

Chapter I

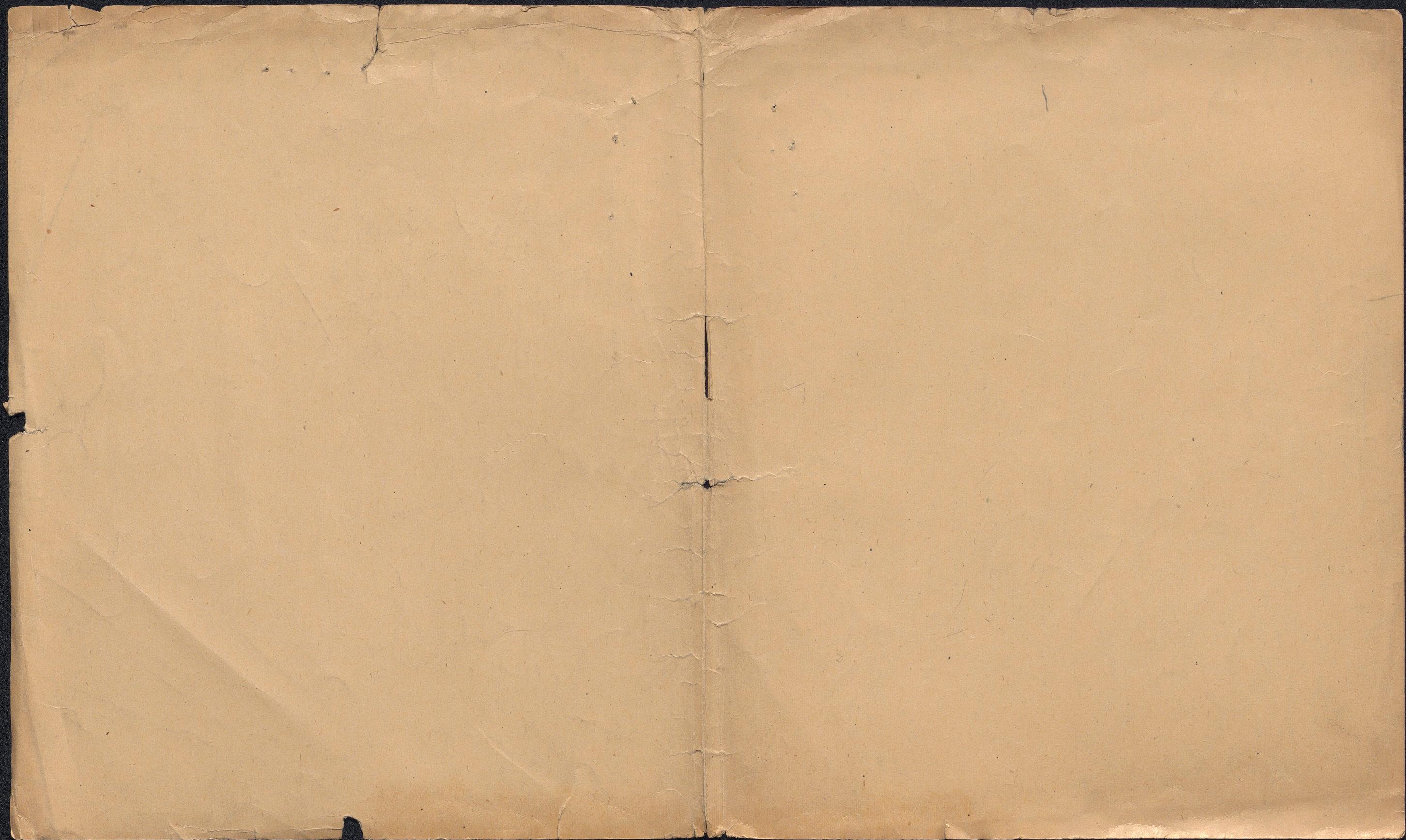
The Economic Situation Preceding the War. c 1936

Vol I
11/13/36-23
25997

11/24/36
11/25/36
Out to
Ore. Spore
Sample
JPS

11/24/36
11/25/36
11/26/36
11/27/36
11/28/36
11/29/36
11/30/36
12/1/36
12/2/36
12/3/36
12/4/36
12/5/36
12/6/36
12/7/36
12/8/36
12/9/36
12/10/36
12/11/36
12/12/36
12/13/36
12/14/36
12/15/36
12/16/36
12/17/36
12/18/36
12/19/36
12/20/36
12/21/36
12/22/36
12/23/36
12/24/36
12/25/36
12/26/36
12/27/36
12/28/36
12/29/36
12/30/36
1/1/37
1/2/37
1/3/37
1/4/37
1/5/37
1/6/37
1/7/37
1/8/37
1/9/37
1/10/37
1/11/37
1/12/37
1/13/37
1/14/37
1/15/37
1/16/37
1/17/37
1/18/37
1/19/37
1/20/37
1/21/37
1/22/37
1/23/37
1/24/37
1/25/37
1/26/37
1/27/37
1/28/37
1/29/37
1/30/37
2/1/37
2/2/37
2/3/37
2/4/37
2/5/37
2/6/37
2/7/37
2/8/37
2/9/37
2/10/37
2/11/37
2/12/37
2/13/37
2/14/37
2/15/37
2/16/37
2/17/37
2/18/37
2/19/37
2/20/37
2/21/37
2/22/37
2/23/37
2/24/37
2/25/37
2/26/37
2/27/37
2/28/37
2/29/37
2/30/37
3/1/37
3/2/37
3/3/37
3/4/37
3/5/37
3/6/37
3/7/37
3/8/37
3/9/37
3/10/37
3/11/37
3/12/37
3/13/37
3/14/37
3/15/37
3/16/37
3/17/37
3/18/37
3/19/37
3/20/37
3/21/37
3/22/37
3/23/37
3/24/37
3/25/37
3/26/37
3/27/37
3/28/37
3/29/37
3/30/37
3/31/37
4/1/37
4/2/37
4/3/37
4/4/37
4/5/37
4/6/37
4/7/37
4/8/37
4/9/37
4/10/37
4/11/37
4/12/37
4/13/37
4/14/37
4/15/37
4/16/37
4/17/37
4/18/37
4/19/37
4/20/37
4/21/37
4/22/37
4/23/37
4/24/37
4/25/37
4/26/37
4/27/37
4/28/37
4/29/37
4/30/37
5/1/37
5/2/37
5/3/37
5/4/37
5/5/37
5/6/37
5/7/37
5/8/37
5/9/37
5/10/37
5/11/37
5/12/37
5/13/37
5/14/37
5/15/37
5/16/37
5/17/37
5/18/37
5/19/37
5/20/37
5/21/37
5/22/37
5/23/37
5/24/37
5/25/37
5/26/37
5/27/37
5/28/37
5/29/37
5/30/37
5/31/37
6/1/37
6/2/37
6/3/37
6/4/37
6/5/37
6/6/37
6/7/37
6/8/37
6/9/37
6/10/37
6/11/37
6/12/37
6/13/37
6/14/37
6/15/37
6/16/37
6/17/37
6/18/37
6/19/37
6/20/37
6/21/37
6/22/37
6/23/37
6/24/37
6/25/37
6/26/37
6/27/37
6/28/37
6/29/37
6/30/37
7/1/37
7/2/37
7/3/37
7/4/37
7/5/37
7/6/37
7/7/37
7/8/37
7/9/37
7/10/37
7/11/37
7/12/37
7/13/37
7/14/37
7/15/37
7/16/37
7/17/37
7/18/37
7/19/37
7/20/37
7/21/37
7/22/37
7/23/37
7/24/37
7/25/37
7/26/37
7/27/37
7/28/37
7/29/37
7/30/37
7/31/37
8/1/37
8/2/37
8/3/37
8/4/37
8/5/37
8/6/37
8/7/37
8/8/37
8/9/37
8/10/37
8/11/37
8/12/37
8/13/37
8/14/37
8/15/37
8/16/37
8/17/37
8/18/37
8/19/37
8/20/37
8/21/37
8/22/37
8/23/37
8/24/37
8/25/37
8/26/37
8/27/37
8/28/37
8/29/37
8/30/37
8/31/37
9/1/37
9/2/37
9/3/37
9/4/37
9/5/37
9/6/37
9/7/37
9/8/37
9/9/37
9/10/37
9/11/37
9/12/37
9/13/37
9/14/37
9/15/37
9/16/37
9/17/37
9/18/37
9/19/37
9/20/37
9/21/37
9/22/37
9/23/37
9/24/37
9/25/37
9/26/37
9/27/37
9/28/37
9/29/37
9/30/37
10/1/37
10/2/37
10/3/37
10/4/37
10/5/37
10/6/37
10/7/37
10/8/37
10/9/37
10/10/37
10/11/37
10/12/37
10/13/37
10/14/37
10/15/37
10/16/37
10/17/37
10/18/37
10/19/37
10/20/37
10/21/37
10/22/37
10/23/37
10/24/37
10/25/37
10/26/37
10/27/37
10/28/37
10/29/37
10/30/37
10/31/37
11/1/37
11/2/37
11/3/37
11/4/37
11/5/37
11/6/37
11/7/37
11/8/37
11/9/37
11/10/37
11/11/37
11/12/37
11/13/37
11/14/37
11/15/37
11/16/37
11/17/37
11/18/37
11/19/37
11/20/37
11/21/37
11/22/37
11/23/37
11/24/37
11/25/37
11/26/37
11/27/37
11/28/37
11/29/37
11/30/37
12/1/37
12/2/37
12/3/37
12/4/37
12/5/37
12/6/37
12/7/37
12/8/37
12/9/37
12/10/37
12/11/37
12/12/37
12/13/37
12/14/37
12/15/37
12/16/37
12/17/37
12/18/37
12/19/37
12/20/37
12/21/37
12/22/37
12/23/37
12/24/37
12/25/37
12/26/37
12/27/37
12/28/37
12/29/37
12/30/37
12/31/37

1/1/37



29261st

Yoff

1A

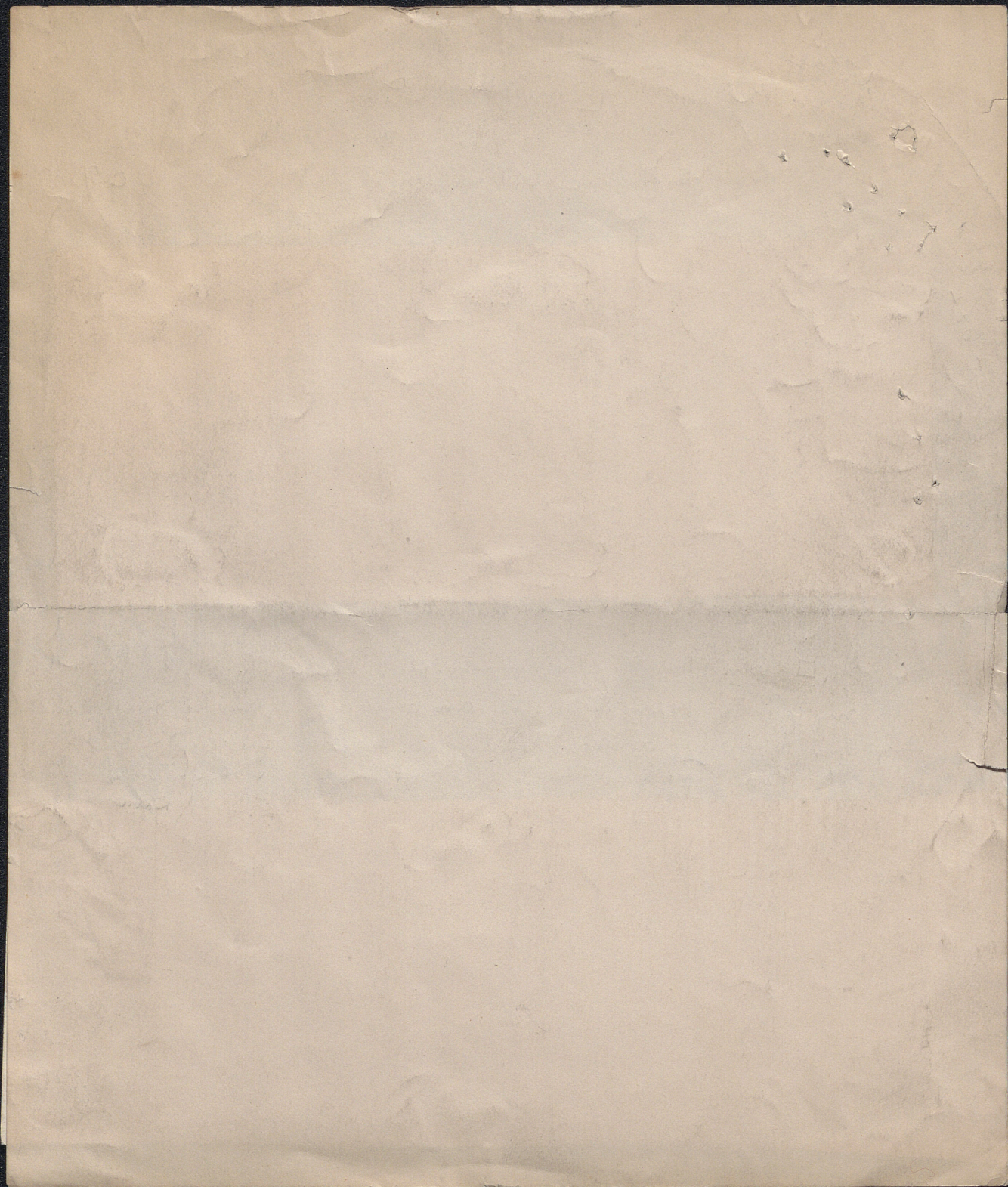
[Chapter I

The Economic Situation Preceding The War c 9/36

Unparalleled industrial revolution since 1880 - new era of power. - progress in transportation - opening of new resources - gains in mechanics and chemistry - new business organization - upheaval in education - evolution of credit - German growth part of world-wide movement - relative progress of leading nations - characteristics of German improvement ¹⁸⁸⁰⁻¹⁹¹⁰ - causes underlying it - Effect of industrial success on German foreign policy - Direct causes of the War.

