

outlooks, and those mostly and naturally selfish.* But by the end of the Twenties the more thoughtful French, even on the Right, were beginning to feel that their nation was not strong enough, in the face of a resuscitated, revengeful Germany, to go it alone. Only in collaboration with the British could France cope with the potentially stronger enemy beyond the Rhine.

German reparations did not continue for very long. Under the Dawes Plan worked out in 1924, which reduced Germany's annual payments, the French received over the five years it was in effect some one billion dollars, two-thirds of which was in deliveries in kind. The Young Plan of 1929 lowered the annual German payments still further. Two years later, the world-wide depression, the 1931 Hoover moratorium on reparation and war-debt payments and Germany's refusal to pay any more brought the end of reparations. On July 9, 1932, at Lausanne, France and Britain, with their Allies, signed an agreement with Germany to abolish reparations. As a sop to public opinion in the Allied countries Germany agreed to make a final token payment of 3 billion Reichsmarks (\$750,000,000) to be deposited with the Bank of International Settlements.

Of the 132 billion gold marks assessed Germany for reparations in 1921, Germany had paid a total in money and goods of 22,891,000,000 (five and a half billion dollars), of which France received 9,585,000,000 (a billion and a third dollars).⁴ Actually on balance, Germany never had to pay a single mark out of her own resources. Her borrowings from American bankers, which were never repaid, amounted to more than her total reparation payments. Naïve American investors footed the German reparations bill.

It had been loudly proclaimed in Germany, and believed in Britain and the United States, and even in large circles in France, that once the last French troops evacuated the demilitarized Rhineland and the Allies cancelled German reparations, the people of the Reich would feel greatly relieved, if not grateful, and that these generous and friendly gestures by the former victors, which wiped out most of the burdens – and reminders – of defeat, would save democracy in Germany, bolster it, and give the beleaguered Republic, attacked from the extreme Right and Left, a new lease on life.

Just the opposite happened. On June 30, 1930, the French withdrew their last troops from the Rhineland. Less than three months later, on September 14, Adolf Hitler's Nazi party, which made no secret of its enmity to democracy, the German Republic and France, won a resounding election victory. It increased its vote from 810,000 (in 1928) to 6,409,600, raising the number of its deputies in the Reichstag from 12 to 107. From the ninth and smallest party in Germany it became the second largest.

* A lesson pondered, preached and practiced by President Charles de Gaulle in the 1960's.

On July 31, 1932, three weeks after the Allies abolished German reparations, the German people responded in a national election by giving the Nazi party a still greater electoral triumph. It polled 13,745,000 votes and won 230 seats in Parliament, becoming easily the largest political party in the country.

Allied help did not save the faltering German republic. Six months after this election the Nazis took over political power in Berlin, quickly destroyed the democratic Republic, and began to prepare for revenge against France for the defeat in 1918 and the Versailles *Diktat*.

The Wrangle Over War Debts

Though the United States refused to take a cent of reparations from Germany its government and Congress insisted that its Allies, especially Britain and France, pay their war debts in full and with interest. The British government had proposed at the Peace Conference that all inter-Allied debts be cancelled on the principle that money lent during the war was a contribution to the common victory. The French, heavily in debt to both Britain and America, agreed. President Wilson rejected the very idea. As the inimitable President Calvin Coolidge said later: 'They hired the money didn't they?'

Britain and France during the war had both 'hired' money and lent it. The British government had borrowed four billion dollars from the United States and lent its Allies, chiefly France, nearly twice that amount. When in 1922, being pressed by Washington for repayment, Britain announced that she would ask only enough from her Allied debtors and from German reparations to cover her payments to the United States, this was equivalent to cancelling three-quarters of the total amount due her. France had borrowed three and a half billion dollars from the United States, nearly half of it after the Armistice. She had lent *her* Allies over five billion dollars, half of it to Russia, which now under the Bolsheviks, refused to pay back a rouble. The French felt that their own sacrifices in human life, so much greater than those suffered by the Americans, to achieve Allied victory might be somewhat compensated by the sacrifice of Yankee dollars.

But Washington was adamant. It demanded that its former Allies pay up. By 1929 most of them had reluctantly agreed: the British to pay over 62 years some 11 billion dollars on their four billion debt (the accrued interest nearly trebling the original debt) and the French six and three-quarter billion on their original debt of half that amount.⁵ Cries of 'Uncle Shylock!' could be heard throughout Western Europe in those days. Though the American government refused to recognize any connection between reparations and war debts the French made it clear they would never pay Washington more than they received in reparations from Berlin.

The Lausanne conference, which cancelled reparations, doomed further payment of inter-Allied debts. The Allies at that meeting agreed not to

ratify the ending of reparations unless the United States, in effect, assented to the cancellation of their war debts. The American government refused, and the Lausanne Treaty consequently was never ratified though its provision that Germany need pay no more reparations was honoured. Payments to America by Britain and France ceased except for token offerings by the former in 1933. When Premier Herriot insisted on France meeting her payment of nineteen million dollars due Washington on December 15, 1932, he was overthrown the day before by an angry Chamber of Deputies – 403 votes to 187. The United States Congress was equally angry. It passed a resolution to the effect that it was ‘against the policy of Congress that any of the indebtedness of foreign countries to the United States should be in any manner cancelled or reduced’. In 1934 Congress passed a law forbidding defaulting nations to float loans in America. But it had no effect. Not only reparations but war debts were dead. Only little Finland continued to pay its modest debt, for which it was much esteemed from coast to coast.

For more than a decade the wrangling over war debts blew ill-feeling to and fro across the Atlantic. By the time Hitler came to power in Germany at the beginning of 1933 the great alliance of the three Western democracies, which had humbled the Nazi dictator’s predecessors in 1918, was in ashes. It was not to be revived, so far as the Americans were concerned, until Hitler had conquered France, put Britain in mortal peril and declared war on the United States.

