

## *American Policy Toward Debts and Reconstruction at Genoa, 1922*

STEPHEN A. SCHUKER

The U.S. government considered the Genoa Conference a sideshow – a misconceived British conjuring trick to deal with the superficial features of trade depression on the Continent before agreement was reached on the political prerequisites for European economic reconstruction along sound lines. American policymakers perceived three such political prerequisites. The West European countries had to agree to write-down reparations to a figure that Germany could manage financially and accept without endangering political stability. The former Allies, chief among them Great Britain, had to fund their war debts to the United States on reasonable terms. Last, but not least, all European countries had to drastically reduce expenditures on land armaments along lines comparable to what the main sea powers had agreed to at the Washington Naval Conference. A realistic approach to international indebtedness and the transfer of military resources to civilian needs, so went the line in Washington, would promote balanced budgets, end inflationary excess, and foster respect for obligations at home and abroad. With comity among nations restored, trade would revive naturally, without hothouse schemes. The United States would provide adequate credit at market rates. Revived markets would create their own inducements.<sup>1</sup>

<sup>1</sup> Carole Fink's standard monograph, *The Genoa Conference: European Diplomacy, 1921–1922* (Chapel Hill and London, 1984), covers U.S. policy as well as European aspects of the conference itself. For the wider context of American foreign policy, particularly toward Europe, in the postwar years, see among other works Denise Artaud, *La Question des dettes interalliées et la reconstruction de l'Europe (1917–1929)*, 2 vols. (Lille and Paris, 1978); Joseph Brandes, *Herbert Hoover and Economic Diplomacy: Department of Commerce Policy, 1921–1928* (Pittsburgh, 1962); Peter H. Buckingham, *International Normalcy: The Open Door Peace with the Former Central Powers, 1921–1929* (Wilmington, Del., 1983); Frank Costigliola, *Awkward Dominion: American Political, Economic, and Cultural Relations with Europe, 1919–1933* (Ithaca, N.Y., 1985); L. Ethan Ellis, *Republican Foreign Policy, 1921–1933* (New Brunswick, N.J., 1968); Dieter B. Gescher,

Of all foreign-policy issues facing the Harding administration, the Allied war debts had the greatest domestic resonance. At the start of the 1921 fiscal year, the gross domestic debt of the federal government totaled \$25.3 billion. Over \$10 billion of that sum had been incurred to finance loans to foreign governments associated with the United States in the prosecution of the World War. The Washington authorities had not generally employed their creditor position as leverage to extract political concessions from the European Allies, either during or after the hostilities.<sup>2</sup> Paradoxically, however, the belief by most Americans that their leaders had not indulged in the sort of crude power politics so abhorrent to Wilsonian idealists reinforced the popular notion that monetary obligations ought to be collectable in a straightforward businesslike manner. Moreover, with the enthusiasms of 1917–18 now a receding memory, the U.S. taxpayer demanded relief. The Treasury had resisted the frequent postwar calls to sell off foreign obligations to the public in order to reduce the Liberty Bond debt and lower taxes. In 1920, outgoing Secretary David F. Houston had denounced the “specious attempt to delude the present generation into the belief that it can avoid the pains and penalties incident to the war by some kind of finan-

*Die Vereinigten Staaten von Nordamerika und die Reparationen 1920–1924* (Bonn, 1956); Michael J. Hogan, *Informal Entente: The Private Structure of Cooperation in Anglo-American Economic Diplomacy, 1918–1928* (Columbia, Mo., 1977); Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919–1933* (Chapel Hill, 1979); Werner Link, *Die amerikanische Stabilisierungspolitik in Deutschland, 1921–1932* (Düsseldorf, 1970); Robert K. Murray, *The Harding Era: Warren G. Harding and His Administration* (Minneapolis, 1969); Carl P. Parrini, *Heir to Empire: United States Economic Diplomacy, 1916–1923* (Pittsburgh, 1969); Benjamin Rhodes, “The United States and the War Debt Question, 1917–1934,” Ph.D. diss., University of Colorado, 1965; Dan P. Silverman, *Reconstructing Europe after the Great War* (Cambridge, Mass., 1982); Marc Trachtenberg, *Reparation in World Politics* (New York, 1980); Robert H. Van Meter, Jr., “The United States and European Recovery, 1918–1923,” Ph.D. diss., University of Wisconsin, 1971; and Joan Hoff Wilson, *American Business and Foreign Policy, 1921–1933* (Lexington, Ky., 1971). References to the relevant literature in article form appear in Richard Dean Burns, ed., *Guide to American Foreign Relations since 1700* (Santa Barbara, 1983). Biographies or autobiographies of the major players include Richard Washburn Child, *A Diplomat Looks at Europe* (New York, 1925); Herbert Hoover, *The Memoirs of Herbert Hoover*, 3 vols. (New York, 1952); Betty Glad, *Charles Evans Hughes and the Illusions of Innocence: A Study in American Diplomacy* (Urbana, Ill., 1966); Merlo J. Pusey, *Charles Evans Hughes*, 2 vols. (New York, 1951); David E. Koskoff, *The Mellons: The Chronicle of America's Richest Family* (New York, 1978); and Lester Chandler, *Benjamin Strong: Central Banker* (Washington, D.C., 1958). Significantly, David J. Danelski and Joseph H. Tulchin, eds., *The Autobiographical Notes of Charles Evans Hughes* (Cambridge, Mass., 1973), does not even mention Genoa.

<sup>2</sup> As Kathleen Burk shows in *Britain, America, and the Sineus of War, 1914–1919* (Winchester, Mass., 1985), the Wilson administration imposed petty and often vexatious restrictions on the use of its loans by Great Britain, but it did not take advantage of those loans to change the political balance between the two nations, as the Roosevelt and Truman administrations would do a generation later. (On American use of economic power to force political concessions in 1944–5, see Richard N. Gardner, *Sterling-Dollar Diplomacy in Current Perspective* [New York, 1980].)

cial magic.”<sup>3</sup> The Treasury had also succeeded in providing the Allies with a three-year respite in the payment of interest on what they owed. But the moratorium would expire in October 1922. By that time, the Treasury sought to have refunding schedules firmly in hand.

Although some of the Continental nations suffered from manifest liquidity problems immediately after the war, no one doubted that the British, with their huge portfolio of foreign assets, could pay as promised if only they wished to pay. Assistant Treasury Secretary Albert Rathbone conducted intermittent discussions with his opposite number in Whitehall, Sir Basil Blackett, during the first part of 1920. Blackett had appeared ready to fund the debt on a normal commercial basis in twelve series of publicly marketable bonds, at an interest rate of 5 percent, and with maturity dates running (as specified in the Liberty and Victory loan acts) from 1938 to 1947.<sup>4</sup> Then Prime Minister David Lloyd George had veered away for political reasons and twice sought to embarrass the United States into unilateral cancellation.

The outgoing Democratic point men at Treasury and State, Russell C. Leffingwell and Norman Davis, made clear to the retiring British *chargé d'affaires* in January 1921 that personally they “hated these debts” and were “inclined to think it would be in the ultimate interest of America . . . that they be cancelled.” Nevertheless, both men warned unambiguously, “public opinion would not contemplate such a solution and it simply was not practical politics to talk about it. . . . Proposals and manoeuvres tending to suggest [cancellation] merely defeat their own object.”<sup>5</sup> After the change of administrations, the fresh Republican team in Washington, Secretary of the Treasury Andrew Mellon, his assistant, Eliot Wadsworth, and Secretary of State Charles Evans Hughes, reiterated this line. Mellon waved away British references to the grave political and economic disorders troubling parts of the Continent. Mellon anticipated the early return of prosperity and

<sup>3</sup> D. F. Houston to the President, July 14, 1920, box 95 (Bonds of Foreign Governments file), Office of the Assistant Secretary of the Treasury for Fiscal Affairs, 63A 659, Paperwork Management Branch, USTD.

<sup>4</sup> For a retrospective file on these negotiations, see Sir Auckland Geddes no. 476, May 14, 1921, GB FO 371/5661: A3778/247/45; also Foreign Office memo., “Inter-Allied Indebtedness and Attitude of the United States,” Apr. 4, 1922, GB FO 371/5662: A7885/247/45. The key American records on the Rathbone–Blackett talks are in box 120, RG. 39, Treasury–Bureau of Accounts; also box 233, Assistant Secretary for Foreign Loans Albert Rathbone files, RG. 56, USTD NA.

<sup>5</sup> Ronald C. Lindsay memo. for Sir William Tyrrell, Jan. 4, 1921, GB FO 371/5661: A247/247/45.

trade expansion, and he invited the British to send a funding mission without reference to the debts of the Continental nations.<sup>6</sup>

All the same, the U.S. Treasury sought to retain maximum latitude to settle the war debts in a practical fashion without interference from an importunate Congress. At the request of the president, Senator Boies Penrose in June 1921 introduced a bill drafted in the Treasury authorizing it to extend the time of payment on both principal and interest as it saw fit, and also to accept the obligations of the contracting nation or other foreign governments in exchange for the original war debts. That would have made it possible for the Treasury to have accepted domestic obligations of the Allied debtors, or even German reparation bonds, in exchange for the war debts.<sup>7</sup>

But the Penrose bill encountered heavy weather almost immediately. Senator Kenneth McKellar of Tennessee discerned a scheme to make the American people pay, aside from some "little dribbles," some \$10 billion of the German war indemnity. "A more unwise, a more impolitic, a more unfair, or a more unjust, a more un-American measure . . . could not have been devised," he fulminated. "It would have been better for us to have just handed over to Germany \$10,000,000,000 in the beginning, and dropped it there, without going into the war, than to take such a step as this." Senator J. Thomas Heflin of Alabama, referring to the draft bonus legislation also circulating in Congress, trilled: "Let us be just to the American soldier . . . before we display charity and generosity toward the nations that borrowed from us ten billions of American money." And Senator Henry F. Ashurst of Arizona, not to be outdone, advised Europe peremptorily to "go to work." "We saved Europe and our Christian civilization," he modestly observed, "but that does not imply, now that the peril is past, that we should feed the Europeans and allow them in their great cities to live in idleness and sometimes in luxury."<sup>8</sup>

Mellon met with a skeptical reception when he journeyed to Capitol Hill for Finance Committee hearings on the bill. He was forced to

6 Geddes no. 294 of May 3, 1921, GB FO 371/5661: A3098/247/45. Assistant Secretary Wadsworth nurtured some private doubts. He wrote to a friend on diplomatic assignment in Berlin: "It is sometimes puzzling to see just how we can collect \$500,000,000 of interest from Europe in its present condition, not to speak of the principal. However, we keep going on the general principle that it will be collected some day, somehow, and by somebody." Yet publicly Wadsworth too hewed to the official line. See Eliot Wadsworth to Ellis Loring Dresel, Aug. 15, 1921, folder 421, Dresel Papers.

