

The Open Court

A MONTHLY MAGAZINE

Devoted to the Science of Religion, the Religion of Science, and the
Extension of the Religious Parliament Idea

Founded by EDWARD C. HEGELER.

VOL. XXX (No. 7)

JULY, 1916

NO. 722

CONTENTS:

| | PAGE |
|--|------|
| <i>Frontispiece.</i> Desiderius Erasmus. HOLBEIN. | |
| <i>The Economic Aspect of the War.</i> C. A. VERRIJN STUART | 385 |
| <i>In Reply to Mr. Charles T. Gorham.</i> JOHANNES MATTERN | 408 |
| <i>Symposium on Erasmus from Several Sources</i> (Illustrated) | 419 |
| <i>Richard Dedekind</i> (With Portrait) | 437 |
| <i>Mr. Gorham's Reply to Mr. Mattern.</i> EMIL REACH | 438 |
| <i>The Thermometer</i> (With Editorial Reply). C. A. BROWNE | 439 |
| <i>Water-Power Conservation</i> | 443 |
| " <i>J'accuse</i> " | 444 |
| <i>Mr. Mangasarian Again.</i> PAUL CARUS | 446 |

The Open Court Publishing Company

CHICAGO

Per copy, 10 cents (sixpence). Yearly, \$1.00 (in the U.P.U., 5s. 6d.).

Entered as Second-Class Matter March 26, 1897, at the Post Office at Chicago, Ill., under Act of March 3, 1879
Copyright by The Open Court Publishing Company, 1916

PEACE OR WAR?

The Great Debate in Congress on The Submarine and the Merchantman

Compiled from *The Congressional Record* by

WILLIAM BAYARD HALE

Price \$1.00

The present volume is the result of a conscientious reading and rereading of the entire proceedings of Congress since the introduction of the GORE RESOLUTION and the McLEMORE RESOLUTION, and of a faithful attempt to make a just and fair record of the sentiments of Senators and Representatives as set down in the *Congressional Record*.

This book is a record of what was said by twenty-six United States Senators and eighty-nine Representatives in Congress in the great debate over the question of warning Americans not to travel on armed belligerent merchantmen.

THE OPEN COURT PUBLISHING COMPANY

122 South Michigan Avenue, Chicago

Contributions to the Founding of the Theory of Transfinite Numbers

By GEORG CANTOR

Translated, and provided with an Introduction and Notes, by PHILIP E. B. JOURDAIN, M. A.

Cloth. Pages x, 212. \$1.25 net

This volume contains a translation of the two very important memoirs of George Cantor on transfinite numbers which appeared in 1895 and 1897. These memoirs are the final and logically purified statement of many of the most important results of the long series of memoirs begun by Cantor in 1870. A very full historical account of this work and the work of others which led up to it is given in the introduction and the notes at the end contain indications of the progress made in the theory of transfinite numbers since 1897. This book is a companion volume to Dedekind's *Essays*.

OPEN COURT PUBLISHING CO.

Chicago and London



DESIDERIUS ERASMUS.

From a portrait by Holbein in the Amerbach Collection.

Frontispiece to The Open Court.

THE OPEN COURT

A MONTHLY MAGAZINE

Devoted to the Science of Religion, the Religion of Science, and
the Extension of the Religious Parliament Idea.

VOL. XXX (No. 7)

JULY, 1916

NO. 722

Copyright by The Open Court Publishing Company, 1916

THE ECONOMIC ASPECT OF THE WAR.¹

BY C. A. VERRIJN STUART.

THE economics of war is not an alluring topic for a political economist to discuss. His proper task is to study the efforts made for the advancement of human welfare, and to test the fitness of whatever means may serve to promote such endeavors, whereas an investigation of the economic aspect of war compels him rather to occupy himself with the destruction both of material and immaterial values that is now taking place on a much larger scale than ever before in the history of mankind. The task is all the more painful, since when I have finished my discussion I shall hardly be able to disclose a hopeful prospect for the future with any degree of certainty.

And yet what Europe is now experiencing cannot fail to interest the economist deeply, because the present monstrous struggle is above all an economic one in its origin, in the way it is conducted, and in its probable consequences. It is evident that within the narrow limits of a lecture one cannot attempt to exhaust the problem. One can only give a few examples from the abundance of details, but I hope these will be sufficient to throw light on what seems to me the paramount issue.

Before I take up the real subject in hand, I wish to make a few preliminary remarks. Whoever talks about the war in a neutral country while the conflict is still raging must of course speak with restraint, if only out of gratitude for the inestimable benefit of neutrality. I hope I shall not transgress this foremost duty. But it does not follow that it is necessary sullenly and cowardly to con-

¹ A lecture delivered in Groningen before the student association "Conamur" by Dr. C. A. Verrijn Stuart, Professor of Political Economy and Statistics in the University of Groningen, Holland. Translated into English by Dr. K. D. Bülbring, of the University of Bonn.

veal one's personal opinion about the cause of the war and the way in which it is carried on. In other neutral countries (Scandinavia, Switzerland, not to mention the United States) the duty of neutrality does not appear to be thus understood, nor in the Netherlands either, for here too it is remarkable what many newspapers dare put before their readers without restraint.

But while expressing my opinion freely about this war I wish to add emphatically that it is not my intention to inquire into the responsibility for what happened during the eventful days from July 23 to August 1 of last year. We may confidently leave this problem for later historians to solve, especially since its importance can easily be overestimated. From causes soon to be more minutely explained it appears to me that the war had to come with a fatal inevitability, and that a somewhat different attitude on the part of one or another of the great powers during the sultry summer days could not possibly have been of any importance except in so far as on it may have depended the moment when the first shot was to be fired. In determining this point of time, each government, in proportion to its influence, must take into consideration only the interests of its own country, and need not for that reason be regarded by those who consider the war unavoidable as having been more or less anxious for war.

