

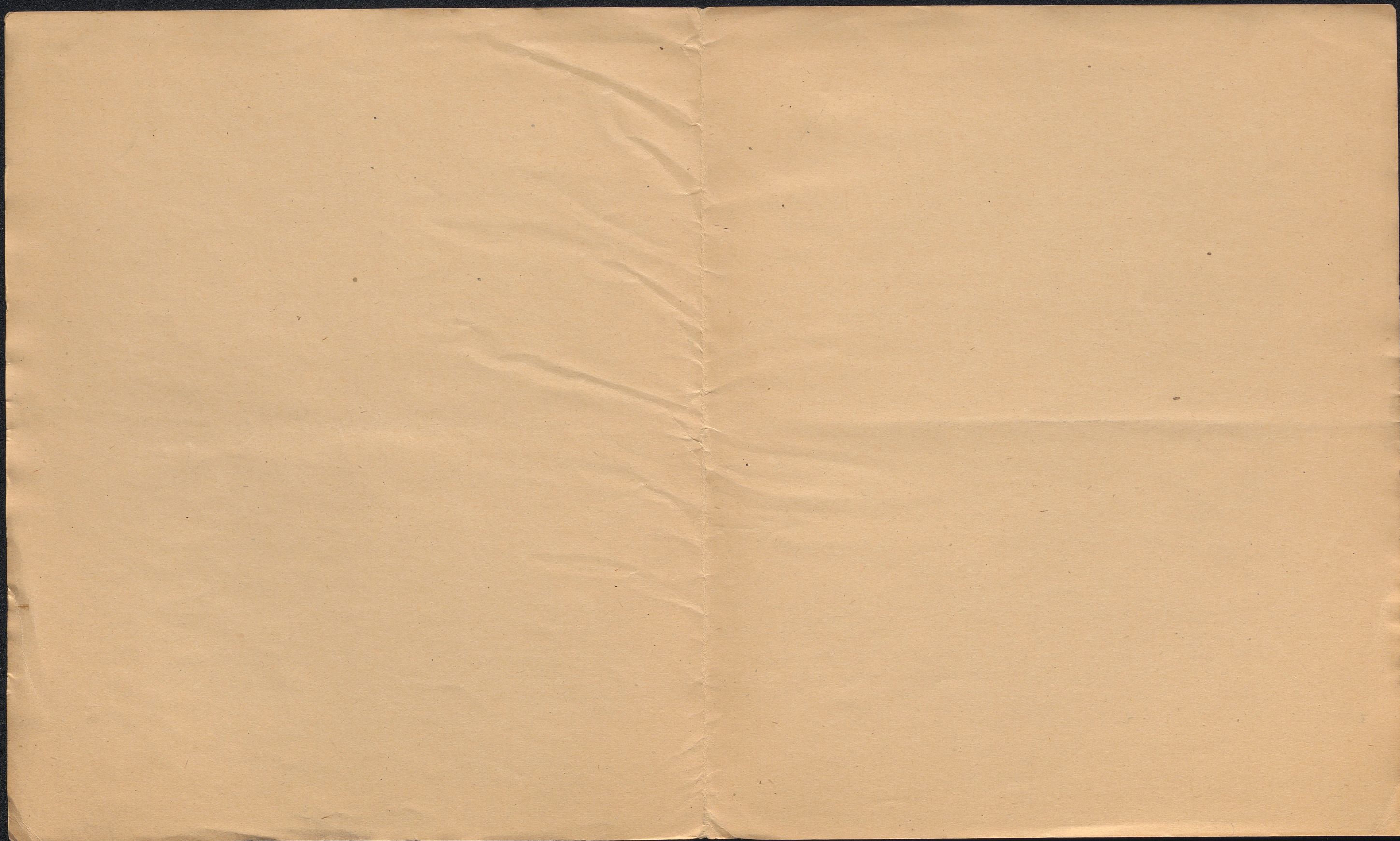
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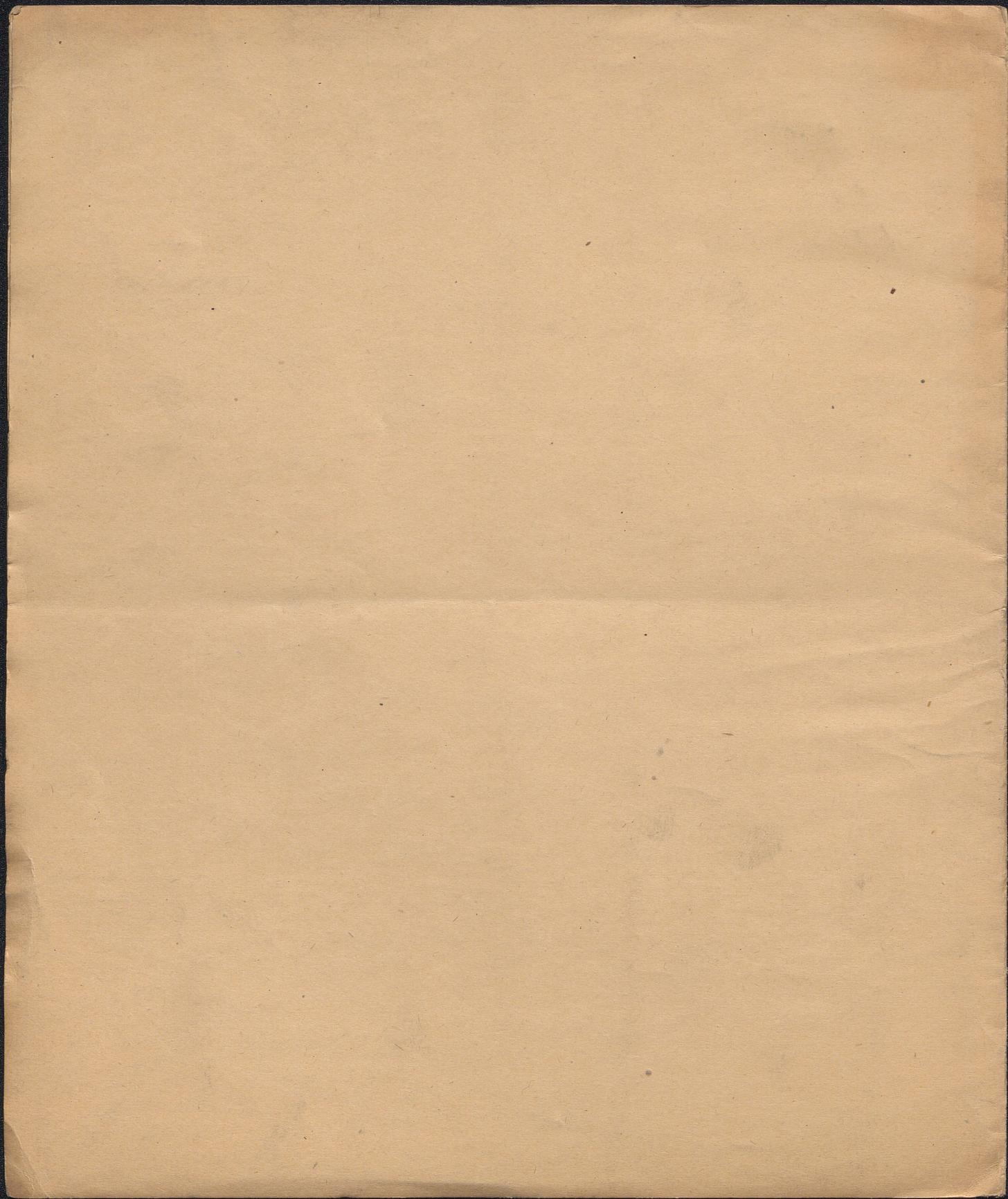
"Credit of the Nations"