7 Geddes no. 437 of June 24, 1921, GB FO 371/5662: A4598/247/45.

8 *Congressional Record*, June 24, 1921, 3015-16, 3021-8.

make the damaging admission that the British government had twice solicited all-around war-debt cancellation.<sup>9</sup> Nevertheless, Penrose finally managed to have the bill reported out to the full Senate with only minor restrictions on the secretary's authority. A bipartisan group of six irreconcilables, headed by Senator Robert M. La Follette, Sr., which sought to bar the Treasury from offering more favorable terms than those specified in the Liberty Loan Acts, did not initially prevail.<sup>10</sup> The British ambassador derided the opposition as a manifestation of "Irish influence" and of no real importance.<sup>11</sup>

Opposition in the House of Representatives Ways and Means Committee, however, gathered steam in the fall. Mellon, after consulting with the president, had to acquiesce in a redrafting of the bill that placed authority in the hands of a five-member commission.<sup>12</sup> The bill that passed the House on October 24, 1921, also barred the commission from accepting the bonds of any foreign government in lieu of those of another (thus closing off the option of the European Allies assigning their German reparation revenues to the United States in payment of debt). The Treasury took solace in the fact that the bill still left the commission free to convert the inter-Allied demand obligations on such terms, rates of interest, and dates of maturity as it judged fitting.<sup>13</sup>

Before the Ways and Means Committee, Mellon, to ward off further restrictions, had taken the confident line that the British, the French, and even the Belgians and Italians were sure to pay eventually: "We think that it will all work out. Those countries are becoming rehabilitated; they are at work, and a new generation is growing up. . . . I have not any doubt that all the debts of those leading countries will become very substantial securities that will be available to this country."<sup>14</sup>

Yet other forces belied that confidence. Reginald McKenna, former

9 *Refunding of Obligations of Foreign Governments*, Hearings before the Committee on Finance, United States Senate, 67th Congress, 1st Session, on S. 2135, pp. 49-53.

10 *Refunding of Obligations of Foreign Governments*, Senate, 67th Congress, 1st Session, report no. 264, Aug. 19, 1921.

11 Geddes no. 595 of Sept. 9, 1921, GB FO 371/5662: A6631/247/45.

12 Geddes no. 677 of Oct. 17, 1921, GB FO 371/5662: A7591/247/45. On reflection, Treasury strategists came to see the advantage of a broadly based commission that could take the heat for deferring interest payments when that proved politically or economically advisable. "If the secretary did it alone," wrote Assistant Secretary Wadsworth privately, "the position would not be so satisfactory as it would appear that he had decided to take such action on his own judgment" (Wadsworth to Ellis Loring Dresel, Oct. 29, 1921, folder 421, Dresel Papers).

13 *Refunding Foreign Obligations*, Report by Mr. Fordney, from the Committee on Ways and Means, to Accompany H.R. 8762, 67th Congress, 1st Session, House of Representatives, report no. 421, Oct. 20, 1921.

14 *Refunding Foreign Obligations*, Hearings before the Committee on Ways and Means, House of Representatives, on H.R. 7359, Thursday, Oct. 6, 1921, p. 21.

chancellor of the exchequer and the chairman of the Joint City and Midland Bank, made what his own embassy called a "deplorable" impression when he frankly urged cancellation during a transatlantic speaking tour in early November 1921.<sup>15</sup> Just two weeks later, Minister of Liberated Regions Louis Loucheur, Aristide Briand's right-hand man in the French cabinet, made a heavy-footed appeal through Belgium for an economic conference that would convene in Washington as soon as the Naval Disarmament Conference came to an end. Briand, who always relied more on personal instinct than on careful study of his briefing books, returned to Paris from the naval negotiations convinced that the Americans might agree at such an assemblage to write-down the war debts radically. The British stood aghast at the naïveté of the French notion that they could trumpet their refusal to disarm on land or sea and at the same time engineer a conference at which the Americans unilaterally granted debt remission. "M. Briand must have been singularly misinformed if he brought back such an impression," minuted Sir William Tyrrell at the Foreign Office. "I believe it to be a 'terminological inexactitude' propagated by M. Loucheur for stockjobbing purposes."<sup>16</sup> Tyrrell proved all too prescient about the prevailing temper on Capitol Hill. The war-debt legislation as revised by the Senate Finance Committee in December 1921 – against the backdrop of the Washington Naval Conference – required confirmation by the upper house of the prospective appointees to the World War Foreign Debt Commission. Even more alarming, this draft specified that new funding agreements should run for no more than twenty-five years and carry a minimum interest rate of 5 percent.<sup>17</sup>

In January 1922, after vigorous lobbying, the Treasury managed to get the minimum 5 percent rate reduced to 4½ percent and the provision for rigid semiannual interest payments stricken from the bill. Still, Mellon remained on the defensive throughout. The Democratic opposition made much political capital out of the administration's refusal to earmark war-debt revenues for a veterans' bonus. The legislation passed the Senate in final form on January 31, 1922, against solid Democratic opposition. On the Republican side of the aisle, Senators William E. Borah, Robert M. La Follette, Sr., and George W. Norris joined in the

15 Geddes no. 742 of Nov. 8, 1921, GB FO 371/5662: A8357/247/45.

16 Tyrrell minute, Dec. 22, 1921; also Sir G. Grahame no. 199, Dec. 21, 1921, GB FO 371/5662: A9553/247/45.

17 Geddes nos. 802, 814, 815, 818, Dec. 13–17, 1921, GB FO 371/5662: A9275/A9361/A9369/A9375/247/45.

view that the law as enacted did not go far enough to mandate debt collection.<sup>18</sup> The views of the Congressional opposition found considerable reflection also in the press, particularly after Loucheur indiscreetly told a *Baltimore Sun* reporter on February 16 that France would never be able to pay a sou to America. The *Washington Post*, which often mirrored official sentiment, pointedly complained a few days later that much of the money that European governments were wasting on excessive armies, oil schemes, airplane plants, arms factories, and submarine shipyards rightfully belonged to the American taxpayer.<sup>19</sup> This was the political backdrop against which the U.S. government weighed the issue of participation in the Genoa Conference.

American diplomats were surprisingly ill-informed at this time about the details of European politics. Washington never obtained a comprehensive report on the Loucheur–Lloyd George discussions that took place in November and December 1921. The administration remained unaware of the specifics in the offensive that the two leaders discussed to force debt cancellation on the United States as the chief plank of a prospective plan for European economic reconstruction. Loucheur probably should have known better from the start. Had not Maurice Casenave, on the basis of his long-time service with the French economic mission in America, warned in July 1921 that, for Congress, war debts had quickly become "like the clerical question used to be" in the French Chamber – a matter certain to be dragged into everything, whether the ostensible issue under discussion was tariff revision, tax reduction, or the soldiers' bonus?<sup>20</sup> Although Loucheur indulged in a certain amount of wishful thinking (for example, the fantasy that "America" might intervene to reconstitute the German gold reserve in case of monetary stabilization there), he was probably misled in this case at first by his British interlocutors. Sir Basil Blackett of H.M. Treasury gave his French contacts on December 8 the idea that Great Britain might well take the lead, waive the British share of German reparations, and unilaterally cancel the Continental war debts owed to London without awaiting an American quid pro quo. When it turned out that Prime Minister Lloyd George would not proceed an inch without

18 *Refunding of Obligations of Foreign Governments*, 67th Congress, 2nd Session, Senate, calendar no. 408, report no. 400, Jan. 16, 1922; also Geddes nos. 65, 82, 91, and 126, Jan. 15–Feb. 22, 1922, GB FO 371/7281: A751/A880/A1135/A1292/236/45.

19 *Washington Post*, Feb. 22, 1922.

20 Maurice Casenave to M. Vignon, *chef de cabinet* to the president of the republic, July 21, 1921, box 5, folder 8, Louis Loucheur Papers.

cancellation of war debts by the United States, the grand schemes nurtured at the subordinate level for recasting the reparations schedule collapsed like a house of cards. Lloyd George then proceeded with his nebulously conceived plan for an economic conference – with the implicit purpose of forcing all-around debt cancellation on America never absent from his calculations.<sup>21</sup>

The American ambassador to London, the erstwhile journalist and sometime inebriate George Harvey, had few connections and little standing with the government to which he was accredited.<sup>22</sup> Reduced to reading Philip Kerr's *Daily Chronicle* in his efforts to comprehend the British official mind, Harvey nevertheless caught the drift of Lloyd George's strategy. The prime minister, he reported on December 13, 1921, wanted President Harding to take the initiative in calling an economic and financial conference in order to "put the United States under tacit obligations to make pecuniary sacrifices through cancellation of debts in full or in part. . . . While unquestionably sincere in his expressed desire to stabilize Europe, his underlying purpose is to obtain great reduction of English indebtedness to the United States through [a] voluntary campaign or proposal of our government, thus while talking loudly of England's determination to pay in full, saving both face and money." With a grasp of English prose style that only his friend Harding could fully savor, Harvey added: "to suggest sitting tight is doubtless supererogative."<sup>23</sup>

Back in Washington, Secretary of Commerce Herbert Hoover picked up intelligence through his own channels about the nature of an emerging Lloyd George-Loucheur deal. The prime minister and "Loucher" (as Hoover slyly called him) planned to invite the United States to call an economic conference and then to spring a plan entailing the elimination of pensions from the reparations bill and the reduction

21 Note Loucheur, "La politique financière à imposer à l'Allemagne," Nov. 30, 1921, box 5, folder 11; note Cheysson, "Conversation avec M. Basil Blackett," Dec. 8, 1921, box 5, folder 6; "London Negotiations," Dec. 8-9, 1921, box 7, folder 4; "Reparations Negotiations," Dec. 18-20, 1921, box 5, folders 11 and 13, Loucheur Papers.

22 Harvey was not merely "out of the loop"; despite his crucial position he had actually become a figure of fun. Governor Montagu Norman of the Bank of England provided this intelligence about the Cannes Conference, the preliminary to Genoa, to his fellow central banker, Benjamin Strong of the New York Fed: "There was only one morning at Cannes when everybody looked hopeful and happy: a rumour was going around that your Colonel H. had been damaged in a motor accident and people hurried out of town to look at his corpse. But in a couple of days he was about again and everybody was again looking hopeless and dejected!" (Norman to Strong, Feb. 6, 1922, Benjamin Strong Papers, 1116.3.)