In one respect I most confidently hope that my expositions will really be neutral, and that is in suppressing my personal sympathies. This is not too difficult if we realize how sympathies originate: namely, from pity for the sufferings of those engaged in the war; from gratitude for the excellent services in the highest departments of human activity, such as science, art, technical inventions, political liberty and so forth; from race feeling and other feelings of affinity; and from admiration for unimpaired vitality, for magnanimous unity without party-spirit where interests of the native country are at stake and in face of the calm acceptance of the miseries and ravages of war. All these sentiments may be the cause of originating or strengthening sympathy. It would therefore be difficult to find any of the nations now engaged in war that could not lay claim to our sympathy for one reason or another.

Perhaps people will point to facts that might weaken such sympathies which in themselves are surely justified. But I think that in this respect extreme caution is necessary, especially for us in Holland. Professor Simons has already warned against injudicious credulity, even against believing the accusations against belligerents based on inquiries by various governments. Conflict-

ing investigations cannot be held on the same spot, and the psychology of evidence furnishes ample proofs that it is possible even for eye-witnesses to exciting facts to give virtually false evidence in perfectly good faith.² We may leave it to later inquirers to make clear as far as can be done whether one party of the belligerents is more to blame in this regard than another.

If, after all, the war has been forced upon Germany against her wish she can plead self-defense with respect to many things which might otherwise be severely condemned, for according to the law of all nations this excuse secures immunity even as regards deeds which in other circumstances are severely punished. Are we to limit self-defense to the internal law of individual states, and to supplement the undisputed maxim "Necessity knows no law," by adding the words "but must not break a treaty"?

Moreover the two empires of central Europe have so far succeeded in mainly carrying on the war on hostile ground, and to some extent close to the Dutch frontier. Therefore the inevitable misery of war (for it is impossible to carry on war humanely, because its very nature is inhuman) is charged, with inexorable partiality, to the account of only one side of the belligerents; and just because the Netherlands have been inundated with fugitives from the scene of war, they are most imperfectly informed in this regard. Is the fate of East Prussia, Galicia and Bukowina less deplorable than that of the regions on the western front? What has been the effect of the steam roller that was to move in the direction of Berlin and Vienna, as England and France hoped in the beginning of the war?

Whose heart does not ache when he reads of the misery in those countries laid waste by the war? But, however paradoxical and cruel it may sound, the wounds caused by war are only the smaller part of the affair, when once it has broken out. I regret that our great Dutch daily press, by endeavoring, particularly at the beginning, to turn the dreadful misery of the war to *literary* account, has thereby held the attention of the Dutch people so fixed on this aspect that they have had no eye for the glorious greatness of the time. This misconception must also eventually make its consequences painfully felt.

I have spoken of the war as having been brought about by

² Here I should like to draw attention to the important open letter, full of facts and details, which Mr. James O'Donnell Bennett, correspondent to the *Chicago Tribune*, addressed to Sir Arthur Conan Doyle in December, 1914. As far as I know this letter was not mentioned in the Dutch press.

economic causes. This statement will not be accepted by those who regard the struggle as directed against German (or, rather, Prussian) militarism. Now I must honestly confess that I have not succeeded in understanding this watchword for the war.

If one takes the word militarism to mean an antagonism, or at least a separation, between the military and civil parts of the population, one might suppose that it would manifest itself for instance in England, where only a small proportion of the population take part in the defense of the country of their own accord, as was also the case elsewhere in earlier days (for instance in Napoleonic times). But in countries like the France or Germany of to-day, where the national defense involves the entire nation through all its classes, because it rests on the universal personal and compulsory service of the men, militarism in this sense is simply impossible. Has not Germany manifested the astounding phenomenon that at the beginning of the war besides the millions of soldiers in her armies nearly two millions of volunteers came forward?—a much larger number than Kitchener's appeal brought together for "service abroad," and that too in a country without conscription. Nowhere is the unity between people and army so perfect as in Germany. Annihilation of militarism in this sense would mean the annihilation of the whole nation.

It may, of course, occur even in Germany that professional soldiers, commissioned and non-commissioned officers, on account of the cruel dangers of their calling, may claim certain privileges which would not readily be granted in countries where for many generations the army has had only garrison service to perform. Of course it is not generous to claim such privileges, but just as certainly is it narrow-minded to measure the worth of culture in the German nation by the attitude of a Prussian lieutenant!

And if we understand by militarism the effort of state and citizens to put above all other duties the one which ensures the highest possible power of defense, then it is not only an indispensable principle for Germany on account of her geographical position and history, but one that applies to all great powers. In one of his latest statements, the Count de Mun³ describes his English allies as moved "by noble solicitude for their national greatness." Has not England, the one really imperial power, until very recently made the open demand that her navy, the weapon on which her safety chiefly depends, should be at least superior to a possible combination of the navies of any other two powers?

³ *Bulletin des armées*, August 19, 1914.

There is in fact no power above the sovereign state. It must maintain itself by its own power if it cannot rest on the conflicting interests of other states. To rely solely on the authority of law is an idealism which must in reality bring bitter disappointment, however congenial it may be in other respects. Even in ordinary legal procedure one does not really take that risk. Doubtless most legal and other obligations are fulfilled without requiring the interference of the power of the state, but the very fact that this power exists acts far beyond its express limits, even in cases where its assistance might otherwise have to be called upon. There cannot be the least doubt that if the law-courts, the police and the army were to disappear from a state the citizens themselves would take to arms. Self-defense is the supreme instinct alike for states and individuals.

The parallel often drawn between the juridical intercourse of nations and of persons is therefore in reality a comparison of two incomparable things, because in the former case the impartial instruments of effective power are wanting. And this is true for still another reason. If the rights or interests of certain persons come into conflict with the higher rights or interests of the state there are means and laws to make the former yield, as for instance in expropriation proceedings. What analogy to such cases can one find in international law? If, for example, the higher interests of humanity demanded that France should hand over to other countries some part of her colonies which she may have conquered to a much larger extent than she is capable of developing to their best possibilities, what means would there be to carry this out?

Finally, can any one seriously believe that such a war as is now being waged can be the means of annihilating the militarism of any nation involved in it? Homoeopathy is usually applied according to the principle of minimal and not of maximal doses. However one may wish that the war may pave the way to an international intercourse based on co-operation, the consciousness of the necessity for being always ready for war has impressed itself firmly and indelibly even on those nations where it did not exist before, or only to a small extent.

