to take account of many matters relevant to these complex problems which can be only solved in conformity with economic realities.

“Finally, although the German Government is energetically defending the stability of its currency, steps are necessary to secure that these measures shall have a permanent effect. We appeal to the Governments on whom the responsibility for action rests to permit of no delay in coming to decisions which will bring an amelioration of this grave crisis which weighs so heavily on all alike.”

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From the preceding discussion of Germany's economic position and the concluding remarks of the advisory committee which I have reproduced above, every impartial critic will be convinced that for many years to come Germany will not be able to pay anything on the Reparation account if her economic life is not to be ruined.

ALLIES' CLAIMS AND REPARATION PAYMENTS MADE BY GERMANY

The payments for Reparations have far exceeded the amount to which the allies were entitled according to Prof. J. M. Keynes. In his *Economic Consequences of the Peace* after a very careful examination of the claims presented by the Allies he arrived at the figure of £2120 millions to which the Allies were entitled and further suggested that the Allies Governments should agree to a round sum of £2000 millions in final settlement without further examination of particulars.

A couple of years later Prof. Keynes in his Book *Revision of the Treaty* again sug-

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gested that Germany should pay £1260 million gold marks (£63,000,000 gold) for thirty years in addition to a sum of 1000 million gold marks (£50,000,000) for assistance to Poland and Austria. This total which comes to £1940 millions is also much nearer his previous figure of £2000. According to a most important critic like Prof. Keynes the Allies were not entitled to more than £2000 millions.

The total payments by Germany towards the Reparation account however far exceed the above figure. The Institute of Economics in Washington which can be accepted as an absolutely impartial body, after a careful and scientific calculation has estimated the total amount paid by Germany at 38.4 milliard marks which comes much nearer the estimated claim of the Allies. Prof. Keynes also shows a similar result.

The German Government in a memorandum recently published has estimated the total payments under the Versailles Treaty at 67,673,000,000 marks or £3,383,650,000 at

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par which far exceeds the calculations of Prof. Keynes and the Institute of Economics in Washington. The calculation of Reparation payments is more or less a guess work based on certain statistics which cannot be taken to be absolutely correct. If we are to accept a figure mid-way between the calculations of the German Government on the one hand and the calculations of Prof. Keynes and the Institute of Economics in Washington on the other, it means that Germany has paid far in excess to what the Allies were entitled to according to Prof. Keynes. Even if we accept the calculations of Keynes and the Institute of Economics in Washington to be absolutely correct, the Allies are no longer entitled to any more payments from Germany.

An original reckoning up put together by Lugo Brentano for the Reparations upto 1922 alone results in 55 milliards. This calculation however is not considered to be correct.

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Dr. Schacht the former President of the Reichs-Bank has ascertained 29 milliards as the sum of the value paid off by Germany until 1st September 1924. If we add to this 8 milliards under the Dawes Plan and further 3 milliards under the Young Plan until the Hoover Moratorium came into force, the total comes to 40 milliards or nearly 2 milliards in excess of the estimates of Keynes and the Institute of Economics in Washington. The estimate of 40 milliards including the estimate of Dr. Schacht of 29 milliards until 1924 and the subsequent additions of 8 milliards under the Dawes Plan and 3 milliards under the Young Plan can be taken to be fairly correct. If this estimate is accepted as a correct one, Germany has satisfied the entire Reparation claims of the Allies put forth by Keynes at £2000 millions.

THE ONLY SOLUTION

And if, in spite of these facts Germany is to be forced to pay the Young Plan annuities not in kind but in gold, considera-

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tion must be given to the possibility of such payment being made by her. The monetary reserves of gold have been most unevenly distributed to-day, Germany's creditors possessing the major portion of the entire world stock of gold. The following figures showing the monetary gold stocks of the countries will be found interesting:—

America	Rs. 15,55,89,73,500
France	„ 9,81,29,92,500
England	„ 2,57,22,69,000
Germany	„ 1,99,28,16,000
Spain	„ 1,63,70,02,500
Japan	„ 1,47,85,71,500
Argentine	„ 1,27,10,60,000
Italy	„ 97,92,75,500
Russia	„ 91,66,32,500
Belgium	„ 70,44,94,000
Netherlands	„ 63,31,18,500
India	„ 51,54,24,000
Canada	„ 35,65,69,500
Other countries	„ 3,00,36,61,500

The above figures indicate the position in respect of monetary gold stock only upto July 1931, since when large shipments of gold have gone to America, France and

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England. Monetary gold stock of Germany is much reduced to-day and the settlement of Reparations in gold is unthinkable. The only two alternatives left to her are :

1. Settlement of Allies' claims in services.

2. Settlement of Allies' claims in kind.

But these two alternatives also are unworkable. The number of the unemployed in every country of the world is increasing. If the creditor countries of Germany agree to settle the question of payments in services, it means that a large number of workers in the creditor countries shall have to be replaced by German hands. No creditor country will follow this unwise course. The adoption of this course will be a political blunder of the first magnitude and no politician howsoever revengeful can think of the possibility of the settlement of Reparations in the form of services. There remains now only one and the last alternative of settling the Allies' claim—if payments by Germany are

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to be continued on the basis of the Young Plan even though the Young Plan has taken care to reduce the payments in kind—in kind which would mean an unprecedented increase in Germany's export trade. This course involves double danger. First, because Germany will be forced to export her commodities irrespective of the needs of her population and secondly, it will vitally affect the agriculture and manufacturing industries of the creditor countries. Heavy exports by Germany will almost paralyse their industries and throw out of employment a large number of the population. The creditor countries have already realised that payments in kind cannot be accepted with due regard to their own interest and hence the raising of the recent huge tariff walls in the creditor countries.

