

What Really Happened at Paris? Keynes and Dulles

The devastating effects upon Europe of the First World War can hardly be exaggerated. We think first of the death toll among the millions of young men who fought each other, not only on the western front in France but on the less commemorated eastern front, or on that between Italy and the Habsburg Empire. A vast number of others, men, women and children alike, perished through violence, famine and disease; the influenza epidemic has excited new attention in the era of Covid. Great empires collapsed: the Romanovs first but then inexorably the Habsburgs, the Hohenzollerns and the Ottomans. The two leading European Allies, Britain and France, eventually claimed victory and it is true that the peace treaties aggrandised them territorially, especially in the Middle East – with long-term results that we are still confronting today.

But the only real winner was the United States, especially in establishing its economic supremacy in a way that challenged *all* Europeans, though initially it fell to the victors among them to remake the world after this ‘war to end war’. The fact that the United States, having acted as the supreme arbiter at the peace conference in Paris in 1919, later refused to ratify the resulting treaties was a body-blow to liberal hopes. The League of Nations had been the brainchild of

President Wilson and was set up as an organisation premised on American leadership, yet it subsequently became a forum from which the United States excluded itself.

If John Maynard Keynes made his name in writing about the economic consequences of these successive events, it was for deep-seated reasons, endowing his work with more than transient polemical status. It was the war that had brought him into a key role in the British Treasury, where he became largely responsible for the external finance of the British war effort. This was still nominally conducted under the gold standard, by means of huge dollar loans, some of which were in reality on behalf of Britain's allies (France, Italy, Russia, Belgium, Serbia, etc.) since their own credit rating failed to satisfy the Americans. In this way Keynes acquired a unique perspective on the issue of war debts, not least because of his own (largely unacknowledged) responsibility for running them up on such a large scale. Equally obvious is the link with the 'reparations' demanded from Germany by the victors in Paris, much to Keynes's disapproval. Here, then, lay the reasons for this young British Treasury official to resign his important government post in the early summer of 1919 and devote his time to the composition of a short book published at the end of that year.

The Economic Consequences of the Peace was no mere economic analysis by a technical expert. It was a polemical work of great artistry and eloquence that took the world by storm. Keynes's close friend Lytton Strachey, the author of the recent bestseller *Eminent Victorians* (1918), could hardly have bettered the literary effect of some of the early chapters of the *Economic Consequences*, with their feline portraits of Lloyd George and Wilson, both of

them professed liberals in whom Keynes was now bitterly disappointed. Accordingly, in both Britain and the United States the *Economic Consequences* found ready admirers, especially but not exclusively on the left. In France, conversely, it faced scorn, not least because it was widely perceived as pro-German. And in Germany, it is true, Keynes was more deeply implicated in the machinations to subvert any real fulfilment of the economic clauses than he cared to admit at the time. Certainly his arguments were soon put to work in justifying the ‘innocence campaign’ against German liability for reparations, as demanded under the terms of the Peace Treaty signed at Versailles in 1919.

These terms were controversial from the start. In particular the demand for heavy reparations from Germany, tied to Article 231 of the Treaty – the ‘War Guilt Clause’ – was seen as crucial. This clause had been scorned from the outset by Count Brockdorff-Rantzau, the leader of the German delegation, when the draft treaty was first presented to the Germans on 7 May 1919. It was a month later that Lloyd George, as leader of the British Empire delegation, and now belatedly seeking concessions from his American and French counterparts, reported to them: ‘One of my financial experts has just left us, because he finds the terms too hard’ (PWW 60:315). This veiled reference to the resignation of Keynes, a couple of days after his thirty-sixth birthday, was not lost on members of the French delegation (who generally despised Keynes); but it was the younger members of the United States delegation who had most cause to regret the departure of someone they had come to regard as a comrade-in-arms in battling for moderation in the proposed peace terms.

Most of this had happened behind closed doors. It was, above all, Keynes's subsequent actions that threw open the doors and let in the daylight – or so it seemed at the time to many Anglo-American liberals. After resigning his temporary civil service status, Keynes went back to academic life in Cambridge; but his first task that summer was to revisit the story of the negotiations in Paris for a wider public. With great artistry, his account highlighted the interaction between Lloyd George, the French premier Georges Clemenceau and the American President Woodrow Wilson. The publication at the end of 1919 of the *Economic Consequences* achieved its extraordinary impact partly because an expectant readership on both sides of the Atlantic was already waiting to hear the worst. Keynes's tract simultaneously broke the dam on information about the Paris conference and, throughout the English-speaking world, came to define the terms of a debate, primarily focussed on reparations, that has lasted for over a century.