From

J. L. Langhorne
Colonial club
Cambridge, Mass.

Wm. L. G.





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Money Credit Credit
of
The Nations:
a study of the European War.

By

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Emeritus Professor of Political
Economy in the University of
Chicago

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IV (Credit)

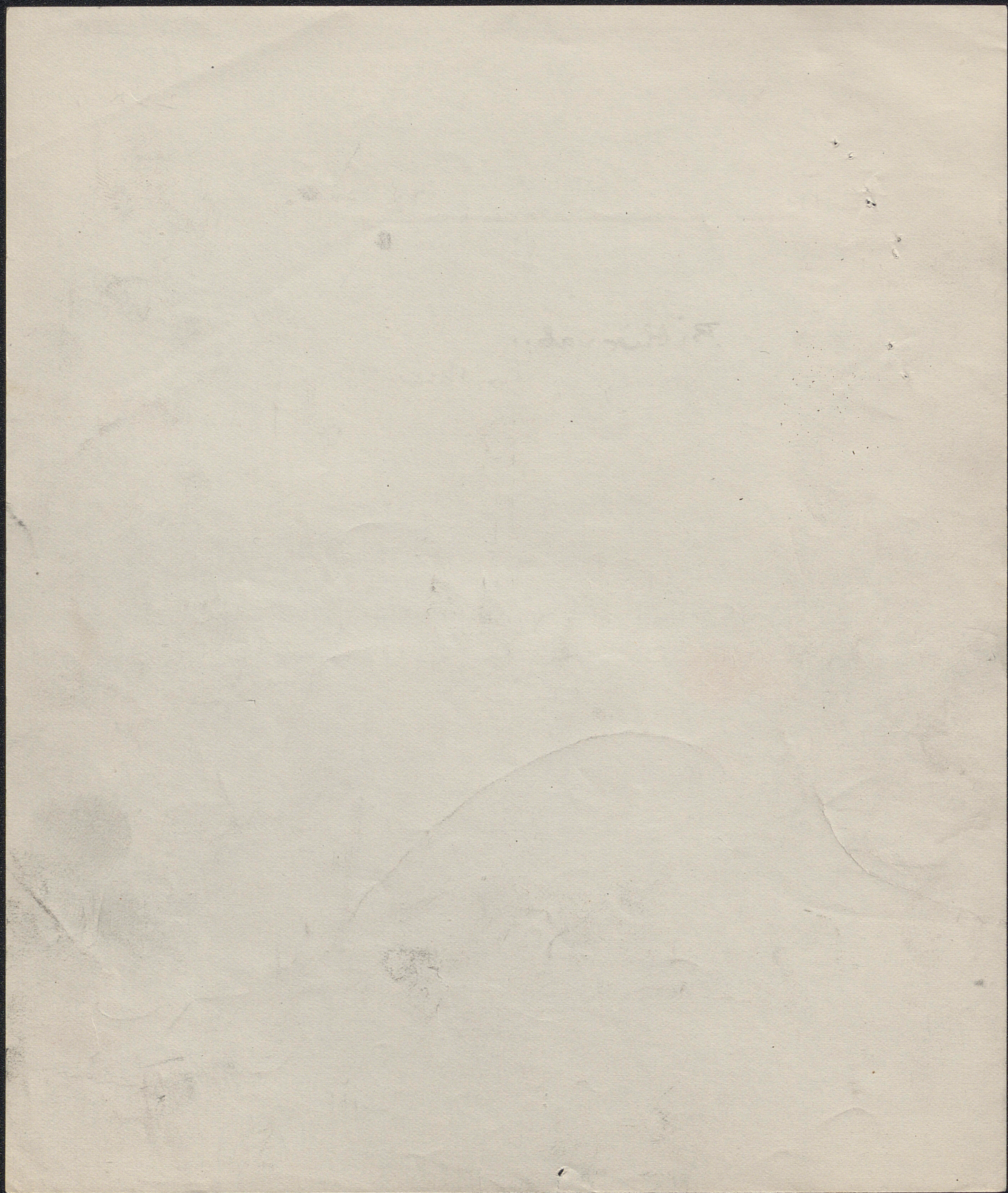
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Charles Scribner's Sons
1918

