

How to Secure the German Indemnity

The current contribution to the "Old Timers Series" is from the pen of JOHN S. CODMAN, Boston business man, musician, sports enthusiast and indefatigable worker in the cause of economic enlightenment. Mr. Codman's article is reprinted from the April, 1919, issue of The Dial, popular liberal monthly of its day. The basic principle enunciated therein are as applicable today as when voiced by the author twenty-four years ago.

It is the article only—not the author—that qualifies as an "old timer." Though the calendar may suggest seventy-five or so, calendars are notorious liars in such matters. Mr. Codman's interests are as keen as ever and his facility at pungent and effective writing no whit dulled, as his article, "The Three Basic Rights," in the March issue of THE FREEMAN abundantly proved.

★ EVERY man who will allow his reason full sway rather than his passions and emotions, every man who cares more about the restoration of Belgium and France and the other countries devastated by the Germans than he does about punishing the Germans for the devastation, must realize that the only practical way to secure the great financial indemnity demanded on behalf of the devastated countries is to set the German people to work in productive enterprise. There is, however, a real fear that if this be done the payment of the indemnity may turn out to be a boomerang injuring those who receive it more than those who pay it. This fear among the statesmen of the Allied nations is well expressed by Lloyd George in a speech made at Newcastle on Nov. 29 last, in which he said that Germany must pay the cost of the war up to the limit of her capacity, and then uttered these words: "But I must use one word of warning. We have to consider the question of Germany's capacity. Whatever happens, Germany is not to be allowed to pay her indemnity by dumping cheap goods upon us. That is the only limit in principle we are laying down. She must not be allowed to pay for her wanton damage and devastation by dumping cheap goods and wrecking our industries." In other words, the danger appears to be that if the Germans are allowed opportunity to produce and exchange, their competition will wreck the industries of other nations, causing unemployment and disaster. Already with the end of war, unemployment is becoming a serious problem everywhere. How then can the Germans be put to work without lessening the opportunities of employment for the peoples of the Allied nations?

There is one way, perhaps, of side-stepping the whole question of giving Germans employment. It can be done by excluding them altogether, or in part, from access to the natural resources of their own country and then securing the indemnity by developing those natural resources by means of Allied and American capital and labour. To be sure, we could hardly say that under such circumstances the Germans would be paying the indemnity. They would simply be deprived of the opportunity to pay; the Allies therefore would have to pay themselves, merely securing the advantage of free access to Germany's natural resources.

In addition, in so far as the Germans were deprived of access to their natural resources, their mines, their agricultural lands and so on, they would become unable to help themselves and would therefore starve or become the objects of Allied and American charity. Neither of these alternatives can be considered. On humanitarian grounds alone the first alternative is out of the question; and further, in either case, a stupendous army of occupation would be required to war upon the German people whether the object were to pauperize them or to starve them. We cannot avoid, therefore, giving employment to the German people if we desire the indemnity paid, and the larger the indemnity demanded the greater must be the opportunities afforded to German labour.

It might be thought, however, that if German labour must be employed, then at least it should not be employed for the profit of German capitalists, but should be employed directly in the service of the Allied nations; and it might be suggested, therefore, that Allied capital, or confiscated German capital, or both, should be used in the employment of Germans in Germany. But to this suggestion of directly diverting capital to the employment of Germans in Germany all the labouring men in every Allied country would protest. They will insist that, at this time of all times when employment appears to be scarce, all capital available shall be employed at home.

Another plan of securing reparation, which has actually been suggested, is that German labourers shall be forced to go into Belgium and France and there be made to repair the actual damage done, rebuilding the shattered cities and towns, repairing the damaged mines, and restoring the devastated fields. This would look like stern justice to some people, who fail to consider that the particular Germans forced into this slavery would almost surely be those least responsible for the outbreak of the war and the atrocities committed in carrying it on. Justice aside, however, it is certain that any such plan would be condemned at once by the labouring classes of the devastated regions. They would no more permit their jobs to be taken away from them in this way by Germans than they would permit the government to use convicts as strike breakers. This plan, too, is entirely out of the question.

It appears then that after all it will be necessary to permit the Germans to exploit their own resources by their own labour and capital; and that the more quickly and effectively they are able to produce, the more quickly will the Allies receive the indemnities demanded.

But does it follow that the Allied nations and ourselves should trade with the Germans? If it will enable the Germans to produce more quickly and effectively, it would seem that the Allies ought to allow trade with them, and we also, if we desire to help the Allies; but if, as Lloyd George seems to think, the dumping of cheap goods will wreck British industries, or our industries, then surely we ought to think twice about it. How to secure indemnity to a nation without injuring the nation getting the indemnity, seems in truth to be a real puzzle despite the apparent absurdity of the idea at first thought. It may be that Lloyd George, in warning against the dumping of cheap goods, refers only to the practice of selling goods in a foreign country at less than the cost of production. This seems unlikely, however, since any goods cheap enough to be imported from Germany, whether sold at less than cost or not, would, if imported, displace similar goods in the markets of the importing country and would, therefore, be just as likely to wreck home industries.

