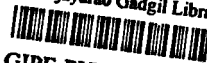


**THE DAWES PLAN
AND
THE NEW ECONOMICS**

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BY
GEORGE P. AULD

*Former Accountant General of the
Reparation Commission*

WITH FOREWORD BY
RUFUS C. DAWES



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To the Memory of
MY FATHER

FOREWORD

THE author has chosen an opportune moment to set forth in this book the basis of the Dawes Plan, its actual accomplishments and the outlook for its continued successful operation. The subject is of great importance to the business of the world because of its vital connection with the movement of commerce and the flow of credit, and it is of serious interest politically to all the governments of Europe and to the United States. At present, this importance and this interest are greater than at any time since the first few months of the operation of the plan.

The announced purposes for which the Committee of Experts was convened have already been fulfilled. Those purposes were the stabilizing of Germany's currency and the balancing of her budget. By the coöperation of the governments signatory to the plan, German statesmen and financiers have been enabled to accomplish these results. In addition, toward the fulfillment of the broader purposes of the plan, great progress has been made. For three years the subject of reparations has been removed from the sphere of acrimonious debate in the parliaments of the world, confidence has to

a considerable extent been restored, and long steps have been taken toward the restoration of normal relationships in the movement of credit and the goods of commerce.

The third year of the reparation settlements under the Dawes Plan has been completed and in less than another twelve months the period of maximum payments will begin. There have been numerous prophecies of failure and the date of the predicted failure is now drawing near. Public and private discussion of the subject is noticeably mounting, month by month. What are the probabilities of the continued operation of the plan, what would be the consequences of its collapse, and what agreements or agencies could then take its place, are questions on which all bankers and business men and all the statesmen of the world need and desire every means of forming a sound judgment.

The author of this book is admirably equipped to supply and interpret the information necessary to reach such a judgment. Mr. Auld was graduated with honours from the University of Vermont. He served during the war in the United States Navy as a regular officer of the Supply Corps and Chief Accounting Officer of the Navy and received decoration for distinguished service. He was attached to the American Commission to Negotiate Peace in 1919 as an assistant financial adviser. From 1920 to 1924 he was Accountant General of the Reparation Commission and in September and October of the latter year he assisted Owen D. Young in installing

the Dawes Plan. He is now associated with a well-known firm of certified public accountants in New York City. He has been an active participant in the world-wide discussion of reparations, contributing to newspapers and magazines both in England and the United States. His article in *Foreign Affairs* (New York) under the pen-name of "Alpha," which appeared prior to the organization of the Committee of Experts, attracted wide attention and favourable comment. The reputation, thus gained, for independence of thought and clearness of expression has been well sustained in articles that have appeared since that time.

This book, the reader will discover, is not only timely but informing, clarifying, and convincing. Just as "Alpha" in 1923 gave a new direction to the discussion of reparations, so, in this book, with the same courage and independence, Mr. Auld presents a new, vigorous, and hopeful discussion as to the effect of the revived movement of international credit. The position taken in both cases is essentially the same, but it is now fortified by the course of events.

RUFUS C. DAWES.

Evanston, Illinois,
September 8, 1927.

PREFACE

SINCE a few months after the signing of the Treaty of Versailles an influential school of thought has been committed to a body of doctrine built around the proposition that the mechanics of exchange will seriously hinder or prevent the "transfer" of German reparation payments into foreign currencies suitable for use by Germany's creditors. The various ideas of this school have been best set out in the writings of certain English economists, notably in those of J. M. Keynes, who outlined these doctrines in two widely circulated books, *The Economic Consequences of the Peace* (1919) and *A Revision of the Treaty* (1922).

The conclusion to which these ideas pointed, and still point, is cancellation of the reparation debt—not in due time when the continued payment of reparations shall have accomplished its purpose, but prematurely, in the near future, as an unavoidable consequence of the operation of economic law. Further than that, on the principle that something which is bound to come in the near future would better be brought to pass right away, immediate cancellation has consistently been the avowed aim of many of this school.

