

pertinent to that other question of why we went to war in 1917. America went into the war on an issue of its own. The *casus belli* for the United States was unrestrained submarine warfare; behind which lay—in 1917—an apprehension of decisive military and naval successes on the part of the central powers imperiling the development of free institutions.

Our declaration of war was followed by the mobilization not only of our man power but also of our material and financial resources. From the latter we made extensive advances to other nations fighting a common enemy. Thus arose the first phase of the war-debt problem. It was at a time when we were straining every effort to hasten our own direct participation in the war. From the record of debates in Congress it is clear that these advances were not regarded by those who voted them as business transactions, but rather as joint contributions to a common cause. But even if we did not have these statements, the grants themselves would have been justifiable upon no other ground. That the borrowers used the credits to help win their own wars is undoubtedly true; but the reason that we loaned them the money was the fact that by so doing they were also helping us to win our war. If this were not so, it would mean that our Government diverted for the use of others vast sums of money and essential war supplies at a time when it was calling upon the country to make every possible sacrifice to maintain its own cause. The credits were freely given because they were to secure for us effective support for our own effort, either directly on the field of battle or indirectly by strengthening the nations associated with us. They would have been justified by no other purpose.

Not all of our war loans were used directly for military purposes. Some of them helped to feed and clothe civilian populations. Some provided permanent improvements useful after the war was over. Some of the loans were made after the armistice was concluded.

In the debt settlements we have made, insufficient account has been taken of those differences. The origin of various items in the debts was ignored. In justice and in reason they should have been considered.

THE DEBT SETTLEMENTS

The United States early abandoned the attempt to collect the full amount called for by the original debt contracts. The first formal step toward establishing a new basis of debt calculations was the creation of the Funding Commission by the act of Congress of February 9, 1922. According to this act, the Allies were to pay all debts in full, but the rates of interest were reduced to $4\frac{1}{4}$ per cent. The very first debt negotiations, those with Great Britain, showed that still further reduction was necessary, and "capacity to pay" became the basis of these subsequent negotiations. This was the formula used in the reparations section of the Versailles treaty with reference to Ger-