From whatever side we may look at it, it is evident from this that the battle-cry "against German militarism" is but a transparent mask and means nothing else than war on Germany herself. This watchword, first originated by England, discloses clearly the real object of the war, namely, to prove whether Germany, as a strong and rapidly rising power, shall be able to maintain herself on an equal footing with England. Viewed in this light it follows clearly

that the causes of the world-conflagration are chiefly of an economic nature.

It seems to me that among these causes one can distinguish some of a general and others of a special character. First a few words about general economic causes, which are really of but little significance for the comprehension of this war, or of wars in general. These are the capitalistic system of production, and protective tariff.

Socialists who are always inclined to charge the faults and failings of human society to the account of the great *Carthago delenda* of capitalism, have not hesitated to do the same with reference to the war. Now it is worth noting that this accusation comes from a group which has shown itself extremely combative in social and national life, and whose system, if carried out by any country, would surely involve serious danger in the way of foreign complications. Just think (to mention only one instance) of the measures against the sweating system sure to be taken after the war in countries with low wage-standards. But aside from this, the enormous losses which the capitalists of all countries will have to stand as a consequence of the war and which can be avoided by only comparatively few industries can surely prove sufficiently that capital receives no advantage from war, but only from the peaceful development of economic life. That war raises the rate of interest is an incontestable fact of great importance to all those who can make newly formed capital productive. But the value of all existing sources of fixed or slightly raised income is diminished by this rise.

As to the advantage accruing to those industries engaged in producing war-materials, it may well be asked whether a state of armed peace (unarmed peace is as yet only a dream) would not serve their purposes just as well or better than a war involving all sorts of risks. Complaints are raised against the undue influence exerted on public opinion through the press by manufacturers of war materials. Are there not ways to counterbalance this? Or does any one think it is possible for any government in the present century to go to war without being certain that they have the people behind them?

It seems to me somewhat naïve to put down the four millions of German social democrats whose deputies have unanimously accepted the war-budget, as minors and blockheads misled by Krupp and his abettors, or to regard their French colleagues, to whom the same applies, as blind followers of Schneider-Creusot. In view

of the immense increase of power which any government is likely to gain in time of war, and which even in the Netherlands has been so great that a purely capitalistic institution like the stock-exchange has been obliged to surrender to the mercy of the Minister of Finance as far as its opening and closing hours, the admission or non-admission of shares and the fixing of minimum quotations are concerned, one is inclined to look upon the war as serving the interests of socialism rather than those of capitalism. Another reason for this is that the war will inevitable promote the democratization of political life in countries with compulsory service. It is not only in social-democratic circles that the antiquated Prussian system of election according to three grades of assessment is looked upon as doomed to destruction on the battle-fields in the west and east.

The case is somewhat different with protective tariff. There is no doubt that its object, which is to put the foreigner at an economic disadvantage as compared to the native citizens of a country, increases the chances for friction in international intercourse. Not without reason does the motto of the Cobden Club mention "free trade, peace and good will among nations" in one breath. But I believe that we injure the good cause of free trade if we entertain exaggerated expectations about its success. Protection has its root partly in economic errors, but on the other hand also in precisely those international conflicts of interests which under certain circumstances lead to war. Among the battle-cries with which the belligerents have entered the field, there is none to my knowledge that declares war against protection. Universal free trade will not bring us everlasting peace; and it is greatly to be feared that after the termination of this war the system of protection will prove to be strengthened in a number of countries—for reasons of national psychology to begin with, but in addition on account of empty treasuries and the need for national defense. The international atmosphere will not be of such a nature all at once that the foreigner will forthwith be admitted on equal terms of trade in countries hitherto under a protective tariff. Moreover, protection is not the only method by which to draw considerable revenues from customs duties, as England can testify. But a protective tariff yields considerable profits to the exchequer, unless so high as to be prohibitive. Lastly, England will not care to run the risk again of seeing her colonial food-supplies endangered by an enemy. She will doubtless be able to promote the cultivation of cereals and fruits and the breeding of cattle in a better and less expensive way for the people

than Germany has done by its tariff, and yet I cannot think it out of the question that England may eventually introduce the German method.

Lambert, a manufacturer of Charlevoi, in a recent pamphlet, argues appealingly for a world-congress which shall introduce and safe-guard the policy of the open door in all colonies as a sure means to do away with international greed and make lasting peace possible. I wish with all my heart that this object could be attained in such a comparatively simple way. But I cannot think that it would be a matter of indifference to the Netherlands, for instance, if under such an international control of their colonial trade-policy (which has been successful for the last forty years) the Dutch East Indies should be divided between England and Japan on the basis of a perfect equality between Dutch and foreign importers.

If, as we have seen, these two general economic causes cannot be made to explain the origin of this war, it nevertheless has its roots in economic causes of another kind, though not, to be sure, exclusively. A historical event of such gigantic proportions obviously cannot be explained simply by causes of one kind. Motives of an immaterial or ideal nature have doubtless a prominent share in Serbia's effort to escape, if possible, from the domination of the Danube monarchy by the union of all Serbs in one great federation; in the wish of France to make up for the defeat of 1870 and to liberate Alsace-Lorraine from German rule; in Russia's dream of a new conquest of Constantinople for the Greek orthodox Church.

But in all of these considerations economic interests also play an important part; for Serbia the desire to share in the world's commerce without hindrance from Hungary, for which purpose, not content with the route through Montenegro, she regards a port of her own as indispensable; for Russia likewise the urgent need for a free access to the highways of traffic which would not be blocked by ice during part of the year nor lead past the forts of a naturally hostile foreign state;⁴ and for France, where even Maurice Barrès in the *Echo de Paris*⁵ must confess his disappointment at the sentiment of the population in the provinces of Alsace-Lorraine, their re-conquest is primarily of economic and strategic importance.⁶

⁴ The fact that this goal will not be reached by obtaining possession of the Dardanelles, since they but open into an inland sea both of whose entrances, Gibraltar and Port Said, England holds in easy control, will sooner or later be the cause of new wars. Russia's wishes can be satisfied only at the expense of Sweden and Norway.