11

DECLINE, I Political and Financial Chaos, and the Poincaré Recovery

1924–1930

DEPRIVED OF the bulk of reparations, which they had counted on and to which they thought they were entitled, badgered by the United States to repay the war debt, faced with the enormous expense of rebuilding the devastated regions and with the State Treasury drained dry by the huge expenditures of four years of war, various French governments of the Right and the Left, none of them lasting very long and most of them committing incredible follies, struggled for eight years to stave off national bankruptcy.

For a couple of years after the peace they declined to do anything at all, even to face their problems. The slogan of the politicians that the Germans would pay blinded government and Parliament to the necessity of providing for enough revenue by taxation to meet the major part of expenses. Instead of raising taxes the government raised loans, a habit it had acquired from the war when taxes, which were scarcely augmented despite the dire necessity, paid for but 17 per cent of the total war-time expenditures of 210 billion gold francs (42 billion dollars), the rest coming from massive borrowing and advances from the Bank of France. Year after year during the 1920’s, whether the cabinet was conservative or radical, the borrowing and the advances continued until there came a time – several times – when the short-term loans could not be repaid when they fell due and the advances from the Bank of France were halted and the Treasury was literally empty.

It seemed obvious that taxes would have to be raised and some financial sacrifices made by those best able to afford them. But this did not seem obvious to Parliament. For five years after the war it declined to vote any substantial increase in taxes. When the Finance Minister of the conservative *Bloc National* government in 1923 asked for six billion francs in new taxes he was turned down. At the beginning of 1924 the Treasury could not meet its short-term obligations, and Parliament finally approved Poincaré’s demand for a rise of 20 per cent of all taxes, direct and indirect.

This fell hardest on the poor since indirect taxes on consumption accounted for nearly half the state revenues and the income tax, full of glaring loopholes and scandalously evaded by all who could get by with it, the rich above all, for less than a quarter. The selfishness of the moneyed class in avoiding any financial sacrifice to help put the country back on its feet later struck many French historians as shocking. The possessors and the manipulators of most of the country's wealth simply contrived to escape shouldering a fair share of the burden of paying for the war and the reconstruction.

They stubbornly and successfully opposed all efforts of Parliament and government to increase income taxes adequately and fairly or even to clean up the rotten tax structure which weighed so much more heavily on the poor than on the rich. And in their fanatical regard for their capital and profits, which was matched only by their disregard for the salvation of the country, they spirited their capital abroad to such a massive extent as to make inevitable a fall of the currency, the bankruptcy of the Treasury and a lack of capital at home to finance badly needed reconstruction and in particular to enable the farmers, the little businessmen and the shopkeepers to get a new start in the difficult post-war world. When in the Spring of 1925 the Herriot government asked Parliament for a law to control the headlong flight of French capital abroad the measure was bitterly attacked in the capital's leading afternoon newspaper, *Le Temps*, organ of the steel trust, *Le Comité des Forges*, as 'rank socialism' which would destroy the capitalist system. Parliament refused to approve the law, the massive movement of capital abroad continued without hindrance and though the Treasury was again emptied and the franc fell further France was saved from this sort of 'rank socialism'.

But the government was not saved from the necessity of finding money to carry on the affairs of State. When the debate in the Chamber of Deputies on where to find it began in November 1924, a socialist leader, Pierre Renaudel, made a suggestion that raised a howl of protest from conservatives in Parliament and the Press. 'You have to take the money from where it is,' he argued. Indeed, one might ask, from where else? But the very idea of asking those who had the money to shoulder the main burden of increased taxation frightened them to death and there was a new exodus of capital to safer foreign havens. 'Above all else,' cried the influential *Journal des Finances*, 'there must be a stop to this worrying of the possessors.' Perhaps so, though the possessors seemed easily prone to worry. The worries of the dispossessed were not mentioned nor was the worrying of the government by hostile acts of the financial community, led by the Bank of France, which in the Spring of 1925 launched an offensive against

* The answer of the business and financial interests was given in the Chamber by one of their spokesmen, a deputy named Bokanowski: 'We are told you have to take the money from where it is. I maintain that first you have to leave it where it is.' And that is where it was left.

the 'leftish' Herriot cabinet* with the object of bringing it down and terminating the threat against its money bags.

The flight of capital itself, in which the great financial houses took the lead was, aside from the damage it did to the country, a form of blackmail against the government not to raise taxes and especially not to consider a tax on capital. The banks resorted to other forms of blackmail. They offered to lend the Treasury money for twenty-four hours in order to cover up the advances of the Bank of France above the legal limit in return for the government overlooking evasions of income tax and refraining from clamping on a control of the export of capital. Suddenly at the beginning of April 1925, as the final assault on the Herriot government began, the banks refused further loans, even for a day, so that the surpassing of the legal limit of advances from the Bank of France had to be published. As a result the franc fell and further panic ensued.

Actually, during the conservative Poincaré régime prior to 1924 the Bank of France had often advanced to the Treasury more than the law allowed. Moreover it had put at Poincaré's disposal certain 'secret funds' of the Bank, which were considerable. Now in April 1925, it denied to the Cartel government what it had been pleased to accord the more moderate Poincaré cabinet. On April 1 and again on April 6 the Bank of France warned the government that the legal limit of its advances to the state – 41 billion francs – was about to be reached, that it would be illegal to advance more and that the government would find itself without means to meet its obligations, even the payroll of its employees. Secretly the Bank leaked the news to the press, most of which, including the large-circulation daily newspapers, had vociferously supported the financial powers in their offensive to bring down the Cartel government. The influence of the French press, dominated by large business and financial interests, in undermining not only a popularly elected government but – more important – the Third Republic itself in these declining years was growing.