Acceptance of the proposition that the transfer of payments cannot continue has led to two other conclusions, both of which follow logically from the premise. These are that it is useless to ask whether justice and the highest expediency do not recommend reparations as a means of relieving the disproportionate burdens laid on France by the war; and that it is superfluous to try to find out what those burdens really amount to in comparison with those of Germany. These considerations being irrelevant, that which remains as a basis for international policy is simply to persuade the French that their burdens are inevitable and that the ills attendant on carrying them without relief should be borne with equanimity.

Outside of France these views gained a powerful hold on economic thought during the bitter controversy which in 1923 culminated in the occupation of the Ruhr; and in England they determined national policy on the reparation question. That policy may be said to have represented the attempt of economic science to solve a problem compounded in reality not only of economic factors but also of elements deeply concerned with social philosophy, the political arts, and the practices of international conciliation. The science of economics, working through the channels of British foreign policy, conspicuously failed to cope with it.

It failed not solely because the problem was broader than science, but also because in the field

of economics itself only a single aspect, generally speaking, received attention, and that aspect was seen indistinctly. For the supposed new law regarding foreign exchange was only a half-formed hypothesis. It succeeded among economists almost too well. It was enthusiastically acclaimed and passed into the portals of the science before it had been tested. And this began to have its embarrassments. For, where the hypothesis conflicted with the teachings of economic history, the latter had to be ignored, and where it failed to fit in with economic facts currently appearing in related aspects of the problem, other hypotheses had to be hastily constructed for the purpose of explaining those facts away.

With the coming of the Dawes Plan in 1924 these doctrines suffered a temporary eclipse. A majority of the members of the Dawes Committee were business men of large outlook and broad experience in affairs, and the plan that emerged was founded on the proposition that reparations ought to be and could be paid. But many of the other school remained unconvinced that the plan would work, and to-day they are confidently predicting its collapse in the year commencing September 1, 1928.

The doctrine of the mechanical impossibility of debt payment and its related doctrines, when dissected, are seen to be based on misconceptions regarding the nature of world economic relations and the effect of the war upon those rela-

tions. By reason of the new position of America as the great producer of surplus capital, none of the difficulties heretofore predicted as being close at hand have yet appeared. The loans being made to Germany by American investors are performing a dual function. In their broad economic significance they are rebuilding Germany. At the same time, in the mechanical aspect of exchange, they are providing, in a wholly natural way, the dollar exchange against which the reparation payments are being transferred out of Germany. We are warned, however, that this cannot continue—that it is abnormal and dangerous for all concerned. This warning is the latest and at present the most crucial form which the doctrines of disaster have taken. Like its predecessors, it will not stand the test of careful examination.

All these ideas, however, have elements of plausibility, they command a certain measure of belief in high places, and, in consequence, they are potentially destructive. For the Dawes Plan and the system of investment of American capital abroad, which now meshes in with it, operate as integral parts of the world credit structure. That structure rests on public confidence and that confidence these doctrines directly attack.

The breakdown of the Dawes Plan, which the dissemination of this philosophy promotes, would be a grave misfortune to the Allies, to Germany and, in a less but still substantial degree, to the

United States. France needs reparations, and the French are unable to see any good reason why, in a world at peace, with good faith and judgment in control at strategic points, France should not be paid. A crisis in Franco-German relations such as would be precipitated by a suspension of reparation payments could scarcely fail to have seriously adverse effects on the recovery of Europe, on our own export trade, and on the fortunes of our investors.

As these words are written, Mr. Keynes provides a clear-cut text for much that appears in this book. In *The New Republic* of August 3, 1927, he says: "Dates which were distant creep nearer. The Dawes Plan will break down according to schedule. The question is—what will be the price of its modification? How considerable a crisis will have to be provoked in Germany's affairs before the facts are admitted? . . . It is probable that the authors of the Dawes Plan did not expect their scheme to work."