⁵ See the letter of the Paris correspondent in the *Nieuwe Rotterdamsche Courant* of December 29, 1914.

⁶ Is it not most tragic that the French have obtained this insight only by

The conflicts of interests here alluded to between different states might, it is true, have led locally to armed encounters, though the possibility of a fresh war over the left bank of the Rhine was growing less every day; but it is my firm conviction that the world-conflagration which broke out in the beginning of August, 1914, and which has thrown the human race into the most tremendous crisis that has ever come upon it is the consequence of the economic antagonism between England and Germany and of the policy pursued by England on account of this for many years.

The remarkable increase in the population and economic life in Germany which had begun as early as the foundation of the German *Zollverein* continued after the peace of Frankfort at an incredibly rapid pace. Between 1871 and 1910 the number of inhabitants rose in Germany from 41 to 65 millions, in Great Britain from 32 to 45 millions, and in France from 36 to 40 millions. This increase of her population, finally almost at the rate of one million souls per annum, placed upon Germany the necessity of exporting either men or goods, as Caprivi once put it.

Without entirely neglecting the former, Germany has chiefly striven after the latter alternative, and has taken upon herself the immense task of conquering the world-markets for her own products. In so far as the attainment of this purpose was not hampered by the policy of protection adopted in 1879, German trade and industry vigorously supported by the government, have been surprisingly successful. Intimate touch between science and industry, unflinching diligence and energy, and a model organization—these are the forces that have promoted German trade, industry and shipping. The place in world-economics which has gradually been conceded to the German empire is not due to any lucky chance but solely to her own exertions.

The export trade rose from an average of 2,357,000,000 marks during the period from 1872 to 1875, to 8,246,000,000 marks in the period from 1909 to 1913, therefore an increase of 250 percent. In the same period the exports of Great Britain rose from about 302,000,000 to 559,000,000 pounds sterling, or 85 percent; those of

means of a new war for which billions of francs have been sacrificed? As far as Alsace is concerned this insight might have been gained in a different manner. In the *Journal de la Société de Statistique de Paris*, Huber not long ago published the figures of the German census of 1910, showing that French is the mother tongue of 3.8 percent of the inhabitants in Lower Alsace, of 8.6 percent in Upper Alsace and of 22.3 percent in Lorraine. Is it quite inconceivable that if France had guarded herself against such disappointments as this of M. Barrès much would have been different in the political development of the last twenty years?

France from about 3,781,000,000 to 6,323,000,000 francs, about 68 percent increase.

The British empire, which had held an unchallenged supremacy in industry, trade and shipping ever since the end of the eighteenth century, began to feel that a powerful, well-equipped rival had sprung up at her side. German exports to the value of 727,000,000 marks found their way to England in 1889 and 1,880,000,000 in 1913; and whereas Germany's share in the entire commerce of the world rose from 10 percent in 1886-1890, to 12.9 percent in the year 1912, England's share went down in the same time from 19.6 to 16.6 percent, and that of France from 9.5 to 9.0 percent. The moment was rapidly approaching when German exports would exceed those of England in actual amount. In 1913 the former amounted to 10,097,000,000, the latter to 10,719,000,000 marks. It is true that in the shipping line England is still *facile princeps*, but here also the figures show that the progress in Germany has been far more rapid than in England. The volume of the mercantile fleet rose from 4,000,000 to 11,000,000 registered tonnage in England in the years from 1885 to 1913, or from 100 to 275 percent; in Germany from 400,000 to 2,700,000 tons, or from 100 to 675 percent.

The movement to which these figures testify found its explanation chiefly in the tremendous rise of German industry. Here too I shall only mention a few figures from the abundance of the material. I only wish to point out that the coal production of Great Britain which in 1887 was still double that of Germany, was exceeded by the latter as early as 1912. England produced 7,700,000 tons of pig iron in 1887 and Germany 4,000,000 tons; for 1912 the figures were 9,000,000 and 17,600,000 tons respectively. The development of the steel industry is even more wonderful. In 1887 England produced 3,200,000 tons and Germany 1,200,000, to 6,600,000 and 17,300,000 tons in 1912.

The number of looms in the textile factories in Germany rose from 4,200,000 in 1875 to 11,400,000 in 1914, in Great Britain from 41,900,000 (1874) to 56,000,000, an increase of 171 and 34 percent respectively. In other industrial branches, especially in chemistry, the same proportion is to be noted.

The rapid development of German economic life naturally brought great national prosperity, and the German national capital began to exceed that of the English in absolute figures. According to a reliable estimate the figures in 1913 were 15,500,000,000 and 13,000,000,000 pounds sterling. The wealth of England is still 25

percent higher per capita than in Germany; but on the other hand we must bear in mind that Germany has invested her capital at home to a much larger extent.

From the foregoing examples which might easily be multiplied, it is evident, I think, that an economic community with a fabulous power of expansion had arisen by the side of England. There is no doubt but it was to the interest of all mankind that this flourishing development should not be stopped, for it brought forth much good fruit far beyond the borders of its own country. I need not prove in detail that this is true as far as the Netherlands are concerned. Every one who is in the least familiar with economic theories knows that if productive energy, hitherto latent or manifesting itself only imperfectly, finally comes somewhere to full development, the struggle against a deficit in the economic budget of the world (which is based on the exchange of goods and labor) is everywhere promoted. England found in Germany one of her best customers, who by buying 7.8 percent of England's export in 1913, took her place immediately after the British colonies and possessions. Short-sighted people, however, thought differently and in the rise of a new rival saw first of all losses for their own country. Instead of trying by supreme efforts in the lines of industry and commerce to maintain and extend her threatened markets, England strove to obtain her object of safeguarding her preeminence in the economic sphere by checking the possibilities of trade for her competitor. The Merchandise Marks Act of August 23, 1887, which was intended to warn the English buyer against buying German goods imported under English trademarks, had had just the opposite effect, for it then became evident that all sorts of goods, which up to that time had passed as of purely English make, had really come from Germany. In 1896 E. E. Williams published his alarming pamphlet, *Made in Germany*; and a few years later, in 1903, under the strong and suggestive leadership of Chamberlain began the activity of the tariff reformers who endeavored to bring about a closer union between the mother-country and her colonies by offering special inducements in the treatment of imports, and by handicapping foreign competitors, especially Germany.