Anatole de Monzie, Herriot's Minister of Finance, a curious figure who was both a radical politician and a dilettante man of letters, had tried to counter the attack of the financiers by asking the Chamber on April 9 to approve two drastic measures to restore the finances of the State: first, to raise the legal limit of currency circulation (governed by advances from the Bank of France) from 41 to 45 billions, and second, a forced loan of 10

* 'Leftish' in French terms but not, it must again be emphasized, in American. The *Cartel des gauches* (Cartel of the Left Parties) which triumphed in the general election of May 11, 1924, on a platform opposing Poincaré's foreign policy, above all his occupation of the Ruhr, and his domestic policy, above all his raising of *all* taxes by 20 per cent, was dominated by the Radical Socialist Party, a middle-of-the road group no more radical than the Democratic Party in the U.S.A. and, of course, not 'socialist' at all, despite its name. The Cartel was supported in Parliament by the Socialist Party which, however, refused to join the Herriot government. The Communist Party, with 28 elected deputies in the Chamber, opposed the Cartel as did the Conservative parties, though naturally for different reasons.

per cent on one's capital. There were renewed howls of anguish in the press but when the Chamber, by voting its confidence in the government that very day, indicated that it would approve the two measures, the business and financial powers turned desperately to the Senate as the last hope of overthrowing the Herriot government and preventing what they regarded as a dangerous inflationary step and an even more dangerous assault on their capital. There was no time to lose.

The Senate promptly obliged – the next day. This Assembly of old men, each member elected indirectly by local councils for nine years, was more conservative than the Chamber of Deputies and more fearful of change. Tending to lag behind public opinion by the very nature of its composition, which could only be changed by election of one-third of the senators every three years, it looked with suspicion on the Cartel of the Left Parties, which dominated the Chamber and which seemed bent on solving the country's financial crisis in a revolutionary way. Without waiting for de Monzie to lay before it his two measures it began on April 10 a debate on the general financial policies of the Herriot government and before the day was over, a question of confidence having been posed, overthrew it by 156 votes to 132.

The question of whether the Senate had the constitutional right to overthrow a government supported by the majority of the popularly elected Chamber of Deputies had never been quite settled in France. Only twice before in 1896 and in 1913, had a Senate dared to do so, and there were some who urged Herriot to refuse to resign and to provoke a dissolution of the Chamber after which he could appeal to the country in a general election. He declined to do so apparently because of the fear that the State might go bankrupt before an election could be held and that in such circumstances the *Cartel des Gauches* could hardly hope to win it. Perhaps, as some believed, he recognized that no French government, no matter what its popular majority in the Chamber – and in the country – could stand up to the private financial and business interests. They opposed higher direct taxes and they were ready to fight to the death against a forced loan on capital.

A year afterwards, Professor Gaston Jèze, an eminent professor of law and no radical, who had served on a Committee of Experts named by the government to draw up a plan to restore the State's finances, put his finger on the situation.

Personally (Professor Jèze commented in the *Journal des Finances*) I believe that taxes on acquired wealth would be the fairest solution. But such taxes have met an invincible resistance among the possessors, who are the most powerful. That is a fact. The selfishness of the possessing classes is not reducible. We have to adapt to it.¹

But to 'adapt' to it meant for the Republic to capitulate to it, which it did.

The Power, the Greed and the Fears of the Upper Class

We confront here, in the fall of Herriot that Spring of 1925, and in the frank remarks of an eminent jurist a year later when the financial predicament of the State was even worse despite the frantic efforts of six successive governments to cope with it, some of the abuses of the Third Republic which during the next and last fifteen years would so fatally sap its strength.

The power of a small élite which possessed most of the wealth was greater than the power of the Republican government elected by the people presumably to run the country in the interest of all the citizens. This group was determined to preserve its privileged position and thus its money. In effect, since the triumph of the Republic over President MacMahon there had been a virtual alliance between the possessor class and the Republic, which it manipulated through its control of the Press, the financing of political parties and the handling of its vast funds to influence the fiscal policies of government. The mass of the people might elect a radical Chamber of Deputies, as it had in 1924, with a mandate to enforce economic, financial and social reforms on the country. No matter. The bankers and the businessmen had learned the technique in a democratic society of how to thwart the majority, as the fall of Herriot had demonstrated. Not only in the elections of 1924 but again in those of 1932 and 1936, as we shall see, the voters sent leftish majorities to the Chamber. But they quickly melted away, not because of a change of mind in the electorate (there were no elections in between) but because of political trading in Parliament by the elected representatives, who in each case, after approving a government of the Left, shifted their support to a government either of the Right or of the safe centre.

Worried for a moment by the outcome of the elections the upper classes were soon reassured, at least for a time, by the ability of Parliament to frustrate the will of the majority of the electorate. And more and more, as the last years of the Third Republic ticked off, the wealthy found it difficult to put the interest of the nation above that of their class. Faced with specific obligations to the country if the State were not to flounder in a financial morass they shrank from meeting them. The Republic might go under but their valuables would be preserved. In the meantime they would not help keep it afloat by paying a fair share of the taxes. The tax burden was for others to shoulder. If that were understood by the politicians, the Republic could continue. If not . . . were there not other forms of government possible which promised more security for entrenched wealth?

The thoughts of some of the biggest entrepreneurs began to turn to the Fascist 'experiment' in Italy and to the growing success of the Nazi party in Germany.

One of these entrepreneurs was the electricity magnate Ernest Mercier, who with the support of some of his business colleagues launched in 1926 one of the first antiparliament movements, *Redressement Français*, or

'French Resurgence'. It argued that a parliament of *politicians* was incompetent to handle the affairs of State in the complicated postwar world where the intricacies of national and international business and finance called for specialized technological knowledge. It wanted to see parliament and government run by 'technicians', who knew how a modern industrial society functioned; Mercier and his band inspired 'technocracy', whose leaders if not its ideas would play a certain role in burying the Third Republic and in setting up its short-lived successor. Among those technocrats around Mercier in *Redressement Français*, was a strange and murky figure named Raphaël Alibert, who in the 1920's was an ardent royalist in *Action Française* and who would shortly emerge as the political mentor of Marshal Pétain.

