The Experts' Report

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Enter the International Bankers

Part II.

THE Experts begin their report by saying that they have examined the reparations problem from the point of view of business and not of politics. They are out for "the recovery of debt" and not for the "imposition of penalties." They then proceed to proclaim, as an established axiom, the obligation of Germany to make good war damages, and they base this axiom on the assumption of Germany's sole war guilt. In other words they use the claim of the politician to advance their "business claim." A Marxian can chuckle at this sophistry, knowing full well that no political power is worth anything unless it is based on economic power. And here are the Experts in the opening lines of their report using political means to advance economic ends. We, however, are concerned with examining the source whence these economic demands on the population of Central Europe come, and the objects for which they are advanced.

The report makes its first concrete proposal by demanding the establishment in Germany of a Central Bank of Issue. This bank is to have the entire control over the issue of currency in Germany, to decide the rate of issue, the ration of power to gold reserve, the method of granting credit to the German government, of which it is to have an entire monopoly, and the bank rate. In fact it is to become the financial nerve centre of Germany. On p. 16 of the official English translation it says: "The Bank is to be entirely free from governmental control or interference." This is not to be wondered at, for, when one reads a little further on that control over the bank is to be given to a General Board consisting of seven Germans and seven foreigners, who are to watch over the interests of the creditors of Germany, one has more than a shrewd suspicion, in view of what comes later, that they are merely nominees, both the Germans and the foreign members of the Board, of the international banking houses, who are promoting this scheme. At a time when the Labour movement is demanding in England greater control for the Government and Treasury over the Bank of England and the "Big Five" our government is asked to sanction exactly the reverse process in Germany, and the liquidation of the slender public control which the Reichstag has been able to exercise over the operations of the German banking and industrial monopolists. But, of course, the pill is to be sugared, and we read further on that the Experts lay great store on the balancing of the German Budget and the maintenance of a stable currency and go so far as to quote the statements made to them by German Trade Union leaders. And the danger lies in the fact that large sections of the workers and small middle classes may be prepared to accept the Experts' Report, not because they approve of it, but because they would sooner have anything, however bad, than the horror of another period of inflation. The real object of the Experts in standing out for a balanced Budget and a stable currency is not the altruistic one that they would have us believe in this passage. This is seen in a later passage (p. 19), where in defending balanced Budgets and a stable currency they say: "When speaking of the adoption of such a method for 'a considerable period,' we are thinking primarily of the period which lenders and investors, whose money is required as a part of our scheme, will have in mind. There lies the rub. The object of this plan is, therefore, revealed as an attraction to the investment of capital, now outside Germany, to come and invest in that country. A stable currency will stop the speculators who have been battening on the falling mark and franc and will attract those who would invest their money once more in Prussian Consols and German Threes. The fixed interest-bearing capitalists, as represented by Pierpont Morgan and the Bankers' Committee set up in Paris in the summer of 1922, leave their tracks all over this page, as they do over the whole of the report.

A scale of payments is laid down, in Part I., Section IX., which Germany is to make. These are scaled according to her probable Budget surpluses. Here are two very interesting points, which disclose the objects which the Experts are after. On p. 22 they announce that these peyments are liable to additions varying with the "index of prosperity" (of which more anon) and that the "Supplementary payments should be made automatically in correspondence with the changes in the general purchasing power of gold." That, of course, leaves it open to the bankers to manipulate the reparations payments, as they think fit. A change in the purchase power of gold, artificially created by them, would be reflected at once in the obligations imposed on the population of Germany to hand over in taxes or mortgages in their national assets values to the international bankers. The other point on p. 23 is contained in the following passage: "Even insofar as the sums paid in reparation cannot be transferred, they can, under certain conditions, be used by the Allies for internal investment in Germany." Previous to this the Report had pointed out the difference between the "taxpayers' capacity to pay in Germany and Germany's capacity to pay the Allies," and had shown that there would be a grave danger of the whole stabilisation scheme collapsing, if Germany was made to transfer large annual surpluses in marks into foreign currencies. The Experts, therefore, are not concerned in securing cash payments from Germany to France to enable the latter to balance her Budget and support her franc (that will be provided for by an international loan to France, for which good interest will be obtained no doubt). The object of the reparation payment is to release sums in Germany which can be used for the purpose of investment in that country to the credit of the international bankers. Once more one sees that it is the investor of passive capital, who is concerned in finding gilt-edged securities for sterling and dollar bank balances in Europe that is being considered here.