These attempts have so far suffered defeat in England in three successive elections. But their advocates have won many adherents, for the desire to block German progress has dominated English politics in an increasing measure.

Bismarck at first opposed the plan of a firm colonial policy and found the peaceful establishment of commercial settlements suffi-

cient to secure for the empire a proper share of the trade with those parts of the earth newly opened to traffic. And later, when it became clear that colonies of her own would be, if not the only means to accomplish this purpose, at any rate very efficient ones, Germany found England and France everywhere in her way. In dividing up the still unappropriated regions of the earth, not only England but especially France has greatly enlarged her colonial territory, large as it was before. Tunis (1881), Tonquin and the Congo districts (1884), Senegal (1889-1893), Dahomey and Mauretania (1893), and Madagascar (1896) were added, not to mention smaller territories, although the stationary population of the mother-country is not sufficient to bring about a strong, spontaneous development of the new territory.⁷

In the interest of the peaceful development of the world's trade it would have been desirable if Germany could have secured for herself at that time a considerable part of this great colonial territory, which is not least important for France as a never-failing source for recruiting her army. There now remained for Germany only comparatively small pieces, which on the whole were of very little value. Kiao-chow which has been snatched from her by Japan without any direct connection with the European war, formed a very valuable exception. It was in German possession for about fifteen years, and in that short time developed into a model commercial colony. Since 1901 the volume of trade had increased elevenfold, and in the end it had almost reached that of all the other German colonies put together.

And even where Germany wanted to open up new regions to world-traffic, without any intention of making direct settlements, she experienced the powerful resistance of England and France. One need only think of the long history of the Bagdad railway.

In 1904 the Anglo-French agreement about Africa was concluded. According to its conditions England, fearing that Germany might some day gain a foothold on the other side of Gibraltar, gave her sanction to the active collaboration of France with the Sultan of Morocco in carrying out administrative, economic and military

⁷ The French colonial territory (not counting Algiers, Morocco and the Sahara) according to the latest information comprises an area of 2,800,000 geographical square miles and a population of 34,600,000 inhabitants. The corresponding German figures are 1,000,000 and 12,000,000. The rapid economic development of the German colonies, all acquired within the last thirty years, is evident from the fact that the whole volume of colonial trade had reached 464,500,000 marks in 1912, that of the much larger and older French colonial territory (not including Algiers and Morocco) 1,856,000,000 francs or 1,485,000,000 marks.

reform in that empire in return for the recognition by France of England's actual sovereignty over Egypt. In this settlement no attention was paid to the economic interests which Germany also had in Morocco. Without any question the object was to work as much as possible against the flourishing development of the German empire.

But Germany's spontaneous vitality was stronger than the pressure that hampered her from outside; and when she began to complete her immense continental military power (which has come so conspicuously to the fore in the last months) by building a navy with which to protect her fast growing trade and her shipping interests, a navy of which England could not assert that it had aggressive intentions on account of its moderate size,⁸ Germany began to be systematically hemmed in on all sides and began also both openly and secretly to offer resistance.

Germany has never been imperialistic like England in the sense of striving after an extension of her frontiers and the formation of a world-empire. She desired no increase of territory within Europe, and she knew very well that she could not make any conquests outside of Europe against the will of England. But England cannot permit a rival of equal rank in trade or shipping on the continent, and especially not if that rival happen to possess colonial ambitions. This is evident from English history throughout its entire extent. First, in the sixteenth century, England broke Spain's power by the help of Holland. Then, when Holland had become the first commercial power in Europe there followed the Navigation Act, and from 1652 to 1674 there were three wars between Holland and England which drove Holland forever into the background. After this, the supremacy of the French was curtailed and finally after a series of wars England acquired it for herself on the field of Waterloo.

Now Germany's turn has come, and eventually England may have to settle with Russia, should she emerge victorious from the present struggle. Naturally England would have preferred to obtain her object, to prevent the development of Germany, without war. For this purpose she made use of two kinds of currents hostile to Germany. A glance at the map is sufficient to show that Germany cannot give up Austria-Hungary, the only ally on whom she can count with certainty, and whose twelve millions of German inhabitants make up the largest of her various groups of people. To keep

⁸ Von Tirpitz as well as Von Jagow agreed to Churchill's suggestion that the ratio of battle-ships should be 16:10.

the Danube-Monarchy a strong power, to make sure of her friendship and loyalty, and to support her foreign policy as far as possible: these are really vital interests for Germany. Now, since the Balkan policies of Austria-Hungary and Russia necessarily diverge, the German alliance with Austria was incompatible with fostering closer relations between Germany and the empire of the Czar. Even Bismarck could not be insensible to the logic of that fact; and while he was still chancellor he saw the first French loan of millions of francs on their way to Russia.

It was inevitable that the Russian policy in the Balkans, though directed in the first instance against Austria-Hungary, should react on Russian feeling against Germany,—especially since Russia nursed an old grudge against Germany because the latter nation had failed to consider Russian interests sufficiently at the Berlin congress in 1879. Soon afterward Russia conceived the idea of coming into closer touch with France, who might perhaps be prevailed upon to give up her great riches, which Russia urgently needed for the development of her immense resources, in return for the promise of assistance when she should be ready to take revenge on Germany for the losses of 1870. In 1888 the first Russian loan was arranged with France, and it was soon followed by other and larger ones, so that the amount of Russian bonds in French possession has risen to twenty milliards of francs. As early as 1894 this financial alliance had developed into a political defensive alliance.