1917

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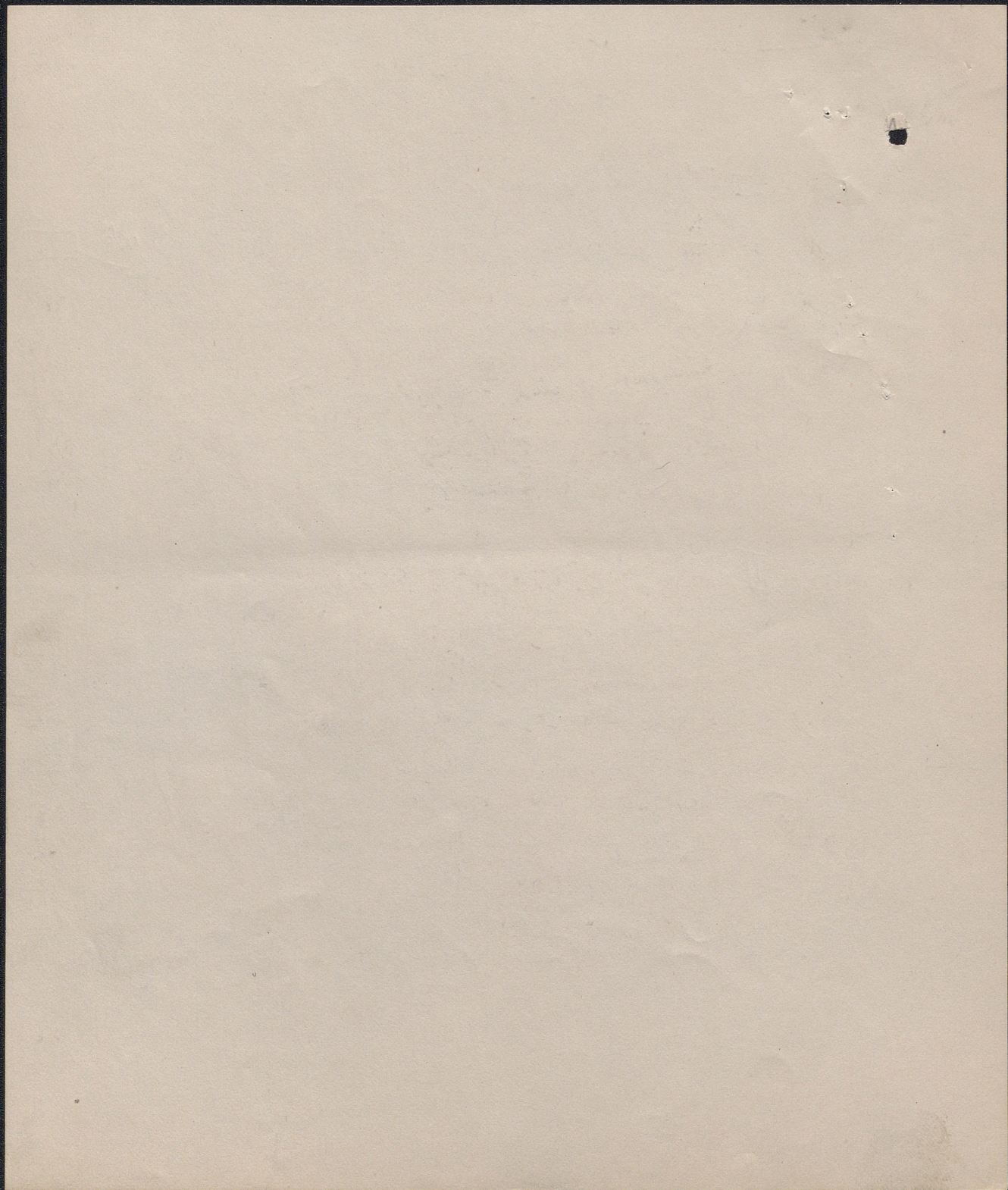
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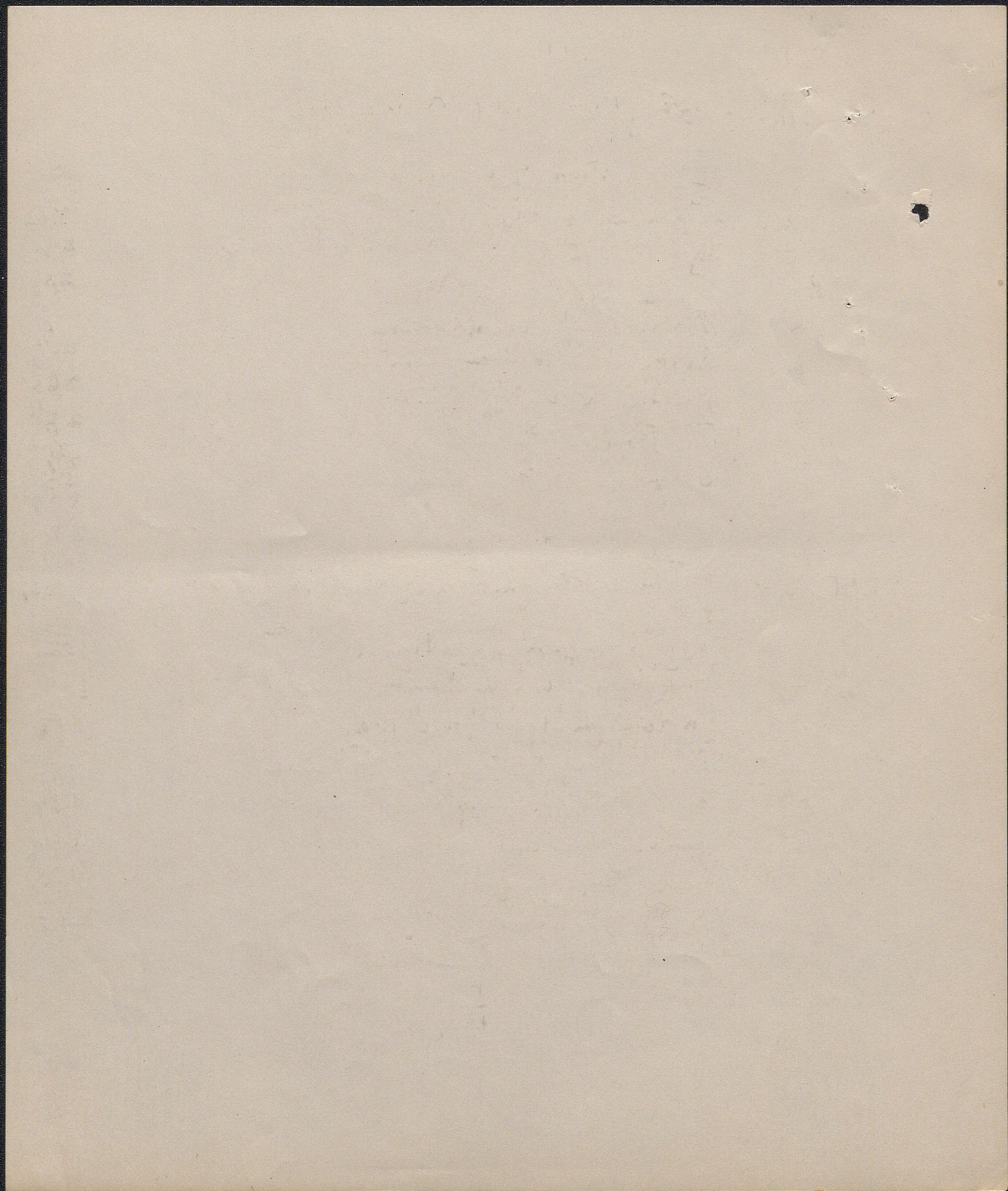
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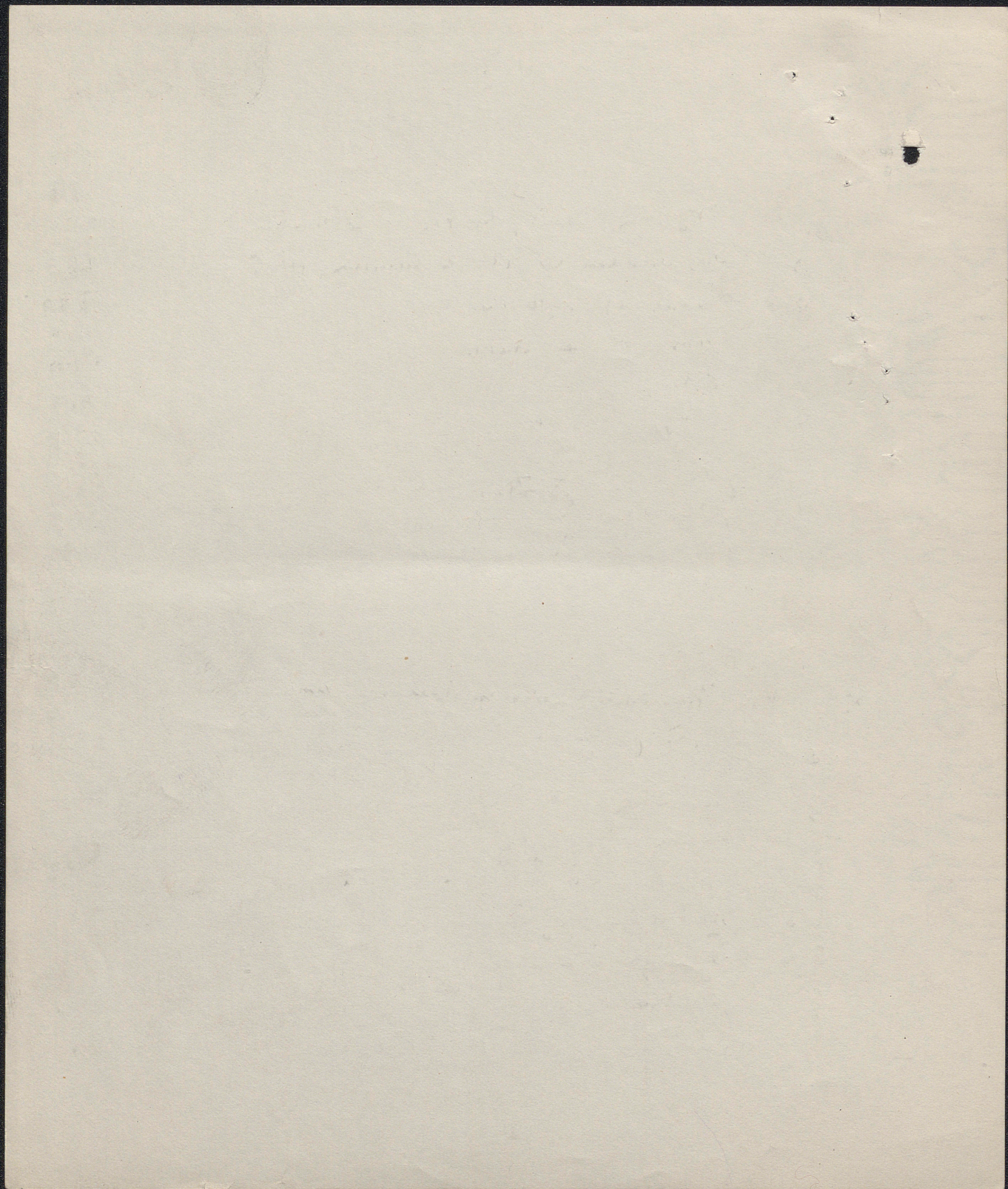