So far, we have seen, that Germany is not any longer entitled to pay any more Reparations to the creditor countries if the calculations of impartial authorities are to be accepted as the basis. We have also seen

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that without giving due consideration to the justice of the claim, if annuities are to be forced on Germany according to the Young Plan, settlement of the claims is not possible in gold but in services and in kind alone, the adoption of which would be disastrous not only to Germany but to the creditor countries also. The only wise course therefore now left to the creditor countries is to free Germany completely from any further "political payments".

It is true that the release of Germany from the burden of payments will have the effect of transferring that burden to the creditor countries, who in their character as debtors to America are unable to bear it. But if the Allies try to wring out of Germany what is now absolutely impossible in order to be able to continue their payments of War-debts to America, they will be committing the greatest political blunder. There is limit to every thing. And if the Allies statesmanship is so short-sighted as to continue the game of crushing Germany by demanding

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further payments, it will result in a crisis the character of which few statesmen seem to be aware of. They therefore ought to declare in their own interest "no more Reparations from Germany".

In connection with the tragic story of Reparations we are thus brought to the conclusion that the payment of Reparations has been one of the major causes which have prevented the world from reaching a new condition of equilibrium. The motive to exact Reparations from Germany until she 'squeaks', for a war for which the Allies too were equally guilty, has not only disturbed Germany's political under-currents but has completely shaken the confidence which is the foundation stone of peace. This motive to exact, has brought peace neither to the creditor countries nor to Germany. It may have satisfied the political ambitions of a few, but has not filled the empty stomachs of the many. The Reparation payments by Germany so far made have in no way improved the living conditions of the masses.

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in the creditor countries even though they have stimulated false patriotism.

The patriots and political heroes who wanted to bring prosperity to their countries by completely ruining Germany have sadly failed in their mission. In all creditor countries, up and down the country, in factory, in shipyard and mine, everywhere the same disheartening tale of poverty is heard as before. The same sombre faces of the populations are seen expressing fatigue exhaustion and helplessness as before. After a complete decade of trial the exaction of Reparations from Germany has proved to be politically and economically injurious and dangerous to world peace which we all earnestly desire.

And to-day even politicians are driven to proclaim their agreement with those who advocate the cancellation of Reparations. This view has recently been given expression to, by Lloyd George who wanted to hang the Kaiser, and "one of the Big Four" in his *The Truth about Reparations and War-Debts*.

CHAPTER VIII

LAUSANNE

EUROPEAN statesmen met in a conference at Lausanne, not in a spirit of friendship and with a desire to undo the wrong done to Germany but presumably to tactfully evade real issues. The conference is now over and an agreement subject to ratification has been signed by them. In criticising this agreement I will be categorical, absolutely frank and put the facts straight.

I have not the least hesitation in saying that the result of the Lausanne conference, to me at any rate, has come as a bolt from the blue. The final political tribute of three milliard gold marks in bonds levied on Germany is suicidal and will only increase mutual hatred and suspicion. The desire of the Allies not to make any reference to the most objectionable war-guilt clause of the Versailles treaty only shows which way the wind is blowing. It is a fresh proof of the fact that European statesmanship is politically

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bankrupt and does not mean business with a clear breast.

Almost all European statesmen including Signor Mussolini issued pleas early in January 1932 for a "clean slate". But in politics professions and practices always differ.

Germany signed this agreement because she had no alternative. She knew her weakness and thought prudence to be the best part of valour. But the effect of this agreement is bound to be disastrous to Europe. The opposition to the Lausanne agreement in Germany has already reached the fever pitch.

The leader of the national socialists in Berlin Dr. Goebbels declared at a large public meeting :

"And now for the most terrible thing of all ; a representative of this cabinet has negotiated at Lausanne in our name, the name of the national Germany. This representative did not consider it necessary to announce openly to the world before the conference : "We will pay no more, be-

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cause we cannot pay any more and because we do not wish to pay any more. We have paid enough. We wish to see Germany cleared of this slur of war-guilt and if the world resists this demand we will declare this Versailles treaty null and void."

More severe and contemptuous criticism comes from Herr Hitler, the famous Nazi leader. He stated :

"This agreement which has to-day laid a burden of three milliards on Germany will in six months not be worth three marks".

As days pass on the hatred between the belligerent nations is bound to grow more menacing so as to threaten peace. I have in the preceding pages clearly proved that payments from Germany either in gold, services or kind are out of question. Then why unnecessarily impose on her a burden of another three milliards and make her desperate?

The *Economist* and some Allies' papers have hailed the Lausanne agreement as a "Great Achievement". I however consider it a colossal failure.

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While commenting on the Lausanne agreement the *Economist* dated 16th July, 1932, wrote in connection with the war-guilt clause as under :

“As to two points on which there was still a difference of opinion, when we wrote last week namely the amount of the bonds to be issued, and the form in which the creditors of Germany were prepared to say, that the Reparations chapter of the treaty of Versailles with its war-guilt clauses was closed—the first was settled by splitting the difference between two and four milliards and fixing three milliards as the nominal value of the bonds. As to the second point, it was never contemplated that the clause regarding Germany’s responsibility for the war would be dealt with in any way which suggested that the former Allies had changed their views on the origins of the war.”

