

many. At best a vague and difficult formula, it has nevertheless, upon the whole, been applied in a very real effort to reach satisfactory settlements. The Secretary of the Treasury has stated that the cash values cancelled in the settlements with Great Britain, Italy, Belgium, and in that offered France, amount to \$5,489,000,000. This means that the United States is now cancelling about one-half the aggregate sum represented by the principal and interest of the original debts.

This partial cancellation would be generous to the extreme if the debts had been mere business transactions. It is nevertheless regarded by the debtor nations as not touching the heart of the issue. They hold in mind chiefly those credits which were used to wage war. They contend that they should not in fairness be required to repay advances that were expended for our benefit as well as for their own at a time when money was our only contribution. For over a year after our declaration of war their troops almost alone held the enemy in check. This was the critical period during which Germany, freed on the East, brought the whole weight of its power to break the western front. During this supreme crisis, if the Allies had spared lives or if we had stinted supplies, our war as well as theirs might have been lost.

No attempt to reopen these pages of history was made in the negotiation of debt settlements. This was chiefly because the act creating our Debt Funding Commission allowed only limited discretion to that body. Moreover, there is no way to compare the value of supplies with that of lives sacrificed in war.

The points ignored in the official settlements, however, have been all the more accentuated in popular discussion. The controversy has ranged far beyond the question of money. The question of generosity between debtor and creditor has been discussed upon terms of what equivalent, moral or material, has been rendered for the sums advanced. To the minds of our debtors this is the core of the controversy. Sooner or later we shall be compelled to give consideration to this point of view.

But before addressing ourselves to the more vital aspects of the controversy we must call attention to serious defects in the existing settlements.

THE EXISTING SETTLEMENTS

The existing settlements rest upon a basis which is itself open to question. The formula "capacity to pay," which, in the case of ordinary debt adjustments, may be applied to the possible benefit of both parties, proves difficult, if not impossible, of just application in the case of debts so vast as to reach over two or three generations. In most of the debt settlements the period agreed upon stretches forward 62 years. The estimates of capacity are of necessity based upon the statistics of the pre-war period and those of the abnormal post-war or reconstruction period. Obviously there are no figures for the future.