Another businessman who had begun to despair of parliamentary democracy was François Coty, who had made a huge fortune manufacturing perfume and whose business had greatly profited from the devaluation of the franc. In 1922 he had bought the conservative morning newspaper, *Le Figaro*, and then as the financial crisis deepened had begun to subsidize numerous Right-Wing anti-parliamentarian movements, some of them openly fascist. Flattered by the politically discontented who used his money to assault the Republic, Coty began to conceive himself as a saviour of the nation who one day not too far off might be called upon to take over the helm of State and save it from democracy. Ridiculous as the thought was, for Coty was a political nincompoop, he seems to have taken it with growing seriousness. And though he never came near his goal – his millions were far from enough – he did succeed in contributing, along with so many other short-sighted Frenchmen of wealth, to the undermining of the Third Republic, under which he had so greatly prospered.

One can begin to see at this time, in the mid 1920's, the possessing class in France alienating itself from the rest of the nation. Since the bulk of the working class, felt *itself* somewhat cut off from the nation – for opposite reasons – the Republic obviously was in more trouble than many realized. Despite its power, the upper bourgeoisie, which had dominated the Third Republic since the beginning, was in decline. It had begun to feel itself on the defensive in a world in which the masses were threatening its privileged position by demanding more equity in the distribution of wealth and in sharing the burden of the increasing costs of government. And by the very workings of the democratic system the masses, which had the overwhelming majority of votes, might succeed in getting what they wanted. The great principle of democracy was no longer so dear to the high bourgeoisie as it had been towards the end of the Eighteenth Century when its leaders used it as a means of overthrowing the monarch and nobility and grabbing political and economic power for themselves. When the struggle was won and the gains achieved the doctrine began to lose interest for this now dominant class. As the Nineteenth Century unfolded it commenced to inspire fear. In 1848 and even more, in 1871 at

the time of the Commune, the upper middle class turned against democracy and defended its privileges with the same pitiless brutality and egotism it had employed in wrenching them from the nobility. The rise of socialism and trade-unionism towards the end of the Nineteenth Century, further frightened the possessors, and the Bolshevik revolution in Russia in 1917 and the founding of communist parties in western Europe, above all in France, in 1920 aggravated their fears.

They had subscribed to democracy, within limits, for more than a century it had enabled them to procure and then to protect their rich holdings. Now in the mid-1920's democracy as it functioned in the wobbly Third Republic appeared to them to threaten their entrenched position and worse, their property and pockets. That the threat was largely a fantasy did not make it seem less real to them. It was in this uneasy state of mind that they began to join together not to save France or even the Republic but their class and its wealth.

In the back of the minds of some of them at this time the idea began to sprout that perhaps the nation could be saved – and with it their class and its privileges – by return to an autocratic régime, even a dictatorship. They looked across the Alps to Italy. Mussolini had put an end to democracy and all its threats by crushing it with the greatest of ease. In Germany, it was true, Hitler, just out of prison, had apparently been suppressed and was no longer in the news. But as the Nazi chief began his comeback in the late twenties his programme of doing away with parliamentary democracy again was heard of in France and not without some sympathy in extreme Right circles. They began to think that perhaps an authoritarian régime in France would not only be a good thing in itself but would enable the country to live in peace and harmony with similar régimes in Germany and Italy, much as the European autocracies had lived after Metternich brought them together at the Congress of Vienna on the overthrow of Napoleon and emboldened them to stand against the dangerous threats of democracy and other tides of history.

That the Nazi German Fuehrer, as he had made clear in *Mein Kampf*, published in 1925, had no tender feelings for the French nation and people did not occur to the business and financial élite in France until it was too late. In the end they were to be proved wrong about Mussolini's attitude towards their country too.²

The Shortcomings of the Left

If the possessor class in France was too selfish, greedy and shortsighted to consent to a fair and decent solution of the State's financial crisis, the Leftist Cartel majority in the Chamber of Deputies, representing the Frenchman of modest means, was at the same time too ignorant, too confused and too timid to impose one on the country, as it had the constitutional right and power to do. The Left too bears a heavy responsibility

for keeping the government on the edge of bankruptcy. With its large majority in the Chamber at the beginning of 1924 it could have enacted the laws necessary to give the State the revenue it needed, curb inflation and put a brake on the flight of capital and the widespread evasion of the income tax. But it could not make up its mind to do so. By threatening to do something, such as carrying out a forced loan on capital, converting short-term into long-term bonds, raising the income tax and decreasing its evasions, it frightened the rich and drove their money abroad. By doing nothing, despite the threats, it helped to empty the Treasury, weaken the currency and add greatly to the chaos.

Ignorance of economics on both the Right and the Left played a role in compounding the mess. On the Right bankers and businessmen were trying to apply classic nineteenth century capitalist doctrines to the Twentieth Century, whose problems were much more complex. On the Left most of the politicians in the Chamber were small-town lawyers, small businessmen and farmers, with a liberal sprinkling of professors, who had little comprehension of the problems of financing a State so terribly burdened by the cost of the most destructive war in history.

