

The German People's Property in the Great War

A contribution to the question
of sacrifice of property and war indemnity

by

Dr. J. Jastrow

Professor at the Berlin University

Second enlarged edition
Translated from the German



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Preface to the second edition.

The first edition of this pamphlet was issued under the title of "Sacrifice of property and the people's property" („Vermögensopfer und Volksvermögen“), and the discussion was confined to these two subjects only. After the publication of the first edition, the question of war indemnity came into the sphere of the treatise, and this caused the addition of a large 'appendix' and the corresponding change of the title.

Charlottenburg-Berlin, February 1919.

Nussbaum-Allee 24.

The Author.

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Introduction.

Objections to the sacrifice of property, particularly on account of the calculation of revenue.

In view of the financial difficulties encountered by Germany, the plan for a general levy on property has become of ever increasing importance. The opponents to this plan have, in the course of the debate, made use of various counter-arguments. First of all, such a charge could not possibly be termed a tax. To take $\frac{1}{4}$ or more of all the property would no longer be a taxation but a confiscation. I have always acknowledged this argument to be fully justified and, for the same reasons, I have tried to introduce for the intended levy the term of "sacrifice of property" (*Vermögensopfer*)¹). As far as can be seen, this term is about to be made current. This change of term must not be regarded as a mere matter of form; it expresses that it is not the question here to add a new department to the system of taxation, but to ease the work of the future system of taxation²). After the sacrifice of property had been established as an idea, its technical practicability was denied. The defenders of the sacrifice of property³), however, have devoted so much care

¹) Jastrow "Gut und Blut fürs Vaterland (*Vermögensopfer, Steuerfragen, Erhöhung der Volkswirtschaft*)"; Berlin, G. Reimer, 1917, p. 6: "A new thing requires a new name. A change in the distribution of property, where everyone only keeps $\frac{3}{4}$ of what his property amounted to before, and where $\frac{1}{4}$ becomes common property of the nation, could not be termed a tax; to do so, would be misleading. It is a measure of a different kind and wants to be judged differently, and therefore it must also have a new name." — Furthermore the author's essay: "The National Assembly and financial problems" in Braun's *Annalen für soziale Politik und Gesetzgebung*, vol. VII, 1919. For further references see appendix to "Gut und Blut . . ." (particularly pp. 271—272), and the aforesaid essay.

²) Jastrow "Gut und Blut . . .", Introduction, p. VI.

³) The whole of Somary's contribution to the "*Gutachtenband des Vereins für Sozialpolitik*" (*Neuordnung der deutschen Finanzwirtschaft*, vol. CLVI, pp. 85—104) is dedicated to the "financial realization" "*finanzielle Durchführung*". Also Diehl has devoted a separate chapter

especially to the technical execution, that the discussions, as to how the measure can be put into force, now hardly take any other direction than one with respect to new measures of finance. There is, however, a third objection, viz the calculations on the probable amount of revenue obtained from this taxation are questioned. None of the estimates of the German people's property, which have ever been made, are now accepted as a basis for advance calculations of the tax revenue. It is this third objection to which the following expositions are devoted. It is intended to examine, as objectively as possible, the questions as to how far the hitherto estimates of the people's property can serve as a basis for the calculations. Whilst, in examining this question, we are not willed to be guided by the one-sided desire to support our own opinion, we are aided, in the disputation on the property sacrifice, by the example of objectivity set to a pleasing extent by our disputants. For we, the supporters, have to acknowledge that for instance Dietzel who was the first to oppose most energetically the property sacrifice¹), has done much to invalidate the superficial and purely phraseological criticisms on our proposition; and G. Bernhard²) has put his ability to make difficult questions accessible to a broad circle of readers, into the service of a matter-of-fact elucidation of the ends by himself opposed. Thus, also we shall be obliged to treat the critique on the estimates of the German people's property and their applicability as a separate scientific matter, the discussion of which we may not approach with polemic secondary objects in view but with the one aim of the most exact determination feasible. In the event that this should result in the necessity to drop the estimates as a basis (and, for the sake of clearness, it must be stated beforehand that such is the case), we shall reserve a free matter-of-fact decision on the question of our new position to the property sacrifice.

to the practicability. Furthermore the lengthy expositions about the application to the several kinds of property (furniture, clubs, endowments, insurance policies, etc.): "Gut und Blut . . .", pp. 13—82 and 272—285.

¹) "Neuordnung . . .", I, pp. 105—150.

²) in a series of essays "Deutsche Finanzreform" (Plutus, March 13, 1919 till—1919) of which articles XI—XVI have been devoted almost exclusively to the property sacrifice, and articles XIII—XV (Sept. 25., Oct. 9. & 23.) more especially to a refutation of the pretended technical impracticability.

1.

Estimate of the German people's property before the war. Materials used up, and wear and tear. The arable soil.

All the estimates of the German people's property date from times before the war. The main results have been arranged by me¹⁾ in the form of the following table not recording some variations of minor importance:

Estimates of the German people's property, 1909—1914

No.		Steinmann-Bucher for 1909	Helfferrich for 1911	Ballod for 1911	Steinmann-Bucher for 1914
1	2	3	4	5	6
1.	movables and real estate insured against fire . . .	162—180	200	200	200—220
2.	urban landed property . .	40—50	30	25	50
3.	rural landed property . .	50	40	30	50
4.	mining property	5 ²⁾	5—6	6	5—6 ²⁾
5.	investments abroad and foreign securities	30	20	25	25
6.	State railways	19	20—25	25	25
7.	other State property . . .	15	10	15	15
8.	specie. goods in transit, ships, etc.	9	6	5	6
	total . . .	330—360	331—337	331	376—397

¹⁾ "Gut und Blut", p. 270. The figures for the above table have been taken from: Steinmann-Bucher "350 Milliarden deutsches Volksvermögen. Das Volksvermögen Deutschlands, Frankreichs, Großbritanniens und der Vereinigten Staaten von Amerika. Neue Maßstäbe und Wege für deutsche Politik und Finanzwirtschaft", Berlin, Elsner, 1909. — Helfferrich (Director of the Deutsche Bank) "Deutschlands Volkswohlstand 1888—1913", Berlin, Stülke, 1913 (4th Edition, June 1914). — Ballod "Wie groß ist das deutsche Volksvermögen?" in "Verwaltung und Statistik", April 1914. — Steinmann-Bucher "Das reiche Deutschland. Ein Wehrbeitrag." Berlin, Simion, 1914. — Furthermore a third new publication by the last named: "Deutschlands Volksvermögen im Krieg" (Finanzwirtschaftliche Zeitfragen 24). Stuttgart, Enke, 1916.

²⁾ Exclusive of State property (No. 7).

During the war we have heard so much of the phrase “the money remains in the country” (“Das Geld bleibt im Lande”) that many people really believed a protracted war did not cost a nation anything as long as the payments were made to themselves. It is not an honour to German scientific men that such childlike views could find room in their ranks, and the reproaches we received from our foreign colleagues¹⁾ were well deserved. As far as the war consumption relates to materials, it is selfevident that a nation will more surely impoverish if it uses up its own materials than if it makes use of the materials of other nations. But also in so far as the war consumption consists in labour, this labour expended for war purposes has been withdrawn from other purposes; and this is bound to result in some deficiency in the national economy. Every trained economist ought to have known that, no matter whether the deficiency was already apparent or not. No wonder that, in addresses delivered at the several meetings, the spirits rose yet higher and that an attempt was occasionally made to tell the German people it was quite possible that it had become richer during the war, since all property now had a higher value. Depreciation of money as a source of wealth!

Of the objections raised to the application of the above figures, only those are of grave importance which point out that the national property will after the war be less than before. The national property now is said to be so little identical with the property previously estimated, that it was not possible only approximately to refer to it. This reproach must be fully endorsed.