This clearly means that the Allies still cling to the old view that Germany was responsible for the Great War. In the preceding

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pages I have exhaustively dealt with the war-guilt, and have successfully disowned Germany from the blame which is heaped upon her for the war. I recommend my readers to carefully read the second chapter "Stage Set For Imperialism".

The *Economist*, of the same date wrote further in this connection as under :

"What is very much to be desired is that the world should put this question behind them and treat Germany hereafter on an equal footing."

It is extremely regrettable that the *Economist* should have avoided writing very plainly on this question. This is surely not following the plea of "Clean Slate" which alone can guarantee the peace for which all nations of the world are clamouring. The Versailles treaty with the war-guilt clause will always be an eye-sore to Germany and a stumbling block in the path of world peace.

In this very connection, with a view to ascertain the current opinion I interviewed

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a responsible journalist representing the allied interests, whose name I do not desire to disclose out of courtesy to him, on the Lausanne agreement, which I reproduce below in a dialogue form as it will prove interesting :

Author : Do you think that the Lausanne agreement is a great achievement towards establishing world peace ?

Journalist : Yes, I do.

Author : How ? You know, even though the Reparation chapter is closed—subject to ratification,—Germany is to pay another and final three milliards in bonds. This payment is nothing short of a political tribute. Looking to the present economic state of Germany and the years of suffering she has undergone, the losses and expropriations to which she is subjected, do you think, it is wise to ask Germany to pay another three milliards, which is an impossible amount for her to hand over in any form ? Besides, it is surely not

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going to bring prosperity to the Allies. There is also the fear of the Allies reverting to the Young Plan Schedule should they fail to ratify the Lausanne agreement.

Journalist : The amount Germany is asked to pay is to be demanded from her as a final payment. And it is really a great achievement that the Allies and particularly obstinate France has agreed finally to scrap the Young Plan by this arrangement. Besides the question is to be examined by an impartial body of economists who will carefully examine Germany's capacity to pay.

Author : These three milliards cannot solve the problem of the Allies but, if paid, will have serious repercussions on Germany. It would have been creditable to the Allies to leave Germany free from any more obligations, for, this alone would have surely paved the way for real peace.

Journalist : In politics it is always difficult to agree. And looking to the mood of the Allies, this is the best thing so far achieved.

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Author: You should not forget that the Versailles treaty with the war-guilt clause which was almost wrung out of Germany is still preserved with all the great care as a valuable document in the Archives of France. The world now knows enough about this. Then why should not the Allies be wise enough to scrap this unwise piece from record and thus follow the policy of "Clean Slate" by offering the hand of friendship to Germany which alone will ensure the peace we need?

Journalist: Please remember that we are not discussing politics but economics. Your question therefore appears to be somewhat irrelevant.

Author: Do you think that economics can be discussed without any reference to politics? To talk on pure politics and pure economics is never possible. Besides, the object of my interview with you is to know from you whether the Lausanne agreement is going to pave the way for real peace. Therefore, even if you think that pure eco-

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nomics and pure politics can be discussed—of course, I do not hold that view—the scope of our discussion is wide enough to include my reference to the war-guilt clause which has made you somewhat uneasy.

Journalist: Well, politicians are sometimes more foolish even than children. It is often difficult to persuade them.

(And we parted after a very friendly shake of hands.)

This discussion only vividly illustrates how unwilling responsible men are even to speak the truth. It is a cruel truth that truth has always to be knocked out of them.

I honestly believe that the Lausanne Conference has been a huge failure and it is my conviction that future historians will uphold my view.

CHAPTER IX

TANGLE OF WAR-DEBTS

COMPARISON BETWEEN REPARATIONS AND WAR-DEBTS

THE nature of War-debts is quite different from that of Reparations. The Reparations were imposed by the victorious Allies on the defeated Germans. It was a political tribute imposed by one imperial group on the head of another. But the War-debts were self-imposed and this huge burden contracted by the political heads was ultimately transferred on the tax-payers of the countries concerned. The huge amounts which America and Britain lent to their debtor countries were not used for nation-building departments. They were all spent for carrying on a human slaughter for which there is no parallel in human history.

DEBTORS OF AMERICA AND BRITAIN

In appendix A and B I have given statements showing War-debts due to America and Great Britain. Let my readers

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throw a careful glance at the huge and staggering figures and they will realize the serious nature of this problem. The debtor countries of America number in all fourteen and the total debts, from which an insignificant part has been paid, amount to \$22,162,996,000. And if consideration is given to the economic position of these debtors—Belgium, Czecho-Slovakia, Esthonia, Finland, France, Great Britain, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Roumania and Jugo-Slavia—it will be at once clear that the debtors would not be in a position to satisfy completely American claims even if the debts are divided over a period of hundred years with a graduated plan of payments. Nor will Britain ever be able to recover from her debtors, who in all number six—France, Greece, Italy, Jugo-Slavia, Portugal and Roumania—her dues even if she appoints a committee of the best economists of the world to fix a graduated schedule of payments. I desire to make as plain as possible that tax-payers of all debtor countries,

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on whom the burden of debts is ultimately transferred, having reached the bottom of poverty are no longer in a position to enable their Governments to set aside every year a fixed sum to be devoted to the payments of War-debts.