England tried to get into connection with both these powers and succeeded first with France. For a moment Fashoda (1898) threatened to bring once more into serious conflict the two countries that had so often contended against each other; but France yielded, and soon after the accession of Edward VII in 1901, the negotiations led to the desired Entente, as became evident to every one in 1904 from the Morocco treaty which put an end to the last differences. In spite of the Doggerbank incident with the Russian Armada (1904) in which England showed remarkable forbearance, the Anglo-Russian treaty concerning Persia (1907) was concluded, though not without opposition from the press, e. g., *The Economist* realized perfectly well whither this policy must eventually lead. In that treaty, Persia,⁹ though with a certain respect for its integrity, was divided into three portions, of which the largest northerly one was recognized as belonging to the Russian sphere of influence, the

⁹ Readers may remember the courageous pamphlet which W. Morgan Schuster published in 1912 under the title *The Strangling of Persia*. It was fully discussed in the Dutch press at the time.

southern part fell to the share of England, while the middle one was to serve as a neutral buffer-zone between the two others. This agreement paved the way to the Entente with Russia, concluded during the visit of Edward VII at Reval in 1908. Lastly the Balkan alliance lately formed under the lead of Russia was bound to neutralize the influence of Austria-Hungary in the Balkans and to weaken the prestige of that empire, and, indirectly, of Germany as well.

Thus Germany was driven into a dangerous position which, like overpressure on the safety-valve of a steam-engine, could not but lead to an explosion. A state with such strong natural power of expansion in the economic sphere cannot be pushed back indefinitely without fighting.

Certainly Germany has been a sincerely peace-loving nation throughout the reign of William II. The government knew very well that in order to reap the fruits of her tremendous economic efforts the country required peace and tranquillity first of all, and so they acted accordingly.

But of course the empire had to maintain her place as a great power with all the authority to which she could lay claim. And the blunt honesty—not always as tactful as it might be—of her sometimes gruff behavior and harsh words, could easily create the impression that Germany was not averse to war. Thus in his famous speech at the city hall of Vienna in 1908, the emperor referred to the Niebelung faith of Germany in coming to her ally's aid in shining armor and guarding her from danger, at the time when Russia was threatening to make a *casus belli* out of the annexation of Bosnia and Herzegovina, although this was but the natural outcome of thirty years of valuable civilizing labor whose success is clear to every one who will compare the present condition of these regions with that of Servia, also born at the Berlin congress. Another instance occurred in 1911, when the French method of putting in practice the policy of the open door—established in the Algeciras Treaty, but further restricted between France and Germany in 1909—led to the Agadir incident and the more exact agreement of November 1911. But when in 1913 Austria-Hungary momentarily endangered the peace of Europe by desiring a revision of the peace of Bukharest, Germany frustrated her plan by sending the emperor's well-known telegram to King Karol, although in so doing she imperiled her friendly relations with her ally.

Germany has been ready for war, if you like, for the last forty-

four years, though we must not forget that only one third of the *Wehrbeitrag* (1913) had been paid when the war broke out. This contribution amounted in full to a milliard marks and was meant to cover the expenses of Austria-Hungary's loss of strength through recent events in the Balkans. The second third, according to section 51 of the act, was due by February 15, 1915, and the third by February 15, 1916. Therefore, Germany certainly was not quite as prepared as she ought to have been for the emergency of a possible war on one or more frontiers; but no more were the other powers. However, to be ready for war and to be eager for war are two very different things. Had Germany really been eager for war, how is it that she let slip the favorable opportunity furnished by the Fashoda incident, or the Russian revolution after the war with Japan, during which, moreover, she even protected Russia's western frontier against Austria? Indeed, Germany's fundamental love of peace cannot be doubted, and the same feeling certainly existed also in other quarters. But since England with the co-operation of France and Russia had so intensified even politically the antagonism of economic interests, a settlement by arms was bound to follow sooner or later, though later historians may possibly show that even in July of 1914 there might have been some chance of postponing it for a little while longer.¹⁰ And as soon as the murder at Serajavo had brought the central powers of Europe into a conflict with Russia and with France, her unfortunate ally, it was only a logical conclusion of English policy,¹¹ directed by Sir Edward Grey himself since December 17, 1905, that on August 1 he should refuse (as shown by the English Blue Book, No. 123) to inform Prince Lichnowsky of the conditions under which England would remain neutral, or to make a promise of neutrality in case Belgium's neutrality should be respected and the integrity of France and her colonies guaranteed. This at once brands as untenable the claim that England went to war for the sake of Belgium, which has suffered so severely and was so feebly defended by her allies. It has been asserted that Sir Edward Grey refused the expected an-

¹⁰ Of course there can be no question that Germany could have avoided the war at that time had she wished to do so *at any price!* For this end, it is true,—as simple-minded people believed—all that would have been necessary would be to have declared in Vienna that now with Russia threatening to interfere by force if the Serbian ultimatum were not withdrawn, Germany's assistance must not be relied upon, and that perhaps the possibility of an armed action together with Russia might even be expected!!

¹¹ A conclusion for which three members of the English cabinet, Morley (the biographer of Cobden and Gladstone, "honest John" as he is called in England), Trevelyan (the biographer of Bright) and Burns, the former leader of the labor party, refused to take the responsibility.

swer because he knew that the German ambassador did not at the time speak on behalf of his government but in his own name. This way of putting it seems to me psychologically unsound. On the contrary Sir Edward Grey might easily have made a promise of neutrality containing whatever conditions he thought necessary, while reserving for himself the privilege of taking any final decision which might prove necessary or desirable in case the ambassador should be denied by his government.

Thus the conflict between the two nations is based upon the deeply rooted antagonism between their interests. It has, moreover, been proved by a remarkable letter written on July 30, 1914, by M. de L'Escaille, the Belgian ambassador at St. Petersburg, to his government, but intercepted and published by Germany without its genuineness being ever denied, that the assurance Russia had received that England would side with France, was considered decisive and did much to increase the influence of the war party in Russia. If these things are duly considered, I think we may say that it is the quarrel between Germany and England that was at the very root of the conflict which has since assumed such great dimensions. From the agreement made in London that no separate peace should be concluded, it is evident that England has taken the political lead in this war. For her the issue is the unabated maintenance of her supremacy and the further extension of her colonial empire; for Germany the issue is therefore above all, to break the English spell in order to gain recognition on equal terms with England as a great power in world politics and to put an end to England's uncontested lordship of the seas.