That a renewed agitation over reparations was due has been clear for some time. The words just quoted indicate that it is definitely under way. Like previous movements of the kind, it will gather up within it not only those who believe the transfer of reparations to be impracticable but also those who hold various special views in opposition to the purposes of the plan, including not a few who feel that the required payments throw an unfair burden on Germany. A new class which the move-

ment now beginning seems also to be attracting consists of those who imagine that the transfer of reparations will in some way interfere with the transfer of interest and of capital repayments on Germany's foreign commercial debt.

Placed in its proper background, this agitation will prove harmless. To provide such a background for American readers has been one of the chief aims in the writing of this book. An understanding of the nature of capital and its movements in the world system gives to the dark prognostications which are being uttered on the subject of transfers and loans the appearance of mere superstitions. And a study of the effect of the payments under the plan on the burdens of the principal nations concerned indicates that the fairness of the settlement cannot reasonably be impeached.

The American attitude will be the greatest single factor in the chapter of the reparation controversy that is now opening. Our investors, manufacturers, and farmers have important interests at stake, and the weight of their combined influence on European affairs is prodigious. The guarantee that the Dawes Plan will stand the coming test lies in the intelligence of the American public, in the capacity of the layman—the true practitioner of economics and the real moulder of economic forces—to form his own judgments.

Two Americans, Charles G. Dawes and Owen D. Young, played a great part in the making of the

plan. The American people have had confidence in the fairness and practicality of the settlement that was so largely the work of those men. If the weight of opinion in this country remains in the scales on the side of sanity and stability, nothing but the unlikely contingency of a campaign of out-and-out repudiation can seriously threaten the plan and the movement toward world recovery that it promotes.

G. P. A.

New York, August, 1927.

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TABLE I
NATIONAL DEBT INCURRED BY GERMANY
 (See text, pp. 232-237.)

	DEBT INCURRED (billions of marks)		(a) DOLLAR VALUE OF MARK	DOLLAR VALUE OF DEBT AS INCURRED (billions of dollars)	
INTERNAL PRE-WAR DEBT (amount at 1914).....		5.0	(gold par) .238		1.2
INTERNAL WAR DEBT:					
1914.....	8.0		.235	1.9	
1915.....	21.2		.206	4.4	
1916.....	28.3		.183	5.2	
1917.....	34.5		.141	4.8	
1918.....	47.3		.159	7.5	
Total.....		139.3	.171		23.8
INTERNAL POST-WAR DEBT:					
1919.....	32.2		.032	1.0	
1920.....	67.5		.017	1.2	
1921.....	93.5		.012	1.1	
1922 (first 3 months).....	24.5		.0045	.1	
1922 (last 9 months).....	(b)		.0016	.3	
1923 (first 9 months).....	(b)			.3	
Total.....		217.7			4.0

TOTAL INTERNAL DEBT (extinguished by inflation and demonetization of old mark)		(c) <u>362.0</u>		39.0
GOLD LOANS OF LATE 1923	45			
OTHER NEW DEBT INCURRED SINCE STABILIZATION TO MARCH 31, 1927	3.95			
Total new debt		(d) 4.40		
Less foreign loan of 1924, repayable out of reparation annuities		<u>.90</u>		
Net new debt		3.50	(gold par) .238	.8
REPARATION DEBT (estimated value at 4% of annuities under the Dawes Plan—see text, page 220)		<u>37.80</u>	(gold par) .238	<u>9.0</u>
TOTAL				<u>38.8</u>

Total debt incurred, 38.8 billion dollars.

1920 population, 60,800,000.

Per-capita debt incurred, \$638.

Equivalent to 34.9 months' pre-war income (income estimate by Helfferich)
(see general note appended to Table III).

(a) Yearly average New York cable rates, per *Harvard Review of Economic Statistics*, Supplement, December, 1926. Rates for 1917 and 1918 are calculated through the Amsterdam dollar and mark rates on each July 4—see *London Economist*, July 6, 1918. Rate of .0045 for 1922 is the average for the first three months (average for the year .0023).