Edouard Herriot himself, the Premier of the Cartel government, was a good example. Highly intelligent, a gifted though floral orator, educated at the *Ecole Normale*, a brilliant professor of literature who had written his doctoral thesis on the interesting subject of the beautiful Madame Recamier and later a fascinating book on the life of Beethoven – for music, as well as literature and history, was one of the many interests of this highly cultured man – a passionate radical politician in the tradition of Gambetta and still obsessed by old issues such as the State against the Church, which had been largely solved by the beginning of the century, he, like most of his political colleagues, was ill equipped by education, political experience and character to solve the financial and economic problems of the post-war world. Herriot was a genial man, courteous to his opponents, ready to compromise and not ambitious enough to be ruthless in achieving his ends. At the centre of politics the last sixteen years of the Third Republic (he had been elected to the Senate in 1912 as its youngest member), twice a Premier, often a holder of other cabinet posts, for long stretches to the very end the President of the Chamber of Deputies, a post he liked best, he was typical of almost all the Left and Centre leaders the Republic spawned in the final chapter of its existence. They lacked a toughness to fight through to the end for their beliefs and their programmes.

They shied away from facing the fact that not only temporarily drastic and unpopular measures were necessary to restore fiscal sanity but that the whole administration of the business of the State was badly in need of a fundamental overhaul. All through the inter-war years this administration was in a state of lamentable confusion. An impenetrable fog seemed to lie over the Ministry of Finance. No proper books were kept. No proper government statistics of the nation's economy were compiled. No proper

audits of government accounts were made. In 1924, in the midst of the general confusion, four billion francs worth of National Defence bonds disappeared from the Treasury without trace. Forty years later, an eminent French economist-historian, tried – but failed – to unravel the mystery. He suspected that certain 'resolute and highly placed individuals got away with a gigantic exploit' such as to pale into insignificance certain financial swindles which a decade later would rock the Republic. But he could not prove it – for lack of evidence.³

To mask the huge Treasury deficits after 1918 the Government resorted to three budgets. The 'ordinary' budget was always balanced and the Finance Minister could assure the country that all was well. But the second and larger budget, called the 'extraordinary' one, provided for no receipts at all. It was all expenses, and in 1919, the first year it was tried, amounted to 29 billions, three times the amount of the ordinary 'balanced' budget. Then a third budget was created called 'recoverable expenses', based on the hope of German reparations. But since these never amounted to much the items of expense in this phantom budget remained largely 'unrecoverable'.

This financial juggling did not long conceal the fact that the State was spending a great deal more than it was taking in – 17 billions more in 1920 and from 7 to 12 billions more annually the next four years. In these circumstances a debt that the State simply could not continue to shoulder, or at least hope to honour by repaying it, piled up. In the end the State, in effect, repudiated most of it by allowing the franc to fall until it was finally stabilized in 1928, at one-fifth of its pre-war value.

A Cascade of Cabinets

There were other weaknesses of the Third Republic exposed – or re-exposed – during these fitful years between the wars. No government lasted long enough to be able, even if it were capable, of coming to grips with its problems, which in this period were largely fiscal – for paradoxically, as we have seen, the economy expanded and prospered all through the 1920's. During the fourteen months that followed Herriot's overthrow by the Senate on April 10, 1925, there were six successive governments – a veritable cascade of ministries. Some were overthrown by the confused and fickle Chamber of Deputies, others simply resigned in order to reshuffle their ministers and maintain a precarious majority in the Chamber for a few weeks or months. Paul Painlevé, a brilliant mathematician from the Sorbonne but a rather ineffectual, radical-socialist politician, who had been Premier for two months in 1917 during a dark period of the war, succeeded Herriot. His two governments lasted seven months, from April to November 1925, the second one being overthrown by three votes, in the Chamber, which could not quite stomach his bold proposal to get the government out of hock by imposing a one per cent tax on capital annually over fourteen years.

Aristide Briand, the perennial Premier of the Third Republic, then took

over, forming during the next seven chaotic months no less than three governments, his eighth, ninth and tenth, the ninth lasting but three months and the last but three weeks. By that time, mid-July of 1926, the Treasury was empty, billions of francs in short-term loans had come due and could not be repaid, the franc itself had fallen to 50 to the dollar, a mob was howling outside the Chamber, blaming the Republic for the latest crisis, some of the rioters across the Seine on the Place de la Concorde were stoning buses full of Yankee tourists, who were held responsible, with their compatriots at home, for plotting the currency's fall (and cursed for taking advantage of it by living it up in Paris on devalued francs), and the directors of the Bank of France were informing the government – and underhandedly the Press – that the legal limit of its advances having been reached it would not give the Treasury a centime more. Along the boulevards large crowds of women were storming the department stores and the smart shops in a frenzy to convert their falling francs into something more durable.

In the citadel of finance at the Bank of France, the governor and the Regents, sacred trustees of the famous 'two-hundred families', who were popularly believed – and rightly – to possess or control most of the wealth of the country, were congratulating themselves on their firm attitude towards the government, which they were now determined to bring down. As it happened, the government was headed for the moment by the same hated man, Edouard Herriot, whom they had helped to topple fourteen months before. He had taken four days to form one, and on July 21, when he presented it to the Chamber for approval, it was toppled by a vote of 290 to 273. Outside the Palais-Bourbon, where the assembly met, a mob pressing against the closed steel gates, became so threatening that the Prefect of Police had to call for reinforcements of mounted Republican Guards to prevent it from invading the premises and, roughing up the legislators. The 'mob', was well organized. It had been assembled by the various anti-parliamentary leagues that were mushrooming on the Right. They were taking to the streets as the Brown Shirts in Germany and the Black Shirts in Italy had done – and for the same purpose.*

* With the fall of the Briand government on July 17, 1926 Joseph Caillaux, a storm-centre in the tumultuous life of the Third Republic for a quarter of a century, disappeared for good from the ranks of cabinet ministers. But he was far from finished politically, continuing for another decade to play a role, albeit a disruptive one, in the Radical-Socialist party and in the Senate, where he headed the powerful Finance Committee. Authoritarian by nature, as was his bitter enemy Clemenceau, rude, insolent and vain in manner (this writer never observed him without a monocle) and unpopular in Parliament and in his party, his faults of character were somewhat compensated by a brilliant and incisive mind.