¹⁾ E. F. Heckscher, “Världskrigets Ekonomi”. En studie af nutidens näringslif under krigets inverkan (Skrifter utgifna af Handelshögskolan. 1). Stockholm, Norstedt, 1915, p. 154 (against Schumacher). German translation of the above in “Gut und Blut . . .”, pp. 299—300. Even a man like Feilner who naturally calls it a folly if the money ‘remains in the country’ (Frankfurter Zeitung, July 14. 1918, 1st morning edition, p. 12¹⁾), involuntarily makes more allowances to this folly than he intended. He emphasizes that not all of the war expenses are loss of capital; “a part of them has been earned through the ordinary routine work during the four years of war”. These sentences are incontestable in the context in which they are found; but the restriction of the censure is apt to create the misconception that the expenditure of labour be trifling economically.

The fact that Germany has made it possible, with a blockade never before experienced by any people, to hold out for 4 to 5 years, is to a not inconsiderable extent due to the using up of stores — not only stores of articles of food and all kinds of goods prepared for consumption, but to a far greater extent also stores of the means of production. Every industrial concern had, at the outbreak of war, its stores of coal. Although these stores were not so apparent to the eye in every individual case — coal requiring too large a storage place for a factory to keep large supplies — but for political economy they were there all the same ready worked and stored in and about the mines. The stores of ore, however, were readily visible in every industrial concern, Germany being obliged to import most of her supplies of ore from abroad; and all the smelting-works were prepared for emergencies in order not to be embarrassed by a sudden increase in business. Everywhere great stores of raw materials and half-manufactured materials of all kinds were being kept. Likewise, every factory kept more than the momentary requirements in ready-made articles, in any case to be ready for an immediate delivery of the goods in competition with rival firms. Present time conditions offer quite a different picture. Everywhere, the supplies have been most scanty on account of the scarcity of raw materials; partly the storing of goods has become impossible owing to official rationing. In the different branches of industry, one is only too glad, if the most urgent requirements of the moment can be met. The economic aspect of this using up of all the reserve stores had not yet been fully understood. The German daily papers' commercial reports on the jointstock companies (Aktiengesellschaften) have, in time of peace, mostly passed this question over in the tacit supposition that the reserve stores would, on the whole, remain the same on the sampling days (Stichtag) of the different financial years. In a review on "industrial enterprise during the war"¹⁾ (an article which, also in other respects, rises above the usual formula), the "Frankfurter Zeitung" had paid special attention to the above question and has, for a

¹⁾ "Die Industrie im Krieg" (Chemical industrie, Steel works, Cement, etc.), Frankfurter Zeitung, Handelsblatt, 18 articles: Oct. 12. 1916 till Feb. 3. 1917. The last article contains a summary.

series of branches of industry, determined a most remarkable decrease in reserve stores from 1913/14 till 1915/16. Thus, samples taken at random in 46 companies of the textile industries have, during these two years, shown a decrease in reserve stores of from 135.4 to 92.6 million marks¹⁾, in 18 rubber companies from 28.7 to 18.2, in 20 leather companies from 52.6 to 32.4, in 30 breweries from 21.1 to 12.1, and in 17 corn mills an almost complete disappearance of stores from 34.9 to 5.2 has been shown. This general decrease is conclusive; those branches of industry having larger reserve stores can hardly be taken into account in comparison with the above, because it is almost certain that the higher figures recorded are not due to an increase but to a higher valuation of the stores. A very striking example of this state of affairs is to be found in the hotel industry. Samples taken at random in 15 hotel companies showed three years entries of stores amounting to 2.8, 3.1, and 3.7 million marks; and this at a time when it was generally known that all the hotels had to face the problem of scarcity of stores. Switzerland is the only country in which the economic position of the hotel industry has been submitted to a thorough investigation; and its author²⁾ was lead to the conviction that the using up of stores, consequent to the war, means the loss of the entire working capital.

For, at the time of the year when war broke out, the working capital had, on the whole, been invested in stores which, at the end of the war, did no longer exist. Although this must only be taken *cum grano salis*, and although the German hotel industry can, in this regard, not be put on a par with the Swiss season traffic, it is nevertheless, out of the question to suppose that in Germany we should find an increase in stores instead of the using up in the case of Switzerland. We

¹⁾ erroneously given in '1000 marks' in the table.

²⁾ The Bernese dissertation by A. Gurtner, "Zur Verschuldung des schweizerischen Hotelgewerbes. Eine Untersuchung der Verhältnisse in Interlaken" (The liabilities of the Swiss hotel industry. An inquiry into the conditions obtaining in Interlaken), Bern, Stämpfli, 1918, has supplied the historic basis upon which four articles by Gurtner on "Das Hotelgewerbe im Berner Oberland" (morning edition of the 'Bund' of Aug. 1. 4. 15. 16. 1918) were built up.

have rather to do with a particularly striking example showing that the higher figures are solely caused by the higher valuation of the goods: in a hotel where the food stores have been used up, this deficit could be more than compensated for by the higher valuation of the remainders of the wine cellar. The difference between the past and the present position is most striking shown in commerce. A glance at the shop windows will show the passer-by a very sad picture. On entering a shop, we are faced by empty fittings which in passed days could not afford space enough to hold the plenty. In every kind of storage room into which the public have no access, space has become very cheap. It has often been said that it was a loss to the nation if everyone of the thousands of small concerns seek to cater for themselves, what could have been done more economically by one central body. If, in consequence, the German industries entered the war with greater stores in commercial goods than was necessary for the normal requirements of the nation, it meant strength under the conditions of war and the beginning blockade. If the storage of goods was under control, as in the case of petroleum on account of its inflammability, it was possible also in individual cases to ascertain in how far the merchants had secured supplies which, during the first years of the war, could be used up. There is a branch of industry in which the using up of stores can be ascertained almost with absolute certainty, viz. the book-trade. Goethe and Schiller were "sold out", and one had to take for Christmas whatever was left.

Hence, to-day the German industries are the worse for the entire amount of the stores which they held in August 1914. The using up, however, takes also a form which is not so apparent to the eye, viz. the gradual wear and tear. Economically, there is no essential difference between once using up the article to be consumed and the gradual wear and tear of the article in use. Everybody can see in his own house the meaning of the wear and tear of 4 to 5 years of war without corresponding renovation. To-day there are, in Germany, well-to-do people in whose households not one suit of clothes, not one pair of boots, and not one new hat has been purchased for 5 years; and there is a great number of households in which these new purchases

do not amount to one half or to one quarter of those of previous years. The trousseau linen always given to the young Hausfrau by her mother as good and as plentiful as possible, has been especially worn by the new corrosive substitutes for soap, and frequently it has been almost completely used up. This wear and tear in the households is, however, infinitesimal in comparison with the industrial wear and tear. The proprietors of smaller concerns calculated big profits for the first year of the war because they had, on account of the scarcity in jobbing men, only small expenditures in repairs. The large works had to realize, as early as 1914/15, that the supposed savings rather were the contrary; for all articles which are not continually kept in repair, lose in quality and consequently in serviceableness to an exaggerated degree: the rate of wear and tear ("Abnutzungsquote") increases. The illegible and rickety sign-boards of every tram-car we see in the streets, show what little care had been bestowed upon the cars. We enter the car and find completely worn-out upholstery (if there is any left); the windows can no longer be opened or closed as the straps have long ago gone the way of all leather; a pungent smell rises from the accumulator boxes. The violent shaking at the curves reminds us that cars and lines have lost their good old condition; and all the more so the frequent break-downs. On some lines the traffic can no longer be coped with, because the renovations cannot keep pace with the wear and tear (from trams to the State-railways). This is an example which unfolds before the eyes of the public; the same thing happens behind the gates of every factory; and the estimate that the total machinery now present in Germany has only one half the value of 1914, has undoubtedly been a careful one.