§1. □ Even though the immediate causes of the European War may have been dynastic ambition, exaggerated nationalism, and lust for power, the ultimate causes are undoubtedly to be found in economic conditions.

However active these immediate influences ^{have} been, they were limited, or guided, sometimes unconsciously, by the underlying economic forces. In the period since 1880, commercial rivalries have not been so much struggles for actual existence as they have been races against others for the foremost place in an unparalleled industrial development going on in many countries. It was the period of a world-wide industrial renaissance, without doubt the



little English inflation, 120;

(2)

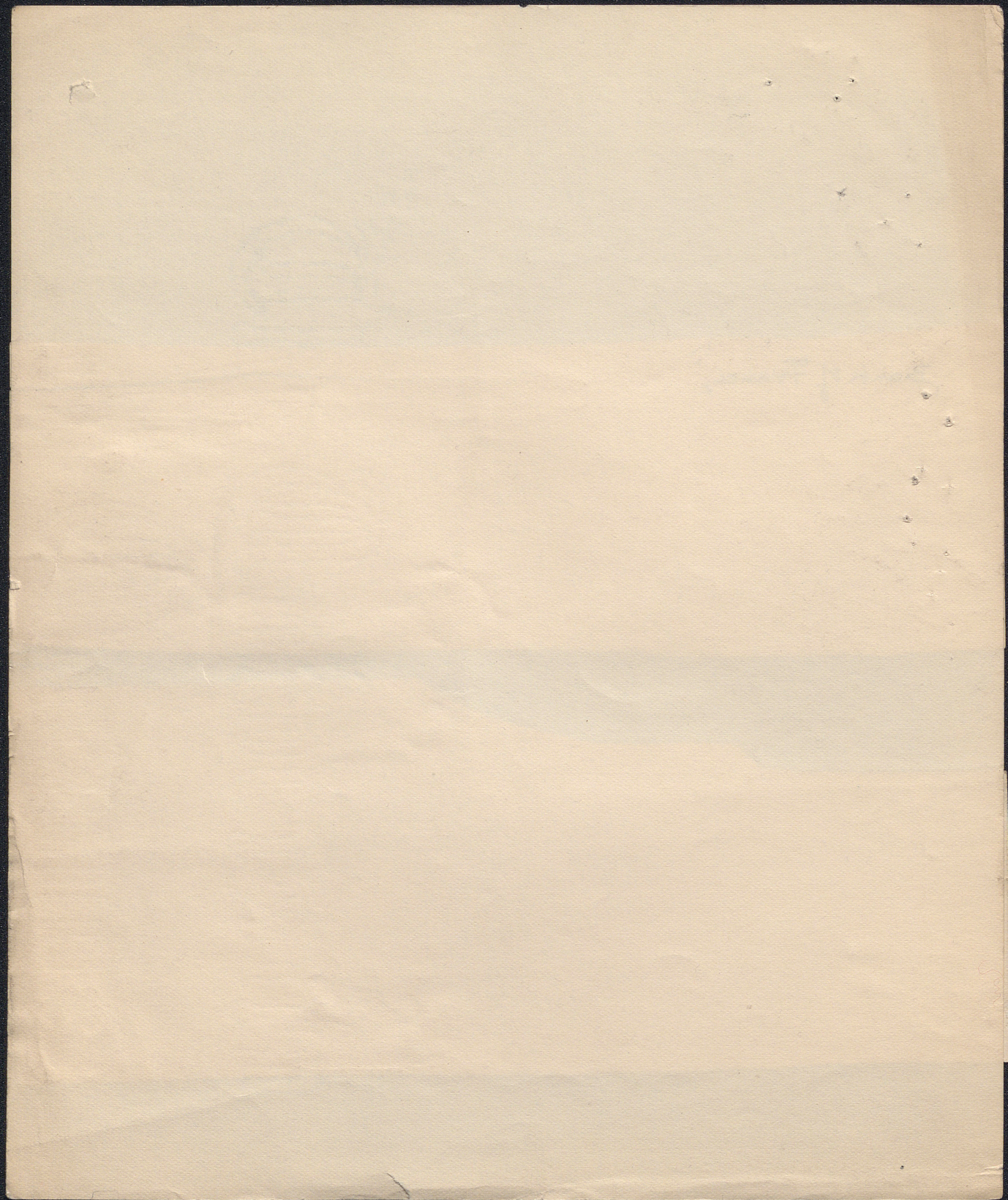
Bank of England, place in organization of credit, 70, 74; banking reserves of, 75¹⁰²⁻¹⁰⁵; and stock exchange, 81; saved The Day in The crisis, 84, 89; suspension of Bank Act, 87, 88; accounts of, 90; location of reserves in, 103, 329; small notes of, 94, 100 French criticism of, 99; in time of stress, 106; Soundness of, 111-114; increase of notes of, 119; superior to Banks of France, 178; compared with Reichsbank, 269.

Bank of France, 144; notes of, follow discounts, 147-149; function of reserves in, 150; notes vs. checks, 162-164¹⁶⁵; suspension specie payments, 164¹⁷¹; reliance on, in crisis, 165¹⁶⁸; increase of loans, 166-168; reduction of moratorium paper, 168; bank and the bourse, 169-170; vast increase in notes of, 172; advances to state, 173; various limits to note-issues, 174; Soundness of, 175; monetary and fiscal confusion, 176; contrasted with Bank of England, 178; effect of retaining gold on, 181; depreciation of notes of, 181-184, 187

Bank, Imperial, of Germany,

222,
207, 269

, contrasted with Bank of England, 178; control over gold, 203; control over other banks, 204; under Imperial control, 205; organization of, 205-206; Kontingent, 207²²⁷; cover for notes, 207, 227 note-issues of, 208, 230; function of, 208; business of, 209; transfers, 210; lending power widened, 227; loans to government, 228; reserves of, 229 pressure on, 229-232; depreciation of notes, 233²⁵⁵; Campaign for gold, 234-236; inflation of credit of, 268; suspension of gold payments, 221;



64, 68, 96

Banking, reserves, 150, 292, ; power, ¹¹²294, 297; assets in Germany, 204-205; foreign, 76; in United States, 11

Bayer, 19.

234,

Belgium, 20, 51, 77, 153, 158, 241; German notes in, 232

Bills, see Exchange, Treasury.

Bill brokers, 72, 74, 83.

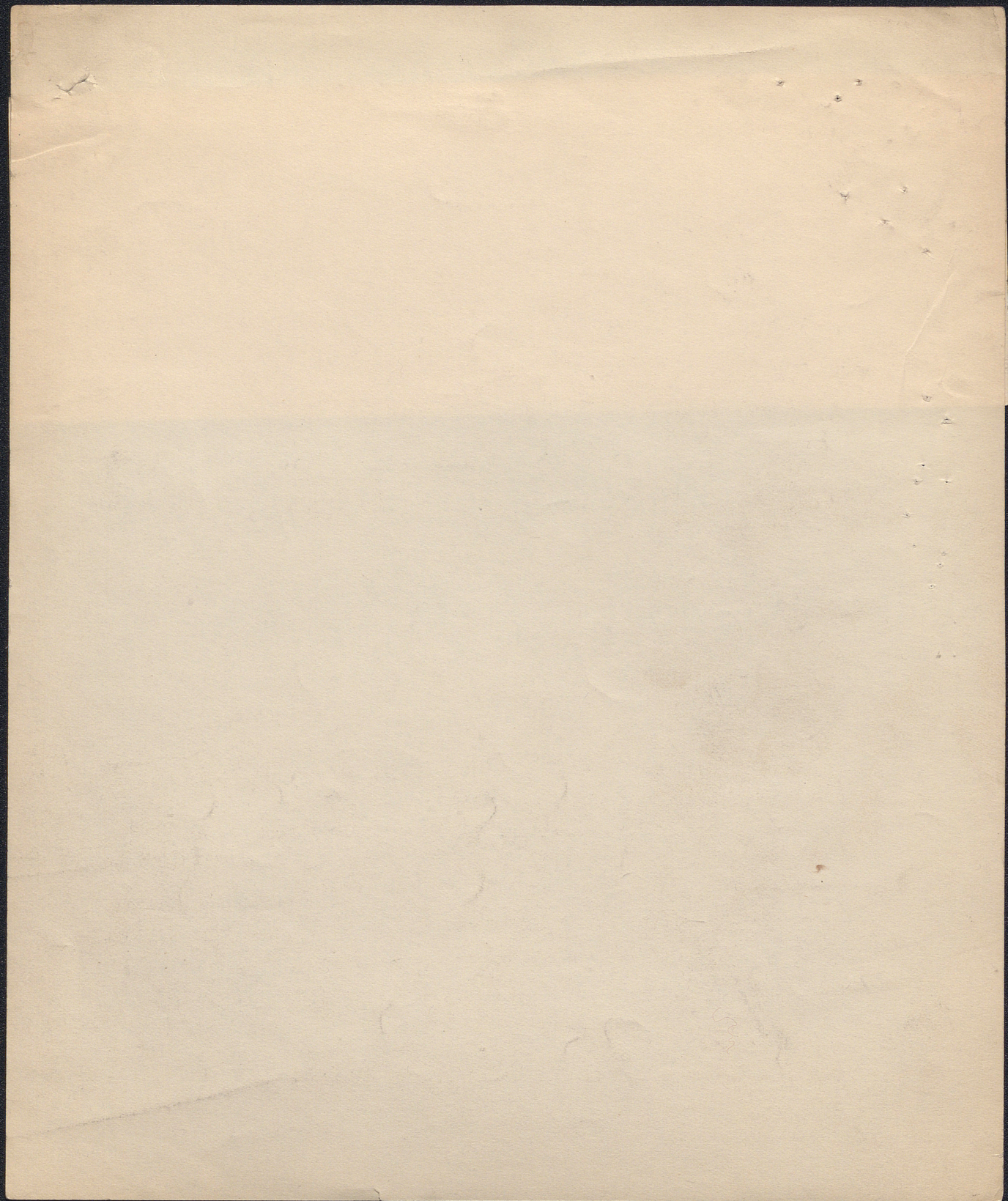
Bona. m. J., ^{265, n}267 n.1, 270 n.1.

Brazil, 74, 154, 316

Bosnia, 154

Banks, joint-stock, English, 73, 81, 83, 91, 94, 97, ^{119,} French, 145-147; German, 204, 212,

Bowley, A.L., 107



Caillaux, 153

Camerouns, 153, n., 154.

