

to Great Britain and the United States. Put in another way, France would agree to no reduction of the total of the German reparation debt save as a set-off against the cancellation of her war debts to Great Britain and America.

The British view, on the other hand, was that Germany was incapable of making large immediate payments; that the occupation of the Ruhr was not the right way in which to secure such payment; that by reducing the capacity of Germany to pay, owing to the loss of her most important industrial and economic centre, payment would be indefinitely postponed, and further exasperation and probably at a later date internal disruption in Germany would be produced; and that grave economic loss would thus be entailed, not merely on the occupying Powers, but on Europe, viewed as an economic unit, in general. Mr. Bonar Law therefore declined to join in the occupation, and proposed an alternative plan for the reduction of the total debt to £2,500,000,000 with an accompanying issue of bonds, a moratorium for a short period of years, and the institution of a drastic control over German finance. Further, if this proposal were accepted, he made the offer, startling though unrecognized in its generosity, to cancel the French and Italian war debts to us *in toto*.

The French refused, and on the 11th January the Franco-Belgo-Italian occupation of the Ruhr began. It cannot, I think, be denied that the sanguine expectations with which it was entered upon have been largely falsified by the results. An extensive and prolonged military occupation was far from being contemplated, and, indeed, as soon as it appeared inevitable, the Italians retired from the scene. The sustained obstinacy and fury of passive resistance were not foreseen. The anticipated payments, whether in deliveries of coal and coke or in reparation payments, were presently shown to be not forthcoming. Meanwhile, as the net yield of the Franco-Belgian occupation became increasingly disappointing, so the treatment of the inhabitants by the Franco-Belgian authorities became increasingly severe. Thus there grew up a sort of deadlock, or, if the metaphor be varied, a condition of embittered stalemate between the rival forces. The Germans took the view that the occupation was in direct violation of the Treaty. They refused all voluntary reparation payments to France and Belgium, and they threw every possible obstacle in the way of the industrial exploitation of the region. The work of the military disarmament of Germany, provided for by the Peace Treaty, also came to a standstill.

In the meantime Mr. Bonar Law, in a generous anxiety not to frustrate by British action the success of a policy in the practical application of which he disbelieved, but the principle underlying which—viz., the desire and necessity to obtain reparations—was equally accepted by ourselves, while wishing the French good fortune in their undertaking, took up an attitude of strict neutrality. That attitude we have maintained throughout the summer, retaining our army of occupation in the area the custody of which had been assigned to us by the Treaty, endeavouring to hold the scales between the rival parties, and hoping to bring them to an ultimate arrangement. The fact that we learned from our Law Officers, after Mr. Bonar Law's return from Paris, that the occupation was not, in their opinion, justified by the terms of the treaty, thus confirming the wisdom of the British attitude, was never concealed by us from our Allies. On the other hand, public use was not made of it until M. Poincaré himself raised the legal issue by basing his case on the alleged illegality of the German action in resisting the occupation.

I am not here to apportion praise or blame between the various parties in the conflict. Our sentimental sympathy would always have been and was with our old and trusted ally. We had not the smallest desire to take the side of Germany, or to let the Germans down easily, or to deprive France of her just due. On the other hand, we also had to consider our due, and, viewing the matter not through the glasses of sentiment, but from a severely practical angle, we regarded with increasing anxiety the prosecution of a policy that seemed to us to be productive of no good results, and to be leading on to disaster and ruin.

In the course of the spring the German Government under Dr. Cuno made a number of rather ill-advised suggestions for compromise, which I need not summarize, because they were in each case inadequate and stillborn. I did not think that their diplomacy in this respect was wise; and in my various interviews with the German Ambassador I never failed to impress upon him this point of view and to urge that the duty of his Government was threefold: (1) to pay their just debts, (2) to agree to the fixation of the payments by competent authority, (3) to offer specific and adequate guarantees. Simultaneously His Majesty's Government never wavered in the assertion of their broad and general loyalty to the *entente*, and more than once indicated to the French Government that, if security rather than, or in addition to, reparations was in their mind, we should at any time be willing to discuss it. The first definite move, again halting and ill-conceived, was made by Germany in the opening days of May last. It was promptly turned down with scorn by France and Belgium, and met with no approval from us. Then, in response to a suggestion made by His Majesty's Government, their second offer of the 7th June came. This was more substantial; for the German Government now offered to accept the decision of an impartial international body as to the amount and methods of payment, they proposed certain specific guarantees, and they asked for a conference to work out a definite scheme. Here at least seemed to His Majesty's Government to be both the chance of progress and the material for a reply. Prolonged conversations with our French and Belgium Allies left their views and intentions veiled in some obscurity; and accordingly we decided, with their knowledge, to draw up the draft of a joint reply, with a view to securing the inestimable advantage of concerted action.

By this time the question of passive resistance, which had been continued with unabated intensity and had baffled all the French expectations, had assumed the first place in the outlook of our Allies, and M. Poincaré more than once laid down with uncompromising clearness that not until it was abandoned would he enter into discussions as to the future. For our part, we continued to give advice in a similar sense to the German Government; and in the draft reply which we submitted, its