The present day value of the "worn-out" soil demands being treated separately, as there is much confusion on this point. It is misleading to refer in this connection to the law, about the decreasing yield of the soil. According to that law an increased expenditure in capital and labour is to be able to enhance the production of the soil but only to a continually diminishing degree. It would be erroneous to predict, however, that the German soil had little chance of recovering from the exhaustion of the years of war. For that law is meant in an

economic and not in a technical sense, i. e. it only applies in case the agricultural technique does not change. Those who entertain the hope that the agricultural technique will rise superior to the difficulties have no reason to screw down their hopes on account of that law. We have to add, however, that the new technique has to be tried; before we can gauge its effect. Another technical law, i. e. the "minimum law" of Liebig's agricultural chemistry fully applies to the present situation of Germany. If for the building up of a plant certain artificial manures are required in definite quantities, the effect is always determined by the manure used in the smallest quantity. The superfluous quantities of the other manures used are not able to contribute towards an increased fertility. The most important artificial manures are potash, nitrogen and phosphate. Although Germany held the world monopoly as far as potash is concerned and will always remain — no matter what peace we shall have — the best supplied country in the world in regard to this substance, although the nitrogen question has been finally solved during the war through the achievements of German chemistry, these two points can in themselves not be of any use to us as long as we are dependent on getting our phosphates from abroad. If we have not enough phosphates, the fertility of the soil is solely determined by this want and not by the abundance of those two other factors. This is considerably accentuated through the decrease in stable-manure caused by the necessary reduction of our stock of cattle which, owing to the lack of fodder, can only be slowly replenished. In whatever way these questions are to be solved in the future, it is certain that we cannot value German soil as highly at the present moment as prior to the war and we are not able to express the difference in figures¹).

¹) The laudable energy with which the most widely differing circles of German agriculture prepare the amelioration work after the war (thus the writings by Lemmermann, N. Caro, Ullmann a. o. Braun und Dade, "Arbeitsziele der Landwirtschaft nach dem Kriege". Berlin, Posen 1918), open favourable possibilities for the future, but must not influence our present-day valuation.

2.

Readjustments on account of the war. Concerns put out of work. New readjustments after the war. Transfer of location.

Numerous depreciations in value have taken place in German economic life through the much spoken of and much celebrated "readjustments". If a sewing machine factory begins to adjust itself for the production of grenades, if a manufacturer of fine silk goods turns his mill into a workshop for the making of iron bedsteads for hospitals, if a factory for cement takes to producing artificial honey or new spinning materials, or an establishment which until now had been employed in mercerizing cotton into "silk" begins in place of this to dry vegetables: One can in all these cases pay the highest admiration to the ease with which the readjustments were carried out. But one must not overlook the fact that with this, great values in machines and plants are at first lost. If, in times of peace, one takes out old machines after having been used for years and in many cases improved upon, they are often only good for old iron. — A second "readjustment" takes place in war economics by the putting out of operation of the less capable concerns. According to a count¹⁾ in spring 1918 there were, out of 1700 cotton spinning and weaving mills, only the 70 most efficient ones left in operation, of 4500 silk looms only 2500; of 720 oil mills only 15 left. Even in the shoe trade in which the yet significant small industry ought to have been carefully handled, the number of the factories continuing in operation was estimated at only the half. — With the ending of the war, by no means will there be in every case a return to the old conditions, but frequently economic conditions will make a third readjustment necessary. In addition to a readjustment in the operations very often there will be a transfer of location. If a Crefeld silk weaver who already has once changed his original occupation to the war business of making iron bedsteads, now takes up with the

¹⁾ A. F[eilner], Vor der Übergangswirtschaft II: Frankfurter Zeitung of June 14, 1918, 1st morning issue.

thought of erecting a grist mill with electric power (perhaps because one of his sons as an economic officer [Wirtschafts-offizier] has acquired agricultural interests, the other is a mechanical engineer) he will hardly erect it in Crefeld, but at a grain centre, Düsseldorf or Mannheim or even in Ostelbien. His Crefeld buildings will of course finally find another use. But when two million marks so change their investment and these readjustments in economic life repeat themselves a thousand fold, such considerable losses arise that estimates of the people's wealth of an earlier time can no longer at present furnish a serviceable foundation. — The effect of these conditions is multiplied by the coinciding of far-reaching social-political measures with the powerful changes which are being planned under the name of a "socialising of industry". Whoever firmly believes also that the eight-hour day signifies not a diminution but an increase in the achievements of labour: whoever denies the right to exist of industries which cannot endure it, will be obliged to reckon with a certain transitional period in which the old dies out and only from its ruins new life is to arise. The selection of the industries, which are "ripe for socialising" is, as is generally known, a matter of experiment; even in case of a most fortunate success, it must be connected with numerous readjustments.

How far new readjustments after the war will be forcibly brought about, no one in Germany has as yet made clear to himself even approximately. In the present-day mining and smelting industry a definite relation between ore and coal has been formed. Formerly all iron and metal industries established themselves near to the ore deposits; the coal found its way to them. To-day the coal attracts the ore. Germany's industry rested upon her wealth in coal; in ore it was poor. If now the Lorraine minette shall also be wanting, and yet further withdrawals of ore from us, which are threatened, take place (although France possesses more ore than it can utilize) not only the German iron and metal industry stands before the necessity of a "readjustment". Even the capital invested in coal mining must in part seek another application. Even if those who wish to carry through a sharper isolation of States towards each other, do not gain their cause, yet surely in an economic relation an increasing influence will fall to State

frontiers. The radius of action will then become too small for economic success for whole groups of enterprises. Certain industries will see themselves suddenly placed on the boundaries of the country and will not be able to continue in operation. For such reasons also further readjustments will become necessary and in many cases bring about a change of location. Many things will by this be deprived unavoidably of their value, simply because they cannot be used at the place where they are. All Germany is at present filled with anxiety over the dwelling question. It is by no means yet sure that all the towns will suffer from a want of dwellings. We must reckon with the possibility that many towns will become desolate. What would it signify if Berlin ceased to be the seat of the federal authorities, and the republic should perhaps create a German Washington in Weimar? Berlin would very likely then have not a want but a surplus of houses. Great spatial shiftings in the economic life of the people always have as a consequence a depreciation in value of many buildings. To wish to rate still to-day buildings at the old fire insurance value which they had before the war is therefore also for this reason not possible (apart from the fact that here also the wear and tear and year-long neglect of repairs make themselves evident to a very significant degree).

3.

Losses to German political economy in men. Reaction upon the value of plants. The hungerblockade and its effect upon the body. The German name discredited. Moral conditions.

The greatest loss that the belligerent nations have suffered is the loss in human beings. In the fact that a million and a half of men lie buried in the soil, there is implied a fate that we share with the other nations. Of the nations that have been engaged in the war since 1914 England alone has made proportionately fewer sacrifices in blood. The other nations have probably suffered the same loss in proportion to their population. At present it is not yet possible to foresee whether by this equality in economic results a loss may be increased or perhaps

diminished here and there. Detachments of territory will add new heavy losses to Germany's national economic condition. The increase in deaths and the falling off in births will also have to be estimated at millions. It seems to be a contradiction that, with an impending dearth in population, the danger of emigration will also have to be reckoned with. But experience teaches that wherever difficulties in food supply arise owing to a diminution of the population, the strata that are most seriously affected leave their native soil. Where the national economist sees a dearth in population, the classes burdened with the care for the means of subsistence think that there are too many of them.

Not only, however, has the number of the inhabitants of Germany decreased, but those of us who are left are worth less than we were before the war. This applies first to our physical make-up. Opinions with regard to the effects of the nutrition during the war have been different at different times of the war. When, in the year 1914, something unheard of in the history of mankind happened, the proclaiming of a hunger-blockade against a whole nation, people in Germany were convinced that this most terrible of all violations of international law would redound upon England itself; especially since the neutrals had then not yet submitted to English lawlessness. The conviction that it was only a matter of holding out for a short time gave the people an impetus that kept them going. We were not dissembling, when we said in those days that it did us good to retract a little from the over-rich living of peace-times. Before the war Germany was in many respects submerged in good living, and down to the lowest strata of society good eating and drinking played a more important role than was deemed right in the days of our fathers and grandfathers. You saw fat people among all the classes. The number of the people who felt themselves healthier on account of the shorter commons was not small in the years 1914 and 1915. If, in those times, the judgments of a few medical men were deemed wrong who were inclined to see symptoms of grave import in the weights of children¹⁾, this must not be considered as an optimistic

¹⁾ Kettner (Charlottenburg), "Das erste Kriegsjahr und die großstädtischen Volksschulkinder"; Deutsche Medizinische Wochenschrift 1915,

coloring of actual conditions. Already in 1916, however, examinations of the children in the great cities appeared to present more serious results¹). In 1917 and 1918, finally, the symptoms of malnutrition became unmistakable among the entire population. If, in the four municipal lunatic asylums of Berlin (we are obliged to depend for the present upon figures of institutions only), the decrease in the weight of patients during the years 1914—1917 is rather considerable, the average weight in kilograms for April being²)