Canada, 102, 103, 109, 329

Capital, mobility of, 110; destination of, 49, 50, 238, 240, 268; and credit, 44

Checks, in England, 87, 95, 94, 99; in France, 162-164; in Germany, 210, 232; in United States, 11

Chemistry, 7

Chronology of war, 79

Clearing-house, 10; banks, 292; loan certificates, 297, 301;

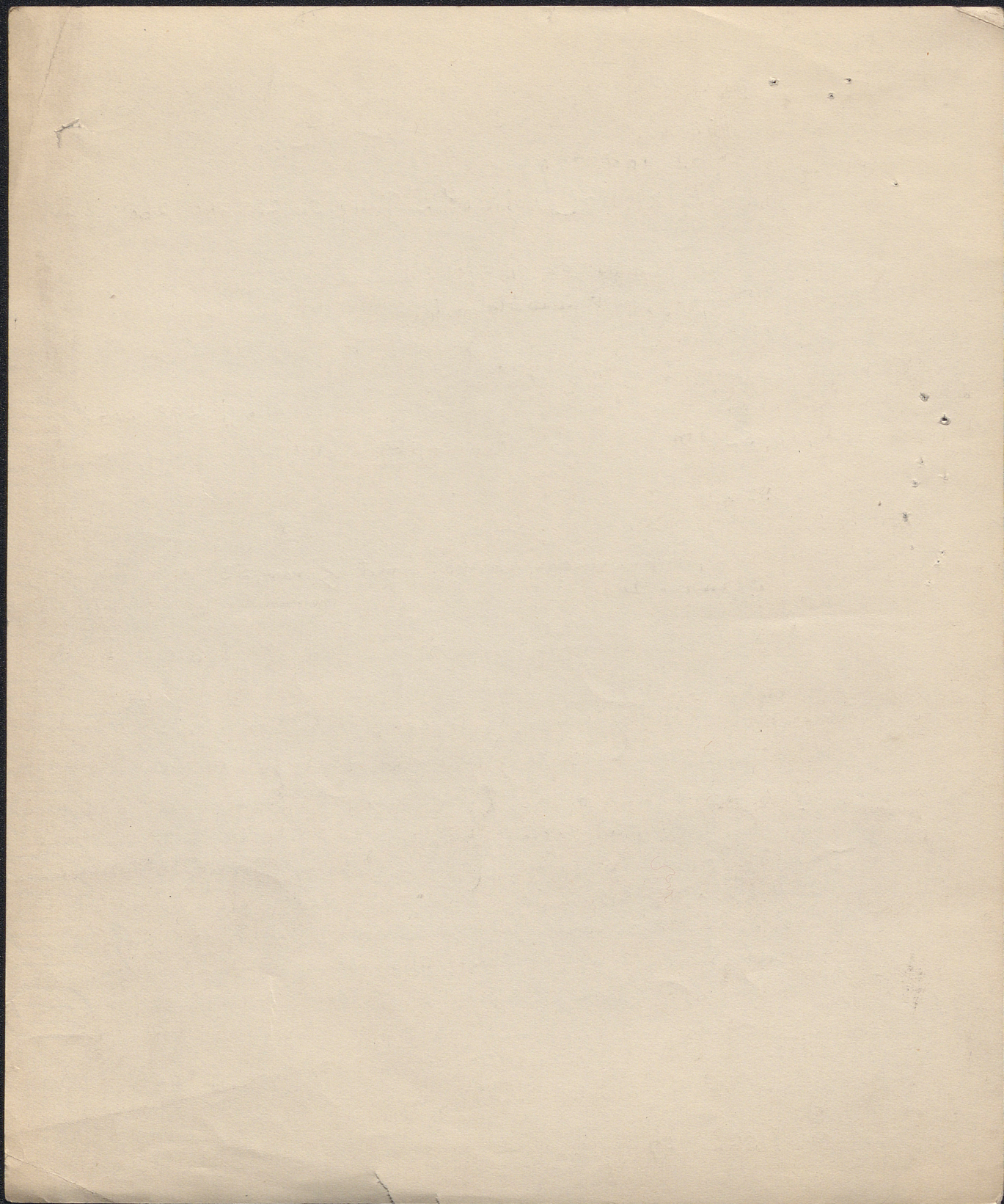
Coal, 18, 52, 159, ; in France, 162, 164; in Germany, 210-211,

Combes, 152, n.

Consumption, superfluous, 46, 48; limiting war, 53; war and, 306; German, 241

Cotton, 309-312; Trading Corporation, 310; Pool, 311

Credit, rise of 10; and war, 39, 84, 283; based on goods, 40, 45, 51, 68, 111, 284; war carried on by, 41, 53; why granted, 41; at a bank, 42; of a government, 43, 114, 133, 137; and capital, 44; and money, 45; of a state depends on productive power, 57, 114; not limited by money, 58, 60-63, 284; a reversion to barter, 60; redemption of, 61; how tested, 63; how affected by imports of gold, 63; supposed break-down of, 64, 69, 80; supersedes money, 67; international, 69; comparative study of, 70, 143, 175; normality of, in war time, 106, 114; gives time for liquidation, 113; and inflation, 64, 117, 148, 206, 218, 224, 230, 243, 347-353; function of, in a crisis, 161; interdependence of, 279, 280



normality of, in war, 114;

suspension of Bank act, 88;

5

Credit, in England, 70; expansion by Bank of England, 75; little inflated, 120; soundness of ¹¹¹⁻¹¹⁴ 121; as to government borrowing, 133, 137; London as a centre of, 324, 326, 327, 345.

organization of, 144, 167

crippled in Balkan wars, 155;

suspension
of gold
payments,
164

Credit, in France, 143; expanded in note-issues, 148; in the crisis of 1914, 161, 165; inflation of, 166-168, 172, 173, 175, 176; public and private, 189; and money, 148-149, 176-178, 182, 184.

weakness of;

loan Bureaus, 213-218;

Credit, in Germany, 200; organization of, 205-213; inflation of, 206, 218, 224, 230, 243; shock to, 220; limit to, 59; solvency of, 241, 242, 244, 265-268; pyramiding of, 266; relation to wealth, 239.

Kriegskredit
banks, 218;

system of, 284, 296;

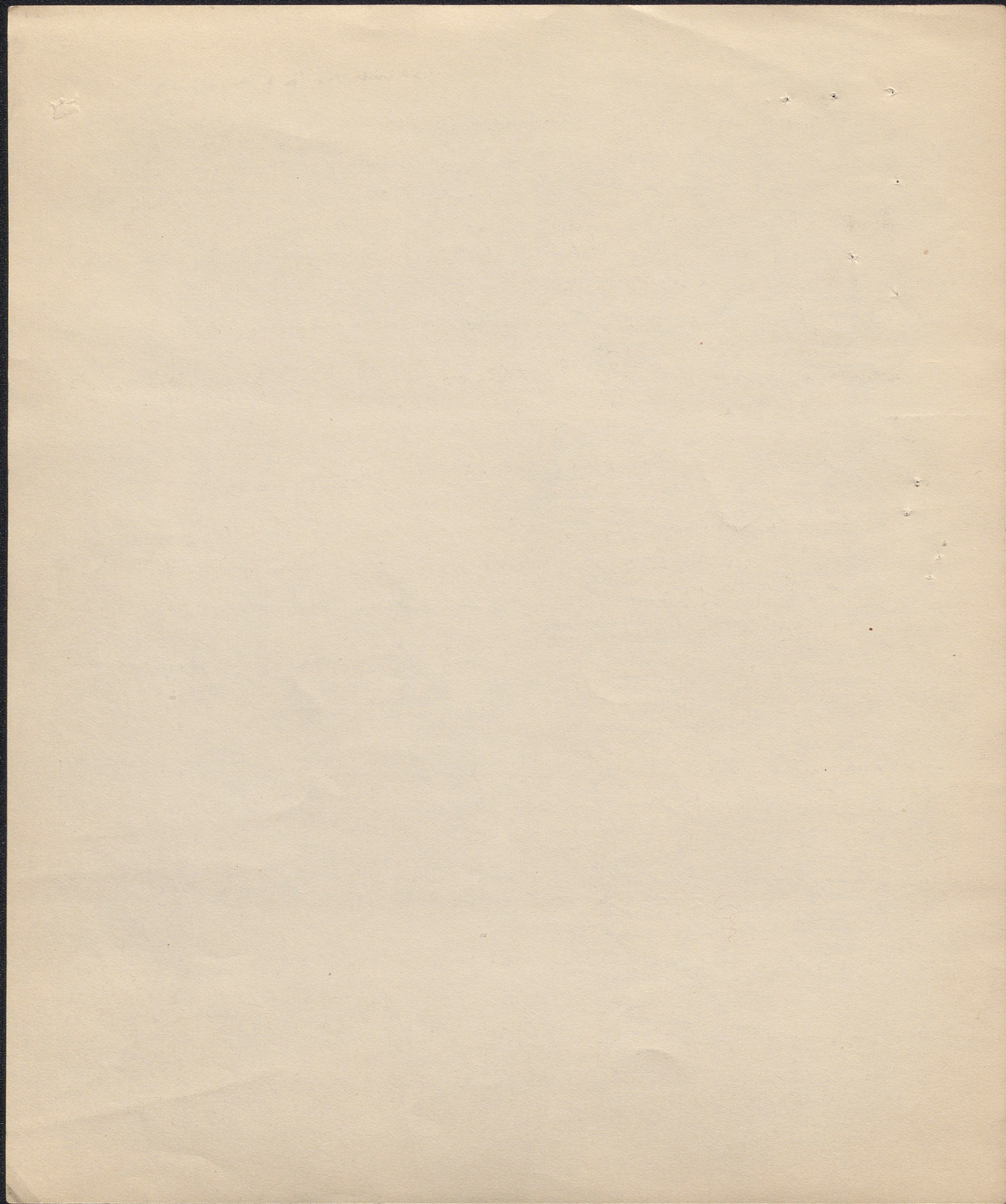
Credit, in United States, 278; dependence of, on Europe, 279-281; effect of war on, 284, 292, 296; crisis of, ²⁸³⁻²⁹⁴ 306; inflation of, 347-352, 351; relation of, to price, 348, 352; working of, 296, 304, 352-361; government, 357, 361; Aldrich Free-land notes, 299-305.

Currency notes, English, 88, 92-101, 114.

Conlissat, 15b. n., 157

Cuba, 307.

Credit market, 320, n.



(6)

Darlehnskassen, see Loan Banks.

Debts, burden of, 56, 134; discount future production 113; of Great Britain, 133-141; of France, 155, 191-196; of Germany, 258, 261-271, 276; of United States to Europe, 281.

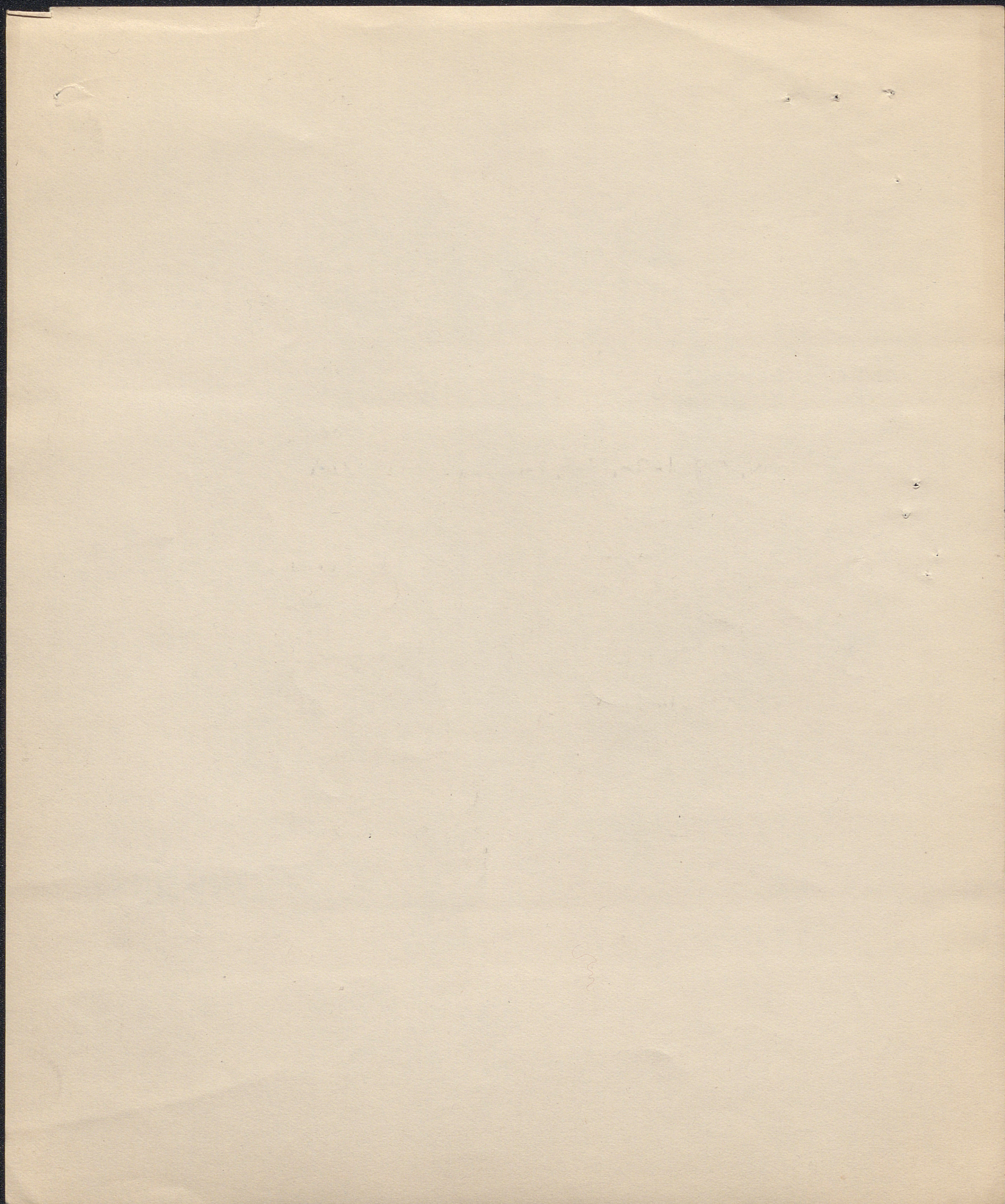
Deposit-currency, 10, ¹¹₂ English origin of, 94; function of, 322

Denmark, 77, 132, 223, 240, 245, 313, 342.

Destruction, in war, 46, 48, 49, 56; in peace, 47; of capital, 49, 50, 238, 240.

Discount houses, 72

Dyes, 19, 253, 314.



