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From John Maynard Keynes, *Economic Consequences of the Peace* (1920)

Modern History Sourcebook: <http://www.fordham.edu/halsall/mod/1920keynes.html>

John Maynard Keynes (1883-1946) was an important English economist. In his The Economic Consequences of the Peace he attacked the effects of Versailles Settlement for its effects on Germany. His remarks were probably correct, but it is also probably that discomfort among the intellectual elite of the victor countries contributed to a lack of resistance when Hitlerism took over Germany.

This chapter must be one of pessimism. The Treaty includes no provisions for the economic rehabilitation of Europe, - nothing to make the defeated Central Empires into good neighbors, nothing to stabilize the new States of Europe, nothing to reclaim Russia; nor does it promote in any way a compact of economic solidarity amongst the Allies themselves; no arrangement was reached at Paris for restoring the disordered finances of France and Italy, or to adjust the systems of the Old World and the New.

The Council of Four paid no attention to these issues, being preoccupied with others, - Clemenceau to crush the economic life of his enemy, Lloyd George to do a deal and bring home something which would pass muster for a week, the President to do nothing that was not just and right. It is an extraordinary fact that the fundamental economic problems of a Europe starving and disintegrating before their eyes, was the one question in which it was impossible to arouse the interest of the Four. Reparation was their main excursion into the economic field, and they settled it as a problem of theology, of politics, of electoral chicane, from every point of view except that of the economic future of the States whose destiny they were handling....

The essential facts of the situation, as I see them, are expressed simply. Europe consists of the densest aggregation of population in the history of the world. This population is accustomed to a relatively high standard of life, in which, even now, some sections of it anticipate improvement rather than deterioration. In relation to other continents Europe is not self-sufficient; in particular it cannot feed itself. Internally the population is not evenly distributed, but much of it is crowded into a relatively small number of dense industrial centers. This population secured for itself a livelihood before the war, without much margin of surplus, by means of a delicate and immensely complicated organization, of which the foundations were supported by coal, iron, transport, and an unbroken supply of imported food and raw materials from other continents. By the destruction of this organization and the interruption of the stream of supplies, a part of this population is deprived of its means of livelihood. Emigration is not open to the redundant surplus. For it would take years to transport them overseas, even, which is not the case, if countries could be found which were ready to receive them. The danger confronting us, therefore, is the rapid depression of the standard of life of the European populations to a point which will mean actual starvation for some (a point already reached in Russia and approximately reached in Austria). Men will not always die quietly. For starvation, which brings to some lethargy and a helpless despair, drives other temperaments to the nervous instability of hysteria and to a mad despair. And these in their distress may overturn the remnants of organization, and submerge civilization itself in their attempts to satisfy desperately the overwhelming needs of the individual. This is the danger against which all our resources and courage and idealism must now co-operate.

On the 13th May, 1919, Count Brockdorff-Rantzau addressed to the Peace Conference of the Allied and Associated Powers the Report of the German Economic Commission charged with the study of the effect of the conditions of Peace on the situation of the German population. "In the course of the last two generations," they reported, "Germany has become transformed from an agricultural State to an industrial State. So long as she was an agricultural State, Germany could feed forty million inhabitants.

As an industrial State she could insure the means of subsistence for a population of sixty-seven millions; and in 1913 the importation of foodstuffs amounted, in round figures, to twelve million tons. Before the war a total of fifteen million persons in Germany provided for their existence by foreign trade, navigation, and the use, directly or indirectly, of foreign raw material." After rehearsing the main relevant provisions of the Peace Treaty the report continues: "After this diminution of her products, after the economic depression resulting from the loss of her colonies, her merchant fleet and her foreign investments, Germany will not be in a position to import from abroad an adequate quantity of raw material. An enormous part of German industry will, therefore, be condemned inevitably to destruction. The need of importing foodstuffs will increase considerably at the same time that the possibility of satisfying this demand is as greatly diminished. In a very short time, therefore, Germany will not be in a position to give bread and work to her numerous millions of inhabitants, who are prevented from earning their livelihood by navigation and trade. These persons should emigrate, but this is a material impossibility, all the more because many countries and the most important ones will oppose any German immigration. To put the Peace conditions into execution would logically involve, therefore, the loss of several millions of persons in Germany. This catastrophe would not be long in coming about, seeing that the health of the population has been broken down during the War by the Blockade, and during the Armistice by the aggravation of the Blockade of famine. No help however great, or over however long a period it were continued, could prevent these deaths *en masse*." "We do not know, and indeed we doubt," the report concludes, "whether the Delegates of the Allied and Associated Powers realize the inevitable consequences which will take place if Germany, an industrial State, very thickly populated, closely bound up with the economic system of the world, and under the necessity of importing enormous quantities of raw material and foodstuffs, suddenly finds herself pushed back to the phase of her development, which corresponds to her economic condition and the numbers of her population as they were half a century ago. Those who sign this Treaty will sign the death sentence of many millions of German men, women and children."