(b) No attempt is made to deal with mark debt incurred during the period of extreme inflation in 1923 as the data are meaningless. This condition affects also the last nine months in 1922, since the debt figures are not separately shown in *The German Statistical Year Book* (1923, p. 357), but are merged with those for the three months ended March 31, 1923. In the above table estimated gold figures are inserted for the eighteen months in question on the same basis as the debt incurred during the first three months of 1922.

(c) Total debt incurred and extinguished by inflation, 362 billion marks to March 31, 1922, see *French Public Finance*, Harvey E. Fisk, Bankers Trust Co., New York, 1922, p. 138. Mr. Fisk's yearly totals, which cover fiscal years ending each March 31st, have been adjusted above to calendar years on a proportionate basis.

(d) Post-inflation debt, total 4.4 billion marks, from *European Economic and Political Survey*, American Library in Paris, 10 rue de l'Élysée, June 15, 1927, p. 659.

TABLE II
NATIONAL DEBT INCURRED BY FRANCE
 (See text, pp. 232-237.)

	DEBT INCURRED (billions of francs)		(a) DOLLAR VALUE OF FRANC	DOLLAR VALUE OF DEBT AS INCURRED (billions of dollars)	
INTERNAL PRE-WAR DEBT (amount at 1914).....		34.0	(gold par) .193		6.6
INTERNAL WAR DEBT:					
1914.....	5.0		.195	1.0	
1915.....	17.0		.148	2.5	
1916.....	19.0		.132	2.5	
1917.....	20.0		.126	2.5	
1918.....	49.0		.116	5.7	
Total.....		110.0	.129		14.2
INTERNAL POST-WAR DEBT (including reconstruction debt, see Table V):					
1919.....	36.0		.110	4.0	
1920.....	35.0		.070	2.4	
1921.....	17.0		.075	1.3	
1922.....	21.0		.082	1.7	
Total to end of 1922 (b).....	109.0		.086	9.4	
1923.....	24.5		.061	1.5	
1924.....	6.8		.052	.3	
1925-6 (to August 31, 1926).....	2.2		.042	.1	
Total.....		142.5	.079		11.3

TOTAL INTERNAL DEBT INCURRED.....	(c) 286.5	.112		32.1
RECONSTRUCTION DEBT STILL TO BE INCURRED (estimate by Louis Loucheur, see Table V).....	12.5	.040		.5
TOTAL INTERNAL DEBT INCURRED AND TO BE INCURRED.....	299.0	.109		32.6
FOREIGN MARKET BORROWINGS (high point, December 31, 1918).....				1.8
DEBT TO UNITED STATES GOVERNMENT:				
Face value.....		3.3		
Interest in arrears, to be funded (as of June 15, 1925).....		.7		
Total nominal amount.....		4.0		
Less amount cancelable through reduction of interest rates under unratified Mellon-Bérenger Agreement of April 29, 1926.....		1.9		
Net debt (value of Mellon-Bérenger annuities, calculated at 4%).....			2.1	
DEBT TO BRITISH GOVERNMENT (face value £653,000,000).....		3.2		
Less amount cancelable under unratified Churchill-Caillaux Agreement of July 16, 1926.....		1.8		
Net debt (value at 4% of Churchill-Caillaux annuities).....			1.4	3.5
GROSS DEBT INCURRED.....				37.3
Less interally debts receivable (excluding Russian debt) 6.6 billion francs at gold par .193.....		(d) 1.2		
Less reparation debt receivable (53% of 9 billion dollars, see text, page 220).....		4.8		6.0
TOTAL.....				(b) 31.3

Total debt incurred, 31.3 billion dollars.

1920 population, 38,500,000.

Per-capita debt incurred, \$813.

Equivalent to 35.2 months' income (income estimate by Pupin). (See general note appended to Table III.)