(7)

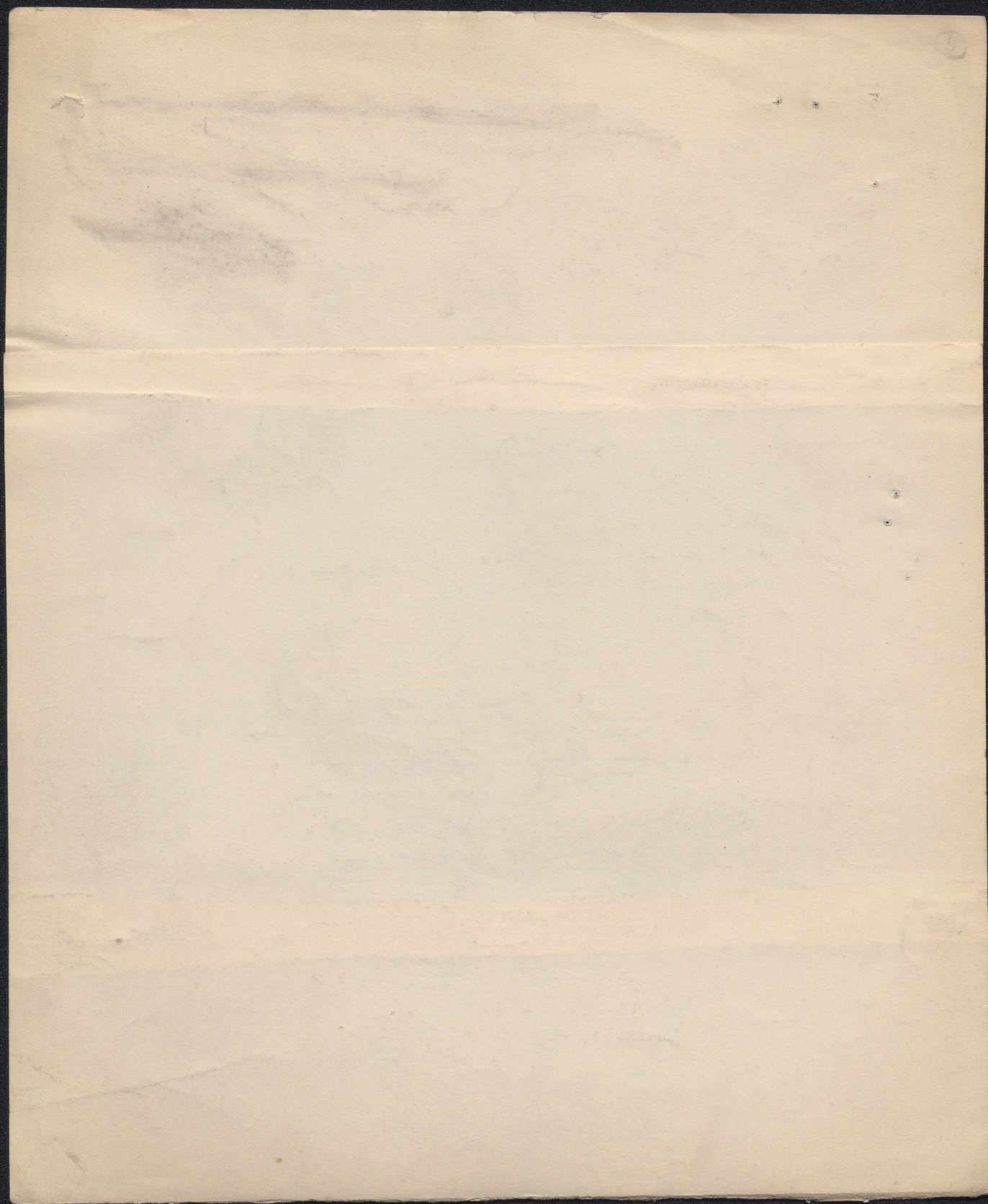
England, see Great Britain.

Education, 8, 9, 26

European War, causes of, 1, 32, 36, 38, 199.

Exchange, bills of exchange, 11, ^{41, 249, 280.} 73, 323, 346;
of foreign problems in England, 121-132, 323-324, 326, 341;
shipping points of, 122, ^{130, 186.} 251, 323;
factors affecting prices of, 125, 324, 336;
movement of gold from England, 129-131;
and depreciation of paper money, 125, 131, 185, 248, 255;
on Holland, 132, 252, 342-343;
on Scandinavia, 132, 252, 342-344;
on Switzerland, 132, 252, 342;
French, 184-189, 341; German, 249; American, 283,
292, 319-346; South American, 317-319, 344-346;
"Dollar", 317, 344-346; on neutrals, 342-344; on
Japan, 344; on Spain, 344.

Exhaustion, economic, 52; financial, 55; in Germany, 274-276.



Federal Reserve Banks, 67, 68, 100, 137 n. ^{293, 299, 300, 303, 315,}
^{337, 349-352, 360}

(8)

Finance bills, 325.

Foxwell, H. S., 116 n., 131 n.

Franklin, E. L., 105 n.

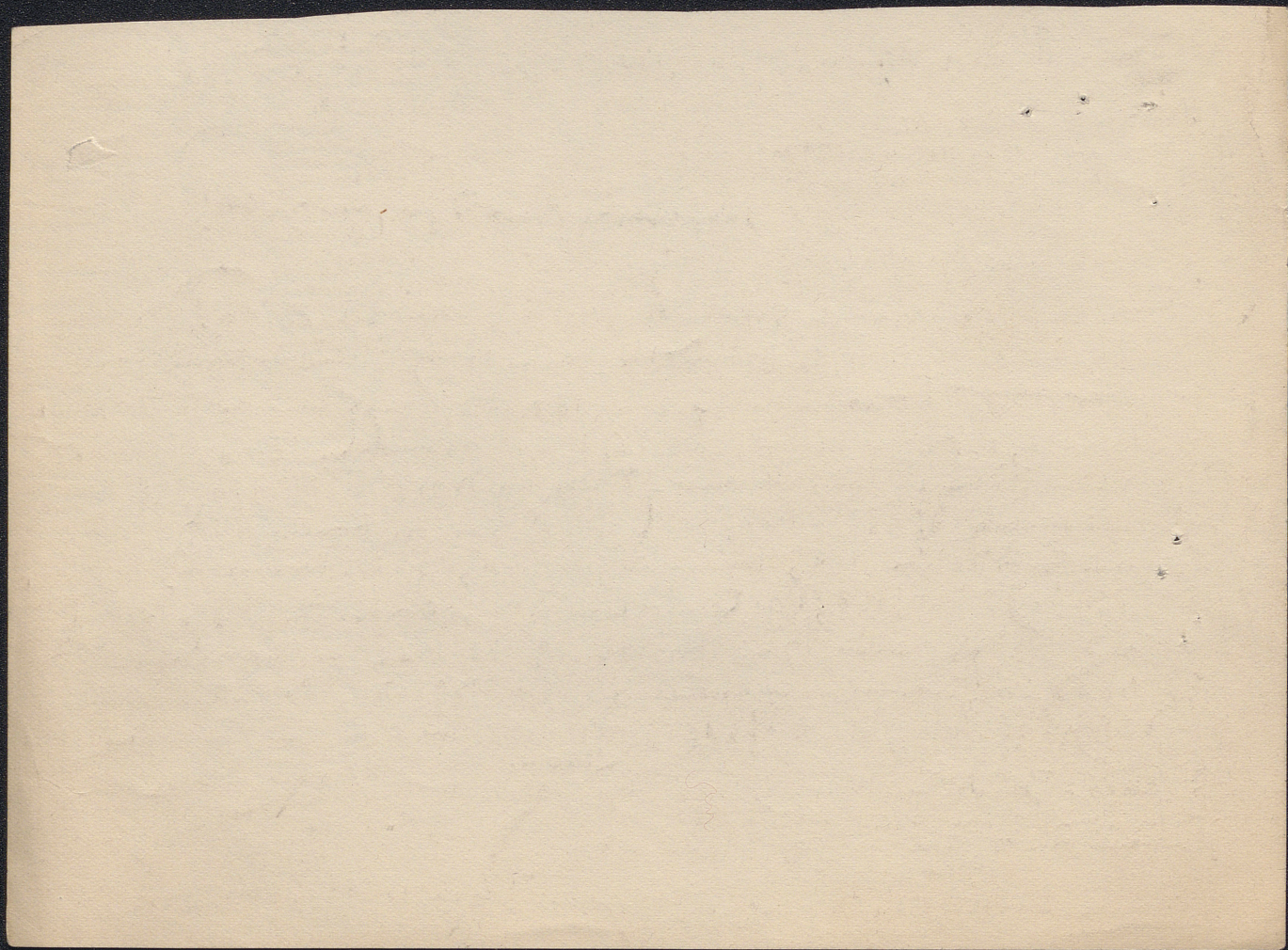
suspension of gold payments, 164;

France, comparative growth of, 14, 15; weakness of, 36; private banks of, 145-147; provincial banks of, 147; unprepared for war, 152; German intrigue in, 152, 153; relations with Balkans, 152-153, 155; withdrew capital from Germany, 154; effect of radicalism in, 155; Franco-Prussian War, 16, 36, 156, 181, 204; indemnity of 1871, 156; effect of war on bourse, 156, 157; war and production, 158; hoarding in, 164; moratorium in, 159-162, 164, 165, 167, 168; gold stock in, 171; confusion of monetary and fiscal needs, 176; prices in, 181-182; foreign trade of, 182, 186; foreign exchange of, 184-189, 341; loans in United States of, 188; Debt of, 155, 191-196; wealth and income of, 194.

Franco-Prussian War, 16, 36, 156, 181, 204.

Freedom of the seas, 31, 35, 36. ^{180 n.} { treasury bills, 191;

Finance, public, 54-56; English, 133-142; French, 189-196; German, 257-274.



Germany, early, ⁽¹²⁾ 13; followed in steps of England, 14; progress of, 12, 14, 16-22; causes of progress, 28-29;

centralization of industry in, 27; an ally of trade, 28; desire of, for foreign markets, 29-30; trade with England, 30-32; exports of, ²⁶ 31, 244

Socialism
in, 35

colonial policy of, 32; hatred of English, 33; hunger for new territory, 34; industrial success before the war, 35; militarism, 36; borrowing at home, 51, 269-271; railways of, 52; non-recurring tax of 1913, 152, 201; financial mobilization of, 56; intrigues of, in France, 153; lost French capital on Agadir incident, 154;

Suspension
of gold
payments,
221;

preparedness of, 198, 200, 205, 213-214; accumulating gold, 201, 203, 233; war chest of, 202, 229; inflation in, 218, 230, 243, 247; effect of war on bonds, 220; hoarding in, 221; disturbance to industry in, 222-224, 244;

war loans of, 231, 258-263, 267;

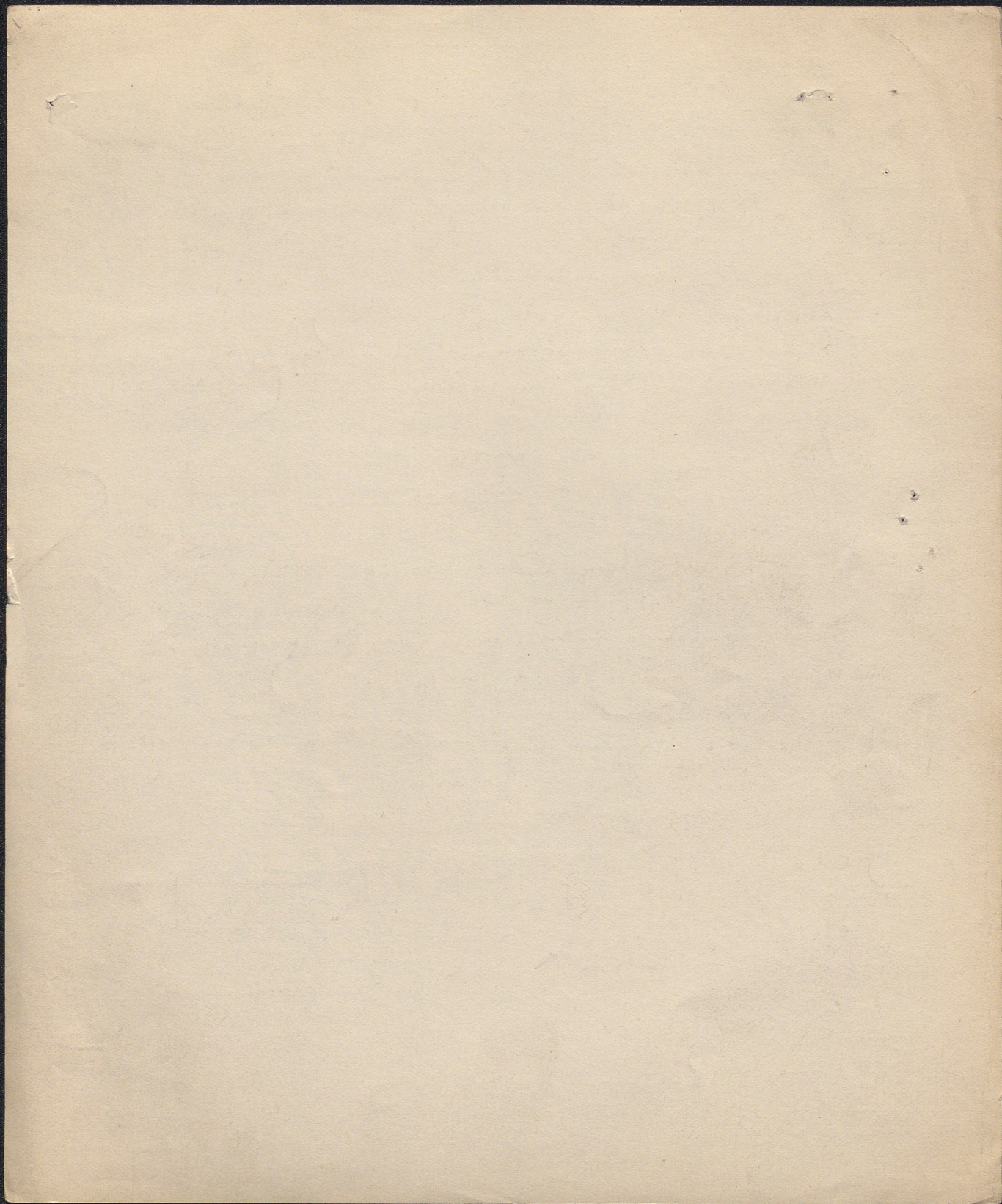
Debt of, 59, 258, 261-271; repudiation in, 271, 296; notes in Belgium, 222; production of, reduced, 241; income of, 59, 275; wealth of, 238, 275; duration of war, 276; recovery after war, 276

Side, 179, n.