This question of War-debts is so complicated and tangled that to find a satisfactory solution seems almost impossible. It must be remembered that out of the total debts due to America more than fifty per cent are due from Britain alone. And in order that Britain should be able to make regular payments to America, she must, as a creditor country receive from her debtors regular payments. But neither the debtors of America nor the debtors of Great Britain can, with any reasonable hope, continue to make the payments of debts, unless the burden is ultimately transferred on Germany and the Young Plan is set in force. It was on this ground that fear was expressed in certain quarters when the Lausanne agreement was signed subject to ratification, of the

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allied powers reverting to Young Plan, should America totally refuse the cancellation of War-debts.

INTERDEPENDENCE OF REPARATIONS AND WAR-DEBTS

Even though there is no analogy between War-debts and Reparations their interdependence is self-evident. The question of the settlement of War-debts is intimately connected with the question of the settlement of Reparations. And now that the Young Plan has been scrapped—subject to ratification—I do not hold out any hope to America in the solution of War-debts. The statesmen of all countries are already aware of the real situation. But all are deliberately avoiding to speak the truth out of diplomatic motives.

The recent developments are again adding to the difficulties of the solution of this question. The embargo on gold which is a virtual going off the gold standard, the tariff war, the depreciation in the prices of commodities, labour unrest all the world

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over are some of the factors which make the settlement of War-debts most difficult. It is also true that the Allies can no longer think of reverting to the Young Plan schedule, as, such a course would at once bring Germany into open hostility with them. The days of the Ruhr occupation have gone. Germany has become more nationalist and Pan-Germanist and the contribution of the Allies to this development has not been small.

THE POSSIBILITIES

The situation to-day is this. Great Britain has upto now paid on war account to the United States only £326 millions and she has received from her debtors only £192 millions leaving an excess of £133 millions more which Britain has paid out than she has received. When the December instalment became due Britain paid £38 millions to her creditor, U.S.A., but because of the depreciation of the sterling that instalment has nearly cost her £56 millions. It was estimated that in order to help Britain to pay this instalment

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she would receive from her debtors about £18 millions. France having declared her inability to pay and also on account of Germany's default the burden of the December instalment was borne only by Britain. To this must be added the difficulty of debt payments being made to America only in appreciated Gold. American debts to the Allies represent mainly consumption goods and war ammunitions which she supplied to the Allies when they were fighting the Imperialist War. Nor can it be ignored that the volume of international trade to-day is less than one half of what it was in 1929. And it is shrinking fast. It plainly means that the prices of commodities are nearly fifty per cent lower. And this depreciation of the prices, in its turn, is most vitally affecting the settlement of War-debts.

The possibilities, therefore, after giving due consideration to the economic position of the debtor countries, of America and Britain receiving their dues, are reduced to zero. And to hope for a recovery is like hoping to

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get the moon. Each western nation is now worshipping the yellow metal and Britain in order to maintain her position in international markets is already forcing India to export her gold. America is now sitting tight on her stock. Thus the free movement of gold has been stopped. To this must be added the protectionist policy adopted by each country. The free traders of Britain have been thrown over-board and the "Buy British Goods" movement in Britain has already got a stable footing. America has not been slow in following in the foot steps of this Mother of Imperialism. This has again blocked the way of the free movement of goods. The unemployed in each country are daily increasing in numbers and the Governments of the countries concerned are making frantic efforts to meet the situation. Therefore after giving due consideration to all these factors no sensible person would hold out any hope to America and Britain in the matter of War-debts.

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CAUTION TO AMERICA

And even if we assume for a moment that Britain is able to recover her dues from her debtors and thus pay a substantial portion of American dues, be it noted that the American problem cannot be solved, unless the foundations of the present order are changed. The possession of the world's entire gold stock is not going to feed her hungry. That America, inspite of her huge agricultural land, man power, machinery, natural resources, adequate aid of science and up to date means of transport and communications, is not able to feed her small population only vividly demonstrates the bankruptcy of the capitalist system. She therefore instead of giving more attention to the settlement of War-debts should devote herself wholeheartedly to bring about the necessary and desired change in her present order.

CHAPTER X

THE COMING OF THE CRISIS

SETTLEMENT OF REPARATIONS AND WAR-DEBTS, ONLY A STARTING POINT

IT must be remembered that the proper solution of these major issues has its limitations. The peace of the world cannot be a *Fait Accompli* by merely adjusting these two important and tangled issues. While I do not desire to minimise their importance, I do not at the same time put too much hope upon them. I am quite aware that no progress in the direction of world peace is possible unless these two issues are solved satisfactorily. But be it remembered that these two issues are only the starting point towards our journey to the Celestial City of world peace. And once this is realised we will remember that we have to walk a long way, a way of difficulties and obstacles which have been the direct outcome of human institutions as have developed particularly during the last century.

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LIMITATIONS OF THE WORLD ECONOMIC CONFERENCE

The Limitations of the World Economic Conference seem to have been ignored in many important international circles. The recent slump in prices, the collapse of the banks and stock exchanges, the abandonment of the gold standard almost by all world powers, the raising of the tariff walls as a sure remedy to protect the national industries from the dumping of foreign imports, the economic collapse of Germany by the heavy payments of reparations, the bankruptcy of the allied powers and their consequent failure to pay their instalments of War-debts, the shrinking of the national income of America by about 20 billion dollars, are the signs of the general break down of the capitalist system prevailing all the world over. And to work for a recovery of the world ignoring these fundamental and vital issues would be a mere waste of energy. It is therefore absolutely necessary that all those who meet at the world

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economic conference should bear this fact in mind. Already too much reliance is put upon the world economic conference which is advertised as the greatest event of 1933. A Preparatory Committee under the chairmanship of Mr. Leonardus Trip President of the Netherlands Bank has been appointed to prepare the agenda. When the conference meets only the following subjects will be discussed :

Monetary Credit Policy and the silver question

The matter of Exchange

Price levels and

The movement of capital.