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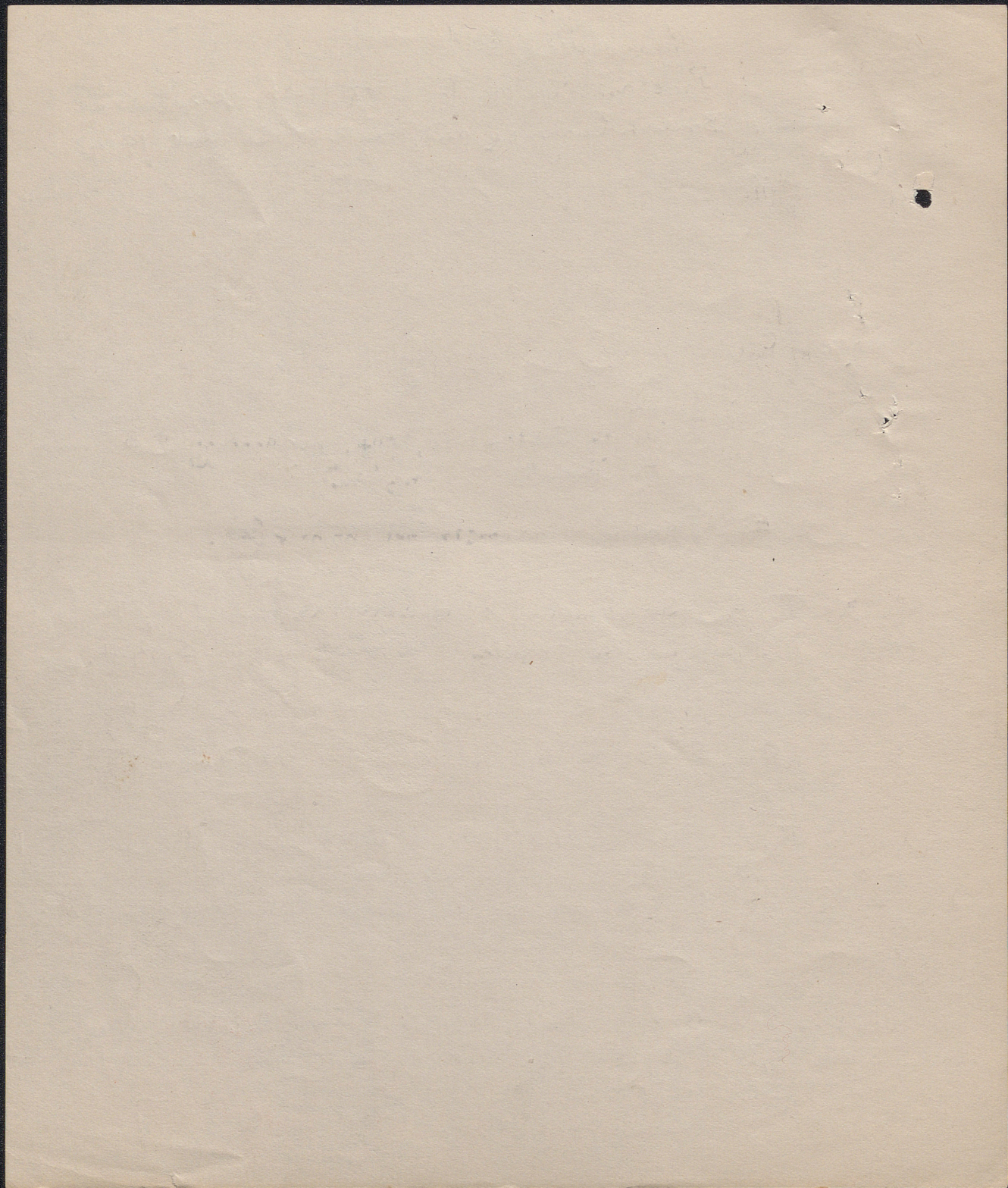
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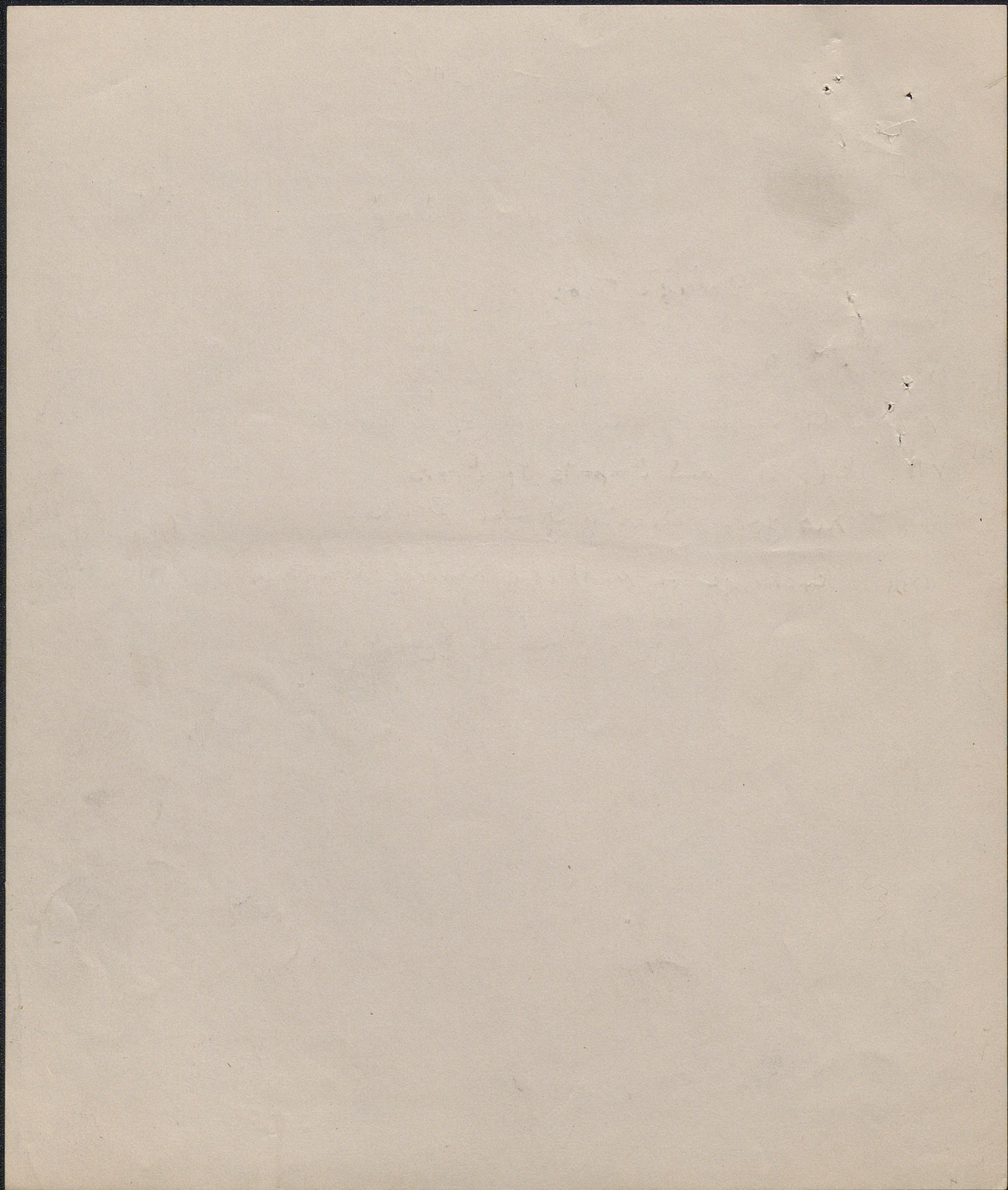
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