And the guarantees for the reparation payment and the loan, which is to be raised for Germany, are still further proof of the objects which the Experts and the people behind them have in view. In PartI., Section B., the great prize for which the bankers have been waiting for so long is claimed. The great transport system on the Continent, the German State Railways, are to be de-nationalised and made over to a Board of Management, which shall be entirely independent of the control of the German government or Reichstag. It is true, the German government will be allowed to hold the whole of the Common or Ordinary stock in the new company (13 milliard gold marks), but ¾ of the Preference Stock (2 milliard gold marks in all), are to be sold on the European Stock Exchanges and the whole of the Debentures (11 milliard gold marks) are to be handed over to the Reparations Commission, the interest on which is to come from the earnings of the railways and to be credited to Germany's creditors. In other words there is to be a wide field thrown open to the European Stock Exchanges and investors generally to buy gilt-edged Bonds, secured on the German transport systems assets. What more proof do we want that passive capital, concentrated in Pierpont Morgans, Rothschilds and the "Big Five" are behind this, for who else could find these gigantic sums for investment?

In Part I., Section C., the Experts propose a somewhat similar transaction to that concerning the railways. They state that since the war German industry has escaped all its former liabilities to the German banks and to the holders of Debentures in their concerns by the process of inflation which has gone on. The German industrial and speculative capitalists and holders of Ordinary shares have had their holdings increased enormously in value and this is largely due to depreciation to the point of wiping out the First Charges on their industrial undertakings. It is only fair, say the Experts, that these obligations should be reimposed, but the new mortgages which the German industrial capitalists are to take upon themselves shall be in favour not of the former mortgagors, the German banks, but of the creditors of Germany, that is the Reparations Commission. And they go on to propose a general mortgage of 5 milliard gold marks at 5% and 1% sinking fund on all industrial and agricultural property in Germany to be handed over to the Reparations Commission. Presumably the Commission could sell these mortgages on the open market to get cash to balance the French Budget if needed, and once again one can see that another opening is made for the investment of passive bank capital in gilt-edged securities in Germany.

In regard to the actual balancing of the German Budget the Experts admit that German industrial capital has escaped its fair share of the burden. Indeed they are obviously concerned to reimpose burdens on the war-time speculators and inflation-mongers in Germany, thus disclosing the rift in the ranks of the European capitalist class. But when it comes to taxation of incomes and estates, the Experts do not do more than give advice. They can impose mortgages on the property of the companies and individuals operating in the vital industries of Germany, in order to force their economic power on that particular class of capitalist in Germany. But heavy taxation of all property in Germany would not suit their book, for that would hit them, as well. Both passive and industrial investments must be protected. It is true, this is not said in so many words, for there must be some window dressing. But beyond a platonic remark that death duties are too low and the income tax has not been collected on large incomes for some time past on account of inflation, the Experts have no definite plan, which they demand to be imposed, of direct taxation. They advise a levy on "windfalls" and propose that the German Government should revalue industrial mortgages at 15% their gold value and levy a duty of 2% on the sum obtained. But this would affect gilt-edged investments in Germany. It would only hit the persons who have made money out of inflation and wartime speculation. The Experts would impose some burdens on this class of capitalists and that is so much to the good. But the bulk of the burdens of balancing the German Budget is to be borne by the producers and consumers. This is seen well in the proposals of the Experts to estimate the "index of prosperity," on which the final reparation charge is to be based, on the figures annually obtained for railway traffic, increase of population, foreign trade, consumption of alcohol and tobacco and not the figures which could be obtained in the books of the German banks, showing the incomes assessable for income tax. Moreover, while only advice is given to the German government, as to how it should make capital bear its share of the burden of balancing the German Budget, the same mild tone is not adopted in the plan proposed for the imposition of new indirect taxation. Here definite machinery is demanded from the German government to secure the attachment of certain revenues derived from indirect taxation to the Reparation Commission and a special machine for the collection from a Tobacco Monopoly. Customs and excise are to be raised and the burden will fall solely on the consumer. Unemployment doles are to be cut down and dismissal of railway and state employees are to be demanded and can

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