Can we then believe that it is in the interest of the small states, particularly those with large colonial possessions, for the German empire to be vanquished and all counterpoise against British domination to be thereby annihilated for the near future? Can we believe that the United States is a match for England and her eastern ally? On the other hand no one can imagine such a complete victory of the central powers that England would lose her place as a great power. And we may suppose that Germany has come to realize sufficiently well how valuable in facilitating the defense of her own frontiers is a circle of really independent neutral small states.

In my opinion the manner in which the war is being conducted is in perfect harmony with the view of the root of the quarrel here presented. While England has left the fighting for the most part to her allies for the present, she has set herself the task of exhausting the economic power of Germany. From the very begin-

ning of the war, she proceeded in various ways to carry out this purpose: by cutting the German cable; by forbidding her subjects under severe penalty to carry on any business with the Germans or to pay them any money; by enforcing prize courts, although we may be sure that England herself will be the first to abolish the custom if she loses her supremacy at sea; by hampering commerce in various ways with utter disregard for the rights of non-combatants and neutral nations; by extending the list of contraband goods far beyond the limits acknowledged by international law. To my mind it is such measures as these which have caused many sincerely neutral persons in Scandinavia, Holland and elsewhere to sigh, "If only the building of the German navy had progressed at a quicker rate and on a larger scale!" The London *Economist* did not go too far when it complained in its issue of January 16, 1915, that the international law of naval warfare could be called nothing but a "rag."

Moreover, England has taken a number of measures with the intention of winning for herself that share in the world's commerce which Germany loses, and if possible even more, and to banish Germans from English business life in so far as they had gained a footing in it. I will only mention here the release of English employers from their contracts toward German employees; the cancelling, for the duration of the war, of patent rights acquired by Germans in England; and an officially organized system of instruction about trademarks and packings in which the Germans had been so successful in the markets of the world.

It is not my task to pass judgment on this conduct nor to answer the question whether England will not soon realize that by her own actions she has thus cut off her nose to spite her face and has damaged very important English interests. Will the policy of a British life insurance company meet with the same confidence abroad after the war as heretofore, when it becomes evident that payments due from it to citizens of a hostile country are now kept back? Heretofore a "bill on London" bearing reliable endorsements was worth its face value in gold in international trade, because it was known that the amount would be paid down in gold when due. Will not this mode of exchange, which has been so popular that London has been until now the first clearing-house of the world, have lost some of its attraction after the war, for the reason that England now refuses to meet its bills of exchange if subjects of a hostile country have had a share in the transaction upon which the claim is based?

We might continue to ask questions of this sort; but it is worth noting that now after half a year of war its chief object, the exhaustion of Germany, does not begin to be even dimly in sight. This seems to me to be a new and striking proof of the enormous development of economic life in that country. Formerly it was often thought that a modern war could not possibly last long, especially one involving five great powers and four smaller ones. I have never shared this view, though we cannot easily imagine a war of the magnitude of the present one lasting for thirty years or even for seven. In my article in the September issue of the Dutch *Ekonomist*, I have termed the possible duration of the war rather a question of national psychology than of national economy. And this is still my opinion, in which I have been confirmed by later experience, unless the new phase of the war, started a few days ago in the Irish sea, whereby Germany has turned against its originator a plan of war first adopted by England, should seriously threaten or entirely cut off the imports to England. In this case the war might rapidly come to an end for economic reasons.¹²

As a matter of fact there is not the slightest danger of starving out Germany. For a time, to be sure, there will be a change in her methods of food-supply. It is certainly true that Germany gets about half of her wheat from abroad and barley in still larger proportion. But these facts are met by some others: first, by the fact that the per capita consumption of wheat and rye in Germany is about fifty percent higher than in England, whereas the consumption of meat is about the same in both countries. This is due to the fact that large quantities of rye are used for cattle-feeding in Germany. If necessary the quantity of grain available for bread could be increased by butchering cattle from time to time and smoking the meat, and this would also increase the supply of meat for consumption. Moreover, Germany is the chief sugar-importing country of Europe; and now that England, the largest buyer of German sugar, refuses it, the domestic consumption of this excellent food can increase in Germany, and inferior qualities (molasses) can be used for cattle-feeding. Lastly one must consider that huge quantities of barley are regularly used in breweries. If necessary the quantities of grain available for other purposes can also be increased by restricting the production of beer.¹³

¹² In this connection it is food for thought that at the mere announcement of a German submarine war against merchant vessels the British admiralty, without regard to neutral interests, thought it necessary to advise shipping companies to continue their sailings—but under a false flag!

¹³ This restriction has since been ordered.

Certainly no one can deny that the war puts tremendously heavy burdens and gigantic losses on the central powers of Europe as well. In my article in the *Ekonomist*, mentioned above, I ventured to find the economic significance of the war in the fact that it is a sudden, forced shifting of a very large part of the productive energy of the countries involved in it in the direction of a production of ideal possessions for which the struggle is being fought,—a production which, as long as mankind knows no other means of obtaining the object of the war, is only possible at the sacrifice of the cost of production of a very special kind and of tremendous amount. The expenses, as far as they can be covered by money, are borne in the first place by that portion of the income of the people which the nation is able and willing to spare for this purpose for some time. This portion is very large in England and in France, but certainly no less in Germany, where the whole nation is firmly convinced that it is engaged in a war of self-defense forced upon it from outside, in which its position as a great power is at stake. The average income of the German people, according to Dr. Helfferich, has risen from 445 marks per capita in 1896 to 642 marks in 1913. There can be no doubt that it is now greatly reduced by the war, but even a large portion of the revenue of 1896 will be available for the state should necessity demand it. Suppose that the difference between these two figures can be sacrificed temporarily in the service of the fatherland, this would make about 14,000,000-000 marks, an amount naturally increased by the value of the requisitions in the newly occupied territories, in so far as these are paid only provisionally by vouchers that do not need to be redeemed until after the war. Moreover in all countries the war is carried on by all sorts of credit, by drafts on the future, which will press heavily on the economic life of the nation after the conclusion of peace, whatever the issue of the war may be. Germany is well prepared to liquidate this credit. The Reichsbank has a far larger reserve of gold than the Bank of England (108,000,000 as against 69,000,000 pounds sterling at the close of January, 1915).¹⁴ I think there is no doubt that Germany will be able to carry on the war (the immediate costs of which are estimated at about 7,000,000,000 marks a quarter), at least for one year without there being any question of exhaustion.