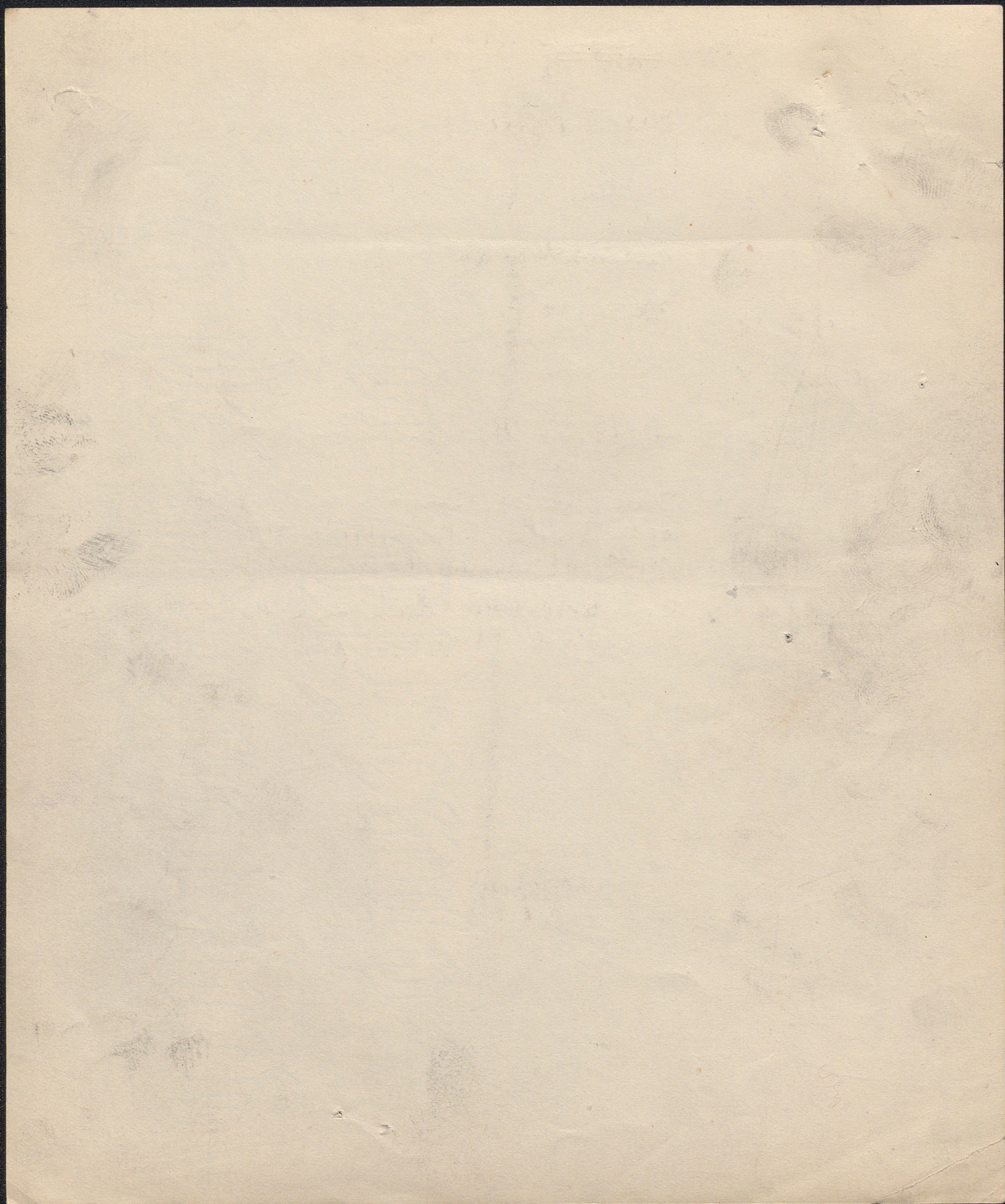
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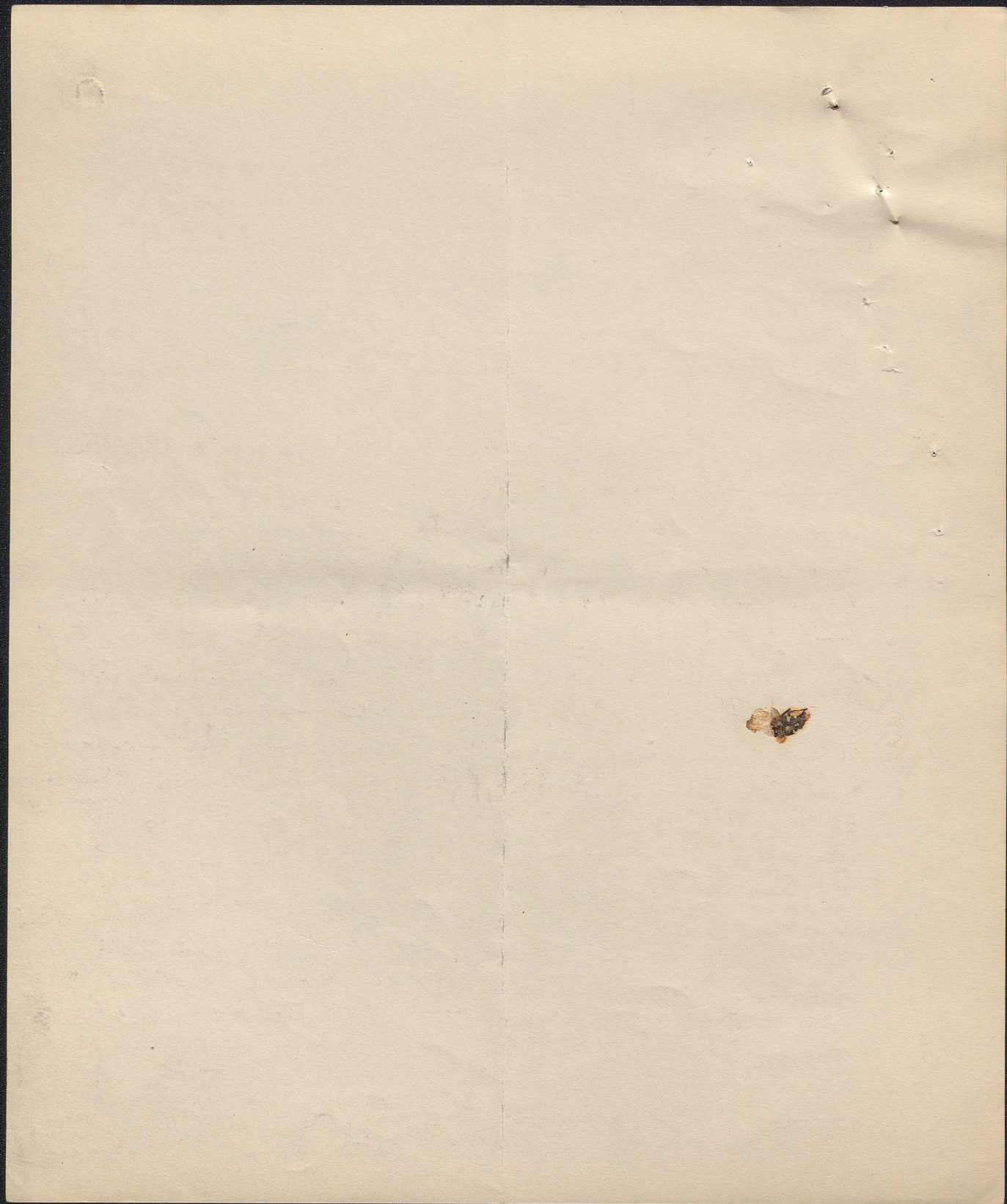
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[Preface c12/26]

