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Schreiben Russell C. Leffingwell an Thomas W. Lamont (08.03.1929)

Brief

Bearbeitet von: Roman Köster

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Regest:

In diesem Schreiben äußert Russell Leffingwell, einer der Partner der Bank J. P. Morgan und mit Thomas W. Lamont wesentlich verantwortlich für die europäischen Finanzbeziehungen des Bankhauses, seine Befürchtungen bezüglich der instabilen finanziellen Situation in Europa und der - aus seiner Sicht - Illusionen, denen sich die europäischen Finanzfachleute bei der Ausarbeitung des Young-Plans hingaben. Signifikant ist, dass Leffingwell die finanziellen Risiken der Weltwirtschaft vor allem in einer übergebührlichen Kreditausweitung und der nicht strikten Befolgung der "Rules of the game" des Goldstandards erblickt. So kritisiert er beispielsweise an der Zentralbankpolitik Montagu Normans, dass dieser nicht - was diesen Regeln entsprochen hätte - das Mittel des Diskontsatzes einsetzte, um die Gold- und Devisenbestände der Bank of England zu regulieren. Zugleich wird in dem Schreiben auch deutlich, welche Bedeutung der mit dem Young-Plan avisierten "endgültigen" Regelung der Reparationszahlungen für das globale Finanzsystem zugeschrieben wurde.

March 8, 1929

Dear Tom:

I received your letter of February 22nd for which many thanks. It is interesting to get a notion of what is going on with you. I confess the newspaper stories have given me a sense of unreality and your letter has rather confirmed that. The spirit of Versailles presides - not the spirit of Locarno.

I agree with the Germans that an annuity of 1,000,000,000 marks is about as much as they can safely undertake to pay for sixty years. \$250,000,000 is the figure I mentioned to Jack just before he sailed. Still the Germans might well undertake to pay up to say 1,500,000,000 marks to be quit of foreign control and occupation; provided they could be assured that mobilization to any extent or in any instance could never take place without their consent. 1,500,000,000 marks as I remember deSanchez's figures, will about take care of the Balfour note and the Chambery speech.¹

I think that Stamp's idea of making the Germans pay so much unconditionally and so much more conditionally is a poor one. The best thing to be hoped for now after 10 years is to get the shackles off Germany and set her up as a free state. Now, [: the tranches of] the whole annuity is conditional. The Germans would be fools to agree to pay part absolutely and part conditionally unless the total were wholly satisfactory and in their judgment within Germany's capacity. What she agrees to[2] pay conditionally she must pay absolutely or her credit will be impaired. Stamp's idea may be a smart way to turning the argument on the Germans but it is a poor way of meeting a serious problem.

1 Der Bezug ist hier eine Balfour-Note aus dem Jahr 1922, in der London das Ziel formulierte, Reparationsforderungen von den Deutschen in Höhe der Kriegsschulden in den USA fordern zu wollen. Am 30. September 1928 hatte Poincaré für Frankreich das Ziel formuliert, die deutschen Reparationszahlungen müssten die französischen Schulden in den USA und Großbritannien abdecken sowie den Wiederaufbau der zerstörten Gebiete finanzieren. *Jacobson, Locarno Policy*, 202 f.

If Moreau thinks the French will take \$400,000,000 of German bonds per annum, I guess Moreau stayed too long in Algiers. The French have more sense than their politicians and bankers credit them with.

The process of selling \$400,000,000 of German Government bonds a year abroad for a considerable number of years, or even the intention to do it, might impair German credit and deprive Germany of the foreign capital she needs if she is going to be able to carry the reparation load. That is killing the goose that lays the golden reparations egg.

All this you know and have explained most lucidly in the admirable memoranda accompanying your letter. I think on the whole, we are in for the devil of a time. What you say indicates that your party will break up without reaching a solution, or after reaching a bad one. Poincare[sic!] seems to be hanging on by his eyelids. Baldwin's chance of being returned even with a reduced majority seems to fade with dear money. Rivera's hold is precarious. Dwight is finding out that the American Ambassador cannot furnish Mexico with a government. Durant, Gutten et al. are in control of the world money markets. Professor Adolph Miller scolds the banks and prevents the increase of the bank rate. Meanwhile the greatest Secretary of the Treasury since Alexander Hamilton² grows richer on paper and thinks that all is for the best possible in the best of possible worlds.