I would have entertained some hope about the success of the conference if much more important and fundamental questions like :

The relaxation of the economic hold on colonial countries

Free movements of gold and goods

The protection of the national industries from the dumping of foreign goods

Possible mischief of the tariff walls

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Establishment of an international bank to regulate the supply of gold and silver, and

The establishment of an international body to deal with commercial competitions resulting in economic wars, had been put on the agenda for discussion. But even questions like Reparations, War-debts and tariffs are not to appear on the agenda. With these limitations, if the conference fails to achieve its object it will not be a matter of surprise to me at least. In closing, I will only say that the conference when it meets will be only tinkering with unimportant issues leaving out the most important ones on which the peace of the world and human progress depend.

VIOLATION OF THE ANTI-WAR PACT

During the negotiations of the Anti-War Pact the French Government asked that the renunciation of war as an instrument of national policy should exclude the exercise of legitimate self-defence. Although the United

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States did not wish to recognize the right of self-defence in the text of the Anti-War Pact, it nevertheless declared, in a note sent to each of the fourteen signatories, on June 23, 1928, that there was nothing in the American proposal which "impairs in any way the right of self-defence and that each nation alone is competent to decide whether circumstances require recourse to war in self-defence. If it has a good case, the world will applaud and not condemn its action." Subject to this understanding the Anti-War Pact was ratified.

Great Britain, Japan, and the American Senate Committee on Foreign Relations, all advanced wide interpretations of the right of self-defence. In its note on May 19, 1928, the British Government reserved the right to protect certain regions of the world—the location of which was undefined—as a measure of self-defence.

Japanese interpretation of this treaty was made known by Tanaka, the Foreign

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Minister, while replying to an interpellation in the House of Peers on January 29, 1929: "Manchuria and Mongolia are of course within this sphere where our right of self-defence can be exercised. As to the relations between the Anti-War Pact and Manchuria, in case the peace of Manchuria were disturbed, Japan should be justified in taking necessary measures as a measure of self-defence. In such case Japan should not be bound by the Anti-War Pact."

Senator Borah, chairman of the Committee on Foreign Relations, stated: "No nation will surrender the right to determine for itself what is justification for self-defence. It will be for the Government of the United States to determine upon any particular state of facts or any set of conditions as to what constitutes a defence of its rights."

Thus a "self-defence" doctrine was proclaimed to justify the use of force by Great Britain in certain undefined areas lying outside the British Empire, by the United

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States in Latin America and elsewhere and by Japan in Manchuria and Mongolia.

FAILURE OF THE DISARMAMENT CONFERENCE

The Disarmament Conference first met on February 2, 1932, under the presidency of Mr. Henderson. He declared that the chief task of the Conference was "to arrive at a collective agreement on an effective programme of practical proposals, speedily to secure a substantial reduction and limitation of all national armaments."

Six months later when the general commission adjourned at the end of July, it had made little progress towards the goal set by Mr. Henderson. Despite the fact that world trade had continued its alarming decline during the interval and that the financial burdens borne by the people of the world had further increased, the Disarmament Conference had failed to establish even the basis for a collective agreement for reduction and limitation of armaments.

Various plans were suggested for the reduction of armament of which the Hoover

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Plan was supposed to be the best and was enthusiastically supported by world opinion. The basic principles of this plan are :—

1. That the pact of Paris can only mean that the nations of the world have agreed to use their arms solely for defence.
2. That reduction should not only be carried out by broad general cuts in armaments but by increasing the relative power of defence through decreases in the power of attack.
3. That proportionate reductions must be made by all powers and that these must be real and positive.

On these broad principles the plan further suggested that the police force of each country be reduced on a common basis to a size which is declared sufficient to maintain internal peace and proposed that the proportion of troops to total population allowed to Germany and the other defeated powers in the peace treaties should be accepted as the basis. Germany was allowed one lac of

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soldiers for a population of 65 millions, and Austria was allowed thirty thousand troops for a population of six millions. This formula with the necessary corrections for countries with colonial possessions was considered to be sufficient for internal order.

Similarly the plan suggested that the defence forces of all countries over and above the troops maintained for preserving internal order would be reduced by one third.

The plan for naval limitations suggested substantial reductions. Reductions in battle ships by one third, air craft carriers, cruisers and the destroyers by one fourth, submarines by one third, the abolition of all bombing planes and prohibition of bombardment from the air, are the most outstanding constructive proposals suggested in the Hoover Plan.

Public opinion all the world over including Great Britain, Germany, Italy and other European powers hailed the Hoover Plan as a constructive project for substantial reductions which would cut military budgets

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by many millions. But the Governments of Great Britain and France, however, almost totally rejected it by pointing out many technical difficulties. It only means that they are not prepared to accept even the broad principles underlying these suggestions.