1914	1915	1916	1917
58.8	56.4	53.9	47.7,

then the further decrease during the continuation of the war is actually terrifying. In the case of persons of a less degree of resisting power the results are seen in an increase in the death-rate. If twice as many persons died of tuberculosis in 1918 as in 1913, if the death-rate of children increased by one-and-a-half times the former rate, if the death-rate of persons over sixty years of age increased considerably (exact statistical figures are not yet at hand), then all these phenomena are only symptoms of effects much more far-reaching. The increase in the death-rate above the normal standard under the influence of the blockade has been calculated by authorities to be 763 000³), in which calculation the cases of grippe have been carefully excluded (although there is no doubt that the epidemic owes its dangerous character to malnutrition. All these figures have only gradually increased to their present height during the years 1914 to 1918. For, at the beginning of the war, the

No. 48. Taking this view, but with restrictions; Roth (Potsdam), "Liegt eine Nahrungsnot bei den Kindern der Volksschule vor?"; in the periodical, "Öffentliche Gesundheitspflege", I, 19, pp. 23—29.

¹) Thiele (Chemnitz), "Stadt- und Landschulkinder in der Kriegszeit", Concordia, Nov. 15th 1917, and editorial comment.

²) Administrative report of the municipal council of Berlin 1916—1917, at the present date only in extract. "Vorwärts", Dec. 25th 1918, Morning edition.

³) Hamel, medical expert in the Ministry of the Interior, giving figures based upon official examinations in the stenographical report of the medical meeting referred to in the following note. Ibid. the sources of further details.

neutrals, especially America, still protested against the strangulation of their commerce by England, though they did not participate in the war. The more the so-called economic war deteriorated into warfare against the neutrals, and, finally, into their complete subjection to English domination, the more tightly was the encircling belt drawn about Germany, the scantier became the food-imports, the more detrimental the effects upon the body which could no longer, as in the first years of the war, draw upon its own fat. When, in December 1918, medical men became more and more deeply concerned about the malnutrition that had now become universal and manifest everywhere, the Berlin medical associations held a general meeting, in which opinion on the gravity of the situation was unanimous¹). In its observations on conditions, the meeting went even so far as to ascribe the lethargy with which the population accepted the sad ending of the war and the still sadder prospects of the peace, to the weakened, bodily condition of the people which rendered them scarcely capable of emotional reactions. In these persons German economic life no longer possesses what it formerly possessed. In England, in the autumn of 1918, this blockade, which outside of England no other state has ever dared to impose upon humanity, was praised because of its results (reference being made to medical authorities and to the effects of heredity upon the coming generations!): "The German race will be ruined. The birth-rate may be satisfactory in Germany²), but the ineradicable harm done is something quite different and more serious."

Still worse, perhaps, is the economic devaluation which we have suffered through the bad reputation malignantly given us by our opponents. In economic life a man is worth as much as his reputation. His "credit" is the measure of his value. Ever

¹) Extraordinary meeting of the United Medical Associations held on the 18th of December 1918: *Berliner Klinische Wochenschrift*, Jan. 6th, 1919 pp. 1—9, 20; stenographical report.

²) I. e., in a biological sense; absolutely, the influence of the war tending toward a decrease in the birth-rate will last for a generation (in the most favorable event compensated for by other phenomena). — Rubner cites Baden-Powell as having made the statement. He seems to refer to a treatise by F. W. Will (*Weekly Dispatch*, September 8th 1918), to which Baden-Powell, however, contributed the motto revealing its tenor.

since the German cables were cut in the night from August 4th to 5th, 1914, and all the peoples of the globe heard about Germany only what Reuter reported to them, a tradition has been spread over the world as to the origin of the war, Belgium, the alleged war horrors, the effects of which even the youngest among us will not outlive. In the Latin sentence "*calumniare audacter, semper aliquid haeret*" there is nothing doubtful except the "*aliquid*". Our enemies have succeeded in undermining the confidence in us. The German merchant, who only five years ago was considered among the most trustworthy, will have to re-establish his reputation in the centres of his former activity. Indeed, calumniation on a grand scale with fixed aims and unflinching in nature will win still further successes.

If a people is consistently slandered as possessing certain evil characteristics, if it is brought into the repute of being untrustworthy or even dishonest, then, finally, it will no longer be able to retain its good qualities. We can, indeed, observe only too clearly, that in the present sad condition of the fatherland, we are in danger of losing certain national traits that were formerly appreciated by friend and foe in like measure. Of course, these conditions will not last for ever. Among a people that brought forth a Fichte in times of deepest degradation, men will again arise, who will uplift their countrymen from the low, ignoble level where they now find themselves in their misery, a condition against which the best among us are as yet helpless.

We shall hear the voice, speaking to us in severity, but out of a kindly heart, that will lead us with wisdom, strength and holy anger on the right way toward purification, noble aspiration and selfrespect tempered with reserve. But let there be no doubt that these are tasks that stretch out far into the future. When Germany again settles down to peaceful work after the war, it will not only have at its disposal a decreased population, but the few who are left are not what they were before. The German people, weakened in body, far more so than they are at present conscious of being, and broken in spirit, not only through their ill-success, but also through the unjust aspersions cast upon them by the nations of the earth, here making common cause in corroborating each other — the German people, with their sense of orderliness diminished, will spend a disproportionate part of their strength in again finding

their old selves, and this part will then not be at the disposal of exclusively economic tasks.

Upon the human material depends the efficacy of all means of production and their real value. What can be done with tools, machinery, raw-material can only be determined by the human beings to whom they are entrusted. For this very reason I believe that the standards for the valuation of the means of production will have to be set anew by us in the future.

In addition to this, even if Wilson's points are faithfully carried out, the conclusion of peace will bring us lasting burdens. The German farmer, manufacturer, shipper, banker, etc., the great crowds of intellectual workers in all occupations will be under the impression that they are doing slave-labour for foreigners. History teaches from of old, that the work of the slave is less effective, and consequently less valuable than the work of the free man. If, however, Germany should actually be led into slavery, as the wildest among our enemies wish, then the depreciation of human work, owing to the fact that the worker has no share in the fruits of his labours, would redound upon all the existing economic institutions. In an enslaved Germany productivity would sink to such a low level that for this reason alone we would have to give up our property valuation of peace times.

What applies to capital¹⁾, applies in an even higher degree to the gifts of nature. The soil acquires a "value" on the market only in so far as there are men who struggle among each other for its possession; this value rises and sinks in proportion to the number of the competitors. I will not go so far as to cite as a second phenomenon, in addition to the impoverishment of the agricultural land of Germany, also the effects upon it of the decrease in population. Everything points in the direction that Germany will be compelled to base its self-nutrition upon a broader foundation, and that this necessity will compensate in a way for the depreciation of values (but here also certain excessive valuations will become manifest). This applies fully to city grounds which, together with the fire-insurance value of the buildings, make up the urban real estate. The reasons usually brought forward do, of course, account

¹⁾ "The produced means of production".

for the crisis in urban real estate; but, in addition to all these reasons, there is the primal cause, that every basis for the valuation of real estate has been taken away, since the customary conception of the continual "increase in value", which was nothing else than the conception of a continual increase of the population, was suddenly confronted with the possibility of the opposite eventuality. The decrease in population in certain vicinities, owing to a shifting of the inhabitants, will have the same results as the decrease of the German population as a whole. What we said of the buildings of Berlin is applicable also to the property in land there, whether covered with buildings or not. And this property represents very considerable sums. Steinman-Bucher¹⁾ has estimated the value of the land area of Greater-Berlin at 12 000 million marks, that of the eight cities next in size (Hamburg, Munich, Leipzig, Dresden, Cologne, Breslau, Frankfurt a. M., Düsseldorf) at together 15 700 millions, that of the other great industrial cities at 13 000 millions. His estimate of the total municipal property at 50 000 millions was, however, strongly influenced by views prevalent in former times. It is doubtful whether even Ballod and Helfferich will be able to maintain their estimates of about half that sum (25 000 to 30 000 millions) in face of the decrease and the shifting of the population.