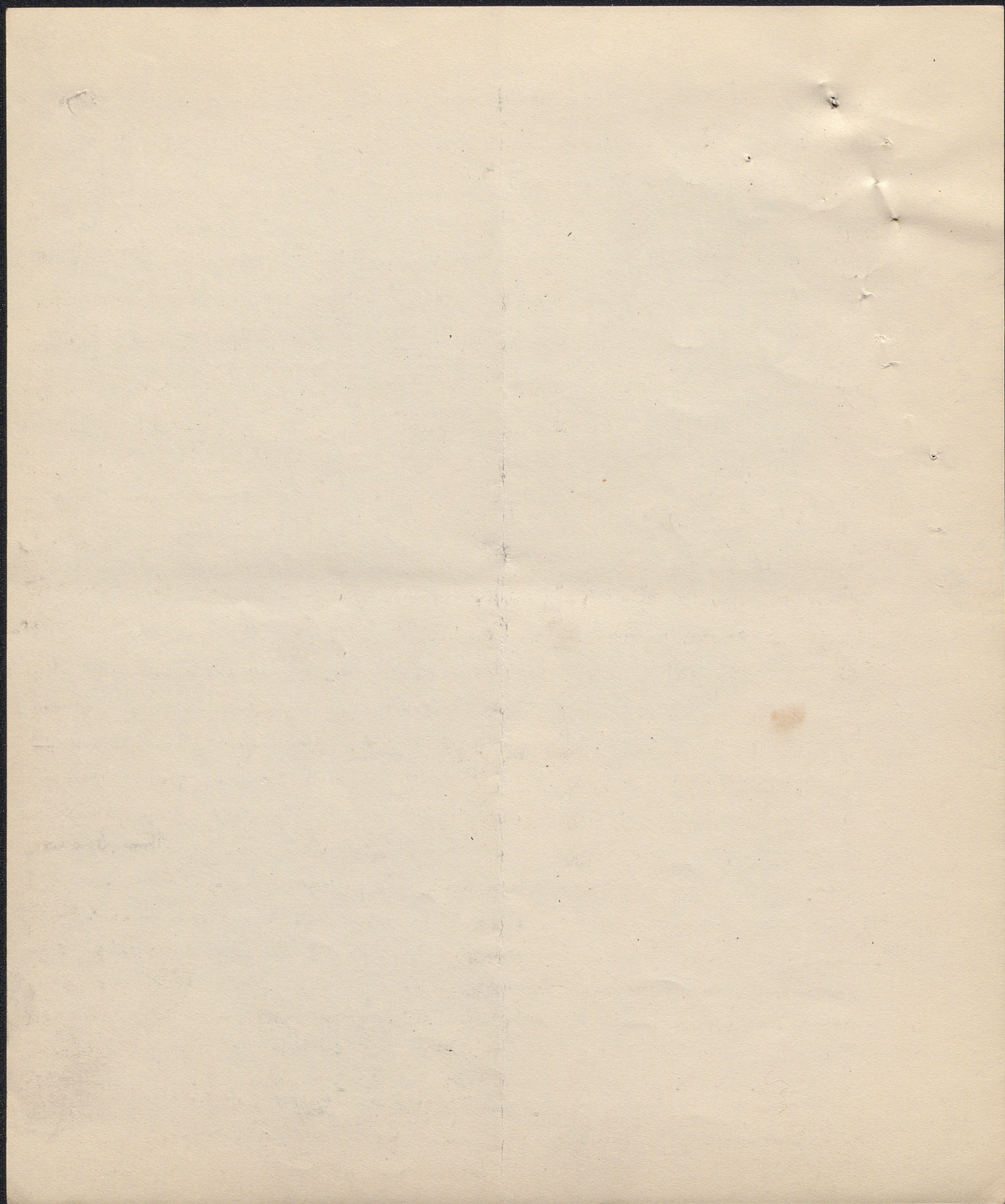
It may seem quite audacious to try to include within the limits of one moderate volume a study of the workings of credit in several of the principal belligerent nations in the European War, when for a full statement of the complex ^{credit} operations in any one of them a separate volume might be little enough. There is the additional reason against it that the time and labor in collecting and digesting the material must be as great for a brief treatment as for an extended Exposition. Nevertheless, it was believed that an examination of the most important measures in each country, told in simple untechnical language, could be presented within a compass which would not require more time for its perusal than a busy man of affairs could afford. Such a study would furthermore bring to a much wider constituency an insight into the hidden workings of credit behind the issues of paper money, banking, foreign exchange, and public finance. Stripped of their technicalities these matters can be made easy of comprehension. In addition, such a discussion under one head of the various policies of the greater nations would make possible a comparative study that would throw light on the successes and failures ^{during the war} in affairs of stupendous importance and magnitude. Therefore it became