The book had sold 18,500 copies in Britain by April 1920; the American edition sold 70,000 copies within a year. And inevitably such a controversial tract provoked other publications. There were predictably hostile responses from former members of the French delegation, and more ambivalent attempts, as we shall see, to sustain the official American point of view on issues that remained in the forefront of public debate. In the course of time, with an iterative process that successively released more documentary evidence over the next two decades, some of the gaping holes in the account given in the *Economic Consequences* were successively revealed – though with curiously little damage to the author's reputation.

What Really Happened at Paris was the emblematic title of a series of public lectures given in Philadelphia and published in 1921 under the editorial aegis of President Wilson's former advisor, Colonel Edward House (with aid from the young historian Charles Seymour). This title posed a question that still needs a satisfactory answer. We need to pay more attention to the complex interaction of Anglo-American arguments about what was at stake when it came to negotiating a peace treaty in the French capital during the first half of 1919, following the Armistice negotiated with Germany in November 1918. Some of the issues were indeed matters of economic analysis, as the title of Keynes's tract might lead prospective readers to suppose – though such readers would soon find themselves grappling with implicit moral questions. And some crucial issues were characterised by the United States delegation in specifically legal terms, in a way perhaps natural within the ambit of American political culture.

This helps to explain the salient role played in Paris by the young John Foster Dulles. He is chiefly remembered today for his role in the 1950s as Secretary of State in the Eisenhower administration, identified in a highly politicised way as a right-wing Republican and cold warrior. But his early career was as a lawyer, recruited to the Paris peace conference at the age of thirty – five years younger than even Keynes – and acting as the chief legal advisor to the Economic Section of the US delegation for eight months in 1919. He was thus involved in almost daily meetings of the 'experts' who had to advise on the issue of reparations, in practice working closely with the British experts, which brought him into close contact with Keynes. It was not just their professed expertise, however

defined, that brought them together but a largely common political outlook on the big issues.

The *Economic Consequences* had abundant success – perhaps excessive success – in directing attention to what the author saw as the salient issues in the story it told; but as a history of what happened in Paris, it contains some significant silences, which merit further exploration. Some of these silences concern the role of Dulles, whose name does not appear in the *Economic Consequences*. But after its publication, this omission was duly remedied during the subsequent controversy. In the course of time, Dulles's side of the case did not go by default, least of all for lack of evidence, as might be expected of a lawyer who, in a scholarly biographer's words, 'had saved a small mountain of documents from the Paris Peace Conference' (Pruessen 1982, 515). In short, much of the relevant evidence in this is not actually hidden, or sealed in inaccessible archives. Instead, answers can be retrieved from an attentive reading of published documents – provided, of course, that we pose the right questions.

At the time of the publication of the *Economic Consequences* in December 1919, the book's authority was reinforced by the fact that much of it was evidently based upon insider information. Keynes had been working as a civil servant for the British government and was therefore bound by the rules and conventions of confidentiality. He acknowledged this in the preface, with the claim that the grounds on which he based his criticism were 'entirely of a public character, and are based on facts known to the whole world' (JMK 2:xv). This is stretching the truth somewhat, given the extent to which Chapters 4 and 5, amounting to over half the book,

drew upon confidential government documents to which he had had privileged access. Indeed this is the reason for some subsequent claims that Keynes was, in effect, purloining assessments of the scope and impact of reparations from colleagues who had worked with him in ways that he was obviously not free to acknowledge. Alternatively, this is evidence that he was purveying a Treasury view of the problem without overtly affronting the rather ill-defined code of that era.

Keynes may not have been guilty of a technical infringement of the rules but his former chief as Chancellor of the Exchequer, Austen Chamberlain, was not alone in privately expressing some qualms as to whether the author had abused his official status. But the conventions were not well defined at the time; and almost all of what was recycled in the *Economic Consequences* was from what Keynes himself had drafted, leaving no aggrieved parties over the copyright. One way or another, Keynes had a good alibi for picking and choosing what he revealed and what, for the moment at least, he chose to suppress.

Nonetheless, readers of the *Economic Consequences* – if it were their only source of information on the peace conference – would gain a very curious impression of what really happened in Paris. The centrepiece of the book's account is the famous third chapter, simply entitled 'The Conference', presenting its exquisite satire on the workings of the Council of Four. Of these four leaders, Orlando of Italy is barely mentioned, which is a fair reflection of his marginal role, exacerbated by his own misjudged decision to withdraw at one stage. It is thus the interaction between Clemenceau, Lloyd George and Wilson that forms the crux of the story.