What is more, it would seem that cheap goods from France or Italy or from this country would also wreck the industries of Great Britain. If, therefore, Lloyd George is to allow the importation of such goods, he is in the position of permitting the destruction of British industries out of deference to his Allies; or if, on the other hand, the danger from cheap goods is imaginary, he is then in the position of penalizing the Germans for no reason at all—with the result that they will be less able to pay the indemnity.

In fact, if the cheap goods argument is not a fake, it might be suggested that a good way for the Allies to deal with Germany would be to prevent her from exporting anything to the Allied countries and at the same time to forbid the German government to establish a tariff on Allied goods imported into Germany. In this way it might be argued that the cheap goods would go into Germany instead of out, and thus it would be the German industries that would be wrecked rather than those of the Allies.

The first objection to this suggestion is that wrecking German industries would hinder the payment of the indemnity. Second, however, and more important, the plan would not work out as above supposed because if the Germans could not export anything they would have no means of paying for the imports, and for that reason no imports would there be.

To some it would seem that the best plan would be to allow nature to take its course, or in other words to permit trade between the Germans and other peoples without governmental interference. It is certain that if this were done, trade would soon spring up not only between Germans and English, between Germans and Americans, but also even between Germans and French. Unless trading is mutually advantageous to the traders,

it will not take place. On the other hand, if mutually advantageous, nothing will stop it except direct governmental interference. Perhaps the interference of government with the trade of its citizens may not always be harmful, but at all events it is certain that if the Allied governments are all going to put restrictions on German trade, the Germans will not be able to pay the indemnity as soon as they otherwise could. Unless they can import raw materials, their industries cannot prosper, and unless they can export their manufactures to pay for the imports, then they cannot obtain the raw materials. They will have to be sufficient unto themselves, using only their own raw materials which are limited in character; thus their productive powers will be stunted and the indemnity will be hard to exact. Moreover, too much economic pressure on the German people will drive them into a bloody revolution; then all hope of getting reparation for Belgium, France, Serbia, Poland, and Roumania will be gone.

The conclusion seems to be unavoidable that the Allies ought, for their own sake, to permit the Germans to exploit their own natural resources with their own labour and capital, and ought to accord them also liberal trading privileges in order to increase their productive power. The Allies might very wisely go even further, however, and in order to insure that the productive power of the Germans shall be increased to a maximum, they might dictate to them just how the revenue required to run the government and pay the indemnity should be raised. The Allies may well insist that the method adopted be one that will stimulate productive effort, that will encourage the enterprising and industrious Germans, and will prevent the monopoly of economic opportunities.

This can best be done by making all owners of agricultural land, of mines, of water power, and of valuable urban sites pay over for the benefit of the Allied governments as indemnity the full rental value of the exclusive privileges enjoyed through such ownership. These payments should not include rental for agricultural improvements, nor for mine shafts and machinery, nor for hydro-electric installations, nor for buildings of any kind, but only rental for the privilege of exclusive access to natural resources.

Such a plan ought to be welcome to the great mass of the German people. Sentimentally, it would make little difference to the factory hands, to the peasants, to the tenant farmers, to the employers, and to the owners of German capital if the rent which had in any case to be paid to the discredited Junker and landlord class were simply passed on to the allies to settle the indemnity. Practically, however, the plan would be of great advantage to the productive and enterprising classes since, in the first place, they would be relieved of taxation to just the extent that the Junkers had to pay; and—what is more important—access to natural resources would no longer be open to them only at exorbitant prices, or closed to them altogether. The power of the land-owning class to withhold natural resources from use or to demand for their use industry-prohibiting rentals would be broken. Being obliged to

pay over to the Allies the full rental values of the natural resources, whether used or unused, the land-owning class would be under the imperious necessity of renting or selling to the industrious classes, or of giving them employment. No longer would it pay to own land and other natural resources merely to draw tribute from others.

The plan would redound enormously also to the advantage of the Allies. With free access to the natural resources and raw materials of industry, unemployment among the German people would largely disappear. With the German people all busily engaged in productive enterprise, the indemnity which the Allied nations desire to obtain as quickly as possible would be forthcoming in a remarkably short time, and the fear, moreover, that Germany might become a plague spot of revolution and anarchy, or be restored to its former autocratic masters, would soon fade away.

At this point, however, the reader may protest that if this plan be carried out, the German people, freed from the shackles of monopoly, will be on the high road to become the most prosperous and happy people in Europe, if not in the world—and this as a reward for their guilt in bringing on the most criminal assault

on civilization in all history. True, but nevertheless the Allied peoples will have got what they wanted, namely, quick payment to the people of the devastated regions and a stable government in Germany, one neither aggressive nor anarchistic because of the happiness and contentment of its people.

If, finally, the question arises, how then should the Allied peoples gain an equal prosperity and contentment, the answer is plain: Let them, too, destroy the monopoly of their natural resources by forcing the holders to pay in full for the value of their privileges, payments not to be made to any foreign governments, but to their own governments to be used for the benefit of all the people. Then the preposterous phenomenon of unemployment will disappear from among the Allied nations as well as in Germany; the labouring classes, freed from the competition of the unemployed, will secure the full value of their labour; and the great captains of industry, freed from monopolistic exactions, will be able to establish greater industries than the world has yet seen, in which the savings of the workers will be invested.

Then will the time come when a League of Free Nations will be in truth a permanent reality and the peace of the world will be definitely assured.