(a) For 1914 and from 1920 on, yearly average New York cable rates are used. For the years 1915 to 1919, the exchange value of the franc was higher than its real value, owing, in at least a portion of this period, to artificial support of the franc exchange (1915 rate, .1797; 1916, .1697; 1917, .1731; 1918, .1780; 1919, .1368). The value used in the table has, therefore, been computed by dividing the par value of the franc by the French wholesale price index number for the year, which gives 1913 dollar equivalent, and the latter has been multiplied by the United States wholesale index number to give current dollar equivalent, thus: $\frac{\text{U. S. Index}}{\text{French Index}} \times .193$. This method may be tested for years in which artificial control of the exchange was not exercised and will be found to give a result approximately equivalent to the exchange rates. For example: In 1924, the French index number was 488; in other words, the franc was worth only about a fifth of pre-war. It could have bought only about a fifth of 19.3 cents, or 3.95 cents. But those cents had themselves depreciated in value against commodities. In 1924, they could buy only about $\frac{1}{3}$ of what they bought in 1913, as indicated by the American 1924 index number of 139. Multiplying 3.95 by 1.39, we find 5.49 cents to represent the true 1924 parity of the franc. The average exchange rate for that year was 5.23 cents. The absence of index numbers for Germany during the years 1915-1918 makes it impossible to test the real value of the mark during those years. The index numbers used in this table are taken from the *Harvard Review of Economic Statistics*, as follows: Bradstreet's United States index, 1915, 107; 1916, 128; 1917, 170; 1918, 203; 1919, 203; and *Statistique G n rale* French index, 1915, 140; 1916, 188; 1917, 262; 1918, 339; 1919, 356. See further on this subject Professor Gustav Cassel (*Enc. Brit. New Vols., I, 1086*) who demonstrates that "the rate of exchange is determined by the quotient of the purchasing powers of the currencies."

(b) While a comparison of this table with Table I (Germany) shows the reasonable basis of the settlement effected by the Dawes Plan, as the facts now appear, it does not reconstruct the situation as it stood at the end of 1922, when the French declined the British proposal to cut the German reparation debt to 11.9 billion dollars (French share, 6.2 billions). At August 31, 1922, the French Treasury stated that it had spent 55 billion francs for reconstruction, and that it estimated that the remaining costs would be another 55 billion francs (a total of 110 billion francs as compared with 100 billion, the probable final figure now—see Table V). The average dollar value of the debt incurred to 1922 was

.086 per franc. There was no general expectation among the French at that time of a demonetization of the franc to a low level, and the completion of the work as then estimated would have resulted, on the basis of the exchange rates ruling in 1922 (.082), in a total cost of 9.2 billion dollars. The total cost, as it now appears (see Table V), is 7.4 billion dollars. The obligations faced by the French in 1922, therefore, appeared to be greater than those shown in the above table, by 1.8 billion dollars for reparations, as well as by 1.9 billion dollars for the American debt, since the concession of that amount by the United States was not made until 1926. (The concession by England on the French debt, however, had been offered in connection with the British reparation proposal of 1922, in an amount of about a billion dollars.) In addition, there was serious doubt, in the conditions then prevailing, whether the interally debts receivable, shown above at 1.2 billion dollars, had any value at all. Taking these factors into consideration, the position of France on debt accounts appeared in 1922 to be nearly 5 billion dollars more unfavourable than as shown above.

(c) Year by year borrowings to 1921 from Harvey E. Fisk, *op. cit.* (Table I), p. 28; total to end of 1924, 284.3 billion francs, per *The French Debt Problem*, Moulton & Lewis, The Macmillan Company, New York, 1925, p. 434; total at August 31, 1926, per *European Economic and Political Survey*, January 15, 1927, p. 185.