The author was criticised at the time by two French participants, Paul Mantoux and André Tardieu. The two of them were closely associated, as trusted officials working for Clemenceau, who had brought in Mantoux (whose English was impeccable) as interpreter, first for the Supreme War Council, then for the Council of Ten – initially set up as the inner circle of the major Allies represented at the peace conference – and ultimately for the Council of Four from 24 March 1919 onwards. Mantoux's notes of the meetings of the Council of Four happily survive as a key document – despite Tardieu losing one of the two original copies in the 1930s – with a continuing relevance signalled by their publication in 1992 in an English translation. (This was produced by the editors of Woodrow Wilson's papers, which is the more accessible edition that I cite in my quotations in this chapter and the next since their text is identical in both versions). Mantoux's credentials account for the seriousness of the allegations that surfaced in the early 1920s, originating from him, that Keynes was purporting to describe at first hand a personal interaction within the Council of Four that he could not have witnessed. The substance of these charges, which had quickly (and inaccurately) been relayed through American sources sympathetic to Wilson, was exhaustively laid to rest when the relevant volume of the Keynes papers was published in 1977 (JMK 17:101–9). But laying such ghosts to rest is an inherently intractable task.

Now Mantoux worked with the British official Maurice Hankey in compiling the official minutes and, as the editors of Mantoux's texts affirm, 'neither version contradicts nor impugns the other' (Link and Boemeke 1992, xvi). For

present purposes, one irony about Mantoux's allegations is that it is often *his own notes* of the meetings of the Council of Four, or the official version produced with Hankey, that show Keynes to have been in attendance on relevant occasions and, on certain occasions, to have spoken himself, notably in dialogue with Wilson. Modern critics of Keynes have often followed Mantoux's cue in claiming that the *Economic Consequences* magnified the author's own role. But, as I hope to demonstrate, the real charge that could be made against Keynes is not that he was an ignorant outsider but actually the opposite: that the *Economic Consequences* serves to obfuscate just how closely the author was himself implicated in some crucial dealings, notably between the British and American delegations, in producing the final proposals and treaty texts on reparations.

The fact is that the Council of Four, replacing the Council of Ten, was itself a late development in the procedure of the Allied negotiations in Paris, which had commenced in January 1919. During the opening month or so, in deference to Wilson's priorities, the peace conference had been structured around the need to produce a blueprint for the League of Nations, a grand project that mainly enlisted the enthusiasm of the American and British delegations, especially the junior members. Clemenceau barely concealed his sense of frustration; Lloyd George dissimulated more tactfully. Hence the weeks that passed, with Wilson himself in the chair for League business, while Lloyd George and Clemenceau largely delegated this matter to others. This gave great prominence within the British Empire delegation to Jan Christiaan Smuts of South Africa, whose role in developing policy on

mandates for former German colonies was particularly notable. It is highly pertinent that Smuts came to acquire such status as a liberal hero.

In the course of these proceedings many links were formed during January and February between the American and British delegations, especially at the level of the younger officials who had been seconded to Paris, like Dulles on reparations, or Keynes on Treasury business. For example, the diary of Harold Nicolson of the British Foreign Office, aged thirty-three at the time, confirms the ambit within which these amicable anglophone contacts were established. ‘French furious at English being accepted as an official language’, he noted drily on 16 January (Nicolson 1933, 240). ‘The ground work we have done with the Americans is of great value’, he wrote on 8 February, after working for a couple of days with Charles Seymour of the US delegation, the aide and confidant of Colonel House (whose diary Seymour later edited for publication in the 1920s) (Nicolson 1933, 259–60).

Keynes’s closest relationship was with Norman Davis, an American Reparations Commissioner, now in the US Treasury. Davis can be called a smooth operator in many senses of that term. Five years older than Keynes, he had amassed considerable wealth through business operations in Cuba that long dogged his name and may have subsequently deterred Franklin Roosevelt from appointing him as Secretary of State in 1933. Already in 1919, the pattern had been set. Davis’s acknowledged charm and his progressive credentials in supporting Wilson evidently appealed to one

side of Keynes's personality; but so did the racy appetite for playing the markets, as seen in Keynes's youthful relish for his own ventures in currency speculation and the mischievous temptations of exploiting financial opportunities. They evidently sensed such affinities, quickly establishing a close working relationship that broke through the barriers of strict diplomatic etiquette.

As early as 14 January 1919, Keynes explained to his Treasury bosses: 'In all the meetings I have been to so far Norman Davis and I privately concerted our policy together beforehand and I hear that this sort of thing is going on in other quarters also' (JMK 16:388). This was even before the two of them, shortly afterwards, found themselves on a train to Trier (or Trèves, on the German frontier) and discovered their mutual dedication to playing bridge, which Keynes often did for quite large stakes. 'We played almost continuously day and night during the whole of our journey and during the whole of our three days' stop at Trèves, except when we were actually in conference with Germans', Keynes revealed later (JMK 10:393). And when he finally came to depart from Paris, having resigned, it was to Davis that he wrote – 'I am slipping away on Saturday from this scene of nightmare' – setting up a lunch appointment for 'one last talk with you' (JMK 16:471). To the end of the conference, then, such personal bonds, established from its early days, held firm.