23 Harvey to State, Dec. 13, 1921, USDS, RG. 550.E1/-.

of French claims against Germany by one-half. Having made these gestures to enlightened opinion, the two statesmen would then demand, as a quid pro quo, the abandonment of war debts all around. Hoover sent an urgent warning to the president. A conference at which the British and French made such proposals would create "an impossible situation" for the administration. Harding needed no further prompting. "The feeler outlined," he replied, ". . . is doubtless a very promising one for Europe, but it is not possible to consider it in the United States."<sup>24</sup>

In these circumstances, the notion that the United States should await events with a vigilant passivity commended itself to most of Washington officialdom. West European experts in the State Department who monitored the progress of the German inflation had worried since the early fall of 1921 that the financial situation there could spiral out of control.<sup>25</sup> Yet when Roland Boyden and James A. Logan, unofficial American delegates to the Reparation Commission, proposed to take the lead in suggesting a revision of the London Schedule of Payments on a "more conciliatory and businesslike basis," the State Department had mandated caution. The department limited itself obscurely to expressing "interest" in the plans of its Paris representatives. Approving an initiative was "a little too final," Assistant Secretary Fred Dearing had ruled.<sup>26</sup> Noting that "our Allied friends . . . regard the position of their American loans with more and more mirth," Logan in September suggested privately to his friend and former housemate, Under Secretary Henry P. Fletcher, that the United States offer to accept the relatively secure reparation B-bonds in war-debt payments both as a way to collect something and as a means to enhance American influence on a subsequent European economic settlement. "We would like to follow a policy of European isolation but as yet no formula has been developed the application of which would have the effect of protecting us from the workings of normal universal economic laws," Logan reminded his superiors at home. In making this argument, however, Logan demonstrated that he was out of touch politically. The activist view had no appeal to Congress. Similar urgings for linking war

24 Hoover to Harding, Dec. 15, 1921; Harding to Hoover, Dec. 16, 1921, box 70, Secretary of Commerce-Personal files, USHHPL.

25 William R. Castle (Chief of the Western European Division) memo., Sept. 2, 1921, USDS 462.00R29/932.

26 James A. Logan to Under Secretary Henry P. Fletcher, Aug. 29 and Sept. 2, 1921; Assistant Secretary Fred Dearing minute, Sept. 24, 1921, USDS 462.00R29/1026 and 1043.

debts with reparations got nowhere in Washington for the rest of the fall.<sup>27</sup>

It is noteworthy that the American observers at Reparation Commission headquarters in the Hotel Astoria had few illusions about German strategy and little sympathy for that country's plight. Roland Boyden, after visiting Berlin with the commission in November 1921, reported that Chancellor Joseph Wirth seemed lacking in firmness and frankness, afraid of his own cabinet, and unwilling to stand up to the industrialists.<sup>28</sup> State Department analysts similarly disliked the idea of letting Germany off "scot-free" for a number of years except for deliveries in kind. They suspected that Berlin had "put one over on [Sir John] Bradbury" – the chief British proponent of a complete moratorium plan. Still, they did not feel sure enough of their ground to take a firm position. In the end they evaded a substantive judgment and merely instructed American delegates in Paris to insist narrowly on the payment of accumulated U.S. army costs in any moratorium arrangement.<sup>29</sup>

Nor did the State Department position on reparations change markedly after the Cannes Conference fiasco at the beginning of the new year and the subsequent fall of French Premier Briand. In late January 1922, while preparations for Genoa went forward, the French once again sought to inveigle the United States into supporting the Reparation Commission rather than the Supreme Council as the key decision-making body regarding reparations. They also invited the United States to place an unofficial member on a subcommittee appointed to consider fluctuation of the German exchange. After a series of top-level meetings, the State Department characteristically declined to take a position. The French, minuted Assistant Secretary Leland Harrison, were "fishing." Secretary Hughes, who by temperament as well as judi-

27 Logan to "Prather" Fletcher, Sept. 9, 1921, USDS 462.00R29/1043; Fletcher to Logan, reporting Assistant Treasury Secretary Wadsworth's response, Sept. 21, 1921, USDS 462.00R29/1046; also Leland Harrison memo. for Dearing and Fletcher on Montagu Norman's proposal for linking reparations and debts and the Treasury refusal to respond, Nov. 28, 1921, USDS 462.00R29/1492.

28 Boyden to Hughes, Nov. 22, 1921, USDS 462.00R29/1307.

29 Castle memo. for Arthur N. Young, Dec. 3; and State to Boyden, Dec. 6, 1921, USDS 462.00R29/1285. The American official opposition to a complete moratorium should not be seen as an anti-German position. It is noteworthy that even some key German officials thought that, with a modest foreign advance for currency stabilization, the Reich could get by without a full moratorium and could indeed continue to pay 2.5 billion gold marks yearly (the precise figure for the standard annuity later recommended by the Dawes Committee). See Castle "Memorandum of Conversation with Mr. Carl Bergmann" [of the *Kriegslastenkommission*], Dec. 5, 1921, USDS 862.51/1453.

cial training liked to decide matters on the most circumscribed possible grounds and to avoid bold initiatives until the time was ripe for them, declared that he was "not ready to take up the reparations question." To ask the Senate to confirm appointment of an unofficial delegate to a committee on exchange would open a Pandora's box. "The process of confirmation might start a number of things."<sup>30</sup>

In short, the American government in early 1922 considered Lloyd George's grand scheme for European reconstruction premature at best. With the congressional majority darkly suspicious of European intentions, and the British and French giving ample reason to nurture such mistrust, the State Department refined temporization into a high art. The wonder is that the administration did not turn down the idea of participation in the Genoa Conference out of hand.

Within their own frame of reference, President Harding and his chief cabinet officers – Hoover, Mellon, and Hughes – thought of themselves as internationally minded. And given the disillusionment with all things European prevailing in the country at large, undoubtedly they were right in relative terms. Hoover, however, of the three dominant department heads, had the least sympathy for France and Great Britain, in part precisely because he had come to know those countries so well. During his wartime service overseas, Hoover had reacted strongly against the lack of idealism that he professed to find in French and British political culture. His loathing for European methods of haggling grew almost to obsessive proportions, and he declined to return to the old Continent thereafter for close to twenty years.<sup>31</sup>

Although charged with a heretofore minor portfolio, Hoover had a towering public reputation and did not feel called upon to observe the customary departmental boundaries.<sup>32</sup> His rivals in the struggle for bureaucratic turf joked maliciously that the so-called Great Humanitarian served as "secretary of commerce and under secretary of all other departments."<sup>33</sup> Yet owing to his boundless energy and the extraordinary competence of his staff, Hoover could frequently exercise his

30 A. N. Young, Dearing, Harrison memoranda, Jan. 30–Feb. 21, 1921, USDS 462.00R29/1450.

31 Arthur M. Schlesinger, Jr., *The Crisis of the Old Order, 1919–1933* (Boston, 1957), 80–1.

32 For a shrewd newsman's description of Hoover's bureaucratic ambitions at the beginning of the Harding administration, see John Callan O'Laughlin to Ellis Loring Dresel, Mar. 11, 1921, folder 305, Dresel Papers.

33 Schlesinger, *Crisis of the Old Order*, 84. The sally is widely attributed to Under Secretary of the Treasury S. Parker Gilbert.

sharp elbows without encountering open resistance. Harding, who recognized the limits of his own intellectual talents, stood in awe of all three cabinet luminaries. But Hoover in particular had his ear.

As official Washington straggled back from the 1922 New Year's holiday, Secretary Hoover sent Harding and Hughes a strategy memorandum regarding Genoa. His approach, he claimed (with characteristic anti-French bias), "would meet with a welcome in every country in Europe except one and even in that country . . . would be welcomed by the saner economists and business people." As Hoover saw it, the notion that the world needed stabilized exchange, currency reform, or lowered trade barriers on some global level represented a superficial analysis of the problem. The main challenge, he held, was to make an economic peace between France and Germany. "Currencies cannot be stabilized until inflation has stopped, and inflation cannot be stopped until government budgets are balanced, and [the] government budgets of Europe cannot be balanced until there is a proper settlement of reparations and until there is a reduction of expenditures including armament. Before these reforms can be carried into any other part of the Continent they must first be obtained in France and Germany, for chaos here is defeat everywhere."<sup>34</sup>

As he did so often, Hoover combined sound economic analysis with impractical political prescription. He proposed that the German and French governments both simply face the music. The Germans as a whole, he recognized, had profited enormously from inflation so far. They had avoided taxation, enjoyed subsidies on everything from food to freight rates, and unloaded depreciated paper marks on gullible foreign speculators. Yet the path followed heretofore led to "bankruptcy and social chaos" in the end. If the German government would resolutely "force the issue upon her citizens," stopping the inflation and the import of luxury goods, that country, he believed, could pay an upfront indemnity of \$1 billion from assets secreted abroad and thereafter transfer some \$300 to \$400 million (about half the current schedule) in reparation annually. The French, in his view, had likewise gained enormously in economic productivity since the war even though government finances remained in "complete chaos." If France mustered the courage to increase taxes to the maximum and to "rigidly slaughter

<sup>34</sup> Hoover to Harding, Jan. 4, 1922, and attached "Memorandum on the Major Questions before the Proposed Economic Conference in Europe," box 235, Secretary of Commerce—Official files, USHHPL; copy of memo. for Secretary Hughes in USDS 550.E1/3.

expenditure" – slashing the military budget by 80 percent and reconstruction subsidies by 90 percent – the budget could be instantly balanced. Indeed, a \$150 million surplus would appear forthwith to make a start on paying off foreign liabilities. Moreover, if France disarmed to save resources, Hoover predicted that Poland, Czechoslovakia, Romania, Yugoslavia, Greece, Italy, and Belgium would follow suit, until "the Europe mind [sic] predicates its future in terms of peace and not in war." Even if the parties reached a satisfactory reparations settlement, he concluded, ending the European arms buildup became "the second question that must antecede the real constructive work of economic upbuilding."

Getting down to specifics, Hoover sketched out an interim deal that might justify additional sacrifice by the American taxpayer. The Allies would have to accept a five-year partial moratorium on reparations. They would have to scale down the Rhineland occupation armies to a token 25,000 men. On the other side, the Germans would eliminate subsidies, impose serious taxes, and stabilize the mark by dint of their own efforts. All Europe would cut land armaments by one-half. The main Central Banks, with some assistance from the New York Fed, would help reorganize the currencies of east central Europe and set the Habsburg successor states on their feet. Together, these measures would save the Continent from social unrest, curb artificial dumping by nations with depreciated currencies, and improve foreign markets for U.S. goods. As a counterpart, the administration might then feel warranted in providing a five-year moratorium on war debts to all countries except Great Britain.

The Hoover program thus called for substantial moral regeneration from the embattled Europeans and offered in return a quite modest reward. As a practical matter, the commerce secretary did not really expect the nations preparing for Genoa to embrace his brand of religion. In private, Hoover expressed a degree of outrage that did not show through the modulated cadences of his official memoranda. During the war, he grumbled, ignorant U.S. Treasury officials, mostly lawyers without "a day's experience in business," had handed out money "like drunken sailors." They had enabled overseas governments to "extend their investments at the American taxpayer's expense." Could any self-respecting European state now dare to ask for external-debt remission? Surely not, for the commercial fabric of the world could not stand "the shock of refusal to pay obligations honestly entered upon."