I know of no adequate answer to these words. The indictment is at least as true of the Austrian, as of the German, settlement. This is the fundamental problem in front of us, before which questions of territorial adjustment and the balance of European power are insignificant. Some of the catastrophes of past history, which have thrown back human progress for centuries, have been due to the reactions following on the sudden termination, whether in the course of nature or by the act of man, of temporarily favorable conditions which have permitted the growth of population beyond what could be provided for when the favorable conditions were at an end.

From John Maynard Keynes, *The Economic Consequences of the Peace* (New York: Harcourt Brace Jovanovich, 1920), pp.211-216.

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The President was not a hero or a prophet; he was not even a philosopher; but a generously intentioned man, with many of the weaknesses of other human beings, and lacking that dominating intellectual equipment which would have been necessary to cope with the subtle and dangerous spellbinders whom a tremendous clash of forces and personalities had brought to the top as triumphant masters in the swift game of give and take, face to face in Council,—a game of which he had no experience at all.

We had indeed quite a wrong idea of the President. We knew him to be solitary and aloof, and believed him very strong-willed and obstinate. We did not figure him as a man of detail, but the clearness with which he had taken hold of certain main ideas would, we thought, in combination with his tenacity, enable him to sweep through cobwebs. Besides these qualities he would have the objectivity, the cultivation, and the wide knowledge of the student. The great distinction of language which had marked his famous Notes seemed to indicate a man of lofty and powerful imagination. His portraits indicated a

fine presence and a commanding delivery. With all this he had attained and held with increasing authority the first position in a country where the arts of the politician are not neglected. All of which, without expecting the impossible, seemed a fine combination of qualities for the matter in hand.

The first impression of Mr. Wilson at close quarters was to impair some but not all of these illusions. His head and features were finely cut and exactly like his photographs, and the muscles of his neck and the carriage of his head were distinguished. But, like Odysseus, the President looked wiser when he was seated; and his hands, though capable and fairly strong, were wanting in sensitiveness and finesse. The first glance at the President suggested not only that, whatever else he might be, his temperament was not primarily that of the student or the scholar, but that he had not much even of that culture of the world which marks M. Clemenceau and Mr. Balfour as exquisitely cultivated gentlemen of their class and generation. But more serious than this, he was not only insensitive to his surroundings in the external sense, he was not sensitive to his environment at all. What chance could such a man have against Mr. Lloyd George's unerring, almost medium-like, sensibility to every one immediately round him? To see the British Prime Minister watching the company, with six or seven senses not available to ordinary men, judging character, motive, and subconscious impulse, perceiving what each was thinking and even what each was going to say next, and compounding with telepathic instinct the argument or appeal best suited to the vanity, weakness, or self-interest of his immediate auditor, was to realize that the poor President would be playing blind man's buff in that party. Never could a man have stepped into the parlor a more perfect and predestined victim to the finished accomplishments of the Prime Minister. The Old World was tough in wickedness anyhow; the Old World's heart of stone might blunt the sharpest blade of the bravest knight-errant. But this blind and deaf Don Quixote was entering a cavern where the swift and glittering blade was in the hands of the adversary.

But if the President was not the philosopher-king, what was he? After all he was a man who had spent much of his life at a University. He was by no means a business man or an ordinary party politician, but a man of force, personality, and importance. What, then, was his temperament?

The clue once found was illuminating. The President was like a Nonconformist minister, perhaps a Presbyterian. His thought and his temperament wore essentially theological not intellectual, with all the strength and the weakness of that manner of thought, feeling, and expression. It is a type of which there are not now in England and Scotland such magnificent specimens as formerly; but this description, nevertheless, will give the ordinary Englishman the distinctest impression of the President.

With this picture of him in mind, we can return to the actual course of events. The President's program for the World, as set forth in his speeches and his Notes, had displayed a spirit and a purpose so admirable that the last desire of his sympathizers was to criticize details,—the details, they felt, were quite rightly not filled in at present, but would be in due course. It was commonly believed at the commencement of the Paris Conference that the President had thought out, with the aid of a large body of advisers, a comprehensive scheme not only for the League of Nations, but for the embodiment of the Fourteen Points in an actual Treaty of Peace. But in fact the President had thought out nothing; when it came to practice his ideas were nebulous and incomplete. He had no plan, no scheme, no constructive ideas whatever for clothing with the flesh of life the commandments which he had thundered from the White House. He could have preached a sermon on any of them or have addressed a stately prayer to the Almighty for their fulfilment; but he could not frame their concrete application to the actual state of Europe.

