

The Greek and Versailles Money-Go-Round

Casting my eye idly over my bookshelves the other day, I picked out *The Economic Consequences of the Peace* by John Maynard Keynes, his internationally best-selling attack on the Treaty of Versailles, published immediately after his resignation from the British delegation to the Peace Conference in 1919. He predicted it would lead to disaster, and certainly disaster was not long in coming, though I leave it to historian to decide how far the disaster was actually caused by the treaty. After all, if you say that disaster is coming, you are seldom wrong. Perhaps we should have a law making it illegal to deny that the Treaty of Versailles caused the disaster of the 1930s. It would simplify matters greatly.

Several passages in the book struck me as relevant today, in the throes as we are of an enormous crisis after infinitely drawn-out and convoluted negotiations. Here, for example, is what Keynes said of the Peace Conference:

The proceedings of Paris all had this air of extraordinary importance

and unimportance at the same time. The decisions seemed charged

with consequences to the future of human society; yet the air

whispered that the word was not flesh, that it was futile,

insignificant, of no effect, dissociated from events; and one felt

most strongly the impression... of events marching on to their fated

conclusion uninfluenced and unaffected by the cerebations of

Statesmen in Council...

Or again:

But the opportunity was missed... during the six months which

followed the Armistice, and nothing we do now can repair the

mischief wrought at the time. Great privation and great risks to

society have become unavoidable. All that is now open to us is

to re-direct, so far as lies within our power, the fundamental

economic tendencies that promote the re-establishment of

prosperity and order, instead of leading us deeper into misfortune.

But is this not always the case? We are always where the last lot of fools led us, and not where we should have been if wiser counsels had prevailed. This is so even in our personal lives: who can say he is exactly where he ought to have been if wisdom had ruled?

According to Keynes, France demanded that Germany should indemnify France beyond its capacity to pay, in order that France should be able to pay back British loans, so that Britain could pay back American loans (as a result of the war, Britain was a net creditor: its problem was that its loans were bad but its debts were good).

Suffice it to say that the precedents are not encouraging.

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