The Europeans, moreover, would have to recognize that "the whole mass of armaments must come down in steps or they will come down in a second world crash." The American people held no responsibility for the "degeneration" that had brought about unbalanced budgets, currency inflation, and demoralization of exchange on the other side of the ocean. To the contrary, they had asked for nothing and given everything. They had "poured out literally billions" to stem the tide of famine after the war. They had already contributed "generously, even royally," to the recovery of European agriculture and industry. In short, if the European governments failed to submit to the "surgical operations" he proposed, no one could fairly describe this as a failure of American statesmanship.<sup>35</sup>

No other cabinet officer put up a formal paper for Genoa challenging the Hoover approach. But this did not mean that State or Treasury was prepared to accept a lead from the upstart Commerce Department. It was no accident that Commerce still occupied a broken-down building at 19th Street and Pennsylvania Avenue, symbolically as well as spatially removed from the locus of executive power around the White House. Moreover, the frequent differences in outlook between State and Treasury on the one hand and Commerce on the other involved a personal as well as a policy dimension. The main officials at the State and Treasury Departments, mostly scions of the East Coast upper class who had known each other since preparatory school, came from a wholly different social milieu than did the second-generation Jews and Middle-American scholarship boys whom Hoover recruited through his academic contacts in the fields of statistical economics and engineering to head the bureaus and divisions of the Commerce Department.<sup>36</sup>

The conflict started, but did not end, at the top. Secretary of the Treasury Mellon had little use for Hoover and no confidence in his judgment. Hoover's tendency to elaborate a precise written solution for every problem, replete with figures and statistics, annoyed him so much that he ultimately stopped reading his colleague's reports. Engineers like Hoover, he thought, got so caught up in scientific formulae that

35 Hoover to Joseph H. Defrees of the U.S. Chamber of Commerce, Jan. 11, 1922, box 21, Secretary of Commerce—Personal files; also Hoover to Russell C. Leffingwell, Nov. 17, 1921, box 51, Secretary of Commerce—Personal files, USHHPL.

36 On Hoover's recruitment of his staff, see particularly his correspondence with Professors Edwin F. Gay of Harvard, E. R. A. Seligman of Columbia, and A. A. Young of Cornell in boxes 25 and 336, Secretary of Commerce—Official files, USHHPL.

they neglected the human element so important in business affairs. "In all my business enterprises," Mellon philosophized in the middle 1920s, "I never once put an engineer in charge."<sup>37</sup> While Mellon bristled at Hoover's style, Under Secretary S. Parker Gilbert disliked his substantive views. On the World War Foreign Debt Commission, Gilbert found Hoover so "extreme" and "disagreeable," so rooted in "his own personal prejudices and his own preconceived ideas," that he later apprehended "real danger to our foreign policy" should the commerce secretary succeed to the presidency.<sup>38</sup>

Over at the State Department, Secretary Hughes maintained relations of wary mutual respect with Hoover, but the impersonal civility that Hughes employed to shield himself from unpleasant encounters did not set a model for his staff.<sup>39</sup> Throughout the winter and spring of 1922, functionaries on both sides feuded over the responsibility and the credit for configuring a commercial treaty with Germany. William R. Castle, chief of Western European affairs, complained to Ambassador Houghton in Berlin: "The secretary of commerce himself is not averse to advertising and the various Jews who run the different divisions of his department love it."<sup>40</sup> The problem, as Castle and like-minded diplomatists saw it, was not simply that Hoover appeared "insanely ambitious for personal power" and that his Jewish retainers took "every opportunity to put across people of their own race." Castle also suspected that his Commerce interlocutors, owing to relations with their German coreligionists, might wish to see the Reich let down easily from its reparation obligations. Castle dilated frequently to his foreign-service cronies on the subject. A few years later, he went so far as to circulate approvingly a business contact's observation that senior Commerce officials failed to defend American interests consistently and instead worked "hand in glove with the whole Jew outfit in Frankfurt." It would indeed be interesting, Castle suggested, to know how

37 Confidential Mellon remarks to Garrard B. Winston, his under secretary from 1923 to 1926, cited in Burton J. Hendrick notes of an interview with Garrard B. Winston, Apr. 7, 1942, Hendrick Papers.

38 See Gilbert to Mellon, May 7, 1928, along with Mellon's appreciative reply, May 24, 1928, copies in box 6, David E. Finley Papers.

39 On the Hoover-Hughes relationship, see boxes 280-1, Secretary of Commerce—Official files; and box 47, Secretary of Commerce—Personal files, USHHPL. Despite the lack of personal warmth and the many frosty letters that the two men exchanged over the years, Hoover continued to respect Hughes and offered to reappoint him secretary of state in 1929 (Hoover to Hughes, Nov. 9, 1928; Allan Hoover to Dr. Franz G. Lassner of the Hoover Library, May 23, 1966, General Accession 71, Hoover Presidential Papers, USHHPL).

40 Castle to Ellis Loring Dresel, Mar. 6, 1922; Castle to Alanson B. Houghton, July 13 and Aug. 21, 1922, box 4, William R. Castle Papers.



much "some of the Commerce people like Klein, Chalmers, and Domeratzky have to do with the great Jewish banking institutions."<sup>41</sup>

Though generally not as articulate as their Commerce confrères and apt to leave less of a paper trail, the second-tier officials at State and Treasury who performed the real labor on European affairs not only worked harmoniously together, but frequently lived together. A surprisingly large number held membership in "The Family," a bachelor house at 1718 H Street, a stone's throw from the White House. A mere forty-five individuals became members of The Family from its founding in 1907 through its dissolution in 1954, and of these only twenty-four had won acceptance by the mid-1920s. But this select group included, at the time of the Genoa Conference, Under Secretary of State "Prather" Fletcher, Assistant Secretary of State "Nemo" Harrison, Assistant Secretary of the Treasury "Waddy" Wadsworth, Governor "Ben" Strong of the New York Fed, James A. ("Logie") Logan of the unofficial delegation to the Reparation Commission, the vice-president of the U.S. Chamber of Commerce, the American representative on the International Chamber of Commerce, the counselors of embassies in London and Berlin, and the ministers to the Netherlands and Switzerland.<sup>42</sup> This close-knit circle of friends corresponded assiduously about the problems of European reconstruction.

Nor did these informal connections stop at the working level. President Harding dropped in for dinner at The Family, and Secretary Hughes held off-the-record meetings with foreign diplomats there. In 1921–2, both Assistant Secretary Harrison and Assistant Secretary Wadsworth lived at The Family full-time. In the spring of 1921, Harrison had arranged to have himself appointed "liaison with the Treasury Department" in connection with war debts, indemnities, restitu-

41 Castle to Ambassador Alanson B. Houghton, Jan. 7 and May 12, 1926, box 2; Castle to Ambassador Myron T. Herrick, June 8, 1926, box 3, Castle Papers; also Col. T. Bentley Mott to Myron T. Herrick, Sept. 2, 1922, folder 2, container 2, Myron T. Herrick Papers. (Julius Klein, Louis Domeratzky, and Henry Chalmers, the three chief objects of Castle's ire, served, respectively, as director and assistant director of the Bureau of Foreign and Domestic Commerce and as chief of the Foreign Tariffs Division. The Hoover Commerce Department files do not indicate that any of these men maintained independent contacts with the New York Jewish banking community, although Hoover's closest friend on Wall Street was indeed Lewis Strauss of Kuhn Loeb & Co. [Strauss and Paul Warburg correspondence in boxes 82 and 311, Secretary of Commerce—Personal files, USHHPL].)

42 See George V. Allen, "Notes on the Family," in Richard Fyfe Boyce, *Diplomatic and Consular Officers, Retired, Inc.: A History*, typescript in the Harvard College Library (n.p., 1969), 98–112; also "The Family" file, box 5, Leland Harrison Papers. Membership in The Family included four of the five under secretaries of state who held office in the 1920s, fifteen additional diplomats who over the years held the rank of minister, ambassador, and assistant or under secretary, three assistant secretaries of the treasury, and eight army generals. Not a single official of the Commerce Department joined. Nor did a single Jew.

tions, and reparations. When Wadsworth asked to see all the cables from the Reparation Commission relating to foreign loans, the higher-ups at State agreed that "anything we think Treasury may wish to have will be sent – this without any *arrière pensée*." In practice, "Waddy" and "Nemo" would discuss all pertinent matters at breakfast or in a lunchtime turn about Lafayette Park and then send parallel memoranda up to their superiors.<sup>43</sup> By contrast, when Hoover asked to see reparations cables, Hughes dispatched a testy reply, addressed to "Dear Mr. Secretary." He would send over paraphrases of "those portions of messages regarding reparations which will serve you in working out commercial policies." But the State Department reserved the right to determine what information appeared pertinent to the work of the Commerce Department, and it would have to withhold confidential material bearing on foreign relations.<sup>44</sup>

Very likely, President Harding paid little attention to the squabbling over nuances and the jockeying for position among his foreign policy advisers. As the Teapot Dome scandal would later reveal, the genial and indolent chief executive remained pleasantly oblivious to far worse skulduggery in the nether depths of his administration. Apprehending the world as he did from the standpoint of Marion, Ohio, Harding rarely thought it necessary to concentrate his energies on the fine points of foreign economic policy. Harding's preoccupation in the foreign field lay in pursuing disarmament as a pathway to peace, economic stability, and popular esteem. On this subject the president saw eye to eye with Hoover. Since the beginning of his term in office, Harding had periodically expressed interest in Hoover's pet scheme for banning loans to foreign countries undertaking to increase their armaments. (Although the governor of the New York Fed warned against interfering with market forces and underscored the administrative impracticality of the idea, Hoover, with Harding's blessing, continued to pursue it with quasi-theological zeal.)<sup>45</sup> Hoover's approach to the Genoa Con-

43 Harrison memo., Apr. 18, 1921; Wadsworth to Harrison, Aug. 31, 1921; Harrison to Wadsworth, Sept. 2, 1921, boxes 11 (Treasury file) and 12 (Wadsworth file), Harrison Papers.

44 Hoover to Hughes, Dec. 6 and Dec. 15, 1921; Hughes to Hoover, Dec. 13 and Dec. 16, 1921, box 47, Secretary of Commerce—Personal files, USHHPL.