evident that, for our own enlightenment on entering the struggle, we needed not only the facts in the field of credit, but also a clear and simple presentation of the principles underlying these facts, together with vigorous criticism of governmental policies in the light of these principles. Thus it was hoped to make at once a constructive as well as an objective study of events never before equalled in the history of nations.

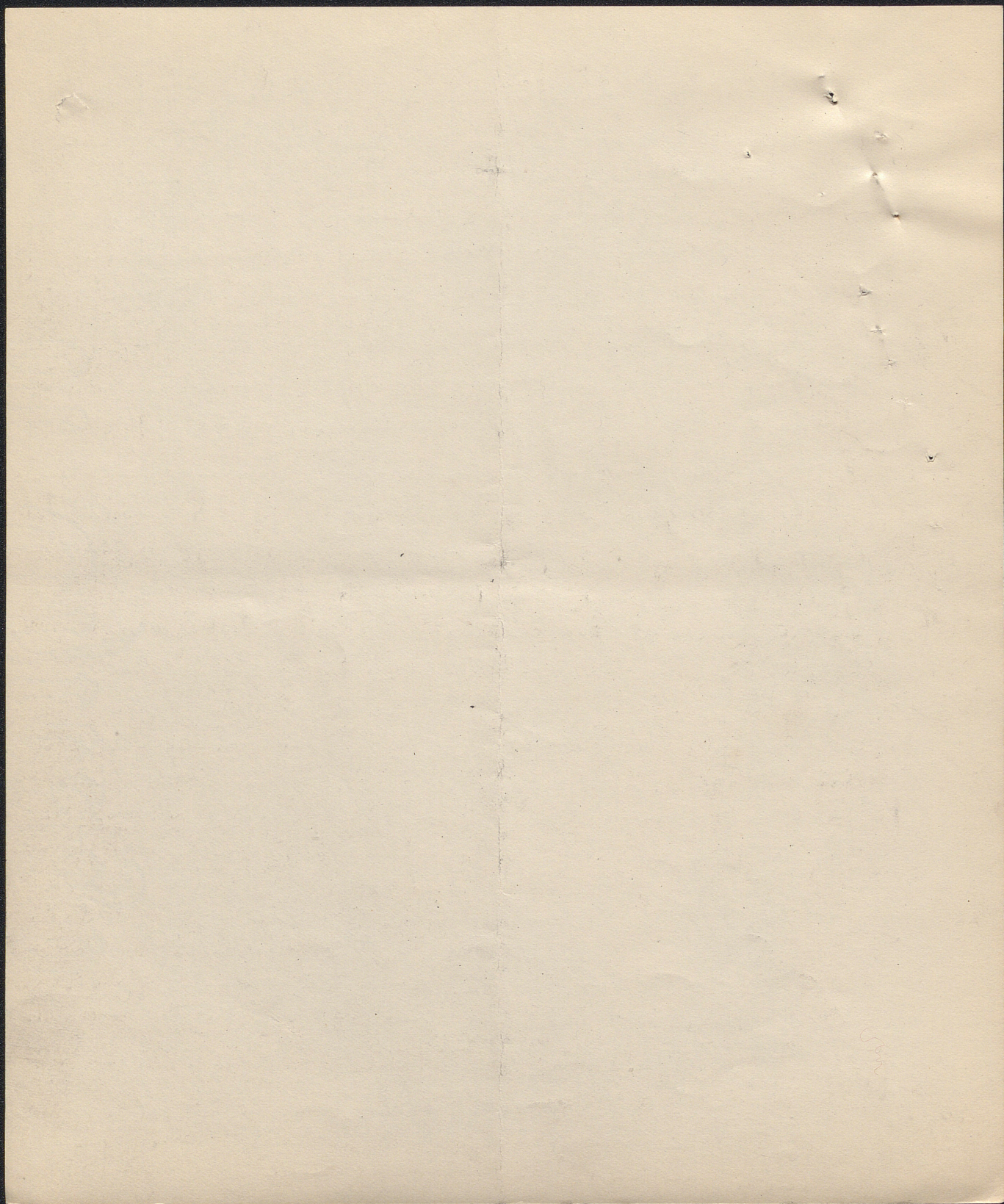
The necessity of having instruction from the experiences of other belligerents for our own guidance and admonition may justify somewhat the boldness of trying to make such a study at a time when we are so close to the events concerned; and some indulgence must be asked for on that ground. But it will be found, nevertheless, that we have very definite knowledge regarding credit operations during the first three years of the war - a period to which our study is confined and which in the main excludes the war operations of the United States - that allows of satisfactory analysis at this date, because it is a period long enough to enable us to watch all the essential principles of credit at play. Further years of the war will, of course, introduce more facts to be elucidated, but will not in all probability modify the lessons already drawn.