4.

The meaning of people's property.
Difficulties of definition and valuation.
True meaning of numerical estimates.

Quite apart from all changes which have taken place since the estimation prior to the war, "national wealth" is not a firmly established definition²⁾. If one understands by it the total

¹⁾ The most detailed account in his second work mentioned above, especially pp. 34—42.

²⁾ The definitions of "national wealth" which individual authors have attempted, will not be discussed here. It would be unfair to let the individual suffer for an obscurity which has its origin partly in the idea itself, partly in the present-day conditions of our science. A. Hesse (*Das deutsche Volksvermögen. Jahrbücher für Nationalökonomie und Statistik*, 1915, CV, pp. 289—312) outlines the various methods of valuation

amount of possessions at the disposal of the national economy of a country there is no need of objecting to a term, ascribing the ownership of these possessions to the people; the term is evidently not used in a sense in any way connected with constitutional law and it suffices to say that we use it in the sense above described. But even in that definition (which we pick out among several as the most adequate explanation) the true fundamental notions out of which "the amount" is supposed to be made up are vague: "National economy", "possessions", "to be at the disposal of". We are not able to remedy or lessen the want of precision of the first conception. In every department of our economic life we are handicapped by the fact that the idea from which our science borrows its name (political economy) is an abstract idea about the concrete basis of which we have never come to a complete understanding. It must suffice for us that in questions like the one before us, German national economy means the concerns within the German State in their entirety, as far as we can consider them from their uniform point of view. If, accordingly, we describe here the definition "goods" as not being precise and raise the question whether the so-called economic property only or the free property too, whether the *res nullius* and the *res extra commercium* are to be included in the calculations, this might, at first sight, look like hairsplitting. Of course, no one will arrive at the idea of maintaining that we would have to take into account somehow the atmospheric air at the disposal of the German national economy, although it is "free property" and, therefore, has no market value. But if, for instance, a country disposes of a navigable stream with a slight fall and a bed so

very well. He conforms to the definition of a Freiburg dissertation of 1914 (Walter Schmidt, Beiträge zur statistischen Erfassung des Volkswohlstandes): "The sum of the economic possessions owned by a nation, inclusive of the legal claim to foreign possessions" (page 290). In referring on the next page to "this conception of the national property as the total store of economic possessions a nation disposes of", he omits to state that the two definitions are different. A person may own property without being able to dispose of it, and on the other hand, a person may have the right to dispose of property without owning it. These difficulties are treated most minutely in the lectures by Schnapper-Arndt, Sozialstatistik, published by Zeitlin, Leipzig, Klinghardt 1908, pp. 257—286.

wide that any number of ships can sail on it and pass each other — will any one maintain in that case that the water need to be taken into account as “free property”, because it exists in unlimited quantities? Will any one really maintain that a national economy disposing of a broad stream is poorer than one having so small and meagre a stream that vessels moving upon it in rigid order and through locks first have to purchase their right of passage? Of still greater importance is it that a number of values, which we rarely consider in dealing with private property, acquire great significance in the case of the “national wealth”. How will you estimate the value of public highways, railways, bridges, harbours, light-houses, post-offices, the telegraph service, fortifications, armouries, artillery parks and aerial stations, prisons, law courts, schools and churches? The third conception, finally, “to be at the disposal of”, is well known to us in private economy as the Roman *ius utendi et abutendi*. But if we speak of national economy as a coherent and inseparable whole, how can we then designate its most important values as being “at the disposal of”, if they are so constituted that in their disposal by sale national economy would cease to be? These questions will become still clearer in their fundamental significance, if we consider that, because of the vagueness of the three conceptions that form the basis of the total amount, the fourth conception, that of the “total amount” itself becomes indefinite. In the word “amount”, there is expressed with sufficient clearness that what is here meant is not an enumeration of separate values, but an arithmetical totality; so that, positively, not only an addition of the values concerned takes place, but, negatively, also a subtraction of amounts that are to be deducted. From the totality of the goods at the disposal of the German national economy must be deducted that value of the goods which the German national economy owes to other national economies. The difficulty here arising is not insurmountable, viz., the question whether we should count the inhabitants or the citizens as “Germans”; that is, whether we should include in our estimate the property of the foreigners living in Germany or the property of German citizens living abroad; if one bases the estimate on the population in residence, then, in my opinion, not only would the right course be taken, but there would also be risked only slight deviations

on either side. On the question of German real estate in foreign countries or foreign-owned real estate in Germany, one could also come to an understanding. Much more important is the fundamental principle that every numerical value always presupposes an arithmetical norm for all the items of which it is composed. When speaking of values in this connection, we always think of their worth in the form of money. The only way in which we can conceive of a uniform assessment of the various values, is by considering the price that they would fetch when sold. In daily life, even, in cases of private economy, it is rather difficult to think of the value of the object under consideration from the standpoint of its selling-price (persons who have suffered loss by fire and fire-insurance companies know of the difficulties here encountered). But in the fixing of the "national wealth" it is just the valuation of objects such as those above mentioned at their selling-price that presents difficulties that may well be considered insurmountable. What is the market value of the Prussian state-railways? Neither the first cost nor the profits offer a clue for the valuation. But even if one could find a clue with the aid of these two items, the very fact that the Prussian State offers for sale this giant factor would in itself lead to a depreciation of its value. What would sugar factories be worth, if ten thousand were put on sale a day? And yet this comparison would run far short of the condition that would prevail in the case of the Prussian State railways.

It is doubtful whether the conception national "wealth" is here applicable at all. Linguistically, the German word "Vermögen" (wealth) contains both the force of a verb and of a noun. "Vermögen" signifies "können" (to be able). That we should love God with all our heart and soul, "von allem Vermögen", is implied also in the expression "mit unserem ganzen Können" (with all our ability). If, in national economy, we have dispensed with so wide an interpretation of the word "Vermögen", and restricted its meaning to such an interpretation of "können" as can be applied to the use of the word in connection with money, then we must always presuppose a community which is concerned with exchange and valuation in money. This community engaged in exchange and valuation is fundamentally identical with national economy. How we can determine the value of an object by the surrender of which the exchanging

community itself — without which the process of valuation is no longer thinkable — would be removed, is a difficulty of conception that always confronts us in estimating a national wealth. One can try to overcome this difficulty by imagining that some members of the national economy acquire ownership-rights in prisons, law-courts, canals etc., and that the national economy is in the relation of a tenant, as it were, to these. It is possible to think of the great railway-net as reverting to the former stock-companies divided into allotments; but there will always be left a remainder of which we can form no conception, because at some point or other the standards of valuation fail us. In attempting to estimate the wealth of the world's population, one will observe still more clearly that there are no standards for such a valuation¹).

In addition to these difficulties of conception there is the problem arising from the fact that there are certain values that must be counted as property of individuals, the existence of which values, however, adds nothing to the wealth of the generality. A particularly striking example of such a value is ready cash. The conception of wealth is actually based upon this form of ownership. If, however, one wishes to estimate a national wealth, one can do so only on the basis of the metal value of the money. If the paper-money were also included in the estimate, the absurd result would be that a country could increase its wealth at will by merely working its printing-press day and night. This consequence might be avoided by balancing all paper-money assets with liabilities for the issuer (although there have been States that recognized no liabilities on their paper-money). But there are other examples also to which this counter-balancing hardly applies. When an inventor is granted a patent on his invention by special license or law, his wealth has been increased by the value of the invention; the general public, however, acquires no addition to its wealth through the fact that the patent rights are enjoyed

¹) In such attempts there is much that must be guarded against .. especially that which is most attractive to the layman ... viz., numbers expressing money values, which are supposed to designate the total wealth ... numbers giving money values are only to be used as startingpoint for analysis (spaced in the original): Schnapper-Arndt, pp. 276—278.