His comebacks in political life became legendary. Overthrown as Premier in 1912 because of his costly appeasement of Germany he was back in the cabinet as Finance Minister the next year. In 1914, after his wife had murdered Calmette and he had defended her gallantly in court and helped win her acquittal, Caillaux had seemingly retired from active politics for good. His experience towards the end of the war appeared to have finished him. Long suspected of being secretly in touch with the Germans and known to favour stopping the war and negotiating a compromise peace he was deprived in 1917 of his parliamentary immunity at the insistence of Clemenceau and arrested and

At midnight of that stormy July 21, the President of the Republic called on Raymond Poincaré, now aged 65, to form a new government of 'National Union' to save, if he could, the government from bankruptcy and the franc from becoming entirely worthless. On July 27, the Chamber of Deputies, which had been selected in 1924 by a popular majority to get rid of Poincaré and all his policies, foreign and domestic, now approved him by an overwhelming majority, 358 votes to 131. Herriot, who had replaced Poincaré in 1924 and always opposed his policies, became a cabinet minister in this new government.

Such were the political ways of the Third Republic. Regardless of the expression of the will of the voters, majorities in the Chamber melted away, turning from one direction to another. When the majorities were of the Left, as after the 1924 election, they turned to the Right. This became a habit that could not be broken, but which defies rational explanation, during the rest of the life of the Republic, adding to the confusion and frustration in the land.

Yet in 1926 a certain strength was generated from this Parliamentary fickleness which could not be summoned up again a decade later when the supreme crisis for the Republic began. Despite the Gallic passions which political disagreement aroused so violently, there came a moment in that summer of 1926, as there had come in the summer of 1914, but would never occur again, when in the face of danger and perhaps disaster to the country, the political quarrels were temporarily buried, the sharp opinions for the moment compromised and the ranks closed in the interest of preserving the Republic.

'We never see you except in times of trouble!' a Communist deputy shouted at Poincaré the day he presented his government. If meant as an insult, it nevertheless contained a large measure of truth. The country was in trouble again and all the political parties except the Socialists and Communists gathered behind Poincaré. Five former Premiers joined his government. There was a political truce.

The Poincaré Recovery

Before the new President of the Council had time to formulate new

jailed on January 14, 1918, on the charge of Intelligence with the enemy and plotting against the security of the state in wartime. Finally brought to trial in 1920 before the Senate sitting as the High Court of Justice he was found guilty by a vote of 150 to 91 of communicating with the enemy, though 'without premeditation'. He was condemned to three years in prison and the loss of civic rights for ten years.

From that blow Caillaux also recovered. Amnestied along with many others in 1924, he soon got himself elected to the Senate, appointed to two cabinets in 1925–26, and, for a time, chosen as head of the Radical-Socialist party. Throughout his life he believed in rapprochement with Germany, whether she was led by Wilhelm II or by Adolf Hitler. He spoke out for it in the Senate to the last, at the time of Munich and thereafter to the final days of peace. Caillaux died on November 21, 1944 at the age of 81, just as France was being liberated by her Allies.

fiscal policies confidence returned. The franc rose. Capital began to flow home. The Regents of the Bank of France, who had more admiration for Poincaré than he had for them – for though conservative he was a man of utter integrity, a staunch Republican and a fierce patriot – were happy. Businessmen breathed a sigh of relief.

Well they might. Poincaré had no miracles up his sleeve nor radical solutions to offer. Conservative and orthodox in his ideas of government finance he had no intention of unduly rocking the boat. But since it was aground he was determined to refloat it. He would honour the State's debts when they became due and thus restore government credit. He would cut expenses and raise revenue until they were balanced. And he would stabilize the franc.

All these things he quickly did. To refund government loans he set up a sinking Fund run by an agency made independent of the Treasury. This was the *Caisse d'Amortissement*. A special law reserved for it the revenue from certain taxes and from the tobacco monopoly which the Treasury was forbidden to touch.

Taxes were raised, but the distribution of their burden remained essentially unchanged. Most of the sharpest increases were in indirect taxes, which weighed heaviest on those of modest means. The general income tax was reduced by half – from 60 per cent to 30 per cent though the additional special income tax on salaries and on farmers' profits was raised from 7 to 12 per cent. Business and financial circles were pleased, their confidence that Poincaré was not going to soak the rich restored. Their affairs prospered.

The incoming Premier was too honest and shrewd, however, to let them off scot-free. He was going to get at least part of the additional money he needed to balance the budget 'from where it was'. In the atmosphere of restored confidence he rushed through Parliament practically without debate a number of laws calling for new taxes and increase of old ones which the bankers and businessmen and the political Right would never have accepted from a less conservative government. For the first time in France's history he imposed a tax on part of the Frenchman's capital – a 7 per cent levy on real estate capital when it changed hands. The low tax on business profits was raised by half – from 10 to 15 per cent and on income from non-registered foreign securities from 14 to 25 per cent.

By the end of the year, 1926, Poincaré, though in office a little less than six months, could look with pride on his accomplishment. Government revenue was up over the previous year to 6½ billion francs, a billion and a half had been repaid to the Bank of France, the receipts of the Sinking Fund enabled it to meet without trouble the obligations of the short-term debt and there was a budget surplus of a billion francs against a deficit of one and a half billions the year before. Not only was the fall of the franc halted; the currency began to rise. From 50 to a dollar in July,

and plunging, the franc doubled its value by the end of the year. In six months Poincaré had stabilized the franc *de facto* at a rate that was to be legalized and tied to gold two years later.

There was – there had been all along – plenty of French money to restore the finances of the State. Poincaré, who at first had thought of forcing the Banks to buy government bonds in order to get immediate revenue, had listened to some advice from the director of the United States Federal Reserve Bank.

