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Walter Lichtenstein: Abstract of some Observations on War Debts Made at the First Session of the Annual Meeting of the American Academy of Politicial and Social Science (26.04.1929)

Redemanuskript

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Regest:

Walter Lichtenstein wurde 1880 in Braunschweig geboren, bevor seine Eltern 1882 in die Vereinigten Staaten emigrierten. Er war Bibliothekar an der Harvard University und wurde dort 1918 wegen des Verdachts, mit den Deutschen zu sympathisieren, entlassen. Alternativ schlug er eine Karriere als Bankier bei der The First Bank of Chicago ein und brachte es dort zum Vice-President. Max Warburg charakterisierte ihn in einem Schreiben gegenüber Hjalmar Schacht im September 1929 folgendermaßen: "Dr. Lichtenstein ist ein nuetzlicher kleiner Mann, der sich allen deutschen Angelegenheiten immer auf eifrigste in Chicago widmet [...]". In der hier vorliegenden Ansprache ist das Bemühen erkennbar, gerade nicht als Sympathisant der deutschen Seite zu erscheinen ("debts owed to us"), gleichzeitig aber scharf die Widersprüche der US-amerikanischen Europapolitik hervorzuheben, nämlich Schuldendienst zu verlangen, zugleich aber den eigenen Markt durch hohe Zölle abzuschotten.

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Abstract of some Oberservations on War Debts Made at the First Session of the Annual Meeting of the American Academy of Politicial and Social Science

Held at Philadelphia on April 26, 1929

By Walter Lichtenstein, Ph. D.

The First National Bank of Chicago

Dr. Rowe requested me to say a few words on the war debt situation from the point of view of the United States. As I have been asked to speak about fifteen minutes it is obvious that there can be no thought of anything approaching an exhaustive discussion of the topic. Little more can be done than to review some of the main points and probably no more is needed. After all he could be a remarkable man indeed who could find anything new to say in the face of the careful consideration which this whole question has received in the last ten years on the part of politicians, economists, and journalists.

The greatest difficulty is due to the fact that the problem is - probably unavoidably - in part political. For reasons of party politics and nationalistic aims our leaders have consistently refused to recognize certain clear economic truths and actually existing conditions. Chief among these I regard the denial of any relationship between the debts owing us and the reparations due from Germany. We pride ourselves on our common sense, but nevertheless insist on saying to our former allies that there is no connection between their expenditures and their receipts; that they ought not in discussing their capacity to pay consider Germany's capacity to pay them.

1 Schreiben Max M. Warburg an Hjalmar Schacht (21. 09.1929). Stiftung Warburg Archiv, B-10127.

It is as if a banker in considering how much credit to extend to a corporation were not to take into consideration the real worth of the company's bills receivable. Mr. J. M. Keynes in a talk broadcast on May 3, 1928, thus summarized the connection:

"If Germany were to pay the whole amount of the reparations due from her under the Dawes Scheme, and if the Allies were to use these proceeds to pay what they in their turn owe to the United States under the latest settlements,[2]it would mean that about two-thirds of the proceeds have to be handed on to the United States.

"Now, a good many people think that Germany will not, in fact, be able to pay the full amount, and that it will have to be reduced by not less than one-third. She is only paying at present by means of borrowing abroad, and this, it is obvious, cannot go on for ever. If it proves necessary to make such a reduction the United States will, unless she makes further concessions to the Allies, be receiving rather more than the equivalent of the whole amount of German Reparations. I put the calculation in this form because it makes very clear why, in the minds of the Allies, the question of granting further relief to Germany is intimately bound up with the question of their own obligations to the United States. The official American attitude that there is no connection between the two is a very hollow pretense. Settlement of German Reparations is one to which the United States must be, in one way or another, a party."²

The other curious fact is that we refuse officially to recognize any connection between our debt collecting policy on the one hand and our tariff policy on the other. To be sure, we are not alone in this respect. One may be permitted, however, to comment on the fact that a book such as the one of Mr. Auld has been well received in some quarters, even in those which have supported the Dawes Report though the thesis maintained by Mr. Auld is entirely contradictory to the one presented in the Dawes Report.³

It might be a thankful undertaking to analyze in detail the economic fallacy of dissociating tariff policy from the question of debt settlements.[3] About all I can do is to repeat here some views expressed in this connection by Professor Cassel and other authorities regarding the whole transfer problem:

Undoubtedly, the domestic purchasing power of fiat money can regulated by the discount policy of a central bank. But in such an event the international value of such a currency will be determined by its domestic purchasing power and a low domestic purchasing power cannot be coupled with a high international exchange value. In the case of a gold standard currency it is not possible to regulate the domestic purchasing power of the currency. If the domestic price level sinks below the international level a demand for the currency will be created as its possession will be the means of acquiring commodities cheaply. The increased demand for the currency would cause its international exchange value to rise to a point where gold would flow into the country. The central bank would be compelled to purchase the gold until finally there would be an increase of circulating medium and a consequent rise in the price level.⁴ In the use of the reparation payments, it has seemed to have been presumed that Germany would be able to maintain a low price level and then increase its export trade. It may be taken for granted that in the long run Germany's domestic price level cannot be kept below the international price level provided the value of the mark is to be stable. But if it is not possible to keep the price level low, how can German exports be markedly increased in view of the agitation in all nations against imports?

There is no difference between the problem of reparation payments and that of the payment of the debts due[sic!] us. As long as we are willing and able to lend the funds directly to our debtors to pay us or by lending to Germany sufficient amounts to furnish our debtors with the necessary funds, the difficulties can be surmounted.

2 John Maynard Keynes hielt am 3. Mai 1928 eine Radioansprache mit dem Titel "Cancellation", die er kurz darauf am 5. Mai 1928 schriftlich in der Zeitschrift *The Nation and Athenæum* veröffentlichte. Die Rede wurde wieder abgedruckt in Keynes Buch "Essays on Persuasion" von 1931. Keynes äußert hierin die Meinung, dass eine Lösung der Problematik von Reparationen und interalliierten Kriegsschulden nur von den USA ausgehen könne. *Keynes, Persuasion*, 72–75.

3 George P. Auld veröffentlichte 1928 das Werk "The Dawes-Plan and the new Economics", in der er vehement den Dawes-Plan und die französische Deutschlandpolitik verteidigte sowie eine scharfe Kritik an den Argumenten übte, die Keynes in "The Economic Consequences of the Peace" vorgetragen hatte. *Auld, The Dawes Plan*.

4 Lichtenstein gibt hier eine Argumentation des schwedischen Ökonomen Gustav Cassel wieder, der den Wechselkurs einer Währung durch Kaufkraftparitäten bestimmt sah - eine Überlegung, die John Maynard Keynes etwa in seinem Werk "A Treatise on Money" von 1931 aufnehmen sollte. *Keynes, Treatise; Köster, Außenseiter*, 101.

What will happen when the interest[4] payments will absorb all new loans is another question and does not press for an answer in the immediate future. But the contrast between the fiscal policy of demanding a full settlement of all debts on the one hand, and the desire to exclude all foreign goods on the other is something which does not do much credit to the economic sense of our day and generation. How to overcome this is indeed a problem: lower wages and lower overhead might surmount existing tariff barriers, but evidently would lead merely to a further raising of the walls.

To date these difficulties have been avoided because we have lent Germany the funds to pay its creditors to pay us. It is this which has made possible the operation of the Dawes Plan so far and it is the fact that Mr. Gilbert has failed to emphasize this factor sufficiently which has subjected his recent report to much proper criticism. Parenthetically, it may also be noted that Mr. Gilbert's report is very deficient in that it gives no adequate account of the difficulties encountered by the Transfer Committee in attaining its objects. While, for example, the question of deliveries in kind discussed at length, the fact is glossed over that the cash accumulated in Germany increased from 185,487,192.84 goldmark to 189,488,944.86 goldmark in one year, (see Report of Agent General for Reparation Payments of Dec. 22, 1928, pp. 176–181)⁵ and would have been still greater had it not been that 83 million goldmark were paid for deliveries in kind made in previous years.

Our attitude has done much to delay a final liquidation of the war problems. In the final analysis it is this situation which has compelled the Federal Reserve System to pay so much attention to foreign conditions to the exclusion of consideration of domestic problems. The compulsory excess export from Europe already depleted by the war has prevented a complete recovery in Great Britain and other countries. This is not the[6] place to discuss why we cannot afford a new financial debacle in Europe. I take it for granted that you will agree with me this is to be averted for our own sake quite as much as for the sake of welfare of other peoples. Reasonable demands upon Germany on the part of the Allies can only be expected if we are willing to recognize the unavoidable connection between the reparation problem and the debts due us. Only in that way will it be possible to commercialize all this indebtedness and once and for all remove these vexatious problems from the stormy sea of politics to the relatively calm waters of ordinary private fiscal transactions.

5 S. Bundesarchiv Berlin-Lichterfelde R 2501/2912.