45 For the exchanges between Harding and Hoover on disarmament generally and the idea of using foreign loans as a lever in particular, see Hoover to Harding, May 11, 1921; Harding to Hoover, May 14, 1921; Hoover to Harding, Dec. 31, 1921; Harding to Hughes, Jan. 12, 1922, all in box 235, Secretary of Commerce—Official file, USHHPL. For the debate between Hoover and Governor Strong about the practicality of the idea, with Hughes as usual playing the referee, see Strong memo. on foreign loans, Apr. 14, 1922; Strong to Hughes, Apr. 20 and June 9, 1922; Hoover to Hughes, Apr. 19, 1922; Hughes to Strong, June 29, 1922; copies in box 375, Secretary of Commerce—Official file, USHHPL, and in Strong Papers, 0111.1(1).

ference thus coincided perfectly with Harding's visceral convictions about world affairs. Without getting into the details, Harding cheerfully endorsed the main lines of the Hoover analysis. The president intimated to the *New York Times* on January 6, 1922, that national prosperity must come from within. The European nations themselves should therefore take the initiative in solving European problems. The United States would neither call an economic conference nor permit Allied debts to the United States to be discussed at one. Whether or not this country participated would depend on whether the Europeans promised to get to "the root of the problem" – namely the burden of land armaments.<sup>46</sup>

These cautious comments led to the usual public divisions. The Wilsonian *New York World* urged the government to forget its narrow "obsession" with war debts and to send Hoover to Genoa with a broad mandate to "put the influence of the United States back of a general European settlement."<sup>47</sup> The *New York Commercial* similarly argued that both agricultural and industrial profits often depended on the 10 percent margin provided by the export trade, and that the country had little to lose in making another effort to hasten European recovery.<sup>48</sup> The *Washington Post*, by contrast, contended that the tendency of European policy was "obnoxious to the United States." The former Allies were developing "a well-defined plan to place the burden of Europe's losses upon the backs of the United States and Russia." They sought to get the United States to cancel war loans, to underwrite Germany's debts, and to acquiesce in the exploitation of Russia. These ill-disguised schemes should "make the United States more than ever determined to beware of entanglements."<sup>49</sup> The *Post* editorial probably represented average opinion in the country at large better than did the *New York press*. Enlarging on familiar nationalist themes, two prominent Republican senators, Henry Cabot Lodge and Frank Brandegee, called at the White House on January 8 to rehearse the familiar arguments for the United States staying away from Genoa.<sup>50</sup> U.S. diplomats abroad also reinforced the message. Ambassador Richard Child's cable from Rome on January 13 was typical: "Prudence alone would appear clearly against any participation not absolutely dictated by moral duty. It is well recognized that vast banking interests, anxious for more transactions and middleman profit, will use all influence to involve us. . . . The

46 *New York Times*, Jan. 6, 1922. 47 *New York World*, Jan. 12, 1922.  
48 *New York Commercial*, Jan. 12, 1922. 49 *Washington Post*, Jan. 6, 1922.  
50 See *Congressional Record*, Jan. 24, 1922, 1833–4.

United States holds all the chips, [the] European group of nations all the cards. Participation by us will probably mean [the] common interest of all participants in one group while the United States stands alone."<sup>51</sup>

Despite the cool tenor of public opinion and the skeptical assessments of its diplomats abroad, the administration decided to await the elaboration of the Genoa agenda before committing itself one way or the other. By the last week in January, the Commerce and State Departments had put aside their quarrels for the moment. Opinion at both departments turned sharply negative toward Genoa. Hoover, after reconsidering his memorandum of January 4, urged the president not to send a delegation. While he did not think that America should turn its back on an "honest-to-God economic conference," he foresaw nothing of the sort taking place at Genoa. The meeting there promised to be "purely political and merely a move and manoeuvre in the great game." The danger nonetheless loomed that the conference might embarrass the United States by "seeming to promise a solution of economic ills." Hoover hoped that the conference could be postponed six months. In that case it would not be necessary for Washington to decline formally. Six months hence, the French people might become disillusioned about the possibility of collecting reparations, and the American people might undergo a similar process of disillusionment. Then one could "look forward to better sailing."<sup>52</sup> William R. Castle, head of the Western European Division at State, came around to a roughly similar view. The British and French positions stood so far apart, Castle informed the secretary on January 25, that holding the conference had become inopportune. Moreover, an economic conference that excluded from its purview reparations, domestic financial policies, and foreign loans would have "very little to discuss." With most of the essential subjects ruled off the agenda, the principal topic left, as Castle wryly noted, would be "the discussion of Russia, with Mr. Lenin as the principal performer."<sup>53</sup>

At the working level of the Treasury and Commerce Departments, a few unregenerate internationalists fought a rearguard action against the emerging consensus. Yet even some of these professional Euro-

51 Child to State, Jan. 13, 1922, USDS 550.E1/6; also Child to State, Jan. 30, 1922, USDS 550.E1/23; similar warnings in Lewis Einstein (Prague) to State, Jan. 18, 1922, USDS 550.E1/11; Harvey (London) to State, Feb. 6, 1922, USDS 550.E1/31.

52 Hoover to Harding, Jan. 23, 1922, box 21, Secretary of Commerce–Personal files, HHPL; also Assistant Secretary Dearing, memo. of conversation with Mr. Hoover, Jan. 23, 1922, USDS 550.E1/75.

53 Castle memo. for Hughes, Jan. 25, 1922, USDS 550.E1/72.

peanists lost interest as concrete plans for the conference took shape. At the Commerce Department, the food expert and statistician E. Dana Durand, chief of the East European Division, argued at first that Genoa might at least smoke out the intentions of the Bolshevik leadership and preserve the Open Door for American trade and investment in case the revolutionary régime in Russia adopted a "more or less normal economic policy." Only gradually, from February through early April, did the reports arriving from the U.S. trade commissioner in London serve to change Durand's mind.<sup>54</sup> Durand had gotten to know Edward F. Wise, the chief British technical planner for Genoa, on the Interallied Food Council during the war. Durand reminded Hoover that they had both come to despise Wise as "an idealist not much inclined to take account of hard realities" and as a close-minded socialist with an "excessive faith in what governments could do." Wise had particularly offended them by pushing a scheme that would have enabled European countries to fix the prices for American farm products.<sup>55</sup> Eventually, Durand concluded that Wise's latest hot-air balloon would not get off the ground. Hence America need not fear a missed opportunity. While the British and the Germans engaged in flatulent talk about helping Russia to recover, the Europeans all blithely assumed that the United States would "foot the bills." And this was not in the cards. In fact, Durand felt confident, anything less than a comprehensive scheme for rehabilitating the Soviet Union would fail. The unavailability of raw materials, the inadequacy of transport, the absence of markets, and the quasi-religious fanaticism of the Bolshevik leadership all posed insurmountable obstacles.<sup>56</sup>

Even into February, Treasury Under Secretary S. Parker Gilbert, a holdover from the Wilson administration, argued that final passage of the debt funding law and the palpable success of the Naval Disarmament Conference made it feasible for the United States to take part in Genoa after all. Gilbert recommended postponing the conference somewhat to see what could be done on the reparations front. And the agenda had to be narrowed to exclude inter-Allied debt. If these things were accomplished, Gilbert maintained, the United States might be

54 Durand memo. for Julius Klein, Bureau of Foreign and Domestic Commerce, Feb. 2, 1922, box 91; Durand memo. for Hoover, Feb. 16 and Feb. 28, box 91; Durand memo. for Hoover, Apr. 15, 1922, box 259, Secretary of Commerce-Official files, USHHPL.

55 Durand memo. for Hoover, May 11, 1922, box 141; Durand memo. for Hoover, Feb. 16 and Feb. 28, 1922, box 91, Secretary of Commerce-Official files, USHHPL.

56 Durand memo., "General Economic Situation in Russia," Apr. 15, 1922, box 259, Secretary of Commerce-Official files, USHHPL.

able to accomplish a good deal toward international financial and economic recovery without endangering its own position. With the establishment of the World War Foreign Debt Commission, Gilbert thought it safe for the United States to "announce a broad-minded funding policy, leaving actual negotiations with the governments concerned to follow later in Washington." Gilbert, however, came to represent a distinctly minority view, and, although Secretary Mellon thought of him like a son, he had no independent political clout.<sup>57</sup>

Even Governor Strong of the Federal Reserve Bank of New York, who monitored the progress of a scheme for a new gold-exchange standard to be launched at Genoa, did not dare to argue for American participation. Strong had won a reputation as the internationalist outrider in the foreign-policy establishment; for that very reason, he had to remain circumspect. Strong had good reason to suspect that Hoover considered him a "mental annex to Europe."<sup>58</sup> And he received all too frequent reminders that his critics in Congress perceived the Federal Reserve System as "the arch enemy of the agricultural class." Faced with determined hostility from an ignorant Congress, he explained to Montagu Norman of the Bank of England, the Fed had to avoid independent action that would "embarrass this administration, which includes our best friends."<sup>59</sup> Norman, in any case, advised Strong that Genoa figured as a mistimed, "largely political" project that could not yield more than marginal benefits from a Central Banking point of view. He considered the notion of stabilizing exchange impracticable before the leading nations had adjusted debts and reparations and reestablished free gold markets. "And is it not true," he asked rhetorically, "that when these things shall have happened stability in the Exchanges will be looking after itself in the old-fashioned way and artificial stability will hardly be necessary?"<sup>60</sup> Strong seconded the notion. The wisest course, he informed Norman, was to postpone broad discussion of economic matters until after the midterm Congressional elections in November 1922. If by that time the principal Allies had granted a reparations moratorium to Germany and begun negotiations with the World War Foreign Debt Commission, and if in addition Britain had restored sterling to parity with the dollar on a gold basis, constructive

57 Gilbert memo. for the secretary, Feb. 3, 1922, box 95 (Genoa Conference file), 63A 659, Office of the Assistant Secretary for Fiscal Affairs, USTD.

58 Hoover, *The Memoirs of Herbert Hoover*, 3:9.

59 Strong to Norman, Feb. 18, 1922, Strong Papers, 1116.3.

60 Norman to Strong, Feb. 23 and 27, Mar. 8 and 22, 1922, *ibid.*

discussion on a range of institutional problems could follow. His Washington friends, Strong reported after visiting The Family in early March, looked upon Genoa "as the qualifying round for a real match to be played later."<sup>61</sup>

Secretary Hughes, after surveying the views of his cabinet colleagues and State Department subordinates, characteristically outdid all of them in caution. Upon reflection, Hughes decided not even to approach the British about postponing the conference, since that might commit the United States ultimately to attending if its stated desiderata were met. Instead, he would say as little as possible. On March 8, Hughes announced America's refusal to participate formally on the simple ground that Genoa would be a conference of a "political character" from which questions had been excluded without satisfactory determination of what constituted the "chief causes of economic disturbance."<sup>62</sup> In order to keep informed, Washington instructed Ambassador Child to sit in as an observer, and also directed James A. Logan of the U.S. unofficial delegation to the Reparation Commission to vacation in the area during the proceedings for his health.