Why not turn to those who have more capital than all your banks together? To those who have more than ten billion francs in securities or gold abroad? Why not turn to your own Frenchmen?⁵

The Premier had not turned to them alone but his ability to restore confidence had resulted in the return of the bulk of French capital salted away abroad. He had imposed on the poor a heavy burden in increased taxes and a higher cost of living, for prices rose all through the last half of 1926 and for the next three years. But most Frenchmen, even many of modest means, were apparently thankful that anything had been saved at all, the State from bankruptcy, the franc from sliding to zero, and that business generally prospered. When election time came in 1928 the people gave Poincaré a vote of confidence. The Centre and Conservative parties received a majority of seats in the new House. The floundering Third Republic under Poincaré's leadership and with the co-operation of the Left and Right had surmounted another crisis and achieved for the country a remarkable recovery.

But not, as was inevitable, without cost. The financial sacrifices needed were relatively light and fell heaviest on the poor and on those, many of modest means, who had bought government bonds before and during the war with gold francs and now found them reduced by four-fifths in value by the devaluation of the currency. Some families had most of their life-savings virtually wiped out. Others whose income came mostly from fixed rents and interest were in a similar fix. A certain proletarianization of a good many solid citizens of the middle-class took place at this time. Like the workers they found it increasingly difficult to make ends meet, but contrary to the workers they turned politically not to the Left but to the extreme Right in hope of salvation. They felt that the State under the Republic, which many of them had distrusted anyway, had not honoured its promise to pay them back, with interest, what they had lent it and that, in effect it had cheated them of 80 per cent of their savings.

Moreover the severe inflation of the early Twenties caused by the fall of the franc, the rise of prices and the paralysis of government finances brought about a deep neurosis about the currency in the French people. The whole foundation of the world of the solid bourgeoisie was shaken. Sudden impoverishment, the difficulty of establishing a family budget, the futility of trying to save when your bank account or your investments

might be halved in value by the plunge of the franc – all these upset the very concepts on which the good middle-class had lived for a century. Frenchmen became obsessed with the idea that the ‘Poincaré franc’, shrunk though it was, must never again be devalued, less they be ruined anew. The obsession became a national neurosis which would greatly add to the nation’s difficulties when the world-wide depression came in the early Thirties and the British devalued the pound and the Americans the dollar while the French held stubbornly – and disastrously – to their 1928 franc.

The financial crisis of the mid-twenties had another profound effect on French public opinion which would further divide the citizenry and weaken the Republic. The bankers, industrialists and businessmen and even the more thriving peasants and shopkeepers came to believe with a certainty that brooked no compromise that the political ‘Left’, which, aside from the small Communist party, was in reality little more than reformist and middle-of-the-way, was incapable of governing the country. They believed that unless the Conservatives, who had rallied behind Poincaré, dominated Parliament and government France was lost. As was natural, and as is the case with such people in all countries, or was at this time, they could not see their own shortcomings, above all their selfishness, their reluctance to make a fair share of the sacrifices needed, and their blindness to the need in a modern industrial society of some measure of social security and a more equitable distribution of both wealth and the increasing tax burden. In social welfare France in this period lagged behind all other nations in the West except the more affluent United States, and in wages and conditions of labour it was the worst of all.

A few visionaries, not all from the Left, urged Poincaré to take advantage of the vastly improved situation after 1926, to overhaul the whole old-fashioned, Nineteenth Century structure of French society, modernizing the government and the economy, building new housing so urgently needed, rescuing agriculture from its unmechanized stagnation, encouraging responsible trade-unionism and responsible collective bargaining of labour disputes, and instituting a bold programme of social security, comparable to that which had worked so well for so long in Germany. In a country where despite the general recovery the workers and peasants were just able to exist* and a considerable section of the lower and middle bourgeoisie was being proletarianized by inflation and the devaluation of the franc, and where the birth-rate, as a consequence, continued to fall much faster than across the Rhine, or almost any place else, this would have strengthened the nation for the unseen but inevitable ordeals that lay ahead.

Poincaré responded – but only feebly. The country, at least as it was

* Wages of industrial workers in 1930 averaged \$1.80 (45 francs) a day, those of farm labourers 88 cents a day (22 francs). Prices were lower in France than in the United States, but by not more than one-half, and in many goods not even that.⁶

represented in Parliament, was not ready for such a far-reaching regeneration. Finally, on April 5, 1928, just in time for the elections, the Chamber and Senate approved a modest programme of social insurance, limited mostly to the sick and the aged, with wage and salary earners contributing 5 per cent of their pay, the employers an equal amount and the State defraying the cost of the operation. Characteristically, the Parliament provided a delay of 22 months in the implementation of the law.* The Third Republic was never in a hurry.

The Left had its blind spots too in these troubled years of the 1920’s. It was no less convinced than the Right that it alone was fit to govern the Republic in the true interests of the country and that Conservative rule would ultimately ruin the fair land. The masses believed that the ‘miracle’ of the Poincaré recovery had been achieved mostly at their expense. And they were convinced that there was a vast conspiracy of the *Mur d’Argent*, the ‘Wall of Money’, to overthrow the Left Cartel governments which they had put in power in free elections and which in their view had only wanted a little more equity in French life. They were bitter at the realization that the ‘conspiracy’ had succeeded, that the Cartel was out and the Poincaré conservatives in. Their beliefs and feelings were not without some justification. But like those on the Right they failed to recognize their own shortcomings. They did not seem to comprehend their own responsibility for the financial mess of the government, which lay primarily in their indecision, in their inability to agree on – let alone enforce – any policy which might have put the government in the black and stopped the financial panic, the flight of capital abroad and the disastrous fall of the franc.

