

neared him. He showed that in a century of factions and skepticism a single man may start a new crusade, providing he be a poet, and a poet of genius. He communicated his enthusiasm and faith to others. He sowed broadcast, beauty, and love of beauty. He shed about himself the radiance of that inner light which illumines life, and without which life is scarcely worth the living.'

[*The Manchester Guardian* (Liberal Daily),
January 31]

GERMAN REPARATION AGAIN

BY J. M. KEYNES

IN my book, I expressed the opinion that Germany might conceivably be able to pay £100,000,000 gold per annum in discharge of her liabilities under the treaty, but that, for political and other reasons, it would probably turn out imprudent and impracticable to exact so high a figure. Some authorities, including Mr. Baruch, who was President Wilson's economic adviser at the Conference, have accepted this figure, or something near it. Other authorities, whose opinions deserve respect, have made varying estimates up to a maximum of £200,000,000 gold. This latter figure has been put forward by impartial American economists as a conceivable maximum which might possibly be reached under favoring conditions. I have never heard of any competent person who has put forward a reasoned estimate exceeding £200,000,000 gold per annum.

How does this compare with the proposals of the Paris Conference? These are made up of a determinate and an indeterminate part. The former consists of £100,000,000 per annum for two years, £150,000,000 for the next three, then £200,000,000 for three more and £250,000,000 for three after

that, and, finally, £300,000,000 annually for 31 years. All these figures are in terms of gold. They are not appreciably affected by the small discount allowed in the improbable contingency of Germany paying in advance of the due dates. The latter — the indeterminate part — consists of an annual sum in addition to the other, which shall be equal in value to 12 per cent of the German exports.

How much is this addition likely to amount to? Before the war, German exports came to about £500,000,000 annually, and the imports to rather more than this. At present prices, these same exports would now be worth more than £1,000,000,000 gold. British exports in 1920 — exclusive of re-exports — were worth £1,300,000,000.

Now, it is clear that Germany cannot possibly pay the determinate part of the indemnity, except by developing a large export trade. For her exports must exceed her imports by at least the amount paid over as indemnity, and many of her staple exports can only be produced at all — for example, metal manufactures and textiles — if the raw material, or a large part of it, has been previously imported.

I do not suppose that anyone would seriously argue that Germany could continuously, year after year, maintain her exports at a value of more than, say, 40 per cent above her imports. That is to say, to give a numerical example, if Germany is to have surplus exports worth £200,000,000 she will have to have total exports worth at least £700,000,000. Twelve per cent of this figure is £84,000,000.

It is clear, therefore, that the indeterminate item is a very formidable one. With total exports worth £700,000,000, against imports of £500,000,000, leaving surplus exports worth £200,000,000, she could just pay a fixed sum of £116,000,000, plus the export

proportion of £84,000,000 — making up £200,000,000 in all. That is to say, trade on this scale is nearly required, even to meet the minimum payment of £100,000,000 prescribed for the first two years plus the export proportion. It is difficult to imagine figures which would permit the proposed normal payment of £300,000,000 plus the export proportion. But it is safe to say that on total exports capable of yielding a surplus of £300,000,000, the 12 per cent proportion would certainly exceed £100,000,000.

The proposals of the Paris Conference for the normal period amount, therefore, to a demand for more than £400,000,000 per annum, which is double the highest figure that, to my knowledge, any competent person here or in the United States has ever attempted to justify. Let it be remembered, further, that according to the last published figures, Germany has at the present time an export deficit.

The Paris proposals cannot, then, be meant seriously, any more than the original treaty was. They are simply another move in a game by which the players, at any rate, are no longer taken in. Mr. Lloyd George feels that he is making progress — perhaps he is — when he succeeds in persuading M. Briand to agree with him that 2 plus 2 does not make 12, but only 8; M. Briand hopes that, being eloquent, he may, after all, be able in the French Chamber to make a good enough song about 8 to defeat any argument from M. Poincaré as to how much better it would be for France if 2 plus 2 made 12. I doubt if there has ever been anything in history quite like it. Perhaps it is best diagnosed as a consequence of the portentous development of what we have learned to call 'propaganda.' The monster has escaped from the control of its authors, and the extraordinary situation is produced in which the

most powerful and the most intelligent statesmen in the world are compelled by unescapable forces to meet together, day after day, to discuss detailed variations of the impossible.

It would be easy to go on to point out how, if Germany could compass the vast export trade which the Paris proposals contemplate, it could only be by ousting some of the staple trades of Great Britain from the markets of the world.

Exports of what commodities, we may ask, in addition to her present exports, is Germany going to find a market for in 1922 — to look no farther ahead — which will enable her to make the payment of between £150,000,000 and £200,000,000, including the export proportion which will be due from her in that year?

Germany's five principal exports before the war were iron, steel, and machinery, coal and coke, woolen goods, and cotton goods. Which of these trades does Paris think she is going to develop on a hitherto unprecedented scale? Or, if not these, what others? And how is she going to finance the import of raw materials which, except in the case of coal and coke, are a prior necessity to manufacture, if the proceeds of the goods when made will not be available to repay the credits?