If exhaustion should come at some future day, will Germany

¹⁴ Even taking into account the gold-reserve of the private banks in England and the amount still in circulation in Germany, the balance is very probably in favor of Germany. However, Germany's allies are much weaker in this respect than are England's.

be the only country to feel it? Will not France and Russia fall victims to it, where rich industrial districts have been occupied by the enemy for months past?¹⁵ Especially in Russia is an early exhaustion more probable than in Germany. During the winter Russia is entirely cut off from the outer world, including her allies. Railway communication via the north of Sweden (now closed for the transportation of war material) and via Vladivostock are quite insufficient for the needs of this great empire, and transportation by way of Archangel is available only in the warmer season and has also but a very limited capacity. The economic preparation for the war was much more incomplete in Russia. Her isolation from the world's intercourse is of advantage to Russia in so far as she can now apply her harvests (unsatisfactory in 1914) entirely to her own purposes, whereas in normal times they were used for the most part to pay the interest on the foreign debts of the nation. But England, that up to this time had not been one of the creditors of the Czar's empire, placed 12,000,000 pounds sterling at its disposal as early as December, 1914, for the payment of the Russian January coupons. Nor should it be forgotten that the internal conditions of Russia are never safe. She is the only country where the social democrats have not voted the war loans desired. It was therefore a wise precaution to prohibit alcoholic drinks at the beginning of the war, a measure that has apparently been well carried out. But this prohibition cost the empire a revenue estimated at 936,000,000 rubles for 1914.

No doubt—though England has been warned from an authoritative quarter not to expect an early exhaustion of Germany's financial resources—the expenses of the war are immense. The estimates of the direct and indirect costs to all the belligerent countries together (including the losses in trade and industry) vary from 30,000,000,000 (Wolf) to 51,000,000,000 guilders (Guyot)¹⁶ per half year [\$12,000,000,000 to \$20,400,000,000]. These are figures of whose gigantic size we shall perhaps get the clearest idea

¹⁵ A remarkable view (a symptom too that the comparative distribution of the advantages and drawbacks of the war was no longer left to Count Witte) is contained in a letter from the French correspondent of the English *Economist* in the issue of January 26, 1915. Some figures he gives concerning the great reduction in the yield of French taxes and in the volume of French trade in 1914 go, in his opinion, to prove "how enviable is the position of Great Britain in comparison to that of France. . . . All over France," he complains, "the workers are gone, and in many departments every kind of commercial and industrial activity is at an end, while the transport service is seriously disorganized. Moreover Germany was one of France's best customers."

¹⁶ His estimate includes the capitalized value of the human lives lost.

if I place beside them the fact that the costs of the whole European railway system including all construction-work—tunnels, viaducts, bridges—and stations, amounted to 66,000,000,000 guilders at the end of 1912 [\$26,400,000,000]. And the end is not yet in sight.

This world-war, whatever its end may be, will certainly press heavily on economic life for years. The mere fact that the payment of its expenses is for the most part put off till after the close of the war must lead to this result, as I have just said. I for my part cannot believe in a rapid recovery of the world's economics immediately after such tremendous breaches have been made in the male population of the most efficient periods of life, and in the available capital which has suffered from the destruction of buildings, railways, fields, horses, etc., and from the one-sided and gigantic increase in the consumption of war-materials of every kind.

It might be different if war materials did not have to be replaced. But is there the very remotest prospect of this? Certainly we Dutch people are better situated in this respect than the nations engaged in the war, if we can continue to prevent the spread of the world-conflagration to our territory; but we too are hard hit by the fact that a large part of our best customers abroad will be immensely impaired in their buying powers. I must confess that what of all the consequences of the war disquiets me most is the reaction it will, in my opinion, have on the size and distribution of the national resources for some years after peace has been concluded. Hard times, socially and economically, are before us.

For the rest, I do not propose to enlarge now on the consequences of the war. Reflections on this topic necessarily bear a very speculative character as nothing whatever can be said with certainty about the duration of the war or the circumstances under which it will end. There are well meaning patriots who even now dream and write of a European federation, founded on the principle of nationality, that shall emerge as a welcome result of this conflict. If the realization of such an idea should come to pass the most far-reaching economic consequences would be bound to ensue. But the attainment of this ideal presupposes the dissolution of Russia and Austria-Hungary (since both states are conglomerates of many nationalities), entailing complete exclusion of Austria-Hungary from access to the sea, and important changes in the boundaries of these countries, and of the Balkan States, Italy, Germany, France, Belgium, the Netherlands and Denmark. Its realization demands single-hearted collaboration in the service of the higher interests of civilization on the part of those nations at present separated by abysses

of hatred which can only be bridged after the strenuous exertion of the best efforts of all countries for many long years. This ideal is so far removed from all reality that I forego the task of pointing out the enormous practical difficulties with which it would be confronted at the outset.

Let me say only this in conclusion. Could the peace that is bound to come some day be one not of negative character only (non-war), but—as in 1866—a substantial and positive one—a peace which from the nature of the conditions imposed and accepted would pave the way to a better understanding between at least some of the belligerents; a peace which would not constitute an immediate new danger to European safety by reducing Germany to the boundaries she had before 1870 or even narrower ones; a peace, finally, which by abolishing prize courts and establishing a balance of power at sea so urgently needed by the smaller states as well would contain in it the germ of a limitation of armaments which would only then be possible—then the night of terror that humanity is at present living through would prove, though after a wearisome period of transition, to be the herald of a morn full of promise.