He not only had no proposals in detail, but he was in many respects, perhaps inevitably, ill-informed as to European conditions. And not only was he ill-informed—that was true of Mr. Lloyd George also—but his mind was slow and unadaptable. The President's slowness amongst the Europeans was noteworthy. He could not, all in a minute, take in what the rest were saying, size up the situation with a glance, frame a reply, and meet the case by a slight change of ground; and he was liable, therefore, to defeat by the mere swiftness, apprehension, and agility of a Lloyd George. There can seldom have been a statesman of the first rank more incompetent than the President in the agilities of the council chamber. A moment

often arrives when substantial victory is yours if by some slight appearance of a concession you can save the face of the opposition or conciliate them by a restatement of your proposal helpful to them and not injurious to anything essential to yourself. The President was not equipped with this simple and usual artfulness. His mind was too slow and unresourceful to be ready with *any* alternatives. The President was capable of digging his toes in and refusing to budge, as he did over Fiume. But he had no other mode of defense, and it needed as a rule but little manoeuvring by his opponents to prevent matters from coming to such a head until it was too late. By pleasantness and an appearance of conciliation, the President would be manoeuvred off his ground, would miss the moment for digging his toes in, and, before he knew where he had been got to, it was too late. Besides, it is impossible month after month in intimate and ostensibly friendly converse between close associates, to be digging the toes in all the time. Victory would only have been possible to one who had always a sufficiently lively apprehension of the position as a whole to reserve his fire and know for certain the rare exact moments for decisive action. And for that the President was far too slow-minded and bewildered.

He did not remedy these defects by seeking aid from the collective wisdom of his lieutenants. He had gathered round him for the economic chapters of the Treaty a very able group of business men; but they were inexperienced in public affairs, and knew (with one or two exceptions) as little of Europe as he did, and they were only called in irregularly as he might need them for a particular purpose. Thus the aloofness which had been found effective in Washington was maintained, and the abnormal reserve of his nature did not allow near him any one who aspired to moral equality or the continuous exercise of influence. His fellow-plenipotentiaries were dummies; and even the trusted Colonel House, with vastly more knowledge of men and of Europe than the President, from whose sensitiveness the President's dullness had gained so much, fell into the background as time went on. All this was encouraged by his colleagues on the Council of Four, who, by the break-up of the Council of Ten, completed the isolation which the President's own temperament had initiated. Thus day after day and week after week, he allowed himself to be closeted, unsupported, unadvised, and alone, with men much sharper than himself, in situations of supreme difficulty, where he needed for success every description of resource, fertility, and knowledge. He allowed himself to be drugged by their atmosphere, to discuss on the basis of their plans and of their data, and to be led along their paths.

These and other various causes combined to produce the following situation. The reader must remember that the processes which are here compressed into a few pages took place slowly, gradually, insidiously, over a period of about five months.

As the President had thought nothing out, the Council was generally working on the basis of a French or British draft. He had to take up, therefore, a persistent attitude of obstruction, criticism, and negation, if the draft was to become at all in line with his own ideas and purpose. If he was met on some points with apparent generosity (for there was always a safe margin of quite preposterous suggestions which no one took seriously), it was difficult for him not to yield on others. Compromise was inevitable, and never to compromise on the essential, very difficult. Besides, he was soon made to appear to be taking the German part and laid himself open to the suggestion (to which he was foolishly and unfortunately sensitive) of being "pro-German."

After a display of much principle and dignity in the early days of the Council of Ten, he discovered that there were certain very important points in the program of his French, British, or Italian colleague, as the case might be, of which he was incapable of securing the surrender by the methods of secret diplomacy. What then was he to do in the last resort? He could let the Conference drag on an endless length by the exercise of sheer obstinacy. He could break it up and return to America in a rage with nothing settled. Or he could attempt an appeal to the world over the heads of the Conference. These were wretched alternatives, against each of which a great deal could be said. They were also very risky,—especially for a politician. The President's mistaken policy over the Congressional election had weakened his personal position in his own country, and it was by no means certain that the American public would support him in a position of intransigency. It would mean a campaign in which the issues would be clouded by every sort of personal and party consideration, and who could say if right would