MENACE OF IMPERIAL JAPAN

A most critical stage in the Far Eastern crisis has arisen as a result of Japanese offensive against China in Manchuria. Young Japan is at the height of her Imperial glory and is following in the footsteps of the other Imperial powers who have already completed the occupation of the main countries of the globe.

Japan's declaration of war on China in Manchuria gave a rude shock to the whole civilized world. Japan which has most vital economic interests in that province has flouted public opinion as well as the decision of the League of Nations, being convinced of her naval supremacy in the Pacific.

It is not possible to deal here in detail with the Manchurian issue. However, I intend

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to deal with it in brief. Since the close of the nineteenth century Manchuria has been a battle ground for different Imperial powers. In 1900 Imperial Russia occupied Manchuria on the ground that the Boxer Rising had endangered her nationals. Other powers which had their interests at stake protested and demanded the withdrawal of her forces. With the conclusion of the Anglo-Japanese treaty of 1902 Japan felt herself more secure. In 1903 she began negotiations with Russia concerning the maintenance of the open door policy but having met with no success she resorted to war. Russia was defeated and by the treaty of 1905 Russia lost half of her sphere of influence which has since been restricted to north Manchuria. Japan began slowly to penetrate and consolidate her position into Manchuria. In August 1906 the South Manchurian Railway was organised by an Imperial Decree and with the annexation of Korea in 1910 Japanese rights in Manchuria increased. In 1915 Japan made the famous twenty-one demands and by the

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signing of a treaty on May 25 Japanese rights increased and her importance in Manchuria grew so much as to come into direct conflict with China.

Manchuria is an integral part of China. The three eastern provinces have always been considered even by the powers including Japan as a part of China and her authority has been unquestioned. The Chinese regard Manchuria as their "first line of defence." Even diplomatic and military circles have realized this. And it is a fact that those who control Manchuria also, to a very large extent, control China. Manchuria is a buffer against the adjoining territories of Japan and Russia. It is a region which constitutes an outpost against the penetration of Japanese and Russian influences from these regions into other parts of China. The facility with which China, south of the Great Wall including the city of Peiping, can be invaded from Manchuria has been demonstrated to the Chinese from historical experience. And the recent invasion of Japan and consequent occupation

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of Manchuria has clearly demonstrated this fact. Manchuria is also important to the Chinese for economic reasons. For decades they have called it the "Granary of China." The total population is estimated at about thirty millions of which twenty-eight millions are said to be Chinese or assimilated Manchus. Koreans are only eight lacs and the rest belong to different countries. So from geographic, historic and all other points of view except financial, Manchuria belongs to China and her supremacy must remain unquestioned. But Imperial Japan, arrogant as she has become to-day, has no consideration for anything sacred except her financial interests and political needs.

No doubt Japan's population is increasing every year. A population formerly stationary has now increased from thirty three millions in 1872 to sixty five millions in 1930 and this increase, it is said, still continues at the rate of nine lacs per year.

The population of Japan compared with her total surface is approximately 437 persons

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per square mile as against 41 in the United States, 330 in Germany, 349 in Italy, 468 in the United Kingdom, 670 in Belgium and 254 in China.

Comparing the population of Japan per square mile of arable land, with that of other countries, no doubt the ratio of Japan is exceptionally high, due to the particular geographical formation of the islands.

Japan	2774	Germany	806
United Kingdom	2170	France	467
Belgium	1709	U.S.A.	229
Italy	819		

There are divergent views regarding the question whether the population problem of Japan is so pressing as to require an immediate solution. Some hold the view that Japan has not yet fully exhausted all her resources and hence the population question is not an immediate one. But granting that this question is an urgent one, does it as a necessary corollary follow that Japan should make conquests, conquer countries, humiliate the conquered and thrust on them

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her imperial flag and rule ? There are many ways of assimilating population and if Japan's sole anxiety is to solve this question there will be no difficulty in her way.

But unfortunately there are ulterior motives behind her drive against China in Manchuria. To expand her Empire and fly her flag on countries other than her own, to ensure her capital and increase it are the underlying motives. This is a menace of Imperial vanity from which all Imperial powers suffer.

According to a Japanese source of information, Japanese investments in Manchuria were estimated in 1928 at about 1,500,000,000 yen, equal to Rs. 1,200,000,000 at the current rate of exchange. This figure has further increased to 1,700,000,000 yen equal to Rs. 1,360,000,000. Most of the Japanese investments in South Manchuria centre mainly round the South Manchurian Railway while the investments of the U.S.S.R. which comes next to Japan are to a great extent directly or indirectly linked up with the Chinese Eastern

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Railway. And with the acquisition of Manchuria by Japan there is every possibility of a clash between different capitals becoming inevitable. Other powers including The United Kingdom, United States of America, Poland, France, Germany and the rest are interested in Manchuria, their investments being not insignificant. Japan now wants to control this whole sphere of influence, exploit the natural resources with her capital and supervision and thus consolidate her position as a first-class Imperial power. No doubt, America is jealous of her but she cannot take the risk of an offensive against Japan in Japanese waters. The U.S.S.R. is powerless to act at present mainly on account of her long distance and difficulties of concentration, while Great Britain, partly on account of fear of a Japanese invasion of Australia, and partly because her interests do not clash with those of Japan in the Far East and also on account of various other political and diplomatic considerations has given a free hand to Japan in Manchuria. But the situation

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in the Far East is fraught with danger and a crisis of a far-reaching character may overtake the whole world any moment.