In this time, too, the gulf between the Right and Left, between the possessors and the masses, between the popular Press and its readers, was further enlarged, despite a brief political truce under Poincaré. More and more, as the 1920’s came to an end and the clouds threatening a world-wide Depression appeared over New York, Frenchmen faced each other across a widening chasm that made hearing over it, even if one listened, more difficult and mutual understanding, in the absence of reasonable communication, almost impossible. Each side hardened in its belief that the other was unfit to govern the Republic.

In November 1928, the radical-socialists, who had lost heavily in the elections largely because of their support of Poincaré, withdrew from his coalition government. After carrying on with a purely conservative cabinet, the 69-year-old Premier, exhausted by three years of untiring labour, and ill from a prostate which had to be operated on immediately, resigned his high post for the last time on July 26, 1929, after forty-one years in politics, and retired to his native Lorraine on the border of

* Characteristically, too, the various employers’ associations, having lost their fight to prevent Parliament from enacting the modest social-security legislation, continued their well-financed campaign in the press and on bill-boards to render it ineffective and to get it repealed.⁷

Germany, which he had so long hated and which he still mistrusted and feared. There he settled down to write the last five volumes of his ten-volume memoirs, *Au Service de la France*, and to turn out articles for the Press. A long and successful life in politics as Deputy, Senator, Minister and President of the Republic had not brought him wealth, as it had so many other politicians – his integrity about his personal finances had been fierce and fanatical – and he had had to write to earn a living. A man of somewhat narrow vision, for whom the world outside France remained almost incomprehensible, cold and austere in temperament, often petty in his dealings with others, he was nonetheless possessed of considerable intelligence, a clarity of thought, a broad culture and a character that could not be corrupted. He never wavered in his devotion to the Republic and to his country, which he loved with a passion that often carried him into chauvinism. As the French said, Poincaré despite his faults, deserved well of his country.

He lived on until October 15, 1934 – long enough to see his world, at home and abroad, cracking up. The world-wide depression and a series of inept French governments of both Right and Left – it made little difference which – had by then undone most of his domestic accomplishments, and both his own foreign policy of trying to keep Germany in check and that of Briand in attempting to bring the two ancient enemies together in a lasting peace were already in ashes. Hitler had taken over in Berlin twenty one months before and embarked brashly on a course which Poincaré, as President of the Republic, had had to grapple with just prior to 1914. Wilhelm II then, and now Hitler. Dying in his native Lorraine, Poincaré, it is said, glanced uneasily over the near-by frontier towards Germany and feared that ‘they would come again’.

The Passing of the Old Guard

All the old figures who had dominated the Third Republic for a generation, guiding her into the unsettled Twentieth Century and through the grim war years and the chaotic post-war era, were passing. New and younger and untried men were emerging to preside over the country as it faced the uncertain years of the 1930's. Clemenceau, the old Tiger, had died in 1929 at the age of 88. Embittered by his defeat for the Presidency in 1920 by a lesser man who had turned out to be out of his mind, he had endured his political retirement in a dark and desolate mood. ‘Everything I have done,’ he had said in 1922, ‘has been wasted. In twenty years France will be dead.’*

Briand, another pillar of the Third Republic, eleven times Premier, seventeen times Foreign Minister over a period in office that stretched for a quarter of a century, died on March 7, 1932, at 70, he too, like his enemy Clemenceau, shattered at being rejected for the Presidency in favour of

* He overestimated the time by only two years.

a mediocre man and, like both Clemenceau and Poincaré, disconsolate at the realization that almost all he had done was in shambles.

Much less doctrinaire, despite his début in public life as a left-wing socialist, than Clemenceau and Poincaré, Briand had applied himself for the last seven years of his life – from 1925 to 1932 – as Foreign Minister in eleven successive governments, four of them his own, to achieving a decent and durable Peace. With perseverance and skill he had sought to conciliate Germany, rebuild the *Entente* with Great Britain, make the League of Nations effective in maintaining the Peace, bring about a general disarmament, outlaw war and launch the idea of an eventual United States of Europe. He may have been naïve in his belief that the human race was ready to abandon war. He was proved to have been naïve in his trust of the Germans under Stresemann, with whom he shared the Nobel Peace Prize in 1926.* No doubt he overestimated the capability of the League of Nations to keep the Peace. But for seven years he carried his own country with him, and even Britain and to some extent the German Republic, in his quest for it. No one who listened to his eloquent, emotional oratory those years in the Chamber of Deputies in Paris and in the League of Nations Assembly in Geneva, as this writer did, can lose from his memory the impact of the golden voice, the glowing words and the flowing gestures made with hands so delicate and artistically expressive that they reminded one of those of Paderewski at the piano.

Lacking any firm beliefs in doctrines, of the Left or the Right, he was essentially a conciliator, believing that compromise could in the end settle most bitter disputes. In France, as we have seen, he had conciliated the Catholics after the separation of Church and State and for nearly a decade he laboured as Foreign Minister in conservative as well as radical governments to achieve a decent accord between the nations of the West. But reason and compromise and conciliation could not suffice to meet the harsher realities that hardened as the 1930's began. They had begun to fail in Briand's dealings with the German Republic, which, after every concession, demanded a new one, and when Hitler came they would prove useless. In France, too, as divisions widened, and intolerance grew, they were losing their effectiveness. Briand served his last two terms as Foreign Minister under the premierships of Pierre Laval, who scorned his policies and who, as 1932 came, dumped him, finishing off the long and distinguished career of a man broken now and disillusioned and ill. Death mercifully took him seven weeks later.

A new breed of men were coming to the fore in France, as elsewhere. The era of Briand was dead. Dead, too, or dying, were the great illusions: that France victorious could forever impose its will on the vanquished, that the democratic allies of the war would remain allies in the post-war world, that the League of Nations could keep the peace – in short, that life in the Western World would remain pretty much as it was and that

* The Memoirs of Stresemann, published after his death, make that abundantly clear.