The formal structure of the conference was highly inclusive at this stage, as befitted the ambitious worldwide scope envisaged for the projected League. Wilson's own attention and energy were naturally devoted to the implementation of his grand design. Conversely, a common French view

was that this was the wrong objective. ‘They loathe the League of Nations and say that Wilson’s insistence on its being taken first is delaying the Peace’, Nicolson noted on 10 February (though himself professing a more indulgent view) (Nicolson 1933, 260). Not until Wilson returned from a month’s visit to Washington in the middle of March was he ready to focus on an agenda that, for Lloyd George and Clemenceau, had the issue of reparations and indemnities from Germany as an urgent priority.

What the *Economic Consequences* fails to disclose is that the Council of Four – in effect, the Big Three, after Orlando’s marginalisation – only became operational at this point. Wilson is sometimes credited with its inception at the end of March but it seems clear that, even before the President had arrived back, it was House who had made this proposal to Lloyd George, with whom he worked well, and to Clemenceau (Neu 2015, 403). So, on the President’s return, it was really Wilson who now stepped into House’s shoes, picking up on matters that had been House’s province for a month, with an undertow of disgruntlement on either side. Wilson harboured a suspicion that House had sold the pass on some issues, too ready to conciliate Clemenceau and Lloyd George; conversely, both House and the Secretary of State, Robert Lansing, thought that it would have been better if the President had never come to Paris at all. As it was, Wilson had returned from Washington burdened with the necessity of satisfying suspicions in Congress about the scope of this League of Nations of his. Humbled, he now needed concessions on the text of the League’s Covenant in order to secure American ratification.

‘At the crisis of his fortunes the President was a lonely man’, is how the *Economic Consequences* puts it (JMK 2:30). True, far from seeming the master of the whole situation, as he had appeared at the time of his triumphal arrival in Europe in December 1918, Wilson was now publicly somewhat diminished. Privately, too, within the Big Three he was seeking ways to propitiate Lloyd George and Clemenceau on their own agenda, so as to secure their agreement for revision of the Covenant. Keynes does not put this so specifically. All that we read in his third chapter is that ‘the most decisive moment in the disintegration of the President’s moral position and the clouding of his mind’ came when Wilson accepted the argument that pensions and separation allowances qualified as reparations, which is explained as the President’s capitulation ‘before a masterpiece of the sophist’s art’ – whatever that meant (JMK 2:33).

The persuasiveness of the *Economic Consequences*, in explaining the final Treaty as a product of the interaction between the Big Three, depends largely upon such eminently quotable parts of its third chapter. The role of Clemenceau, though important, was easiest to understand, as the consistent pursuit of a zero-sum game in which France could only win if Germany lost. But it was the failings of the ostensibly liberal strategies of Lloyd George and, above all, of Wilson that attracted most attention from early readers. In this story, Lloyd George’s portrayal was ambivalent, with Keynes’s apparent scorn for his defective sense of morality offset against reluctant admiration for his political artistry, especially in manipulating Wilson – perhaps with more comprehensive results than Lloyd George himself had intended. For

in the end, of course, 'it was harder to de-bamboozle this old Presbyterian than it had been to bamboozle him; for the former involved his belief in and respect for himself' (JMK 2:34).

Here was the sting and the sneer that really hurt, the gibe that was endlessly repeated by Wilson's critics, as though it were a compelling demonstration of the case against him. This satirical vocabulary was not quite so freshly minted as it seemed in 1919. Three years previously Keynes had tried it out in an article referring to German popular support for the war: 'Had the will for peace in Germany been wholehearted and strong and really widespread, it would not have been so easy to bamboozle the people in August 1914. It was necessary to bamboozle them as it was' (JMK 16:183). Now, this tongue-in-cheek term was again pressed into service by the author, this time with an added twist. But did most readers of the *Economic Consequences* really understand what was at stake in this bamboozlement in Chapter 3? And did they fully grasp, by the time they had reached the middle of Chapter 5, some sixty pages later, how it was that Wilson had been duped?

'I cannot here describe', Keynes blandly claims in Chapter 5, 'the endless controversy and intrigue between the Allies themselves, which at last after some months culminated in the presentation to Germany of the reparation chapter in its final form'. Keynes's abstention from further comment at this point is ostensibly justified by a display of general contrition: 'I doubt if anyone who took much part in that debate can look back on it without shame' (JMK 2:95). But the innocent reader will hardly appreciate the extent to which Keynes is engaged, in the paragraphs that follow, on a cover-up of his personal role.