ADVENT OF CRISIS

The catastrophic situation has not only arisen in the Far East but is rapidly developing in Europe too. The rise of Hitlerism, the consequent relentless suppression and oppression of the Socialists and Communists, the abandonment of the Republican flag and the restoration of the Imperial colours which are now flying in Germany, the movement of troops in Strasbourg and the demilitarised province on the Rhine, the powerful and even threatening demand for Germany's claim for equality in armament and boycott of the Jews, are only signs of a Pan-Germanist movement which, if develops in the near future at the present rate, is bound to threaten peace. And to this Pan-Germanist movement, the most objectionable and humiliating Treaty of Versailles, which crippled Germany completely politically and economically, has

THE COMING OF THE CRISIS

contributed immensely. The hatred for the French is increasing in Germany and a possibility may arise in future for the demand of Danzig, a most important port on the Baltic which is now a free city under the control of the League of Nations. It is difficult, at this juncture, to say whether German monarchy will be revived but a very powerful Pan-Germanist movement is rapidly developing in Germany. French apprehensions at the recent developments in Germany are increasing and the atmosphere of suspicion, jealousy and hatred is spreading even to Central Europe. The congratulations of the Duce of Italy to Herr Hitler, the present Chancellor of Germany, are now being interpreted as a movement in the direction of a Germa-Italian alliance which would set Central Europe ablaze. England is making desperate attempts to tighten her grip on the Colonies and thus protect her Empire and the reactionary Imperialists are not lacking in their support for such a policy. America does not want a powerful Imperial nation in the

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Pacific and the feelings between her and Japan have been embittered by the recent manoeuvres of the American fleet in the Pacific Ocean. Unemployment and industrial unrest is increasing in almost all countries of the world, America and England not excluded. The cry for bread is heard from all corners of the globe excepting Russia. A clash between Soviet Russia and the Capitalist World also seems imminent. Our entire present order is already tottering. Under such circumstances, a grave crisis of an international character, far greater in its intensity and extent than the Great War of 1914 will engulf the world any moment. At such a stage in world affairs, I cannot sit with my eyes closed. I see the signs of a fast approaching catastrophe and cannot refrain from ringing the call bell of the coming danger.

TO THE ADVOCATES OF WAR

In the Great War, we spent nearly 200,000,000,000 dollars to carry on a slaughter of ten millions and also lowered the working

THE COMING OF THE CRISIS

capacity of three times as many more. Let the advocates of war remember that women bear children with great pain and their hearts break with agony, pain and torture when their sons are taken away from them to be slain on the battle-field. Let the advocates of war remember the piteous cries of the mothers when their sons come to give them a parting and perhaps the last kiss. The purpose of human creation is not slaughter, for civilisation has a higher end in view. And a war if it can be avoided must be avoided at any cost.

Mutilated and disabled men who return from war break my heart and in their name and in the name of the slain and their innocent mothers and wives, I appeal through this book to avoid a war, which, I believe, is approaching.

THE POWERLESS LEAGUE OF NATIONS

The League of Nations is powerless, impotent and even incompetent to deal with the problem of peace and effectively check the coming catastrophe. Japan has flouted her. And who is respecting her ? For after all it is an organisation, started by the victorious

THE COMING OF THE CRISIS

Allies and even the official languages of the League, which are English and French, clearly show that it is controlled by the political heads of England and France who in their turn are controlled and guided by their Imperial military and naval advisers. To expect the possibility of establishing world peace through such an organisation is expecting too much. America, officially keeping herself out of the League, exercises her powerful influence on it through diplomatic channels whenever it suits her ambitions. Russia is trying to keep aloof from it. Germany and other Powers are not very enthusiastic in their support and English and French diplomacy which is all powerful in the League is evading real and important issues. And I become disheartened, look askance and say—Whither League of Nations? And many thinkers disappointed by the work of the League of Nations say, "What next?" And after much cogitation and thinking I find a solution to this question which I give in the next chapter.

CHAPTER XI

WORLD PEACE COMMITTEE AND THE BOARD OF JUDGES

IN order to make an earnest effort to avoid a terrible war and ensure peace and to stimulate the too slow march of civilisation towards a Better World Order, an attempt should at once be made, by the peace loving people of the world who respect human dignity and love mankind, to set up a permanent World Peace Committee. On this Committee, one seat should be allotted to each country *irrespective* of its present political status. The representative on this Committee should be elected by the direct vote of the adult population of the country concerned—males and females both being eligible to vote—subject to recall by a majority vote, thus ensuring the guarantee, that only the accredited representative of the country will come to this body.

In addition to this Committee, a permanent Board of Judges should be appointed, consisting of the following :—

WORLD PEACE COMMITTEE

1. Professor Einstein.
2. Upton Sinclair.
3. George Bernard Shaw.
4. Rabindranath Tagore.
5. Romain Rolland.
6. Maxim Gorky.
7. M. K. Gandhi.
8. Gilbert Murray.
9. Sidney Webb.
10. Harold Lasky.

The members of this Board should be empowered to co-opt from among international personages who have been constantly striving for world peace and who do not belong to any active political body.

The Board of Judges should not consist of more than 13 members.

In case of death of a member of this Board the vacancy should be filled by co-option. The presence of at least two-thirds of the members of this Board should be necessary to form a quorum.

At every meeting of this Board, a member is to preside by rotation. In case of a tie, the President will have a casting vote.