No attempt has been made to treat the credit operations of Russia, Austria-Hungary, or Italy, be-



cause it has been impossible to obtain sufficient reliable data for their examination. For obvious reasons emphasis has been laid on the affairs of Germany. Her amazing industrial growth in the last thirty years and its causes show that Germany brought on the war, not because she was hampered on the seas, or had no room for the growth of her population, but because her newly acquired economic strength warranted a militaristic attempt to dominate Europe and the world. The examination of her economic situation leads to the conclusion that Germany is not now solvent and that epoch-making readjustments of obligations entered into for the distant future must be entertained. Taxing little and borrowing much she has risked all on a single throw of the dice, on a military decision. She is now fighting not for the status quo ante, but for commercial gains, for expansion, if not for indemnities. Indeed, her industrial classes were as much responsible for the war as her militarists, and the breaking of her credit is more likely to bring peace through the influence of her commercial classes than through a revolt of the masses. The charge on the present debt of over \$30,000,000,000, together with an ordinary peace budget, takes up the total net income of the German people. With such matters, as well as the inflation of credit, the increase of paper money by the Reichsbank and loan bureaus (nearly ten-fold), the depreciation of the mark, the rise of prices of over one hundred per cent, the present volume is concerned.

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One of the main purposes in mind has been a comparison of the ways by which the German, French, British, and American systems of credit have met the unparalleled shocks of this unprecedented war. That British credit has shown itself superior, and - in spite of the creative plunge into government paper money - has avoided the dangerous currency expansion connected with advances to the state in France and Germany, is one of the plain inferences from our study, which is rich in counsel for the management of our own credit operations.

Somewhat extended treatment has been given to the problems of gold, the foreign exchange, inflation and prices, in all the countries concerned. The recrudescence of the archaic quantity theory ^{of money} in Great Britain among those discussing prices and inflation has given cause for a pointed, but brief, criticism of that theory. Indeed, the events of this war are likely to bring about much re-examination of the principles regulating money and prices. The recent appointment of a British Commission on the Currency and the Bank Act of 1844 is a sign of the times.

The years chosen for our study are big with matters touching money and credit. It may not be amiss to single them out, unclouded by details, for enlightenment in our present emergencies. In this way we may make an intelligent assessment of our own pressing problems.

5/9/26
Jaffrey, N. H.

and J. Lawrence Laughlin. □