For what follows is a discussion of the origin of Article 231 of the Versailles Treaty, the stipulation on which Germany's liability for paying heavy reparations finally came to depend. Of course it is not helpfully headlined 'War Guilt Clause' in the text of the Treaty, but the import is deadly: 'The Allied and Associated governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies'. There is surely no need to establish at length the salience of this issue. In the widely accepted view, pithily stated in the editors' introduction to the proceedings of the international conference commemorating the 75th anniversary of the Treaty: 'At the core of the persistent controversy over the Versailles Treaty lies the question of German war guilt' (Boemeke et al. 1998, 17). By contrast, the *Economic Consequences* simply describes this clause as 'a well and carefully drafted article' (JMK 2:95). But it does not disclose that this careful drafting was largely the work of Dulles, working with none other than Keynes himself.

It was not just their professed expertise, however defined, that had brought the two young men together but a largely common political outlook on the big issues. Dulles was more strait-laced than either Keynes or Davis; his Presbyterian background sat more heavily upon him, as did his family connections, notably the distinguished diplomatic career of his maternal grandfather, whose invitation had led

this precocious teenage student at Princeton to interrupt his studies in order to assist John Foster in his work as special counsel at the second Hague conference in 1907. Returning to Princeton, Dulles had written a sympathetic paper in defence of pragmatism; he had also developed an admiration for the President of the University, Woodrow Wilson (Guhin 1972, 21–5). It may seem unsurprising that, with the United States' entry in the Great War in 1917, Dulles was to become fully committed to the war aims that he found 'magnificently formulated' by Wilson – whose appointee as Secretary of State, Robert Lansing, was married to Dulles's aunt.

This time it was 'Uncle Bert' who helped persuade his nephew to put his talents at the disposal of the administration and in due course to attend another and even greater international conference (Pruessen 1982, 23ff). It is clear that the connection between the two men remained strong in Paris, giving Dulles more leverage than his comparatively subordinate position might otherwise suggest. And it was the 'Lansing Note' of 5 November 1918 that had canonically defined the terms of the Armistice as agreed with Germany. Virtually everything that the *Economic Consequences* says about the subsequent betrayal of these undertakings in the Treaty derives from the arguments that Dulles consistently put forward during the negotiations, though Keynes only subsequently felt free to acknowledge this explicitly.

The Commission on Reparations had had its first meeting on 3 February 1919. The American members all had some kind of financial expertise, as might be expected. Vance McCormick was a publisher; he was the most obviously political of the members as a Pennsylvania progressive and close

to Colonel House. Norman Davis, as we have seen, had made serious money before entering government service, his career closely entangled with that of Thomas Lamont (who later acted as an alternate for Davis) through the J.P. Morgan bank, in ways that were to excite subsequent scandal (Carter 2020, 85–6). Bernard Baruch, the chairman of the Commission, had a long career as a fabulously wealthy Wall Street speculator. Previously Chairman of the War Industries Board, he cultivated a reputation as ‘industrial dictator’ (which was to be burnished in 1923 by a book about himself that he sponsored to the tune of some \$38,000, say half a million dollars at today’s values). He was not a man to cross, as Keynes was to discover. Dulles had won the trust of Baruch, for whom he had worked at the War Industries Board, and was himself to serve as a well-rewarded ghostwriter in due course.

Though Baruch and Davis later emerged as prominent public critics of the *Economic Consequences* (while disagreeing with each other on exactly why it merited criticism) the United States delegation had started from a position close to Keynes’s own views on reparations – unlike the Commissioners whom Lloyd George had appointed to represent the British Empire. The point was that the latter came fresh from a British postwar general election in which the cry to ‘make Germany pay’ had often overridden distinctions between open-ended ‘indemnities’ for the victors, which was a traditional demand, but not sanctioned in the Armistice agreement, and – in a new coinage that had Wilsonian approval – ‘reparations’ for specific breaches of international law. By conflating the two usages, and instead using such phrases as ‘the costs of the war’, the scale of what would be

demanded from Germany had commonly been described in Britain in highly inflated terms. The sort of figures now in public circulation wildly exceeded any informed estimate of what might be due from Germany as payments to France or Belgium for 'damage done to the civilian population of the Allies and their property', which was the defining language of the Lansing Note.

What Lloyd George had actually done was to ask for advice, not on what was due under the Lansing Note, but instead on Germany's capacity to pay. In the process he had overridden estimates provided by the British Treasury, in which Keynes, as a civil servant with relevant expertise, obviously had had a hand. The Treasury had suggested that it might be possible to exact a sum of around £2 billion within the terms of the Lansing Note. Such a claim did not meet Lloyd George's electioneering needs, so instead he had quickly appointed a committee to report to the Imperial War Cabinet. Acting under acute pressure of time during the closing days of the general election campaign, the committee came up with a wild estimate set as high as £24 billion.