I enclose a copy of a cable from Teddy and of my reply.

I have the greatest confidence in George Harrison and if I[3] were to say just what I thought it would be that Monty and Ben have collaborated in creating the present situation over a period of years and that it is the grossest injustice to criticize George Harrison for failing to get control of it in a couple of months.

When Norman came over to consult Jack about the advisability of England's return to the gold standard I told Norman that they should do it provided the Bank of England was prepared to use the bank rate to defend its gold and the British Government was prepared to support it in doing so. As a matter of fact in all of the intervening years the Bank of England has never used the bank rate to defend its gold until two or three weeks ago. England's gold has been, in fact, defended by the cheap money policy of the Federal Reserve Banks. That cheap money policy was more or less a passive one until the last part of 1927. Then it became an active one.

[The] Federal Reserve banks forced the export of \$500,000,000 of gold by buying bills bravely and reducing the bank rate to 3 ½ % during the fall of the year. Ben's absence in London, his illness and death and the delay in appointing his successor left the system without any head for a year [after that].³

As recently as November when I was in London and had a long talk and lunched with Norman, he ~~never~~ [scarcely] mentioned his views about the credit situation. Again he did not consult me about it when he [first] got here; nor did he say anything to speak of about it [to me] until after his visit here was over and had proved a fiasco. I do not know whether he was equally uncommunicative with George Harrison until the moment when he exploded his bomb.⁴ [If so] it isn't surprising if [that] George had not adequately prepared the way for Norman's visit nor for the message[4] which he came to deliver. All we know about that is that Norman telegraphed Jack about [according] whether it would be wise for him to pay his usual courtesy call. He gave no indication at all of the grave import of the message he proposed to deliver.

Of course I love Norman dearly and my admiration for him knows no bounds; but if he wants help and advice he has got to get them currently and not wait until he is ready to explode a bomb.

As a matter of fact Monty and Ben sowed the wind.⁵ I expect we shall all have to reap the whirlwind. I am all for helping George Harrison try to solve the problems growing out of the situation which not he but Ben and Monty created.

Anyway I think we are going to have a world credit crisis. If sharp and swift as it should be, then it will be brief and not too serious for business. If long and dreary and protracted, as it may be, because of the decentralization

2 Gemein ist Andrew Mellon, US-amerikanischer Finanzminister von 1921–1932.

3 Benjamin Strong war als Governor der New Yorker Federal Reserve während der 1920er Jahre unbestritten die Führungsfigur US-amerikanischer Finanz- und Zentralbankpolitik. Sein Tod im Frühjahr 1928 gilt allgemein als wichtiger Einschnitt in den globalen Finanzbeziehungen der 1920er Jahre.

4 Gemeint ist hier die öffentliche Kritik Normans an der Zinspolitik der Federal Reserve Bank, die mit einer Erhöhung der Bank Rate die spekulative Dynamik an der Wall Street eindämmen wollte. *Wueschner, Charting*.

5 Gemeint sind hier Montagu Norman und Benjamin Strong.

of our system and the heresies of Mellon and Miller (whose opinions Hoover could hardly be blamed for relying upon) then of course business will suffer.

Naturally Norman and Harrison and everybody familiar with the banking practice and experience favors decisive action. Raising the bank rate might liquidate the call loan account quickly and open the way to reducing the rate again before business has suffered materially. The slower route will result in dear money anyway and the call loan account will only be liquidated because stocks will be worth less because business will be worse. Money [Bill] rates have gone up 1 ½ % here by the slower route in the last year and a half. If the same thing goes on another year and a half we shall have a busi-[5]ness depression because of the dearness of money.

Norman says if that sort of thing goes on Europe can't stand it and the gold standard will be abandoned again.

From all of which you will conclude that this is one of my gloomy days. I hope that by the time this reaches you, you and Jack will have proved the folly of my forebodings by bringing about a reparations settlement that will be a real settlement/and that the Federal Reserve Board will have adopted my policy for them which is to put up (the rate) and shut up.

My love to you and Jack, [: the Paris partners]

Sincerely,

Russell

T.W. Lamont, Esq.

c/o Messrs. Morgan & Cie

14 Place Vendome

Paris, France

Enclosures

P. S. This is all my own spleen. I haven't had a chance to show it around among the Partners here. So don't take it too seriously