Gibson, A.H., 85, n.

Priests in, 222, 243-249;

trade with United States, 244;



Bol 3, 1917

Stock Exchange closed, 81

10

foreign
Exchange,
121-133;

Great Britain, first with new technique, 13; growth of, 15, 17; trade with Germany, 30, 97, 106; reason for joining in the war, 38; unprepared, 78; foreign investments of, 76; war crisis of, 80; accepting houses, 72⁸⁸; discount houses, 72; resort to government paper, 88; moratorium in, 86, 91, 109, 111; guaranty to Bank of England, 111; exports and imports of, 45, 77, 126; gold redemption in, 105; loans of, in United States, 67, 128; war debt of, 133-43; forms of debt, 138; soundness of her credit, 111, 120; ability to carry debt, 141

Dislocation of trade, 106;

Gold, [stock of British], 96 n.; in Bank of England, 103; British control of, 103; in various reserves, 102, 234, n. 1; [stock of French], 171; German stock of, 201, 203, 234²³¹; campaign for, in Germany, 201; standard British, 101; suspension of, payments in various countries, 102, 103; suspension in France, 164¹⁷¹; suspension in Germany, 209 n. 2, 221; Pool, in United States, 331-323.

Greece, 155

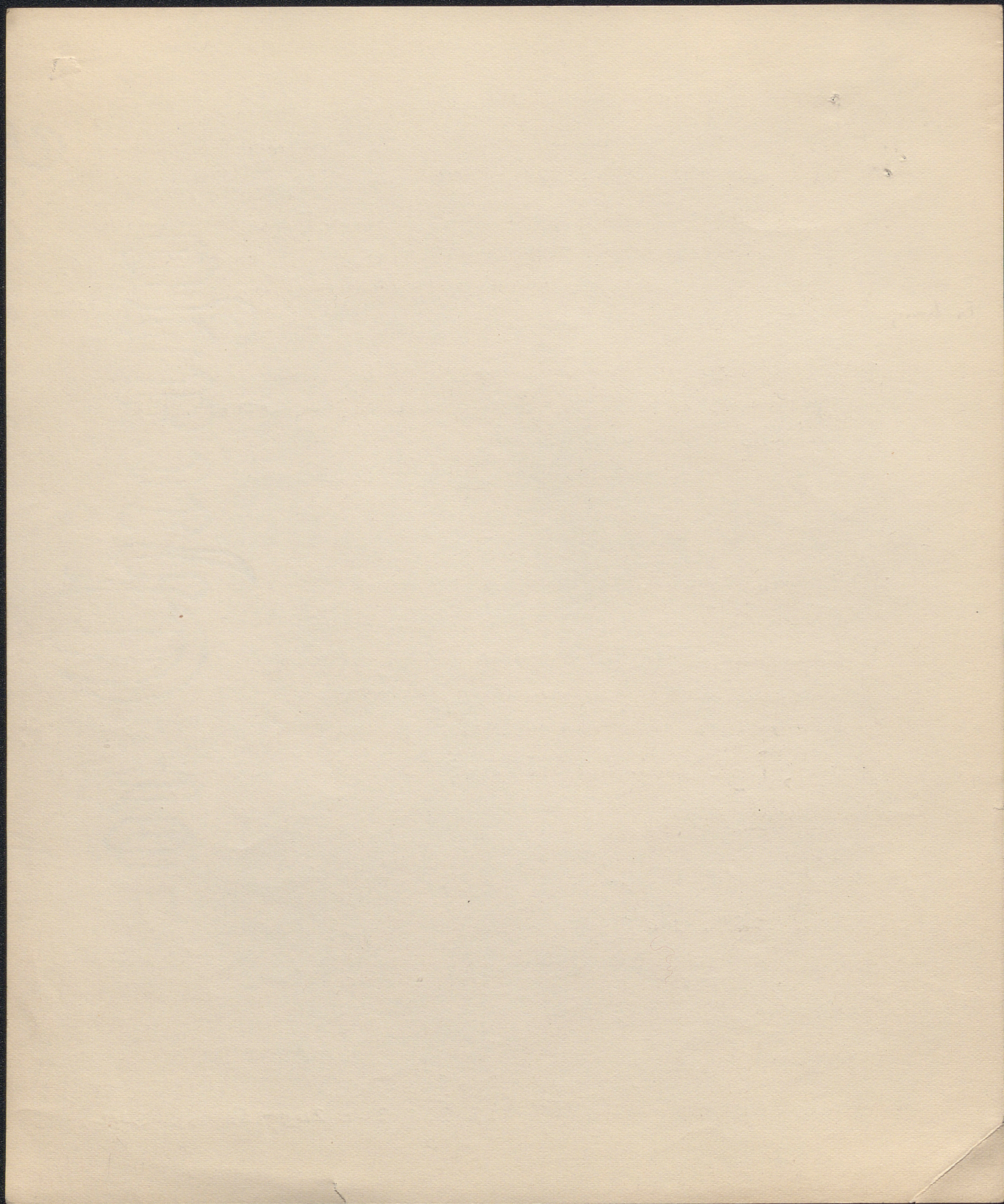
Havenstein, 259, 274

Hefferich, K., 12 n., 18 n., 22 n., 23, 32 n., 194^{51 n.}, 272, 273, 254, n. 2,

Hertogovina, 154.

Hoarding, in England, 97; in France, 164; in Germany, 221.

Holland, 30, 77, 132, 157, 223, 235, 240, 245, 252, 313, 342,



Income, British, 78; French, ¹⁹⁴; German, 59, 275
 India, 102, 314, industrial colonization, 6;

Industrial Revolution, 1; gains of mechanics in, 7; of
 chemistry, 7; changed organization of business, 8;
 education, 8-9; rise of credit, 10; new technique, 23;
 common to many countries, 24; related to cause of
 war, 24

Inflation, 64, 115, 117, 118, 125, 148, 218, 230, 243, 247;
 British, ^{115, 117}, 120; French, 166-168, 172, 173, 175, 176, 179;
 German, 206, 218, 224, 230, ²⁴⁷243; American, 347-353, 351

Italy, 30, 77, 79, 313,

Japan, 109, 344.

Jaurès, 152

Keynes, J. M. Jr., 91n, 103.n., 104n., 109.n.

Kierkegaard, ^{96.n.}98.n., ^{128.n.}105.n., 131.n.2,

Kitchener, 39

Kriegskredit banks, 218

Kronprinzessin Cecilie, S.S., 291, 328,

Krupp, 28, n., 259, 212.

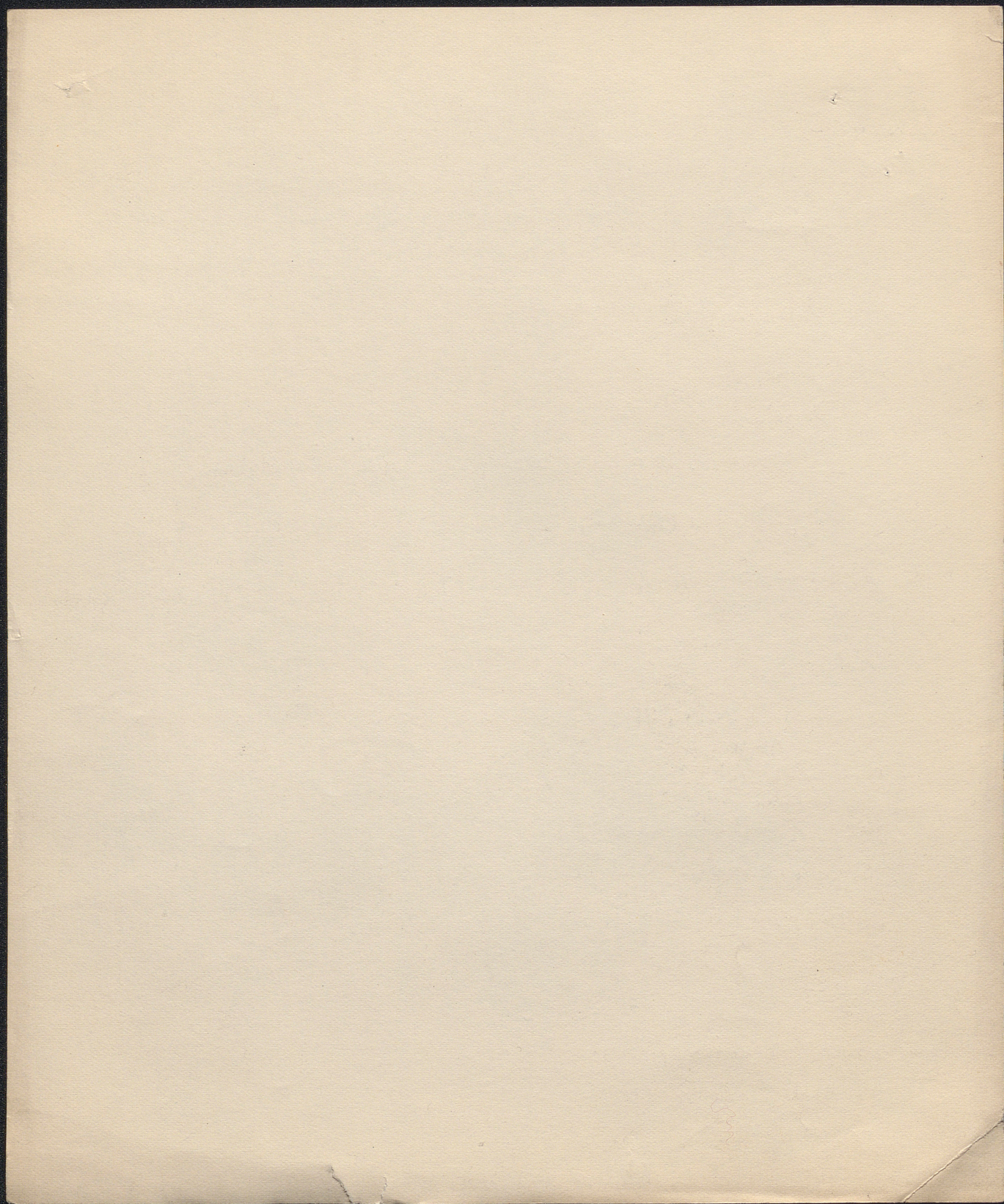
Labor, losses of, 52

Leroy-Beaulieu, P., 196.n.

Liesse, A., 99, 163.n.

Liebig, 25

Lloyd-George, 65, 92, 109



Loan Bureaus, German, 213-218, 264-265, 268

Loans, at banks, ^{really} not limited by reserves, 18, 40, 41, 51, 68, 111, 284;
of Great Britain, 67, 128, 133-141; of France, ^{155, 167} 188, 191-196;
of Germany, ²³¹ 59, 258-263, 267, 271; of United States, ¹²⁹ 339-340,
359-361.

Loree, F. L., 127, n., 322, n. 1

Lombard, 207, 209, n. 1, 221.