This figure reflected not only the views of its bellicose chairman, the Australian Prime Minister, William Morris Hughes: the scale of the claim was also invested with the authority of another member of the committee, the former Governor of the Bank of England, Lord Cunliffe. There was already bad blood between Keynes and Cunliffe (who had recently sought to have this precocious temporary Treasury official demoted, only to be overruled by Bonar Law, then Chancellor of the Exchequer). But Lloyd George clearly had a soft spot for Cunliffe. In his *War Memoirs* he later recalled

that when, in former days, he had once asked the Governor 'how he knew which bills were safe to approve, he replied, "I smell them"' (Lloyd George, *WM* 1:62). This declared reliance on his nose in financial dealings evidently appealed to the Prime Minister's own instincts in 1918.

The immediate outcome was that Lloyd George, in his electioneering, seized on the report that Hughes sent him. The resulting 'indemnity policy' outlined in Lloyd George's speech at Bristol on 11 December is fairly summarised in the *Economic Consequences*: 'First, we have an absolute right to demand the whole cost of the war; second, we propose to demand the whole cost of the war; and third, a committee appointed by direction of the Cabinet believe that it can be done' (JMK 2:90). Along with the eminent judge Lord Sumner, both Cunliffe and the irrepressible Billy Hughes were promptly appointed by Lloyd George, after his election victory, as the three representatives of the British Empire on the Reparations Committee in Paris. The names of neither Sumner nor Cunliffe appear in Keynes's published account, yet their ghostly influence would certainly have been apparent in his story to a well-informed reader such as Dulles. Keynes's derisive soubriquet for them, 'the Heavenly Twins', became well known at the conference, not least to the Americans.

Clearly, then, Keynes's own sympathies were much more with the representatives of the United States than with those of the British Empire when the Reparations Commission began its formal business. The American position was explicitly that the Pre-Armistice Agreement (in effect, the Lansing Note) was binding; but theirs had been the only delegation to make any reference to this agreement in their preliminary

statements to the Commission. The French position is pithily expressed by André Tardieu, Clemenceau's chief of staff: 'The Armistice of November 11, 1918, was an unconditional surrender on the part of Germany' (Tardieu 1921, 43).

The form in which the Pre-Armistice Agreement had been drafted between the Allies in late October 1918 had been handled by Wilson's man of business, Colonel House, who was already in Europe, reporting every move to the President in Washington. This process was to come under keen retrospective scrutiny. House's task, aided by a bevy of young assistants, had been to translate Wilson's Fourteen Points into diplomatic language acceptable to all the Allies on the parameters of the peace terms to be negotiated with Germany.

The final text, covered by the Lansing Note, had indeed offered Lloyd George one crucial expansion of the definition of 'reparation' or 'restoration'. These terms had applied in the first instance, and often interchangeably, to the position of Belgium (only later to France) where 'damage done to the civilian population' was obviously as a result of a German invasion that was in itself illegal. But the comparable civilian losses by the British Empire had overwhelmingly been the result of submarine and air activity rather than invasion. Hence the amendment, at British instigation, in the final text of the Lansing Note: 'that compensation will be made by Germany for all damage to the civilian population of the Allies and their property by the aggression of Germany by land, by sea and from the air' (Burnett 1940, 411–12).

The motive for this amendment had been, above all, to include civilian shipping losses. But the use of the more general, open-ended and emotive term 'aggression' was also

to prove influential in subsequent arguments. It was Lloyd George's trusted executive assistant, Philip Kerr, who had been responsible for the introduction of the term 'aggression', as he subsequently came to rue with pained surprise (having meanwhile forgotten that the crucial change in the text of the Armistice agreement stood in the archives in his own handwriting) (Gilbert 1966, 31). Keynes clearly appreciated the significance of what had been done here in amending the Lansing Note. He later wrote to Sir Austen Chamberlain, who had succeeded Bonar Law as his political boss at the Treasury and had now read a complimentary copy of the *Economic Consequences*: 'while I agree that much of the Wilsonian code was incapable of strict translation into a treaty, *some* part of it was precise; and in the case of reparations, the formula, over which (in my opinion) we have cheated, was not Wilson's but *our own*' (JMK 17:12, italics in original).

Dulles had made it his own too. His address to the Reparations Commission on 13 February 1919 became the classic statement of the American position (and, as will be seen, its text was to be published by Baruch within a year of the publication of the *Economic Consequences*). In effect Dulles's oration was a response to a previous statement of the British Empire case by Hughes, who had sought to extend the scope of Germany's liability for war costs way beyond the Belgian case. Hughes wished to include all the Allies who had taken up arms, as he put it, to right Belgium's wrongs.