(d) Interally debts owing to France at April 30, 1926, 6.6 billion gold francs (excluding 7.1 billion gold francs loaned to the Czarist and other Russian governments) per *European Economic and Political Survey*, January 15, 1927, p. 186. It is not entirely clear whether these obligations are in gold francs. Ambassador Béranger, in his memorandum of March, 1926, to the United States Debt Funding Commission, states them in dollars at current rate of the franc. He says that "the exact amount of these credits cannot be finally determined until a settlement has been reached with most of the countries concerned." It seems probable that the real value of these debts is considerably less than the figure of 1.2 billion dollars at which they appear in the above table.

TABLE III
NATIONAL DEBT INCURRED BY GREAT BRITAIN
(See text, pp. 232-237.)

	DEBT INCURRED (millions of pounds)	(a) DOLLAR VALUE OF DEBT AT GOLD PAR, \$4.8665 TO THE POUND (billions of dollars)		
INTERNAL PRE-WAR DEBT (amount at 1914).....	706		3.4	33.4
WAR DEBT TO MARCH 31, 1919 (net increase over pre-war debt, excluding American debt).....	(b) 5930		28.9	
POST-WAR DEBT (net increase in debt to high point at March 31, 1923).....	231		1.1	
Total.....	(c) 6867			
EXTERNAL DEBT:				
Debt payable to United States Government:				
Face value of loans.....	(c) 837	4.1		
Unpaid interest funded as of December 15, 1922.....	(c) 108	.5		
Nominal amount funded.....		4.6		
Deduct amount cancelled through reduction of interest rates.....		.6		
Value of annuities under funding agreement, at 4%.....			4.0	
Less debts receivable:				
Reparation debt owing by Germany (22.5% of 9 billion dollars, see text, page 220).....		2.0		
Debt owing by Italy (£611,000,000, face value).....		3.0		
Deduct amount cancelled by reduction of interest rates.....		2.5		
Value of annuities, at 4%, per funding agreement of January 27, 1926		.5		
Debt owing by France (value at 4% of unratified settlement, see Table II).....		1.4		

Other interally debts owing to Great Britain (balancing figure) (d)...				
Total intergovernmental debts receivable.....		.1	2.0	
NET EXTERNAL DEBT.....			4.0	0.0
TOTAL.....				33.4

Total debt incurred, 33.4 billion dollars.

1920 population, 47,000,000.

Per-capita debt incurred, \$711.

Equivalent to 23.4 months' pre-war income (Stamp's income estimate) or 19.5 months' post-war income, (income estimate by the *London Economist*, March 14, 1925). (See general note following this table.)

(a) Great Britain returned to a gold basis in 1925, and the British debt is, therefore, stated in dollars at gold par.

(b) Debt figures to March 31, 1919, per Harvey E. Fisk, *French Public Finance*, p. 139.

(c) Total of these three amounts is 7.812 billion pounds, representing the high point of the British debt at March 31, 1923. (See *Economist*, June 18, 1927, p. 1304.)

(d) Interally and other intergovernmental debts owing to Great Britain, excluding France and Italy, at the end of 1924, at face value (sterling at par) were: Russia, 5.4 billion dollars; British dominions, 640 million dollars; others, 644 million dollars. (See *The Inter-Ally Debts and the United States*, National Industrial Conference Board, 1925, p. 26.) Great Britain has given an undertaking to Italy, and has embodied a similar provision in the proposed debt-funding agreement with France, that any excess received by her from interally debts and reparations over the amounts required from year to year to meet her American debt payments will be credited pro rata to her Allies on interally debt account. If, therefore, her settlements with her other debtors (excluding Russia) should amount to, say, 500 million dollars, her total debts receivable, with those owing by Germany, France, and Italy, would come to 4.4 billions. On the basis of the above table, this excess of 400 millions would be prorated as a credit to all the Allies, bringing the French debt down to about 1.2, Italy to .4, and other Allies to .4, or a total of a billion dollars.