by one individual only, and not by all. The medieval emperor who gave one of his loyal followers the right of exacting a toll from every ship that plied the Rhine, created for his liegeman a new source of wealth; but the German people as a whole did not become richer because each individual traveling on the Rhine was compelled to surrender a part of his property. The most drastic example of this nature is the so-called "right of safe-conduct" which aimed at squeezing a tithe from the passing traveler on the pretext of a grant of protection. Such difficulties and others of a similar nature have brought it about that the older attempts¹⁾ to determine the national wealth by the addition of individual fortunes have been given up entirely. To-day this "subjective" method is replaced by the "objective" method²⁾, which is not based upon the subjects as the possessors, but upon the objects that are possessed; and by this method the categories of values that do come into consideration eliminate themselves. With the independence here gained of the valuation of separate economic factors there is associated, however, the opposite danger. Formerly the separate estimates formed at least a starting point. Now, indeed, there is no limit as to what may be included as a possible object of the "national wealth". The estimates here and there made of the coal treasures belong to the most naive of these conceptions. They are not entirely

¹⁾ In the session of the International Statistical Congress held in Sept. 1903 Adolf Wagner reported on statistical methods used in dealing with national income and national wealth; the report was later published in enlarged form in the "Zeitschrift des Preussischen Statistischen Büros", Nr. 24 (1904), pp. 41—122. The addition to the title "with special consideration of tax-statistics" shows that Wagner devoted himself exclusively to this problem, not because he had not yet given thought to the "objective" method, but for the reason that he did not deem the absolute determination of a national wealth as of great importance, the shifting of this national wealth interesting him chiefly. (See foot note, pp. 30—31).

²⁾ Mainly since Steinmann-Bucher's researches. See note above. For the theoretical justification cf. Lexis in the new article, "Volksvermögen" in the "Handwörterbuch der Staatswissenschaften", 3rd ed., Vol. 8 (1911), p. 331. He attempts to sever all connections between the conception "national wealth" and "private fortune", because in the word "Vermögen" there is implied the presupposition of an owner. His reasoning is not sound in every particular, but on other grounds his conclusions may be adopted.

new. If I am not mistaken, the attempt has sometimes been made by students of natural science to estimate the value of all the coal treasures of the world in money. It should probably be considered only as a continuation or a renewal of these older attempts, if, nowadays, in the press of the Entente nations it is maintained that the subterranean coal treasures of Germany are worth 2000 milliard marks (1 milliard equalling 1000 millions). All such estimates are based on the presupposition that it is only necessary to know how many tons are stored up under the earth and how much each ton is worth in order to determine the value of these coal treasures by the simple process of multiplication. The trifling matter is here overlooked that the coal treasures only acquire their value by being transferred from the depths of the earth to the surface, that this value is not inherent in the coal itself, but is a result of work; that, moreover, the work is not identical day by day, but is carried on in ever increasing depths; that the coal treasures cannot be brought to the surface simultaneously, but require a long time in their extraction, etc. The dollar that was once placed in great grandfather's cradle, invested at compound interest, would today have increased to 50 000 marks. Was the dollar "worth that much" at that time? These valuations are just as clever as if one were to say to a person, in offering him an egg, that one is giving him a chicken.

What has been said above, is not meant to be a criticism of past attempts at valuation. It should simply prove that estimates of a national wealth can never have the same meaning as estimates of private fortunes. I believe, in fact, that the estimators of national wealth meant something else with their figures.

There is a demand for numerical orientation with the object of comparing the national wealth of one nation with that of another, or, still more frequently, of determining the national wealth at different periods in the life of a nation. Errors in valuation are harmless, if they are characterized by a certain proportion and regularity¹). But even if there is no such regular-

¹) The usefulness of inaccurate figures, if there is a degree of proportion and regularity in the inaccuracy, I believe to have proved once by an illustration. In 1896—1897 I began with attempts to fix numeric-

ity, these figures are still of better service in the endeavour to acquire knowledge of some degree of accuracy than mere descriptions in words. The difficulty here is that we are completely under the influence of the conception that the purpose of figures is just to give exact information. When, in a certain case, figures have been used and it is afterward stated that these figures are meant to represent actual conditions only approximately, this is looked upon as a kind of excuse *post facto*. But here we have an error in reasoning. It is true, indeed, that the purpose of figures is to render a statement clearer than mere verbal description can do. But it is just in defining with greater precision the indefinite with all its uncertainty that figures can well be used. An old Prussian judge of a district court instructed his young barristers always to transform into numerical terms statements of quantities made in court, and he liked to cite examples for this custom of his. A plaintiff states he has been robbed of grain, but he could not state of how much. The young barrister is about to take this statement down on record, when the judge asks: "Was it a half-load?" — "How could I ever get a half-load of rye, your honour?" — "Was it a bushel?" — "A bushel is far too little." — "Shall we then put on record five to ten bushels?" — "Yes." "Now it is perfectly clear that the robbery is one in which the thieves could carry their booty on their backs and needed no conveyance." — A physicist, admired for his gift of mathematical formulation, when noticing that people could not understand each other because they lacked comprehension

ally the demand for employment in the labour market. I had at my disposal no other figures than the number of the applicants (= a) for vacancies (= v). This figure reckoned in $\% \left(\frac{a}{v} \cdot 100 \right)$ I used as the basis of my calculations. I never claimed that this figure actually represented the demand for employment; but in comparing the figure with the figures of previous months and with those of the year before, one could determine with considerable certainty whether the demand had increased or decreased. In spite of all the doubts that had been raised before (which I myself had recognized and enlarged upon; cf. Jastrow, „Sozialpolitik und Verwaltungswissenschaft" I (1902), pp. 114—119), this figure was adopted and is used to-day as the basis of reports on the labour market.

of mathematical quantities, liked to interpose the question: "Of what power is the figure?" — A banker, for example, is requested to contribute something for a good purpose; he does not know whether to say yes or no, because the person making the request is himself uncertain as yet in his estimate of the sum total required for the purpose. In the answer to the question as to what power of ten the contributor's amount should comprise, the latter at least finds out whether the subscriptions should fall into the categories of the tens, hundreds, thousands or tens of thousands of marks. The contributor is willing to subscribe twenty, thirty or three hundred marks in deference to the person making the request; if it is a matter of three thousand marks, he will take time for consideration; if the subscription is to be ten thousand marks or more, he will have the matter examined.

Ideas of this kind were in the minds of people when attempting to estimate national wealth. One ought to use figures as a means of helping the reader to visualize the approximate greatness, the category, of the number under consideration (its power in tens, so to say¹⁾). If such valuations are repeated at

¹⁾ Steinmann-Bucher expresses his views on this subject with sufficient clearness on p. 9 of his treatise "Deutschlands Volksvermögen im Krieg" (Finanzwirtschaftliche Zeitfragen 24, Stuttgart, Enke 1916): — "He misunderstands my intentions who sees in my description of the German national wealth only the great figures that I have calculated, and thinks that the matter of chief importance is to determine the point which our national wealth has reached or whether it has surpassed that of some other nation. It is not the calculated figures that are of the greatest importance, but far rather the means by which they have been obtained, the degree of their reliability and the prospects they open for the future. In all the categories of wealth it is the course, the possibilities and the probabilities of development that have been presented. In dealing with urban and rural landed property and with industrial and agricultural labour, attention has been paid chiefly to the course of development, and the figures calculated for momentary use were designated merely as stations that we have reached to-day, but which may to-morrow already lie behind us. But it is not this quantitative element alone that is of the greatest value; it is the qualitative element, the onward development mentally and materially that has been put in the first order. In the case of two nations having the same national wealth,

regular intervals, and if we can at length look back upon a long series of such historical tables, we may, perhaps, at some time be able to estimate periodical changes also. But science could offer no aid whatever to any one who endeavoured to determine the decrease in the national wealth on the basis of valuations made before the war.

the average amounts per head even being equal, the equality in the figures may mean something quite different for each one of them; in the one case they may imply a stationary condition, in the other a falling off or, on the contrary, a great gain. For this reason, the figures arrived at must not be looked upon as something definitely fixed. Having their own origin in the flux of time, they are themselves in their component parts or in their entirety subject to the vicissitudes of time. We must, therefore, rid ourselves of the habit of citing these figures as firmly established acquisitions of science, as something scientifically won and of lasting value: We must become familiar with the idea that these figures change daily and should ask ourselves from time to time and try to determine: how great may the figures have become to-day?" These words were written at a time of joyful confidence in an ever increasing onward development. Now we are compelled not only to use the above in a negative sense, but we have also to keep in mind that the sudden changes that have taken place and are still in progress, have deprived us of all means of following up the calculation. Beyond this we ought even to-day to take to heart the words of Adolf Wagner quoted from the "guiding principles" ("Leitsätze") of the International Statistical Institute and placed at the head of his treatise mentioned in the foot note, p. 27¹): "The statistical determination of the amount and the distribution of national income and wealth cannot be fully attained, because certain component elements partly do not lend themselves to such treatment at all, or partly cannot be reduced to figures; especially their valuation on the basis of a medium of exchange or a money-norm may be impossible or achieved only by arbitrary methods. This is particularly true of a considerable part of the public property (property of the State, of societies or communities) that serves general administrative purposes . . . This public property, however, belongs to the national wealth, these grants to the national income . . . For this public property and its grants, the estimate of exchange- or money-value is impossible. What may formerly have been the first cost and the expenditures cannot be looked upon as such a value.