I ask these questions in respect of the year 1922 because many people may, erroneously, believe that while the proposed settlement is necessarily of a problematic character for the later years — only time can show — it makes some sort of a start possible. These questions are serious and practical, and they deserve to be answered. If the Paris proposals are more than wind, they mean a vast reorganization of the channels of international trade. If anything remotely like them is really intended to happen, the reactions on

the trade and industry of this country are incalculable. It is an outrage that they should be dealt with by the methods of the poker party.

One other aspect of the situation deserves mention. A sum of £200,000,000 gold — to take the sum more immediately in question — represents at the present rate of exchange more than 50 milliards of marks. The present revenue of the Central government of Germany is about 30 milliards, and its expenditure about 100 milliards. Thus, the Finance Minister of that country, if he is to pay what he owes, will be set the problem of trebling his revenue and at the same time halving his expenditure. And then, a few years later, he will have to double his revenue again. We are once more in the region of the fantastic.

And if he does n't, what is to happen then? According to some of the papers, the Reparation Commission is to step in, collect the Customs, and levy the taxes! What a temptation to him to ask them in at once! The proposal, if it has been made, is a very good instance of how, when the mind has left solid earth and is traveling in imaginary realms, one idea is just as good as any other.

Nevertheless, the postponement of the consideration of effective penalties constitutes Mr. Lloyd George's solid triumph at the recent conference. He has yielded to the French, only things which cannot possibly happen, and has succeeded, so far, in withholding his assent from things which could happen.

It is not yet clear what relations these new proposals are supposed to bear to the treaty. Apparently, they supersede it. They introduce elements for which the treaty does not provide. They require, therefore, the acceptance by Germany of a new treaty. It is not possible to compare, exactly, the money

burden of them with that of the treaty. I estimate that they are somewhat less — two thirds to three quarters of the treaty demands.

But so long as they are very excessive, the precise degree in which they are excessive is not important. So long as our demands bear no relation to the facts, their precise form is not significant. These proposals bring us, therefore, no nearer to settling Europe's problem.

The interested parties are no better placed for calculating what Germany is really going to pay, so as to make their plans accordingly. The re-establishment of normal economic life is put off for another period. The next act of the play must wait until the end of February, when there is to be a conference in London attended by Germans. They, at least, will, presumably, treat it seriously. For anything which they agree to now will have a moral authority which the treaty can never have.

Perhaps Mr. Lloyd George reckons that this will give him another chance of achieving what is sensible. He thinks, perhaps, that he has brought the French one step along his way, and that that has been very clever of him; that his critics are tiresome and unhelpful, and that, as usual, he is doing his best.

But we shall never escape from the coils we have got into by any shift or trick. Surely, the truth will have to come out some day. Surely, there is no method for a situation like this, except to proclaim it sincerely. The thought of the two Prime Ministers in Paris muddling over silly formulas, with M. Loucheur buzzing about between them — formulas which they all know to be silly — is, for anyone who realizes what it is like, a thought of gibbering nightmare.

[*Giornale d'Italia* (Rome Neutral Conservative Daily), *February 1*]

THE BOLOGNA REPORT

[This article consists of the extracts quoted in Italian press summaries of the report of a Commission of the Italian Parliament, appointed to investigate the disorders in Bologna last December. The report was signed by all the members of the commission except the representative of the Socialists. The Bologna disorders were typical of similar incidents which have occurred in Italy more recently.]

For several years, the Socialist Party in Bologna has, except for a few incidents, confined itself strictly within the limits of legal agitation. It has directed its efforts to gaining political control of the province, and to improving the economic and moral condition of the working classes, particularly those engaged in agriculture. However, very recently, Bolshevik and Extremist tendencies have begun to manifest themselves strongly in party policies. Violence is openly advocated, and so far adopted in practice as to give a new character to the class struggle. Strikes have multiplied and frequently assumed a political character.

Both the Socialist Party and the Trade Unions, which form the backbone of this party, have been particularly active of late in their efforts to preserve, strengthen, and extend the monopoly of labor which they have been recently acquiring.

To this end, there has been a determined campaign, pursued with the utmost energy and vigor, to secure absolutely united action among the proletariat, and to crush all efforts at resistance on the part of the bourgeoisie.

With this in view, these organizations insist that workingmen in both agriculture and general industries shall be hired only through the employment offices of the unions. Many other de-

vices have been perfected to coerce workers who refuse to join the Red organizations, and employers who attempt to resist their control.

In this campaign, the workers have resorted increasingly to the boycott. The latter has long been familiar in some parts of Italy. It consists in excluding the person, or family, boycotted from every means of making a living in the community where it resides.

A proprietor or a tenant who is boycotted cannot get men to work for him, or procure supplies and necessities, or sell his products; in some cases, he is even refused medical attendance for himself and his family.

Since some country families live under conditions which enable them to resist a boycott, though with great inconvenience and loss, the Socialists have of late utilized their control of public offices and the strength of their organizations, to render the practice still more oppressive and insufferable. They have even prevented persons under boycott from traveling about and from carting goods over the public highways. As a result, the situation has become absolutely intolerable in some communes.

Added to the boycott of late has been another practice, that of imposing fines. These assume the form of special or personal imposts.

A free laborer who, compelled by extra-legal measures, or yielding to considerations of self-interest, sought to join a labor organization after a victorious strike, was required to pay an admission fee several hundred lire higher than the normal fee. The argument was that he would enjoy the benefits acquired by the organization, without having made the same sacrifices as the older members.

Fines upon landlords and tenants were imposed for violating agreements