GENERAL NOTE ON INCOME ESTIMATES OF GERMANY, FRANCE, AND GREAT BRITAIN

For a comparison of national debt burdens, it is essential that the per-capita debt figures be related to national income. Post-war income estimates of any reliability for Germany and France, where the currencies have fluctuated widely, are unobtainable. The per-capita debt figures have therefore been carried back to a pre-war basis for comparison with pre-war income estimates. This has been done by dividing by 1.50, which is the approximate wholesale price index in the United States in 1927 (and approximate average since 1914); that is to say, pre-war prices were approximately $\frac{2}{3}$ of prices now. In price index numbering, the base, 100 (usually written without the decimal), represents 1913 prices. The post-war increase of 50 per cent. in prices is frequently referred to as a depreciation of 50% in the value of gold.

The national income figures used are as follows: Germany, 1914, £10 or \$146 per capita, estimate by Sir Josiah Stamp based on the work of Dr. Karl Helfferich of the Deutsche Bank; France, pre-war, £38 or \$185 per capita, estimate by Stamp, based on the work of René Pupin; Great Britain, pre-war, £50, or \$243 per capita, estimate by Stamp, based on the work of Bowley and Stamp. (*Journal of the Royal Statistical Society*, London, July, 1919.) An estimate of British post-war income by the *London Economist* (March 14, 1925) has also been used, viz., £90, or \$438.

TABLE IV
NATIONAL DEBTS (1927) OF GERMANY, FRANCE, AND GREAT BRITAIN
AT CURRENT RATES OF EXCHANGE

	GERMANY AT MARCH 31, 1927			FRANCE AT AUGUST 31, 1926			GREAT BRITAIN AT MARCH 31, 1927	
	MARKS (billions)	RATE	DOLLARS (billions)	FRANCS (billions)	RATE	DOLLARS (billions)	POUNDS (billions)	DOLLARS (billions at par, \$4.8665)
HIGH POINT OF INTERNAL DEBT INCURRED (see Tables I, II, and III) ..	(a) 366.4		30.0	286.5	.112	32.1	6.87	33.4
Less debt retired:								
By inflation and demonetization....	362		29.0			20.6		
By inflation.....							.12	.5
By taxation.....								
ACTUAL INTERNAL DEBT, 1927 (marks, francs, and sterling per respective Treasury statements).....	4.4	(b) .238	1.0	286.5	(c) .04	11.5	6.75	32.9
EXTERNAL DEBT, 1927:								
Germany, reparation debt (estimated value, see text, page 220).....	37.8	.238	9.0					
France:								
Market debt (per Treasury statement).....				22.5	.04	.9		

Debt to United States, net value (see Table II).....				52.5	.04	2.1		
Debt to Great Britain, net value (see Table II).....				35.0	.04	1.4		
Great Britain, debt to United States, net value (d).....							.80	3.9
Gross debt.....	42.2	.238	10.0	396.5	.04	15.9	7.55	36.8
DEDUCT:								
Germany, external loan included in reparation debt.....	.9	.238	.2					
France, reparations and interally debts receivable.....				150	.04	6.0		
Great Britain, reparations and interally debts receivable.....							.80	3.9
NET DEBT, AT CURRENT RATES OF EXCHANGE .	41.3	.238	9.8	246.5	.04	9.9	6.75	32.9

Germany, 9.8 billion dollars, \$161 per capita; equivalent to 8.8 months' estimated pre-war income. (c)
 France, 9.9 billion dollars, \$257 per capita; equivalent to 11.1 months' estimated pre-war income. (c)
 Great Britain, 32.9 billion dollars, \$700 per capita; equivalent to 23 months' estimated pre-war income or 19.2 months' estimated post-war income. (c)

General Note. For reasons set forth in the text pages 232-237, the above comparison of current debts at current exchange rates has not the same true significance to the subject of relative burdens as the comparison based on Tables I, II, and III.

(a) See note (b) Table I.

(b) Present German debt at par.

(c) The rate of exchange used for the franc, namely, .04 (current rate, June, 1927) represents the value at which in June, 1927, it seemed likely that the franc might ultimately be permanently stabilized.