5.

The plan for the sacrifice of property is no longer based upon the calculation of revenue; the plan itself, however, is to be maintained unaltered. The financial bill to be presented to the National Assembly.

It is true that all those of us who advocated the sacrifice of property, had in mind the estimate of the German property of that time. There would be no sense in not making full use of these figures. If a financial measure is proposed, the reader wants to know what result it will have. People will understand much better if, instead of avoiding figures altogether, the rates or percentages are given. Not one of us has ever made the advisability of the sacrifice of property dependent on these estimates. As the whole plan arose in connection with the redemption of the war loan, it was but natural for us to take the war loan into account. Today we have nothing on which we can base the estimation of the future national debt, and for this reason alone the calculations are independent of the war loan¹).

These changes do not effect the position we take up in regard to the sacrifice of property. Quite independent of that, our attitude is determined, in the main, by three considerations:

Firstly: The country is to utilize its revenue-yielding resources. The general upheaval has made this even more necessary now than it was before. Our arguments in favour of levying in advance a tax on property still hold good. We have always realized that the sacrifice could not be made at one go and that all would not be able to pay equal rates. We were prepared to distribute it over a period of, let us say, 10 years, putting a premium on immediate payment. The opponents to the sacrifice of property were ready to agree to a tax

¹) Compare Jastrow, Nationalversammlung und Finanzprobleme (National Assembly and Problems of Finance) (see top of page 3¹): The estimation of the financial requirements and of the revenue are wholly precluded from the work. It has to form the object of a separate investigation.

on the interest on property and only wanted to distribute it over a still longer period. The length of the period is no longer an essential point of dissent.

Even the advocates of the new measure do not fail to realise that it will be very difficult of execution, necessitating legislative changes in regard to details even after it has taken effect. It is not unlikely that in carrying out the law the necessity will arise to prolong the period (or even, under certain circumstances, to refund a certain sum in order to balance matters). Thus, the only important point of dissent is that we want to take the property itself as basis of calculation, whilst the opponents are in favour of using as basis the income derived from the property. Every finance politician knows that this is a fundamental difference. It quite suffices.

Secondly (here I can, however, only speak for myself) I have not advocated the sacrifice of property for merely financial reasons. There is a second aim I have in view quite on a par with the financial result viz: the moral effect of the sacrifice on our economic life. We shall not be able within measurable time to put a stop to the exorbitant prices we have to pay, if we do not teach the individual person to be more thrifty. It is indubitably the heaviest loss of capital which has befallen us, that want of food, the general scarcity of goods and the increase in paper money, have made us forget how to be careful and strictly economical.

We are urgently in need of a strong measure forcing us every minute of the day to consider the prices and to compare and to make it dependent on the price whether we buy or leave the shop. That each one of us cedes part of his property appears to me a sure means to that end. It is partly for this reason that I have always advocated that the sacrifice of property should be made applicable, although in lower rates, as low down the scale as possible. Even in case of moderate possessions it may amount to the fourth part of the property, providing the necessary consideration is taken in enforcing the measure. If consequently the German nation learns anew how to economize, the sacrifice will have been well worth the while. And for this reason I ventured the paradox¹⁾: if one takes

¹⁾ loc. cit. chapter 1.

away from each of us part of his fortune, we shall afterwards all be richer than we were before.

A third argument in favour of the sacrifice of property is that the financial measure is the only means of arriving at a complete inclusion of all the property existing within the national borders. That was the principal reason why I attached the widest importance not only to the inclusion of the small property, but also to the utilisation of the property of juridical persons¹).

If one does not want to apply the sacrifice of property to communities and individual states (although I believe to have supplied arguments in favour of it) they should at least be included in the statistics which are to comprise, besides, the State property. If the sacrifice of property cannot be collected at one go, the complete property register can also not be compiled all at once. Here too, things will improve through practice. But a beginning must be made.

For these reasons I have firmly adhered to the sacrifice of property, being, at the same time, fortunate enough not to require a more minute explanation for this attitude of mine than is contained in the three above-mentioned briefly reiterated points. In no passage of my former publications have I tried to justify the sacrifice of property by the argument that it will yield a definite return according to the estimation of the so-called national property.

The officially published²) draft of the new taxation does not take our proposal sufficiently into account. It wants to draw the contribution to be levied on property above all from the fortunes acquired during the war, thus putting the taxation of the total property second and preparing for rates so modest that not much would be left of the "sacrifice of property" idea. I believe to have proved in another publication³) that this procedure is not a new one. The owners of the old assets have

¹) loc. cit.; also „Gut und Blut“ pp. 31, 34, 42, 56, 62, 70; also compare Register under 'Statistics'.

²) Reichsanzeiger Dec. 31. 1918. See also the announcement of Schiffer, secretary for Finance, in his lecture in the Chamber of Commerce Buildings on December 9. (Berlin, Julius Springer).

³) l. c., p. 5¹.

always profited by the antagonism and the disparagement displayed towards newly acquired wealth. From the outset the arousing of a passionate hostility towards newly acquired fortunes has appeared to be the most serious danger to the plan of heavily taxing all fortunes, no matter whether new or old.

The danger has now become acute. In the impending National Assembly this fight will have to be fought out. The advocates of the sacrifice of property would damage their cause if they were to rely on calculation of revenue based on estimates of "national property", all the more as they date from the time prior to the war and as there is no means of even approximately bringing them up to date.

This means of appreciation must be dropped, but our demands must be adhered to yet. To establish this fact has been the object of this treatise.

Appendix.

The people's property and war indemnity.

The present pamphlet has brought me in an abundance of enquiries¹⁾ why I have not treated in this connection the urgent question of the war indemnity, with which we are threatened and the establishing of it based upon the German people's wealth. This little book took its rise at a time when these questions had not yet come into the foreground. Proceeding directly from a problem of German domestic financial politics, is treats of the difficulties, which arise from the plan, of a general sacrifice of property from the fact that the basis for estimating its amount the date for the so-called "people's property" have been rendered precarious. How we, in view of this uncertainty, are to look upon the demand for a war cost indemnity, is a theme for itself.

¹⁾ Especially also in reference to Prion's comprehensive discussion in the "Tag" of January 21st 1919.

The treatment of this matter was rendered difficult in Germany by the circumstance that we have before us, in a trustworthy form, no figures concerning the demands which it is proposed to make. Such figures as found their way to us in old newspapers (not only since the armistice, but for two or three years past) made for the most part such a rattle-brained impression, that one did not take earnestly the demands in themselves, even without consideration whether they were realisable or not, since one could not represent to oneself how one people alone could be made responsible for a war in which the teachers of international law of all nations, had to complain of illegal injuries. On this there must first be uttered a word of enlightenment and explanation.