Mexico, 154

Mittel Europa, 33, 37, 152, 199

Evolution of, 103

money, paper, 54; quantity of, 55; remedy in a crisis, 65;
Does not limit credit, 58, 60; credit drawn in terms of,
66; quantity theory of, 116, 348; increase of, in
various countries, 118, 247; and credit in France,
148-149, 176-179, 182, 184; German theories of, 197,
202; effect of redemption on value of, 202, 248;
inconvertible, in Germany, 204, 237, ²⁴⁸ 268; Irish-
Yreland notes in United States, 299-302; confusion of
monetary and fiscal functions, 54, 99, 176-177,

English
currency
notes, 93-100;

Moratorium, English, 86, 91, 109, 111; French, 159-162, 164, 165,
167, 168; German, 224-227; evil of, 160; relation
of, to credit, 226;

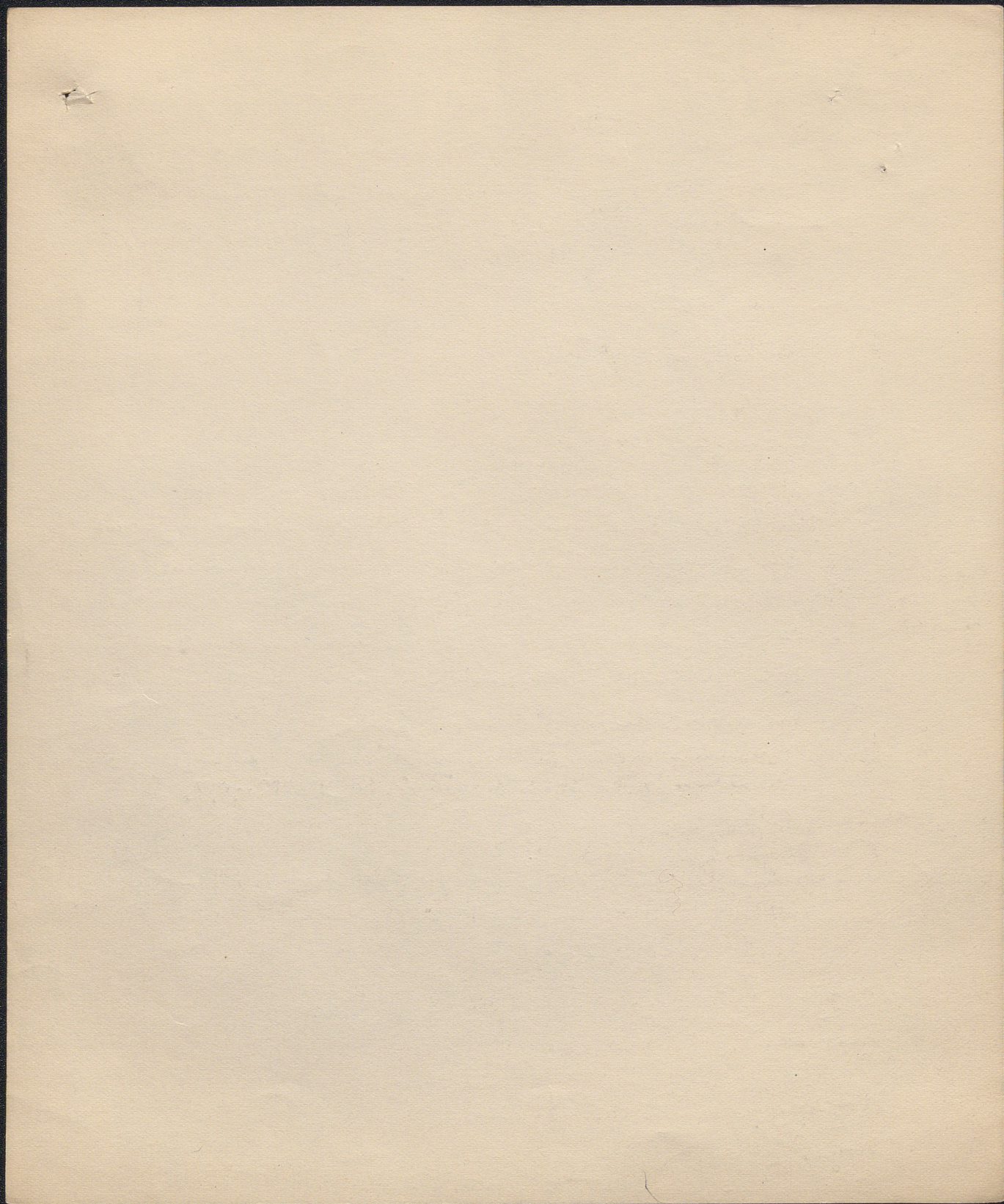
Morgan, J. P. & Co., 67, 188 n.

Morocco, ¹⁵⁴ 152, 200, 204

Norway, 30, 77, ¹⁰⁷ 132, 223, 240.

Noyes, ^{A.D.} 196.

Ottawa, 103, 104 n., 122, 329, 330, 332.



Paish, Sir G., 115 n. 2

Palgrave, Sir R.H.I., 97 n., 100.

Parquet, 80, 170,
156 n.; closed, 157;

Prices, in England, 115-121; in France, 181-183; in Germany,
222, 243-249; causes of high, 248; and credit in
United States, 348, 352.

Quantity Theory, see Money.
116-

Reichsbank, see Imperial Bank of Germany.

Redemption, immediate and ultimate, 61, 63, 105, 118, 130,
151, 180,
202, 236, 248

Ribot, 167 n., 195.

Röderm, Count von, 263, 293 n. 2.

Rouvier, 152, n.

Rumania, 51, 155

Russia, 30, 31, 43, 153, 212, 221, 234, 250, 286, 339, 343;
comparative growth of, 14, 15; trade of, 30, 245,
policy of 37; finances of, 55, 154; paper money of, 174, n.;

Savings, in England, 97; in France, 146, 193-194; in Germany, 267,
268; in United States, 354-358

Seligman, E.R.A., 136, 272, n., 348, n.

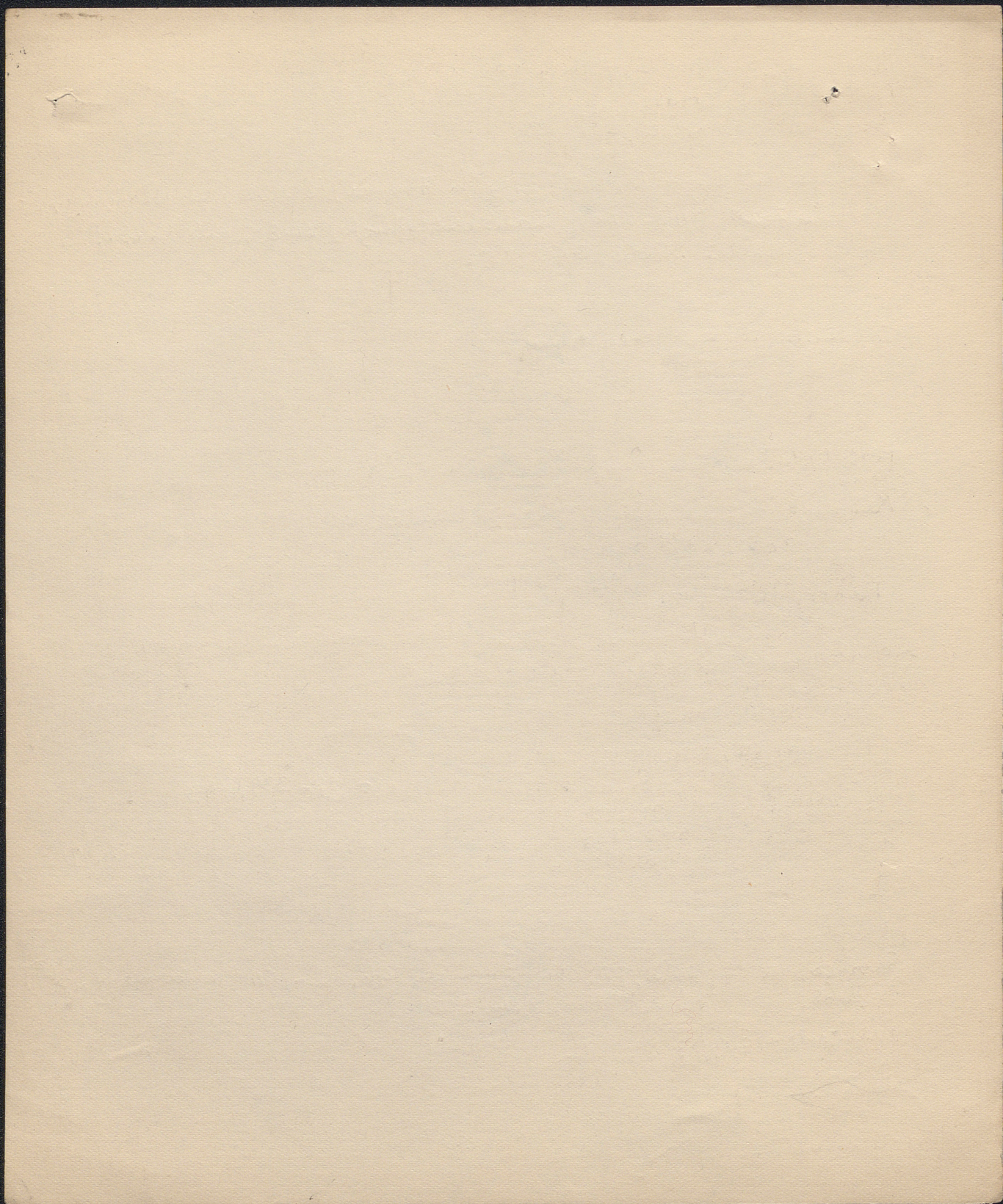
Serbia 37, 51, 154-155, 220, 241, 285,

Shantung Railway, 34.

Sherbrooke, Lord, 100, n.

Siemens, 25.

end of gal 3



Vol 4
25997

(14)

30, 109, 154, 212, 258, 286, 314;

South America, ; Trade of, 74; with United States, 314-317
Exchange on, 317-319, 344-346.

Sprague, O. M. W., 325, n., 326, n. 2.

(157,
169-170

Stock exchange, crisis on English, 80; closed, 81; French, 156;
German, 220; in United States, 288, 321.

Sugar, 20

107,

Sweden, 77, 132, 223, 240, 245, 252, 342,

Switzerland, 132, 223, n. 3, 223, 240, 245, 251-2, 342.
in Great Britain, 41, 134-136;

Taxation, 41, 43, 56; versus loans, 134-135; in France, 156, 195;
in Germany, 258, 272, 273

Textiles, 20, 107, 158. (19,

Thomas, Sidney Gilchrist, 7, 24, 25.

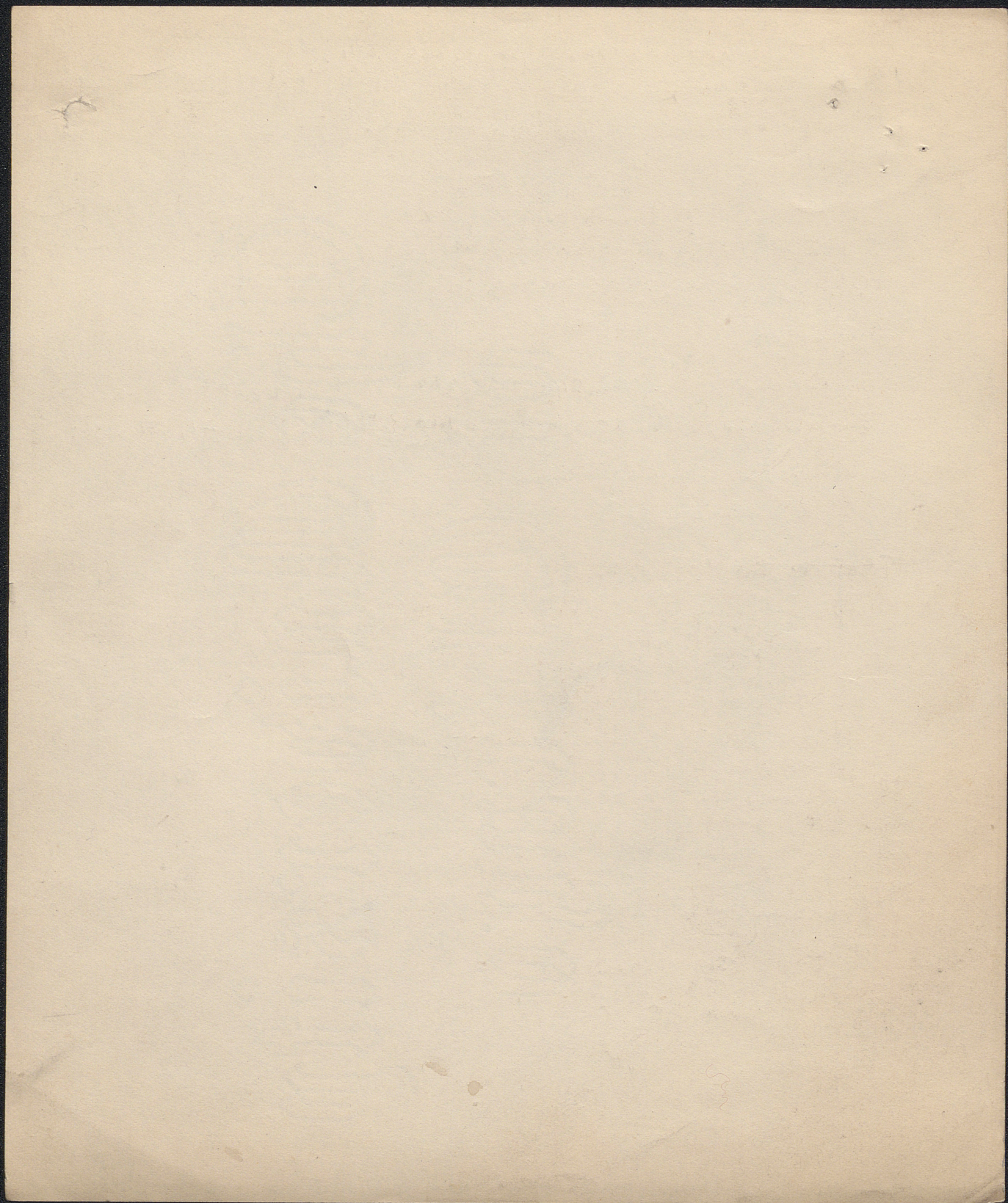
Trade, of Great Britain, 106-109, 126; with Germany, 30-32,
97, 106; of France, 182, 186; of Germany, 30-32, 222-
224, 244; of United States, 306-319; with South America,
74, 314-317.