triumph in a struggle which would certainly not be decided on its merits? Besides, any open rupture with his colleagues would certainly bring upon his head the blind passions of "anti-German" resentment with which the public of all allied countries were still inspired. They would not listen to his arguments. They would not be cool enough to treat the issue as one of international morality or of the right governance of Europe. The cry would simply be that, for various sinister and selfish reasons, the President wished "to let the Hun off." The almost unanimous voice of the French and British Press could be anticipated. Thus, if he threw down the gage publicly he might be defeated. And if he were defeated, would not the final Peace be far worse than if he were to retain his prestige and endeavor to make it as good as the limiting conditions of European politics would allow, him? But above all, if he were defeated, would he not lose the League of Nations? And was not this, after all, by far the most important issue for the future happiness of the world? The Treaty would be altered and softened by time. Much in it which now seemed so vital would become trifling, and much which was impracticable would for that very reason never happen. But the League, even in an imperfect form, was permanent; it was the first commencement of a new principle in the government of the world; Truth and Justice in international relations could not be established in a few months,—they must be born in due course by the slow gestation of the League. Clemenceau had been clever enough to let it be seen that he would swallow the League at a price.

At the crisis of his fortunes the President was a lonely man. Caught up in the toils of the Old World, he stood in great need of sympathy, of moral support, of the enthusiasm of masses. But buried in the Conference, stifled in the hot and poisoned atmosphere of Paris, no echo reached him from the outer world, and no throb of passion, sympathy, or encouragement from his silent constituents in all countries. He felt that the blaze of popularity which had greeted his arrival in Europe was already dimmed; the Paris Press jeered at him openly; his political opponents at home were taking advantage of his absence to create an atmosphere against him; England was cold, critical, and unresponsive. He had so formed his *entourage* that he did not receive through private channels the current of faith and enthusiasm of which the public sources seemed dammed up. He needed, but lacked, the added strength of collective faith. The German terror still overhung us, and even the sympathetic public was very cautious; the enemy must not be encouraged, our friends must be supported, this was not the time for discord or agitations, the President must be trusted to do his best. And in this drought the flower of the President's faith withered and dried up.

Thus it came to pass that the President countermanded the *George Washington*, which, in a moment of well-founded rage, he had ordered to be in readiness to carry him from the treacherous halls of Paris back to the seat of his authority, where he could have felt himself again. But as soon, alas, as he had taken the road of compromise, the defects, already indicated, of his temperament and of his equipment, were fatally apparent. He could take the high line; he could practise obstinacy; he could write Notes from Sinai or Olympus; he could remain unapproachable in the White House or even in the Council of Ten and be safe. But if he once stepped down to the intimate equality of the Four, the game was evidently up.

Now it was that what I have called his theological or Presbyterian temperament became dangerous. Having decided that some concessions were unavoidable, he might have sought by firmness and address and the use of the financial power of the United States to secure as much as he could of the substance, even at some sacrifice of the letter. But the President was not capable of so clear an understanding with himself as this implied. He was too conscientious. Although compromises were now necessary, he remained a man of principle and the Fourteen Points a contract absolutely binding upon him. He would do nothing that was not honorable; he would do nothing that was not just and right; he would do nothing that was contrary to his great profession of faith. Thus, without any abatement of the verbal inspiration of the Fourteen Points, they became a document for gloss and interpretation and for all the intellectual apparatus of self-deception, by which, I daresay, the President's forefathers had persuaded themselves that the course they thought it necessary to take was consistent with every syllable of the Pentateuch.

The President's attitude to his colleagues had now become: I want to meet you so far as I can; I see your difficulties and I should like to be able to agree to what you propose; but I can do nothing that is not just and right, and you must first of all show me that what you want does really fall within the words of the pronouncements which are binding on me. Then began the weaving of that web of sophistry and Jesuitical exegesis that was finally to clothe with insincerity the language and substance of the whole Treaty. The word was issued to the witches of all Paris:

Fair is foul, and foul is fair,
Hover through the fog and filthy air.

The subtlest sophisters and most hypocritical draftsmen were set to work, and produced many ingenious exercises which might have deceived for more than an hour a cleverer man than the President.

Thus instead of saying that German-Austria is prohibited from uniting with Germany except by leave of France (which would be inconsistent with the principle of self-determination), the Treaty, with delicate draftsmanship, states that "Germany acknowledges and will respect strictly the independence of Austria, within the frontiers which may be fixed in a Treaty between that State and the Principal Allied and Associated Powers; she agrees that this independence shall be inalienable, except with the consent of the Council of the League of Nations," which sounds, but is not, quite different. And who knows but that the President forgot that another part of the Treaty provides that for this purpose the Council of the League must be *unanimous*.