Policymakers in Washington had little reason to regret not sending an official delegation to Genoa. From the Rome embassy, Child sent a steady stream of messages telling the State Department how right their decision had been. He suggested that European statesmen planning for Genoa sought mostly to shore up their domestic political fortunes by appealing to "internal avarice or fears." The United States, he advised, should bide its time. It should quietly await the development of a bloc of European opinion prepared to stand against "imperialistic intrigue and purely political programs and in favor of liberal economic cooperation." In the meantime, it should refuse to "rush in as a volunteer adjuster or to be dragged in as an easily hoodwinked creditor who innocently goes afield to meetings of his debtors."<sup>63</sup> From Genoa itself, Child reported with a hint of *Schadenfreude* that the conference droned on "in great confusion" and that nothing constructive would emerge from it. The imprecise plans for European reconstruction, he claimed, had turned out to be largely "a device of the British Department of Overseas Trade" for getting other nations to chip in for credits that

61 Strong to Norman, Feb. 2, 18, and 21, Mar. 4, 1922, *ibid*.

62 Hughes to Italian ambassador in Washington, Mar. 8, 1922, *FRUS* 1922, 1:384-96.

63 Child to State, Mar. 16, 1922, USDS 550.E1/108.

would enable countries with depreciated currencies to purchase British supplies and machinery.<sup>64</sup>

Logan, reporting on his "health" vacation on the North Italian coast, agreed that the U.S. government had proved "extremely wise and far-sighted" in refusing to participate. Logan did not endorse the common American impression that Genoa was a "cess-pool of political intrigues" and "Machiavellian machinations." But he considered its accomplishments in the fields of finance and economics to be "highly academic in character." He was not particularly worried by the Rapallo Treaty between Germany and Russia; he accepted the evaluation of Carl Bergmann, his highly regarded interlocutor on the *Kriegslastenkommission*, who blamed it all on Rathenau - "a man with exaggerated ego and exalted conceit." But clearly the treaty had poisoned the atmosphere at Genoa. Constructive action on reparations would have to proceed under the auspices of the Reparation Commission in Paris.<sup>65</sup> The one innovative proposal endorsed by Child - for an international credit organization that might promote investment by facilitating the recycling of idle capital and gold surpluses - won no favor in Washington. Foreign Trade Adviser Arthur N. Young minuted that the idea recalled the now-discredited ter Meulen plan launched at the 1920 Brussels Financial Conference. The problem, held Young, was not lack of credit, but the fact that such a "distressingly large portion" of previous credits had been devoted to nonproductive uses, including most notably luxury imports, deficit finance, and military expenditure. It had become evident that "no plan of international credits is a fundamental remedy for the ills of Europe." The nations there had to take constructive action to help themselves.<sup>66</sup> The Western European Division did not wait for the conference to end before writing its obituary. The Genoa recom-

64 Child to State, Apr. 29, 1922, USDS 550.E1/226.

65 Logan to State, Apr. 28, 1922, USDS 550.E1/293. Rathenau was widely despised for appearing to be what he was not, and his behavior at Genoa came as no surprise to initiates. Emile Francqui of the Société Générale had sent to Belgian Ambassador de Cartier in Washington the following characterization some months earlier: "Rathenau, we must keep reminding ourselves, is one of the best-tempered of German swords. He has the talents of his race, the gift of flattery, the knowledge of how to allay distrust. He has used these gifts in the past and will use them again in the future, but when he thinks he has succeeded in his purposes, he will raise his head again to dominate those whom he will have conquered." De Cartier thought the description so fine that he circulated it to his American friends. See Francqui to Emile de Cartier de Marchienne, Feb. 11, 1922, in de Cartier to Lamont, Mar. 12, 1922, box 84/3, Thomas W. Lamont Papers.

66 Child to State, May 1, 1922; Foreign Trade Adviser Arthur N. Young memo., "Outline of International Credit Plan proposed by Ambassador Child," May 1922, USDS 550.E1/228; similar position taken by Economic Adviser Arthur C. Millspaugh, USDS 550.E1/307.

mendations for currency stabilization, balanced budgets, central-bank cooperation, and a new gold-exchange standard were “not likely to cure Europe until the major illnesses, reparations and armaments, have been attended.”<sup>67</sup>

Washington showed little further interest in Genoa or its successor conference at The Hague. Before the delegates had scattered, attention quickly shifted back to the pivotal issues of reparations and war debts. The State Department put pressure on J. P. Morgan to join the Bankers’ Committee sitting in Paris to pass on conditions for a German loan.<sup>68</sup> His mandate, as Morgan partner Dwight Morrow expressed it so well, was to find a way “to make France recede from an indefensible position with regard to reparations which will be compatible with the dignity of a great nation which contributed so much to the winning of the war and which bore so much of the suffering of the war.”<sup>69</sup> For the moment, the task proved impossible. Premier Raymond Poincaré, Briand’s successor, refused to accept the finding of the Bankers’ Committee that Germany would have to be accorded a reparations moratorium before it received a stabilization loan. J. P. Morgan, the leading interpreter of U.S. investment markets, had no intention of twisting arms in Paris. Morgan found Poincaré a prickly customer. Yet as regards substance he confessed privately that he did not know which way to advise the French. If they preferred security to reparations, they were “entirely within their rights.” All the same, they could not “talk one way and act another.” And they certainly could not expect American investors to lend money to Germany until they had made up their minds.<sup>70</sup> The dilemma would take time to resolve. Events moved steadily toward the application of sanctions under the Versailles Treaty and a test of wills between Germany and France.

The U.S. Treasury, meanwhile, offered a variety of blandishments to the British to begin negotiations for funding their war debt. Assistant Secretary Wadsworth made no bones about his wish to secure Britain’s “courageous meeting of the situation . . . as a precedent for the other

67 Western European Division, “The Reconstruction of Europe,” Apr. 18, 1922, USDS 550.E1/370.

68 From Paris, Boyden had suggested that Governor Benjamin Strong of the Federal Reserve Bank of New York be asked to serve. Mellon vetoed the idea of sending someone who might be perceived as a government representative. Through the State Department, he directed Boyden to propose J. P. Morgan as his “personal suggestion” instead (Boyden to State, Apr. 5, 1922; Hughes to Boyden, Apr. 8, 1922, USDS 462.00R29/1608).

69 Dwight Morrow to Thomas W. Lamont, May 1, 1922, Lamont Papers, 113/14.

70 J. P. Morgan to Herman Harjes (his Paris partner), Nov. 23, 1922, box 176; J. P. Morgan Papers.

governments.”<sup>71</sup> The British, however, still attempted for some months to wriggle off the hook. Chancellor of the Exchequer Sir Robert Horne admitted in the privacy of the cabinet that Britain could now make remittance without any exchange difficulty. “The problem is not how to find the dollars, but simply how to persuade our own people to pay the taxation involved in the transfer of the dollars to the Exchequer’s control.” As a purely economic proposition, Horne argued, Britain would actually draw advantage from funding its debt. To do so would help bring America into Europe, promote economic growth on the Continent, and thereby help solve the lingering problem of British unemployment and trade depression. “We have more to gain by the restoration of Europe than we have to lose by paying our real debt to the United States government, even if (which I do not believe) there is any real chance of our being let off in whole or in part.”<sup>72</sup>

Horne’s analysis coincided exactly with expert opinion at the Bank of England and with the convictions of the broadest-gauged thinkers in the City.<sup>73</sup> Lloyd George, however, refused to accept this reasoning. Not only did the wily Welshman dislike America intensely, but he focused his concern on the political balance in the House of Commons far more than on the balance of payments. At Westminster and in significant parts of the higher civil service as well, many considered the American demand for funding, as the permanent under secretary of the Foreign Office put it, “incredibly mean and contemptible.”<sup>74</sup> Lloyd George thus drew on a deep well of sentiment as he initiated the tortuous cabinet discussions that led to promulgation of the Balfour Note. Ostensibly, that note committed Whitehall to seek no more in German reparations and payments from its Allied debtors combined than proved necessary to fund the British debt to America. The subtext, however, gave out a different signal. In practice, the note figured as a crude attempt to embarrass the United States into unilateral cancellation – as

71 Lamont to Sir Basil Blackett, reporting conversation with Wadsworth, June 8, 1922, Lamont Papers, 80/15.

72 Chancellor of the Exchequer memo. [actually drafted by Blackett], “British Debt to the United States,” June 8, 1922, C.P. 4020, GB CAB 24/137.

73 Montagu Norman to Benjamin Strong, Feb. 25, June 13 and 19, July 26, and Aug. 17, 1922, Strong Papers, 1116.3.

74 Sir Eyre A. Crowe minute, May 18, 1922, GB FO 371/8191: N4766/646/38. Crowe and other policymakers perceived at least an implicit link between the capacity of Britain to lead in Russia’s rehabilitation and its success in deflecting America’s funding demands. Indeed, Crowe’s outburst came in reaction to a May 13 editorial in the *Chicago Tribune*, which noted sourly that, if the Europeans made loans to Russia as a consequence of Genoa and The Hague, they would be “lending our money.”

the prime minister's own private secretary put it, "shamming bankrupt in order to put [America] in the dock, demeaning ourselves in order to blacken her and defraud her of her debt."<sup>75</sup> The stratagem merely led to an exchange of verbal salvos across the Atlantic and to hardened attitudes on the American side. Herbert Hoover wrote bitterly to a friend: "Europe has no realization of the necessity to meet certain primary questions on her own responsibility, and before this realization comes . . . they will probably need to go deeper into the ditch than they are now. . . . The propaganda systematically put across by our British friends . . . contributes nothing to the situation except extreme irritation to the American people."<sup>76</sup>

Hoover himself returned the irritation in kind with slashing declarations against the British in a notable speech early in the fall. And Mellon too, according to the standards of the Morgan partners, appeared "rather hard-boiled."<sup>77</sup> As Thomas Lamont wrote to the head of the firm, Mellon "apparently thinks that in some mysterious way all the indebtedness will finally be paid. He is the watchdog of the Treasury, and naturally considers it his duty to see that the Treasury gets every penny out of its debtors. . . . He seems to think, too, that if we keep alive all these notes owing to us from dinky little countries all over Europe, the fact that we are holding the notes will give us a sort of stranglehold politically on some of those countries and enable us to tell them what they shall or shall not do. Herbert Hoover has that same benevolent idea."<sup>78</sup>

Gradually, moderates in both Washington and London moved toward an accommodation. Secretary of State Hughes later revealed that he had planned to propose an initiative on reparations just prior to the Balfour Note, but that the note had spoiled the atmosphere and compelled him to rest on his oars.<sup>79</sup> In the fall of 1922, Hughes was again moving slowly toward a new proposal for an Expert Committee

75 Sir Edward Grigg to Lloyd George, "Our Debt to the U.S.A. and the European Position," July 6, 1922, box 19, 1st Baron Altrincham Papers (in private hands), London.

76 Hoover to Frederic R. Coudert, Aug. 28, 1922, copy in Lamont Papers, 141/20.

77 Lamont to E. C. Grenfell, Oct. 19, 1922, *ibid.*, 111/14.

78 Lamont to J. P. Morgan, Oct. 6, 1922, *ibid.*, 108/13.

79 *Ibid.* Roland Boyden, U.S. unofficial delegate on the Reparation Commission, excitedly reported to his contacts at Morgans in August 1922 that Hughes had "in general" endorsed his scheme to reconvene the Bankers' Committee with a broad mandate to give "independent advice on Germany's capacity to pay" and to propose methods for that country's financial rehabilitation. But the secretary had no choice but to hold the matter in abeyance when an "antagonistic" public attitude developed as a result of the Balfour Note (George Whitney to J. P. Morgan, Aug. 21, 1922, box 176, J. P. Morgan Papers).

to look into reparations. Given the expressed will of Congress, Hughes felt, a reparations revision had to precede and not follow any review of debts to the United States. Until congressional sentiment changed, Hughes argued in his usual cautious way, the Debt Commission's hands remained essentially tied. It was imperative, therefore, for the British to "come across" in order to dispel antagonism toward London and to foster more flexibility in public opinion on the general question of inter-Allied indebtedness.<sup>80</sup> Eventually, London got the message. In January 1923, a British Debt Funding Mission headed by the practical-minded Stanley Baldwin arrived and rapidly reached a compromise with the Americans. But by then the Germans had openly revolted against the Versailles Treaty. The French had occupied the Ruhr. The notion of a worldwide conference to discuss European reconstruction would have to await the outcome of the Franco-German test of strength.