Transportation, cheapened, effect of, 3-5; ocean, 5

Treasury bills, British, 91, 137, 138; French, 191; German, 228.

Treasury notes, German, 203, 227, 232, 261, 269

Turkey, 31, 154, 212,
28, 37, 200, 224,



§202 In the conquest of man over nature nothing has been more striking during this period than the rise of a new era of power. The manufacture of power has created a new epoch. "No changes have ever equalled those through which the world is now passing" wherever and when needed, man can now manufacture practically unlimited power which relieves him of human labor. No longer are we limited to the bank of a river or ^{to a} waterfall as a site for a factory; nor are we dependent on the power of horses or animals; nor on the uncertain power of the wind.

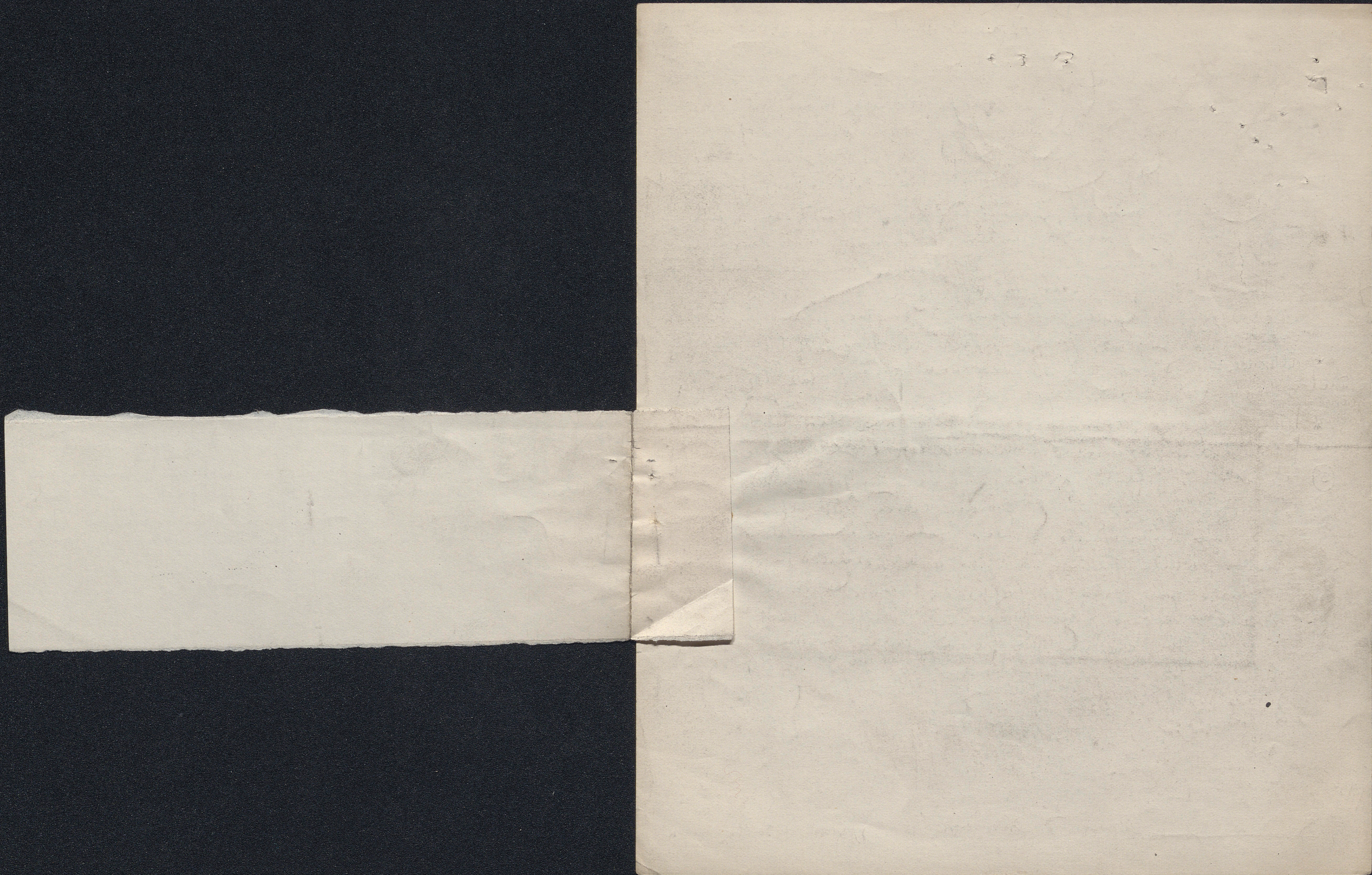
The
manu-
facture
of
power

(3)

Although the steam engine was developed in 1769, the manufacture of power by steam has come to ^{fully} ~~function~~ ^{only} in the present epoch. Electricity has been used not only as a new source of power, but as a conveyor of power to distant plants. Now enormous amounts of power can be concentrated where power could not before be had; and this inanimate power relieves ^{now} animal and human labor, while the mind of man is released to designing methods and tools for applying power. Man has been thereby promoted from physical to mental and directing tasks. We are in this period living in the midst of changes such as were never equalled in the history of the world.

The introduction of the gas engine into the service of every day tasks in the shop, on the farm, and in the automobile; the harnessing of water-falls to produce energy and power, - are practical illustrations of what has ^{recently} come to our aid in the production of our satisfactions.

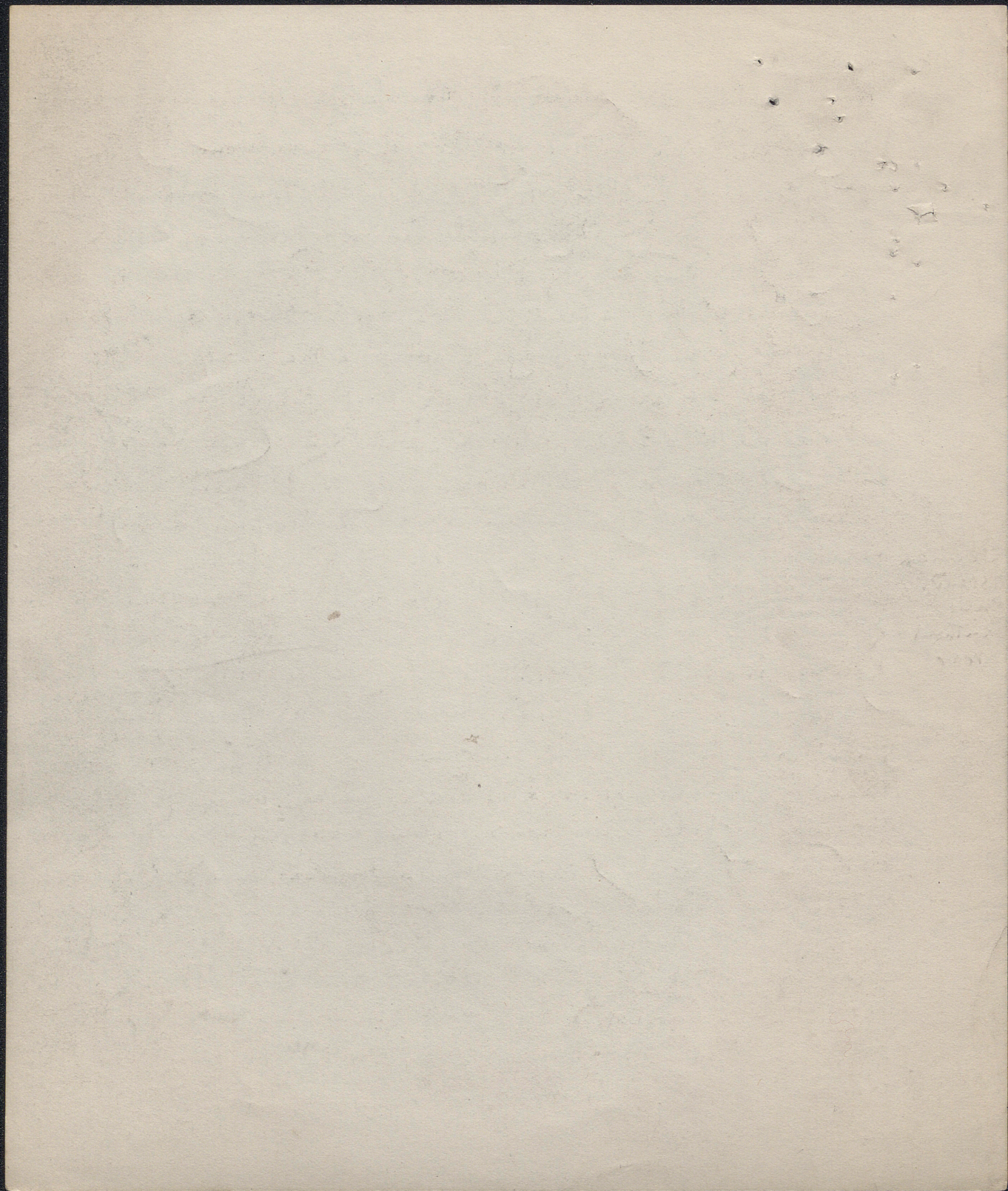
1. The New Epoch, by George S. Morrison, (1903), to which ^{the author is} much indebted. Taken in this section.



~~July 15~~
 25997
 §6. Having before us the facts of Germany's re-
 markable and rapid industrial development ^{since 1880}, the
 coincidence of the organization of the Empire with
 the beginning of the greatest industrial revolution in
 history, and the general and special causes at work
 to produce this advance, we are obliged to study their
 influence on the direct causes of the war.

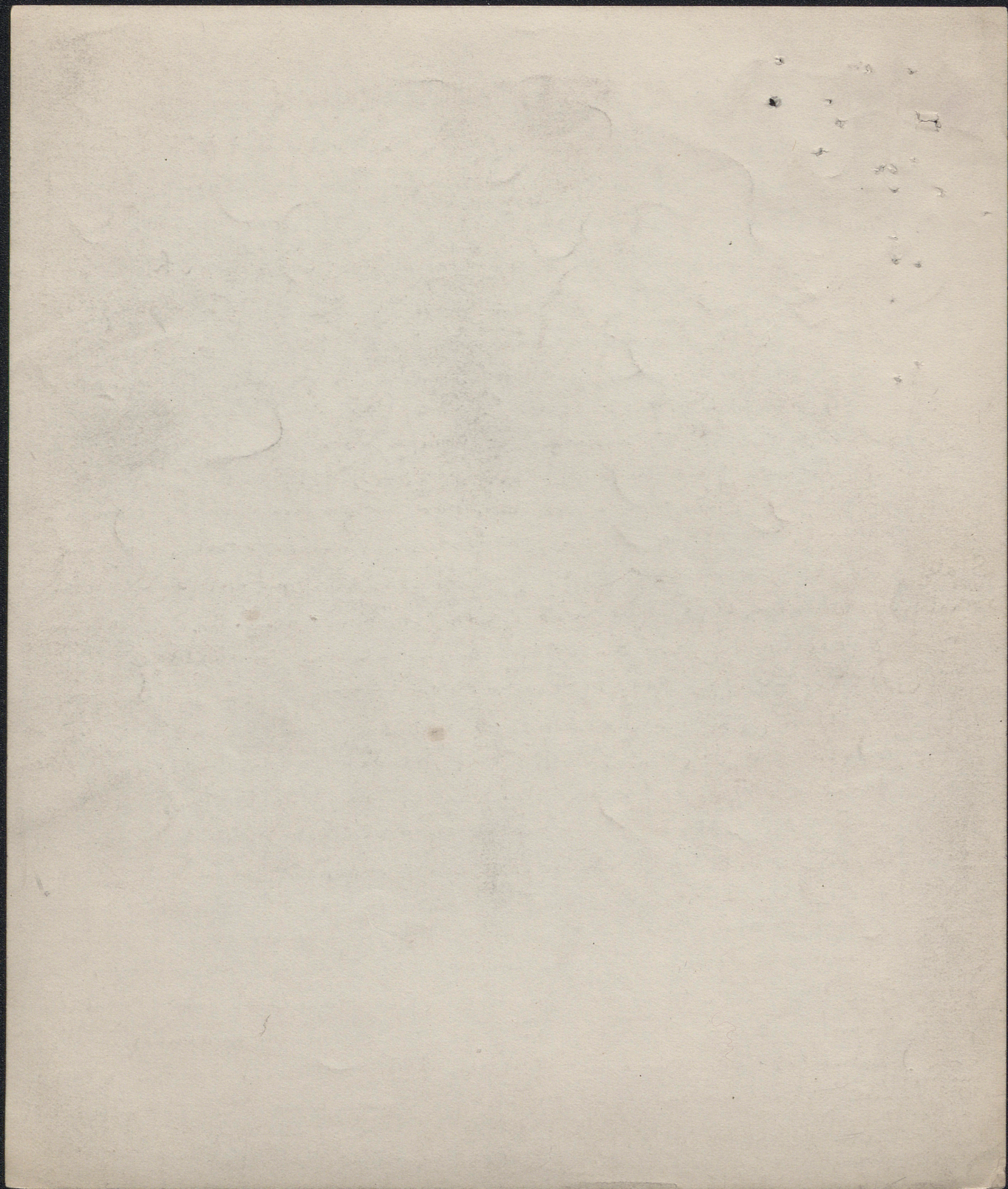
One patent fact stands out above all others:
 in the teeth of competition with the richest, most ex-
 perience commercial countries, with those longest
 entrenched in successful trade, Germany, in the three
 German Decades before the war, made greater strides in pro-
 duction and commerce than any other modern nation.
 If so, why was she not content? If she really be-
 lieved England to be decadent, to be rotting in gross
 materialism; if France had lost her fibre and was
 given over to political degeneracy, - then why not let
 them go on in their fatuous course, dead to all ef-
 ficiency, while she was rising every day to new
 commercial victories, even in French and British mar-
 kets. In spite of clear warnings and explicit
 accounts of the methods by which Germans were suc-
 cessfully absorbing the world's markets, French man-
 ufacturers and exporters refused to wake up. Why
 not let them remain asleep, while reaping the tri-
 umphs of peaceful industry?