WORLD PEACE COMMITTEE

All members of this Board of Judges should also be members of the World Peace Committee and keep themselves in constant touch with world affairs. They should scrupulously avoid all machinations with any group or party which is likely to be formed within this Committee. The Judges should consider it to be their most sacred duty to keep themselves above national rivalries and thus maintain the dignity of impartial judges and peace-makers.

Should a dispute arise between different nations it should be immediately referred to the Board of Judges. The disputing parties should be given free scope to explain their position and grievances. If the Board of Judges think it necessary to study the situation on the spot they should select a small body from among them to be assisted by two experts approved by the World Peace Committee to study the conditions on the spot. The report, when submitted, should be carefully studied and then a final decision should be given.

WORLD PEACE COMMITTEE

Every decision given by the Board of Judges should be fully discussed in the open session of the World Peace Committee and then put to the vote. If carried by a majority it should be binding on the parties concerned. The meeting of the World Peace Committee should be presided over by a member of the Board of Judges by rotation. The presiding member should have a casting vote in case of a tie. *The other members of the Board of Judges who will also be members of the World Peace Committee should not be eligible to vote.*

The decision given by the Board of Judges when ratified by the World Peace Committee in its open session automatically becomes binding on the disputing parties. When a country concerned refuses to abide by such a decision an economico-political boycott should be declared against it and with the support of the other countries and the conscious opinion of the world the unwilling party should be forced to abide by the decision. It becomes the most sacred and bounden duty

WORLD PEACE COMMITTEE

of every member of the World Peace Committee to carry out faithfully every decision once given.

In case, a dispute of a very grave nature should arise between communities within a nation and the state of the country concerned should be unable to control it, the Board of Judges should depute a small body of men, whose integrity and impartiality will not be questioned, to study the situation on the spot and after carefully going through the report when submitted, should declare its decision, which should be discussed and decided by the World Peace Committee. In the matter of enforcing the decision, the same course should be followed as suggested above. However, in the internal affairs of a country these twin bodies should not interfere until the issue becomes very grave and complicated.

In the Preamble to the Constitution of these twin bodies, the *right* of every country to throw off the shackles of foreign yoke by a referendum should be recognized and when

WORLD PEACE COMMITTEE

such a referendum is taken it should be given an *immediate effect*. This is the fundamental tenet of self-determination which to-day is a *fait accompli* only in theory.

The expenditure for carrying on the work of these twin bodies should be met by a contribution from each country. While fixing the contribution attention ought to be given to the taxable capacity of the countries.

These are only the general outlines of the scheme I suggest. A detailed workable Constitution on these bases should be prepared by the Board of Judges with the full co-operation of the members of the World Peace Committee who should spare no efforts in helping the Board to arrive at a correct understanding of the world-wide and complicated problems.

No one, more than myself, is aware of the limitations and difficulties in the path of this body. But world peace should no longer be entrusted to politicians and warlords who have shown a special liking for

WORLD PEACE COMMITTEE

human slaughter. And it is now time for the lovers of peace to make a last and desperate attempt. The progress of mankind towards a better world order should be attained without much bloodshed and slaughter.

CHAPTER XII

However, world forces as they are arrayed to-day are heading towards the Historical Inevitability. Friends, I offer this little book on the Eve of the Clash of Arms.

E N D .

APPENDIX A

Statement showing War-Debts due to America

(In dollars ; 000's omitted.)

The annual payments begin from the Fiscal Year (ending June 30) 1923 on a rising grade and end in 1987.

Country	Total to be paid.
Belgium (pre-armistice debt)	171,780
Belgium (post-armistice*debt)	556,051
Czecho-Slovakia.	312,811
Estonia*	33,331
Finland*	21,695
France	6,847,674
Great Britain*	11,105,965
Greece	19,455
Hungary*	4,693
Italy	2,407,678
Latvia*	13,959
Lithuania	14,532
Poland*	435,688
Roumania	122,506
Jugo-Slavia	95,178
Grand Total	22,162,996

* Figures relate to Calendar Year.

The amount of War-debts paid to America so far is not excluded from the above statement. However, the total so far paid for the redemption of War-debts is negligible.

APPENDIX B

Statement showing debts due to Great Britain

The official settlements in these cases are all in respect of calendar years.

(In pounds ; 000's omitted) Year ended Dec. 31.

Country.	Total payments. (Begin from 1926 and, gradually rising, end in 1988).				
France	..	..	..	..	799,500
Greece	..	..	..	..	23,550
Italy	..	..	..	..	276,750
Jugo-slavia	..	..	..	..	32,800
Portugal	..	..	..	..	23,975
Roumania	..	..	..	..	31,250
Grand Total	..	..	..	..	1,187,825*

These figures do not include any reconstruction debts, nor the special annuities payable by France, Italy and Belgium under the Hague reparation settlement. The French and Italian figures take no account of the repayment of the gold deposited in England during the war. £53,500,000 deposited by France remains as security for a non-interest-bearing debt, repayment of which is to be settled by a future agreement. Release of £ 22,200,000 of gold deposited by Italy was provided for in her annuity schedule ; £562,500 has already been redeemed, and the remainder is to be redeemed by 1987.

* The grand total includes payments so far received by Great Britain. The payments so far made are negligible.

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Innumerable other books also, which the author had the opportunity of studying carefully during the last many years, have immensely helped him in preparing this work. To the authors of all these books he owes a deep debt of gratitude.

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