In retrospect, American policymakers had no reason to rue their decision not to participate in the Genoa Conference. Events had ratified the administration view that Europe's basic problems were political rather than economic. Experience had shown that the essential reparations and war-debts settlements had to precede technical agreements looking to global economic recovery. The cost of delay was admittedly high, but probably unavoidable. Whatever Lloyd George might profess to believe, opening the Russian market could not under the best of circumstances solve the fundamental problems of Western Europe. And the stakes in the conflict between France and Germany made it impossible for either country to yield on reparations without a protracted struggle.

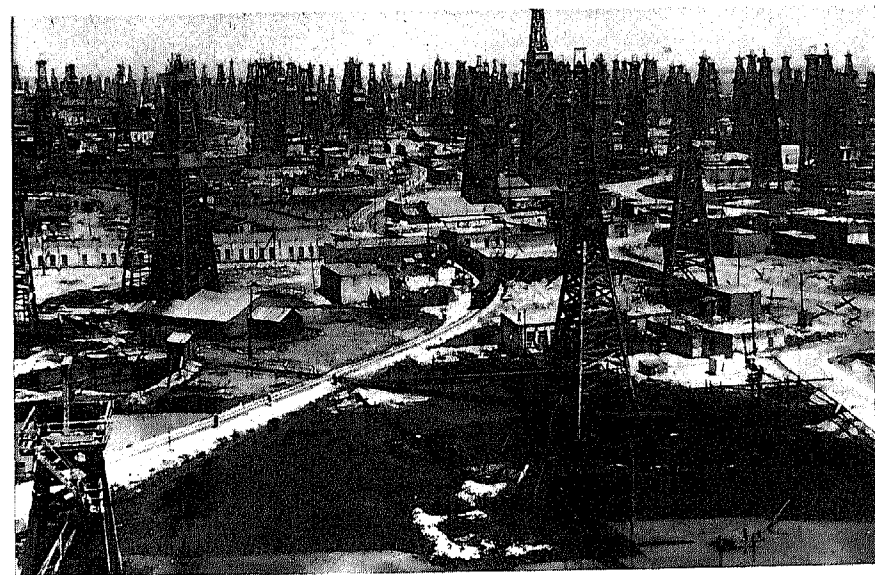
As the Genoa Conference wound down, Secretary Hughes assessed its outcome as "positively harmful." Beforehand, he insisted, communism had given signs of "dying of inanition." By exaggerating the immediate importance of trade with a stripped and starving Russia, however, the Western powers at Genoa had played "straight into the hands of the Bolshevik oligarchy" and given it a new lease on life.<sup>81</sup> Ambassador Child, Washington's man on the spot, did not take anything about the conference so seriously. Child found most of the leaders of Europe, whom he had observed at close range, to be "stupid, . . . selfish and . . . lacking in directness and brevity and sincerity." He felt the

80 Lamont to J. P. Morgan, Oct. 6, 1922, Lamont Papers, 108/13.

81 Geddes no. 1 to British Delegation, Genoa, May 17, 1922, GB FO 371/8192: N5353/646/38.

usual shock of the American innocent at the “intrigues, undisclosed purposes, suspicions, hatred and complete self-seeking” that characterized European diplomacy. He tossed the “mimeographed nothings” of the expert subcommittees into the corner unread. In fact, from his arrival through “terrible railway tunnels filled with smothering gases,” through the constant rainstorms that accentuated the dreary physical appearance of the host city, to the “lying tongues acclaiming the conference a great success” at the end, Child found the whole experience an aesthetic trial and a diplomatic bore.<sup>82</sup> In any event, a conference designed primarily to meet the exigencies of British domestic politics, and that failed to consider American political requirements at all, stood no chance of clearing away the obstacles to world economic revival.

<sup>82</sup> Child, *A Diplomat Looks at Europe*, 26, 32, 35, 40-1, 52-3.



Oil Fields near Baku, 1920s



English Unemployed Queuing outside a Labor Exchange, 1924

München, 12. April 1922

Preis 4 Mark

27. Jahrgang Nr. 2

# SIMPLICISSIMUS

erschienen wöchentlich in München  
für den Reichsbesitzer

Begründet von Albert Langen und Th. Th. Heine

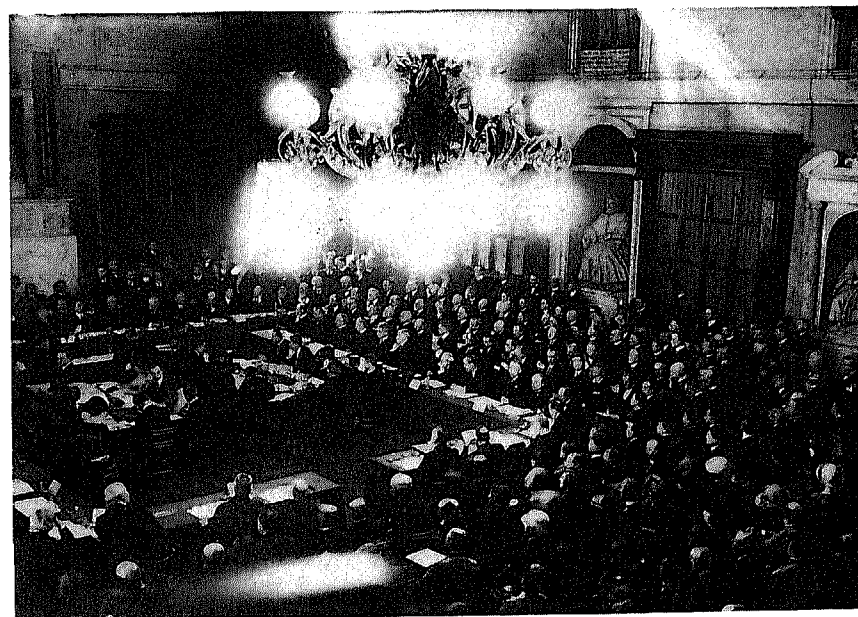
Verlagsgesellschaft in München  
Königsplatz 10

Genoa

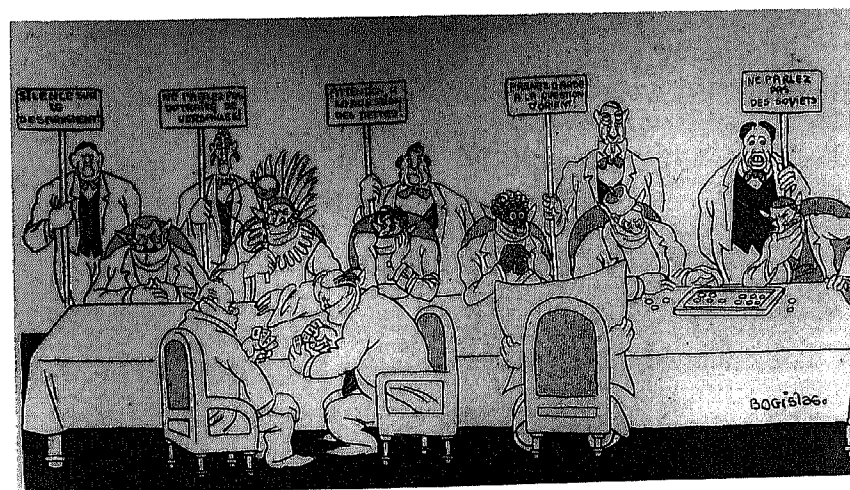


Europa wach ruft und leer — aber die Konferenzen gehen immer noch.

“Genoa: Europe Lay Waste and Deserted—But the Conferences Were still in Session,” *Simplicissimus*, April 12, 1922



Opening Session of the Genoa Conference



“Opening Session of the International Conference at Genoa: Silence on Disarmament! Don’t Speak about the Treaty of Versailles! Be Cautious of the Debt Question! Beware of the Middle East Question! Don’t Speak about the Soviets!” *Le Rire*, April 15, 1922





David Lloyd George (*left*) and Louis Barthou (*right*) at Genoa



David Lloyd George (*center left*) and Carlo Schanzer (*center right*) at Genoa



Georgi V. Chicherin (*center*) and Members of the Russian Delegation at Genoa



WHAT IS WRONG WITH THIS PICTURE?  
 DR. FENDEL, FOLGEND 1270 1270 MIT 1. JUNI 1922 ERSCHEINUNG CONTEMPORÄRE  
 PUNCHER & PUNCHER, P. 100. 100. 100.

“Germany and Russia: A Beginning,” *Simplicissimus*, May 10, 1922

“What Is Wrong with This Picture?” *Punch*, May 24, 1922



“Uncle Sam: ‘Well, It’s Good To Be Missed Anyhow,’” Cartoon by Clifford Kennedy Berryman

Die Deutsche Regierung, vertreten durch

*Walter Rathenau*

und

die Regierung der Russischen Sozialistischen Föderati-  
 on, Sozial-Republik, vertreten durch

*Vladimir Maximowitsch Tschelomizki*

sind über nachstehende Bestimmungen übereingekommen.

**Artikel 1.**

Die beiden Regierungen sind darüber einig, dass die Ausbesserung zwischen den Deutschen Reich und der Russischen Sozialistischen Föderativen Sozietät über die Fragen aus der Zeit des Krieges - insbesondere zwischen Deutschland und Russland auf folgender Grundlage geregelt wird:

a) Das Deutsche Reich und die R.S.F.S.R. verzichten gegenseitig auf den Ersatz ihrer Kriegskosten sowie auf den Ersatz der Kriegs-schäden, d. h. derjenigen Schäden, die ihre und ihren Angehörigen in den Kriegesgebieten durch militärische Massnahmen einschließlich aller in Feindesland vorgenommenen Repressalien entstanden sind. Dergleichen verzichten beide Teile auf den Ersatz der Verletzungen, die den Angehörigen des einen Teiles durch die vorgenannten Kriegsmassnahmen oder durch Grenzmassnahmen staatlicher Organe des ander Teiles verursacht worden sind.

b) Die durch den Kriegszustand betroffenen öffentlichen

Öffentlichen und privaten Rechtsbeziehungen, insbesondere der Frage der Behandlung der in die Genoa des anderen Teiles getretenen Handelsbeziehungen werden nach dem Grundsatz der Gegenseitigkeit geregelt werden.

a) Deutschland und Russland verzichten gegenseitig auf Erstattung der beiderseitigen Aufwendungen für Kriegesgebühren. Ebenfalls verzichtet die Deutsche Regierung auf Erstattung der von ihr für die in Deutschland internierten Angehörigen der beiden Teiles geschehene Aufwendungen. Die Russische Regierung verpflichtet sich, die Angehörigen des Deutschen Reiches aus dem Gebiet der Russischen Sozialistischen Föderativen Sozietät nach Deutschland wohnen zu lassen, vorausgesetzt, dass die Internierten nach Deutschland gebrauchten Reisepässe.

