

How impossible it is to estimate the relative economic "capacities" of nations for so long a period will be clear to anyone who looks back over the last 62 years. The steel industry of Germany, now far surpassing that of England, is almost entirely the product of the last half century. Similarly, other basic industries, such as coal, wheat, cotton, rubber, potash, and even gold, are in process of redistribution among the countries of the world. Nations to-day are changing their relative positions even more rapidly than in the past. How, then, can there be any degree of certainty in the estimates of future capacity, upon which this settlement so largely rests? It is surely unjust to fix the burdens of future generations on the basis of guesswork.

This injustice is all the more evident when one compares the various settlements and notes the wide discrepancies in liberality. On a 4½ per cent interest basis France is to pay only 50 per cent, Belgium 54 per cent, of the whole debt (interest included). Great Britain is to pay 82 per cent, while Italy pays only 26 per cent. Whatever justification there may have been for differences in treatment of the various national debts, it is unfortunate that the principle "capacity to pay" should result in such striking variations as these.

Still more regrettable is the impression which the formula conveys concerning our attitude as creditor. To exact a payment according to the capacity of the debtors seems to imply that the exaction is according to the full capacity to pay. If this basis of settlement had been rigorously applied, it would mean that we were threatening to lower materially the standard of living in Europe by taking tribute of their every possible saving for three generations to come. This is without doubt a wrong interpretation of the attitude of the creditor; but it is a natural, popular interpretation in the debtor countries. The phrase itself, "capacity to pay," rings hard and heartless.

As a matter of fact, it was partly to escape just this kind of international misunderstanding that negotiators dealt primarily with the interest instead of with the principal. The attention of the creditor could be drawn to the full amount of the principal, that of the debtors to the scaled-down interest or lessened annual payments. Unfortunately debtors and creditor looked at just the opposite items. The result is that dissatisfaction over the terms of the settlement has extended to a misunderstanding of motives. In the case of nations bound so closely and for so long to carry out agreements which seem to them unjust, this dissatisfaction may easily wreck the plans for world order and peace, according to which Europe is rebuilding its shattered economic fabric. Our debt settlements are part and parcel of a whole network of settlements between the other powers. It is clear that the whole matter should be reexamined on a basis not of immediate expediency but of justice and of generous intention that would give no reasonable ground for misunderstanding.