The pervasive sense of overriding moral outrage generated here was what Dulles sought to qualify. He did so by

making it clear that the relative moderation of the United States' approach to reparations – 'the least drastic in its terms', as he admitted, of those submitted to the Commission – should not be 'misconstrued as indicative of a lack of severity in judgement and in purpose'. On the contrary, 'the American members associate themselves in the most complete and unconditional way with all that has been said in the various memoranda on file relative to the enormity of the crime which Germany has committed' – expressing just as much moral indignation as Hughes, in short (Baruch 1920, 289).

So Dulles had proceeded to ask, 'why, in defiance of these motives, have we proposed reparation in certain limited ways only? It is because, gentlemen, we do not regard ourselves as free'. They did not have 'a blank page upon which we are free to write what we will' (Baruch 1920, 290). In this rhetorically charged way, he directed the commission's attention to 'the agreed basis of peace with Germany', as signed not only by Wilson but by Clemenceau and by Lloyd George too, as well as by Orlando for Italy. 'Gentlemen, we have here an agreement', Dulles continued, shifting from the tone of a moral appeal to the dry specification of a contractual obligation. 'It is an agreement which cannot be ignored, and I am confident that no one here would propose to ignore it' (Baruch 1920, 292). His professed confidence was, of course, misplaced if he thought that Hughes, let alone Cunliffe and Sumner, would be impressed. But Dulles kept reiterating that it was too late to change a bargain that had already been struck – the time for argument had been 'in the early days of November, 1918, and not today' (Baruch 1920, 294). The Lansing Note was thus the master text. And it was, of course, a legal text. 'It is

not enough that an act be immoral, that it be cruel, that it be unjust, unless at the same time it be illegal' (Baruch 1920, 295).

Likewise, complete repayment to *Belgium* of all war costs was thus justified, because of German violation of an international covenant on Belgian neutrality. Dulles's reasoning here, as we can now readily confirm from contemporary documentation of House's negotiations, followed the so-called Lippmann–Cobb memorandum of 29 October 1918. Primarily the work of Walter Lippmann, another of the young progressives seconded to government service in Paris, the nub of the argument on Belgium was the generally acknowledged illegality of Germany's violation of the 1839 and 1870 Treaties guaranteeing its independence. 'The initial act of invasion was illegitimate and therefore all the consequences of that act are of the same character. Among the consequences may be put the war debt of Belgium' (PWW 51:500). Now the *Economic Consequences* did not actually endorse this conclusion, since its validity 'could only be on the ground of the breach of international law involved in the invasion of Belgium' – whereas the Fourteen Points had failed to invoke such a claim, thus leaving it outside the terms of the Lansing Note (JMK 2:74). For Keynes, it was only when the Belgian provision had been accepted by the German representatives that it became a valid claim.

'It is a popular delusion', the *Economic Consequences* comments, 'to think of Belgium as the principal victim of the war' (JMK 2:79). Perhaps this suggests, in emotional response as well as in legal argument, at least a hairline crack between how Keynes and Dulles understood the position. The Lippmann–Cobb memorandum, as House was later at

pains to put on record, had been circulated to all the Allies in signing up to the Lansing Note. It was this, in the American view, that established the uniqueness of Belgium alone in its entitlement to recover war costs because of the acknowledged breach of international law. 'The illegality of this act and the duty of making reparation have already been formally admitted by Germany', Dulles concluded in seeking to make his case watertight (Baruch 1920, 295). For that too went back to the Lansing Note, in sealing a contract duly accepted by both sides.

Hughes's response, clearly reinforced by advice from Sumner, made some legalistic points on international law; but its more effective appeal was to moral intuition. Hughes sought to build on the undisputed point that Germany was at fault in its violation of international law over Belgium: 'Great Britain and France were *bound* to defend it; the United States and Italy were *entitled* to defend it' (Baruch 1920, 302). His argument gestured towards an issue that Dulles had ignored in his analysis: whether the *enforcement* of international law depended on a (moral) decision to intervene by other, disinterested countries. In an era when the status of an international court or other body with authority to act was unclear, this was surely a relevant point. Hughes's contention was that all the costs of an unjust war should be borne by the aggressor: a proposition that he sought to sustain by citing Wilson himself on the reign of law. Dulles's appeal to 'contract', on this reading, was thus all too narrowly framed. 'We claim no penalty, but reparation only,' Hughes concluded. 'We ask for justice, not revenge' (Baruch 1920, 312). Here, too, the argument shifted unsteadily between moral and legal criteria.