(d) The British debt to the United States stated above at 3.9 billion dollars is carried in all official accounts at its face value, without taking into consideration the effective reduction of 600 million dollars through reduction of interest rates (see Table III). As funded in 1922, the face value was 4.5 billions; since that date, 100 millions of the principal has been retired by the British, by taxation, leaving a face value of 4.5 billion dollars at the end of 1926.

(e) Income estimates, see general note appended to Table III.

TABLE V
COST OF RECONSTRUCTION TO FRANCE

	FRANCS (billions)	DOLLAR RATE	VALUE IN DOLLARS (billions)
RECONSTRUCTION DEBT INCURRED, 1919-1924:			
For repair of damage to private property.	(a) 59.3		
For repair of damage to railways and public property and for costs of administration.	(a) 12.7		
	72.0	(b) .079	5.69
RECONSTRUCTION DEBT INCURRED, 1925 (estimated portion of total debt of 2.2 billion francs incurred 1925-1926, see Table II) ...	1.5	.048	.06
ESTIMATED COST TO COMPLETE RECONSTRUCTION, 1926 (£100,000,000) (c)	12.5	.040	.50
Total property damage.	(d) 86.0		6.25
DEBT INCURRED TO DECEMBER 31, 1924, FOR PAYMENT OF INTEREST:			
On loans contracted for reconstruction and for pensions	(a) 19.0		
On indemnities.	2.6		
Total.	21.6		
Less estimated amount applicable to pensions (§).	(e) 7.2	(b) .079	1.14
TOTAL EXPENDED AND TO BE EXPENDED.	100.4	.074	(f) 7.39

(a) *Émile Mireaux, Director of the Society for Economic Studies and Information, Paris, and Associate Professor at the University of Paris (Enc. Brit., New Vols., II, 103).*

(b) *Average rate at which the entire French post-war debt 1919-1924 was incurred, see Table II.*

(c) *Work remaining to be done estimated at £100,000,000 by Louis Loucheur, former French Minister for the Liberated Regions (Enc. Brit., New Vols. (1926) II, 106).*

(d) *In March, 1926, Ambassador Brénger estimated that the total approved claims for indemnities for the liberated regions would amount to 83.5 billion francs, of which he stated that 65 billion had been paid out to June 30, 1925. This estimate was arrived at as follows: of the total individual claims submitted, amounting to 123 billion francs, 106 billion had been examined and allowed in the sum of 72 billion, or 68% of the amounts claimed. Applying 68% to 17 billion unexamined claims gives 11.5 billion still to be allowed, or a total estimated cost of 83.5 billion. (p. 49, English text of his memorandum presented to the United States Debt Funding Commission, published by the Reference Service of the American Library in Paris).*

(e) *Reconstruction and pension costs, recoverable from Germany under the provisions of the Treaty, were financed by loans. The costs to December 31, 1924, as stated by Prof. Mireaux, were 72.0 billion francs for reconstruction, as shown above, and 36.4 billions for "damage to persons," a total of 108.4 billions. This plus 21.6 billion francs interest comes to 150 billion francs all of which is apparently represented by public debt, since Professor Mireaux states that 45% of the French internal debt (amounting in all to 284 billion francs) "comes from the expenditure for the reparation of war damage." He adds that "one sixth of the French budget was devoted in 1926 to the service of this debt."*

(f) *The original estimate of damage sustained which was submitted in February, 1921, by the French government to the Reparation Commission, was made in gold francs, pre-war value, amounting to 6.7 billion pre-war dollars. With interest at 5% to May 1, 1921, amounting to 800 million dollars, the total came to 7.5 billion dollars. The equivalent to-day would be 11.5 billion dollars. The estimate, which filled a book of 1,100 pages, was based on, among other things, a survey of real property of all the cities and communes of France made for tax purposes in 1910 on the basis of actual sale values. (See note, p. 96 above.)*