**Artikel 2.**

Deutschland verzichtet auf die Ansprüche, die sich aus der bisherigen Anwendung der Gesetze und Massnahmen der R.S.F.S.R. auf deutsche Reichsangehörige oder ihre Primatriten sowie auf die Rechte des Deutschen Reiches und der Länder gegen Russland sowie aus den von der R.S.F.S.R. oder ihren Organen sonst gegen Reichsangehörige oder ihre Primatriten getroffenen Massnahmen ergeben, vorausgesetzt, dass die Regierung der R.S.F.S.R. auch ähnliche Ansprüche für ihren Staat nicht befriedigt.

**Artikel 3.**

Die diplomatischen und konsularischen Beziehungen zwischen dem Deutschen Reich und der R.S.F.S.R. werden sogleich wieder aufgenommen. Die Erlaubnis

der beiderseitigen Immunität wird durch ein besonderes Abkommen geregelt werden.

**Artikel 4.**

Die beiden Regierungen sind sich ferner auch darüber einig, dass für die allgeseine Rechtsstellung der Angehörigen des einen Teiles im Gebiet des anderen Teiles und für die allgeseine Regelung der beiderseitigen Handels- und Wirtschaftsbeziehungen der Grundsatze der Gleichberechtigung gelten soll. Der Grundsatze der Gleichberechtigung erstreckt sich nicht auf die Vorrechte und Befreiungen, die die R.S.F.S.R. einer Sozial-Republik oder eines solchen Staates gewährt, der früher Bestandteil des ehemaligen Russischen Reiches war.

**Artikel 5.**

Die beiden Regierungen werden den wirtschaftlichen Beziehungen der beiden Länder in wohlwollender Weise nachsichtig entgegenkommen. Bei einer grundsätzlichen Regelung dieser Frage auf internationaler Basis werden die in vorherigen Verhandlungen erzielten Ergebnisse beibehalten. Die Deutsche Regierung erklärt sich bereit, die ihr neuerdings angebotenen von Primatriten b-absichtigten Verhandlungen nach Möglichkeit zu unterstützen und ihre Durchführung zu erleichtern.

**Artikel 6.**

Die Artikel 1 b und 4 dieses Vertrages treten mit der Ratifikation, die Übrigen Bestimmungen dieses Vertrages treten sofort in Kraft.

Ausgefertigt

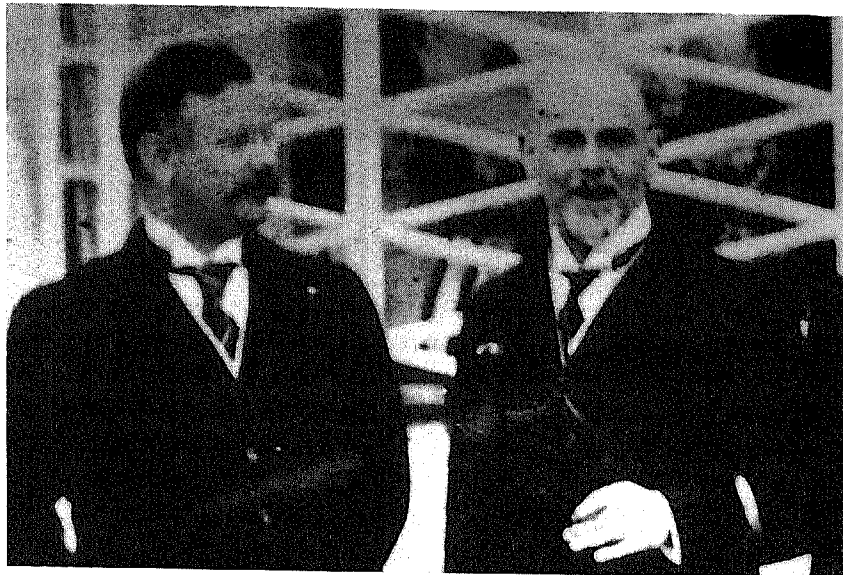
Ausgefertigt in doppelter Rechtschrift in Rapallo am 16. April 1922.

Rapallo Treaty

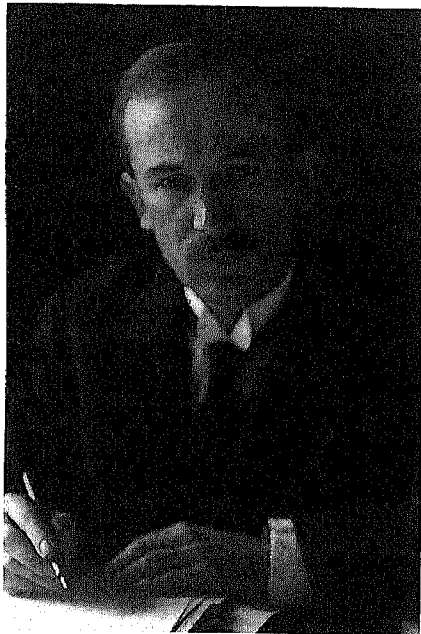
*Walter Rathenau*

## French Plans for the Reconstruction of Russia: A History and Evaluation

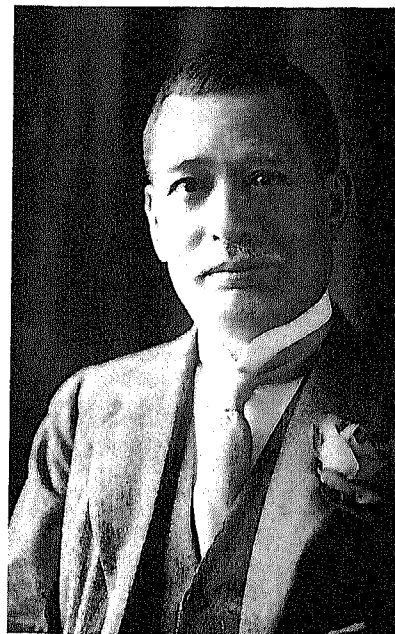
ANNE HOGENHUIS-SELIVERSTOFF



Joseph Wirth (*left*) and Walther Rathenau (*right*) at Genoa



Edouard Beneš



Viscount Kikujirô Ishii, Head of the Japanese Delegation at Genoa

France's policy toward Soviet Russia at the time of the Genoa Conference has been described both in the official government publications that appeared shortly afterward and in subsequent monographs.<sup>1</sup> However, the preparations for the conference, its various transformations, and the strategy and tactics of its participants have received little attention.

The private files of a number of French civil servants who took part in the preparations for the Genoa Conference provide revealing evidence about the above matters; they also permit a better understanding of this crucial period of French diplomacy with its mounting concern that France, just emerging from postwar reconstruction, was descending from the top of a wave and had to defend itself from both friend and foe. It was feared that considerable damage had already been incurred and there was only a very narrow margin for action to regain control.

At the end of 1921, diplomats and statesmen in Moscow, London, and Berlin called for an international conference to discuss the reentry of Russia into the European system, the settlement of the problem of German reparations, and the revival of traditional trade patterns that had been distorted by war and revolution. They hoped that this would restore peace, order, and prosperity to Europe. However, the various proponents of the conference were largely motivated by feelings of national interest, and some of their schemes would explode like bombs during the course of the Genoa Conference.

The situation was scarcely different in Paris. In the summer of 1921, Aristide Briand's government, with Louis Loucheur as its minister of

<sup>1</sup> Ministère des Affaires Étrangères, *Documents diplomatiques. Conférence économique internationale de Gênes, 1922*. For a general bibliography and historical background, see Anne Hogenhuis-Seliverstoff, *Les relations franco-soviétiques, 1917-1924* (Paris, 1981).

THE GERMAN HISTORICAL INSTITUTE, WASHINGTON, D.C.

The German Historical Institute is a center for advanced study and research whose purpose is to provide a permanent basis for scholarly cooperation between historians from the Federal Republic of Germany and the United States. The Institute conducts, promotes, and supports research into both American and German political, social, economic, and cultural history, into transatlantic migration, especially in the nineteenth and twentieth centuries, and into the history of international relations, with special emphasis on the roles played by the United States and Germany.

# *Genoa, Rapallo, and European Reconstruction in 1922*

*Edited by*

CAROLE FINK

AXEL FROHN

*and*

JÜRGEN HEIDEKING

GERMAN HISTORICAL INSTITUTE

*Washington, D.C.*

CAMBRIDGE UNIVERSITY PRESS

*Cambridge*

*New York Port Chester Melbourne Sydney*

Published by the Press Syndicate of the University of Cambridge  
The Pitt Building, Trumpington Street, Cambridge CB2 1RP  
40 West 20th Street, New York, NY 10011, USA  
10 Stamford Road, Oakleigh, Melbourne 3166, Australia

## Contents

D  
655  
.G46  
1991

© Cambridge University Press 1991

First published 1991

Printed in the United States of America

### *Library of Congress Cataloging-in-Publication Data*

Genoa, Rapallo, and European Reconstruction in 1922 / edited by Carole Fink, Axel Frohn, and Jürgen Heideking.

p. cm.

Includes bibliographical references.

ISBN 0-521-41167-X (hardback)

1. Genoa Conference (1922) 2. Reconstruction (1914-1939)  
3. Europe - Politics and government - 1918-1945. 4. Germany - Foreign relations - Soviet Union. 5. Soviet Union - Foreign relations - Germany. I. Fink, Carole.  
II. Frohn, Axel. III. Heideking, Jürgen.  
D655.G46 1991

940.5'1 - dc20

91-2393

CIP

### *British Library Cataloguing in Publication Data*

Genoa, Rapallo, and European reconstruction in 1922.

1. Genoa Conference, 1922. Europe, history, 1918-1939. World War 1  
I. Fink, Carole II. Frohn, Axel III. Heideking, Jürgen  
940.3141

ISBN 0-521-41167-X hardback

### Illustrations List Maps List Abbreviations List

vii  
viii  
ix

### Introduction

1

- 1 Beyond Revisionism: The Genoa Conference of 1922  
*Carole Fink* 11
- 2 The Genoa Conference of 1922: Lloyd George and the  
Politics of Recognition *Andrew Williams* 29
- 3 A Rainy Day, April 16, 1922: The Rapallo Treaty and  
the Cloudy Perspective for German Foreign Policy  
*Peter Krüger* 49
- 4 Reparations in 1922 *Sally Marks* 65
- 5 Germany and the United States: The Concept of World  
Economic Interdependence *Manfred Berg* 77
- 6 American Policy Toward Debts and Reconstruction at  
Genoa, 1922 *Stephen A. Schuker* 95
- 7 French Plans for the Reconstruction of Russia: A  
History and Evaluation *Anne Hogenhuis-Seliverstovff* 131
- 8 The Oil Problem and Soviet-American Relations at the  
Genoa Conference of 1922 *A. A. Fursenko* 149
- 9 Italy at the Genoa Conference: Italian-Soviet  
Commercial Relations *Giorgio Petracchi* 159
- 10 The European Policy of Czechoslovakia on the Eve of  
the Genoa Conference of 1922 *Frank Hadler* 171