The Reparation Commission was clearly deadlocked. Dulles made a further formal submission on 19 February. He now sought to clarify the only two ways in which Germany could be held accountable:

that *by agreement* Germany is liable to make compensation for all damage done to the civilian population of the Allies and their property by the aggression of Germany by land, by sea, and from the air; that *by operation of law* those who have been the victim of admittedly illegal acts, such as the violation of Belgium, the torpedoing of merchant vessels without warning, the inhumane treatment of prisoners of war, etc, etc, are entitled to reparation. (Baruch 1920, 324–5, italics in original)

Thus either contract or international law was necessary to make Germany liable. Though Dulles did not mention this, perhaps in the case of Belgium it was the acceptance of the Lippmann–Cobb memorandum by the Allies that empowered them to enforce the operation of law through the terms of the projected peace treaty. Indeed Dulles’s argument seems repeatedly to stumble on this point, with some haziness about where a moral obligation shades into a legal requirement, with important implications for how we understand the concept of ‘war guilt’. Did it simply entail liability for a legally enforceable debt or did it impute a moral judgement?

In face of French doubts about the status of the Pre-Armistice Agreement itself, Dulles reaffirmed his earlier position: ‘We find every element legally necessary to constitute a binding contract’ (Baruch 1920, 327). Moreover, in conclusion, Dulles scorned Hughes’s suggestion that the violation of a Treaty

intended to benefit Belgium could confer compensating benefits on those who had acted in Belgium's defence – in effect that the British Empire should be compensated for doing its duty, like a policeman. It was international law that made Germany's invasion illegal, hence 'Belgium stands in a special position by reason of Germany's breach of her covenant not to make war on Belgium,' as Germany now accepted (Baruch 1920, 334). But any German liability for the general costs of the war would have to depend on some explicit agreement. So, faced with intractable conflicts of opinion, Dulles acknowledged an impasse within the Commission on the point over which they had differed: 'Our debate has revolved around the meaning of the declaration of November 4, 1918' (Baruch 1920, 336).

Once more, then, the true import of the Lansing Note (including the indictment, inserted at the behest of the British, of 'the aggression of Germany by land, by sea and from the air') emerged as crucial. Moreover, it did so at a moment when Dulles's suggestion of going back to the four men who had agreed to its terms proved impracticable. For in late February 1919 Lloyd George was temporarily back in London, trying to settle labour disputes; Clemenceau was in Paris, but convalescent after an assassination attempt; and Wilson, having painstakingly obtained agreement in Paris on a Covenant for the League of Nations, was on shipboard taking this draft back for approval in Washington, DC. John Foster Dulles thus had to rely on his Uncle Bert to salvage the situation by sending the President, now aboard the *USS George Washington*, a telegram that was signed also by Baruch, Davis and McCormick as Commissioners plus, of course, House, now acting head of the US delegation.

Their telegram rehearsed the position taken up by the United States, specifically in the Lansing Note; it updated Wilson on the impasse in the Reparations Commission; and it appealed for clarification. Their dilemma was now clear. Although they did not relish 'appearing to be bound to legal technicalities', they told Wilson that any move to include war costs in the treaty 'opens the way to a complete departure from the agreed terms of peace based on your 14 points and subsequent addresses'. The political situation in the Allied countries, it was acknowledged, 'will make it most difficult for their delegates to take any attitude other than insistence upon the complete reparation which they have promised their people and which all our inquiries show the people of the Allied countries feel to be just and due to them' (PWW 55:211). So there was a real and acute dilemma here.

In the circumstances, Wilson's response was robust. In a telegram of three sentences, sent from the *George Washington* on 23 February 1919, the President first told Lansing that they were 'bound in honor' not to include war costs and, secondly, offered this sharp reproof: 'The time to think of this was before the conditions of peace were communicated to the enemy unconditionally'. Finally, in terms that would similarly be echoed in the *Economic Consequences*, Wilson declared that their dissent on the war costs claim should be based 'not on the ground of the intrinsic injustice of it but on the ground that it is clearly inconsistent with what we deliberately led the enemy to expect and can not now honorably alter simply because we have the power' (PWW 55:231).

It seemed as though, free of the immediate atmosphere of Paris, Wilson had recovered his voice as the prophet

of a just and honourable peace, just as Dulles and Keynes had always hoped. Conversely, once Wilson had returned to Paris in the middle of March 1919, his status almost immediately declined to that of a politician anxious to square the political circle on a number of outstanding issues, of which the vexed question of reparations was only one. After all, his highly inconvenient trip back and forth across the ocean to Washington – thus taking him away from the conference for nearly a month – was not because of the deadlock over reparations but because of an issue that stood even higher in the President's own concerns: the fate of his proposals for a League of Nations. Reparations could wait. Yet here was the issue that was to dominate the reception of the Treaty, not least in the *Economic Consequences*. And reparations, of course, were justified in the Treaty by the 'War Guilt Clause', on which the *Economic Consequences* was largely silent – for reasons that require further exploration.