German ascendancy without war
 3



If Germany wished the entry of her ships into all the ports of the world, the very facts of her advance in foreign trade and tonnage show beyond the shadow of a doubt that she achieved that end in times of peace. The "freedom of the seas" was hers in fact and in deed, without owning the ports into which she sailed on equal terms with Norwegians, Italians, or British. She had no summons to war to gain what she already possessed. She had succeeded in a most remarkable commercial competition by reason of the national qualities of energy, foresight, persistence, efficiency and a genius for organization. Her government, moreover, took on paternalistic powers assuming

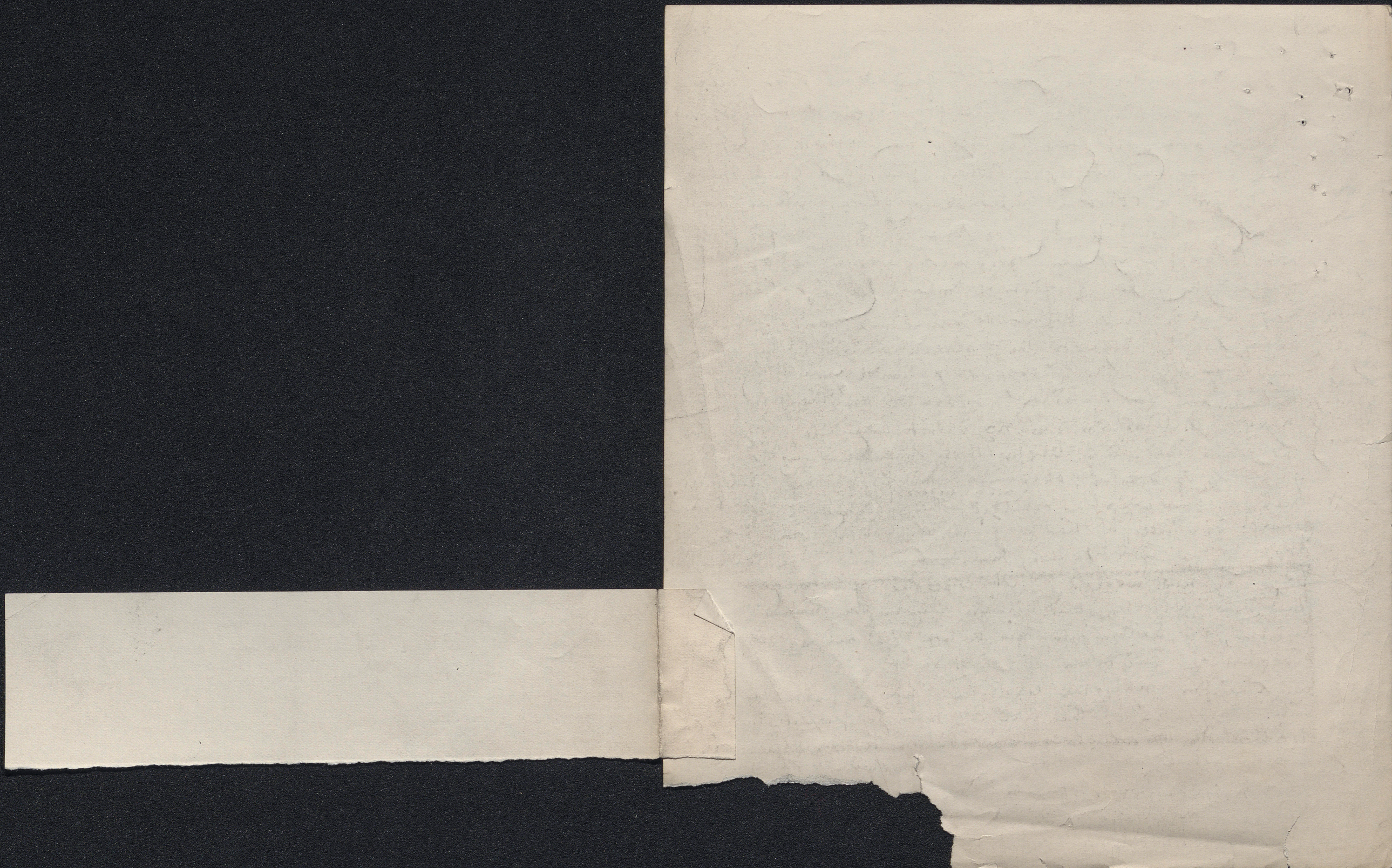
State Direct oversight over the physical moral and intellectual effectiveness of the individual; and German Society under autocratic direction acquiesced. There resulted the greatest ^{ever} known example of State socialism, or management of industry and the acts of individuals by the State, but headed by an absolute government of a personal Kaiser in which the proletariat had no voice. It was a government by autocratic experts, whose high efficiency presented a telling argument in favor of absolutism under which it flourished, and thus formed a strong bulwark for the reigning dynasty in an age in which the demands of the proletariat for an increasing share in the government were steadily advancing. The weakened ^{Republican} government of France stood out in bold contrast to the forceful absolutism of Germany. Then, why did Germany not let well enough alone?



In truth, we are forced to find some other cause for the war than the chance for industrial development. Without doubt, it was the exceptional growth of industrial power and efficiency which fed, and gave opportunity for, a colossal national ambition. Since the Franco-Prussian War of 1870, one would be indeed blind not to see in Germany evidence everywhere of a "swelled head", of a "fervid megalomania", with the

Militarism a result, not a cause, of industrial power. Next wealth there came extravagance, and the vulgar enjoyment of riches by the parvenu, unused to the refinements of life. The increased national production gave the means for spending more funds on the army and navy. Militarism had no direct influence in furthering industrial efficiency because it emphasized the national qualities of docility, obedience, and promptness. Extended militarism was a result ^{not a cause} of the increase of production power; because, if the national ambition were to be carried out by conquest, militarism had given to it the power of new wealth. It was the spirit which guided the ~~new~~ ^{use of the} wealth, and which lay in the hands of absolutism, that determined the action of Germany and the direction of its dream of power. When Germans speak of a war for "national existence", for "a place in the sun", they mean the use of war to permit the realization of their colossal ambition to be a world power whose will cannot be limited by the military — or naval — power of any other of allied countries. A third country was only a means to

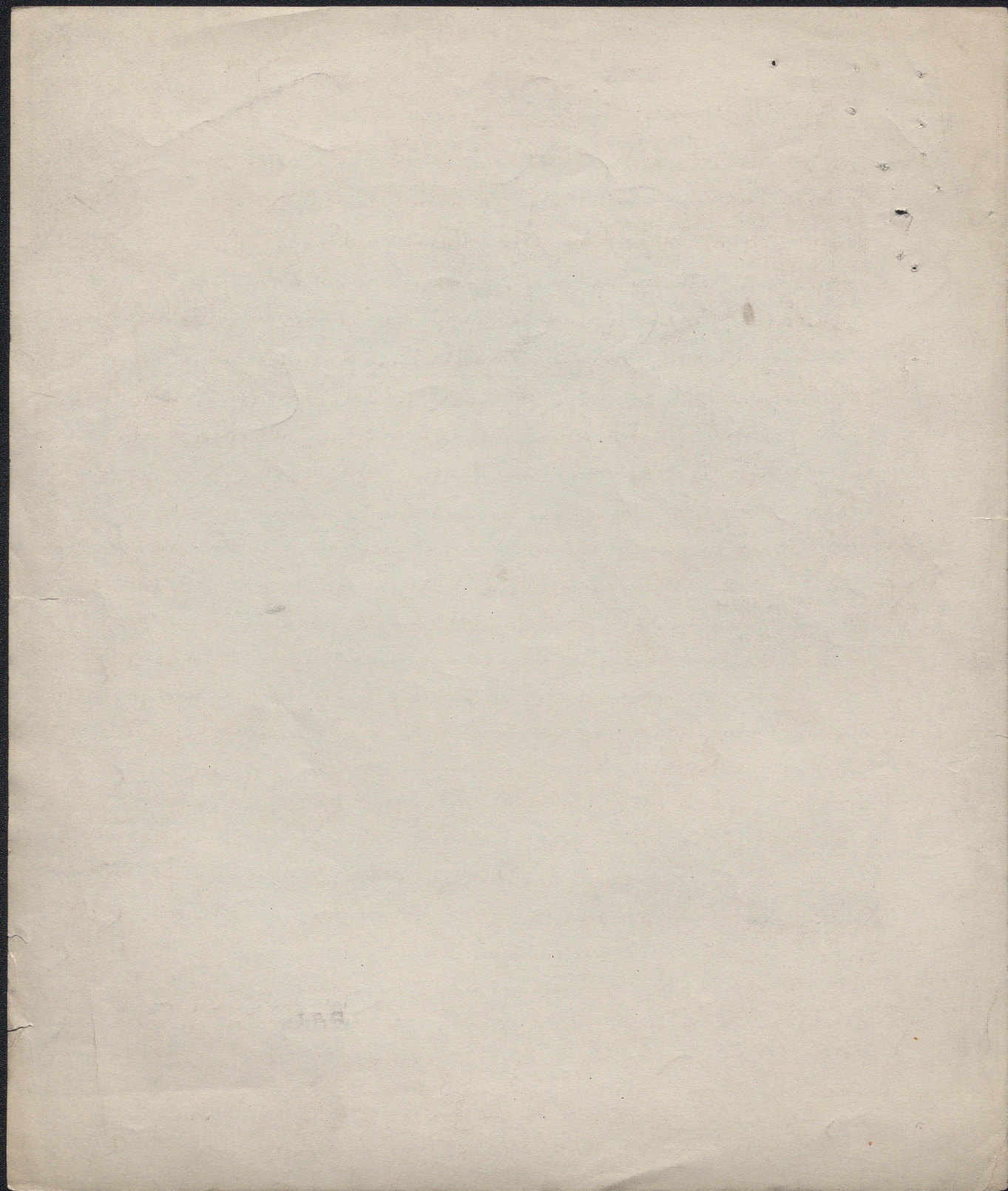
When they demand "the freedom of the seas", they mean such control of the seas by a German navy that, in time of war, no other country can stop her commercial marine from sailing the seas.



Page # 25497

He was thus led inevitably to face ^(face) Russia ^(with) and Southeastern Europe. The geographical position of Germany precluded much progress to the north, or west; her hope lay to the Southeast through Austria-Hungary, the Balkan States, Constantinople, Turkey in Asia, Mesopotamia and the Persian Gulf. The colossal dream of Mittel Europa gives the key to her Russian policy. If Russia were allowed to build up friendly Balkan States, strengthen Serbia, handicap Austria-Hungary, and throw her huge bulk across the way to the Persian Gulf by attaining Constantinople, Germany's ambition was destroyed. The Sarajev^o assassination was only a lucky pretext for action, ^{in 1914} intended for the year before. German diplomacy emphasized the desire to "localize" the conflict between Austria and Serbia; always provided the German purpose through Austria-Hungary to prevent Russian domination in the Balkans was accomplished. When Russian mobilization began, it was directed against Austria-Hungary. In reality, it was a move against the dream of Mittel Europa. When Germany made Austria-Hungary's cause her own, and demanded the demobilization of Russia, the real issue was joined, and the struggle transferred from Serbia to Russia with ^{the consequence of} a general European war to decide the power of Germany to rule Europe, and thereafter the world. If Germany conquered, Great Britain would be taken in hand separately; so she was forced to join the allies. If the allies

in support of Serbia



Vol 1
8/9/36 - 11 lines
25997

Index

①

91

345, 346, 359

Acceptance, explained, 71, 82, 280, ; House, 70, 72; English, 82, 84, 88,

Agadir, 152

Aldrich - Vreeland notes, 100, n

Algerias, 152

American Foreign Securities Corporation, 188, n

Anglo-French loan, 129, 339, 360

Argentina, 154, 307, 316.

Austria-Hungary, ^{20, 78, 354, 200, 220, 250, 285} comparative growth of, 14-15; policy of, 37;
Bank, 234;

Bagdad Railway, 34, 154, 200

Balkans, ³¹ 37, 78; France and, 152-153; wars of, 154-155, 199, 200,
204, 281