It is still not known in Germany that abroad it is really believed that Germany "made" this war in that she began her intentions of acquiring a world-wide dominion by falling upon defenceless little Belgium in order thus to be able to overrun France and then also to subdue Russia. That one nation indeed should challenge all the nations of the world to war is in itself an absurd idea. But this idea exists, has been spread abroad, and is almost universal. And thus much ill will originally played a part, in the case of its authors, when in August 1914 it was trumpeted forth into the world — we, however, were cut off from the world and did not once learn of the senseless accusation — to-day after four and a half years of uninterrupted repetition the world believes the unbelievable. The fact that for eight years Belgium had been manipulated on behalf of the policy of the Entente, that since 1906 a Belgian neutrality no more existed, is unknown abroad. The secret documents found in Bussels, in which the most prominent Belgian diplomats from 1905 to 1914 gave warning in vain against the consequences of this policy, were not allowed to be published in the countries of the Entente. So grotesque a fact as that the Czar held his protecting hand over the murderers of princes (of which one would think, it had been able to prolong its existence at least in the comic newspapers), has vanished from the heads of contemporaries.

As difficult as it may be for us who have experienced the burden of the attack in the first August days, we must to-day take account of the fact: our enemies assert, Germany has made

the war, assert it to-day already in good faith. And thus it is explained why they make no difference, but consider themselves morally authorized to demand from Germany indemnity for all damages occasioned by the war; that three other states which waged war against the Entente are treated as if they were forgotten; that not, as in other wars, obligations of old states are put to the account of the new states which are being formed, and allies who have fallen off, sharply drawn into the controversy. Also no inclination is shown to expose any of their own actions to criticism or to inquire, whether they were not illegal and authorized the adversary to take measures of defense. The hatred which sees in Germany the one who bears the responsibility was formerly only affected, to-day it is real. The fantastical figures are also earnestly meant as a claim by those who announce them.

Against this stands the fact that the conference which is to conclude the future peace has no longer a free hand in the indemnity question. By reason of the armistice, the Wilson conditions were accepted by both parties, among these: no annexations, no contributions, no punitive damages¹⁾.

Among the 14 points of the address to Congress of January 8th 1918 was mentioned therefore, so far as indemnities were concerned, only the restoration of the occupied districts of Belgium and Northern France²⁾. England and her allies accepted this in an explanatory clause and sent a memorandum to Wilson on the subject. Lansing in his note of November 5th 1918, informed the German government of this and summed up the matter as follows³⁾ :

“The president has further in his peace conditions, laid down in his address to Congress of January 1918, declared that the occupied districts must not only be evacuated and liberated, but also be again restored. The allied governments are of the view that no doubt must exist over the meaning of this condition. They understand by this that Germany

¹⁾ Address to Congress of Februar 11th 1918 (see the collection “The Peace Idea in the speeches and official Acts of President Wilson”, Berlin, Hobbing 1918, pages 60—61.

²⁾ Points 7 and 8; l. c., pp. 52—55.

³⁾ Norddeutsche Allgemeine Zeitung, Nov. 6th 1918.

shall make compensation for all damages inflicted by its attacks on land, on water and from the air upon the civil population of the allies and their property. The president has commissioned me to make the communication that he concurs with the explanation contained in the last part of the quoted memorandum.”

Since English territory had not been occupied, the reception of this point according to the letter followed for England without reserve. In speeches and newspaper articles, however, an altered sense seems to have been given to the text, that which was an authentic interpretation of a provision concerning the “restoration of occupied districts” should not have value as an explanation of this provision, but should be regarded in addition to this as a new provision; as a claim for indemnity without consideration whether there had been an occupation of territory or not. The principal case of the enlargement is the unrestricted submarine warfare. But even in the case of this change of signifi- cance, the submarine fell under the provision only so far as it was deemed contrary to law. Without discussing here again the fundamental question, so much is clear that the unrestrained submarine warfare even if it was declared to be illegal, ceased to be so, as soon as it took place as a reprisal against a preceding violation of law. That the cutting off of the delivery of food supplies by the neutrals to Germany, the so-called hunger blockade was no act allowed by international law, but a pure exercise of violence was emphasized most decidedly at the beginning of the war by all neutrals and especially by America¹). A reprisal subjects no one to an indemnity. Therefore a reserve concerning submarines would redound to the advantage of neutrals, but not to that of England. The English demands are financially the most extensive.

Although in any case it is clear and uncontested by all the contending parties that the English state, just as little as any other state can settle the claim of a war indemnity for itself, but at the most English private claims through the state, if illegal acts have been committed against private property: yet in the English selection contest, the promises of the candidates

¹) Note of Nov. 5th 1915, no. 33 (Deutscher Geschichtskalender, 1915 II, p. 918).

played a great part, for they, in view of the recompensing of the total war costs by Germany, were willing to make the most enticing applications of the money; increase of relief to be paid to those out of employment, lowering of railway charges, public help for dwelling purposes etc. In England itself the unscrupulousness of these promises did not remain unnoticed, and the proposal has been made to the ministry for transitional administration to erect for members of that kind between the irresponsible candidate speeches and the more responsible carrying out of their office a sort of "moral disinfecting establishment".

The English prime minister Lloyd George did not place himself simply in the category of these election orators. In his speech at Bristol on December 11th 1918¹⁾, he did not indeed recall that the question of war costs had already been decided by his given word. But he opposed, however, those speakers, in so far that he emphasized the impossibility of enforcing payment: the costs of the Entente amounted to 24 000 million pounds, while Germany's total wealth before the war was estimated only at 15 000 to 20 000 millions; the 5 per cent interest on those 24 000 millions would amount yearly to 1 200 million pounds. He mentioned that a committee had busied itself with the question, and it estimated the German people's wealth higher and proposed two conditions for the payment: it must not require a large occupation army which would withdraw industrial forces from the country and prepare new wars; and the interest must not be paid in goods produced with starvation wages and dumped in England. His standpoint was made more clear by another expression²⁾ which did not deal with figures, but demanded that Germany should pay up to the limit of her capacity. This formula has been so often and so impressively repeated that we can indeed assume we have here before us

¹⁾ Times, Dec. 12th 1918.

²⁾ Speech in Newcastle-on-Tyne, November 29th 1918 (according to Manchester Guardian of November 30th reprinted in "Hollandsche Nieuws", organ of the "Nederl. Anti-Oorlog-Raad", Dec. 23, pp. 2490—92). In this speech Lloyd George places indeed the war costs on the same level with the law costs, mentions, however, the above formula three times: "there is absolutely no doubt about the principle, and that is the principle

the set form which England will present at the peace conference. There is here also the limitation: only so far that the payment does not take place in a way that inflicts more damage upon England than on Germany, especially not by "dumping". "That is the limit."

An irremediable contradiction seems to us to lie in this, that England agrees to the limitation of indemnity to mere private damages and yet puts forward the general demand: pay to the limit of capacity. That is the point for the sake of which I laid weight above on the circumstance that we must keep before us the view spread abroad through the world according to which German desire for conquest was the cause of the war. Lloyd George also, whose course in the English cabinet on August 1st 1914 turned the scale so that England refused to remain neutral if Belgium remained unviolated, has to-day forgotten this. The legend that England had to enter the war, because Germany fell upon Belgium, he has in parliament and before his constituents, at banquets and on occasions of all kinds for four years so often repeated that he to-day really believes it. It is no longer dissimulation but a *bona fides* purchased at a great price, if he represents it as a matter of course that until August 4th 1914 there ruled in the world a condition of loyalty to treaties and of general respect which Germany disturbed by its sudden attack. Against such a mischief maker all other considerations disappeared in the background. With whatever the payment may be connected, it is regarded as a matter of course that he will succeed in presenting a plumber's bill of exorbitant amount. And on this account the question for him concerning the height of the sum is only fixed by the capacity.

we shall proceed upon — that Germany must pay the costs of the war up to the limit of her capacity to do so There is one difficulty you have got to face. Whatever happens, Germany is not to pay indemnity by merely dumping cheap German goods upon other countries. That is the limit Germany must pay the cost of the war up to the limit of her capacity. The only restriction is that she must not pay it in such a way as will inflict more damage to the country which receives than the country that pays She ought to pay, she must pay, as far as she can; but we are not going to allow her to pay in such a way as to wreck our industries.

That is the course of thought which brought it about that the estimates of the German people's wealth came into the centre of the discussion¹⁾.

It is highly characteristic how in the English statements every thought that the German people's property could be less than the estimates before the war is precluded in that a committee has been appointed which is to torment itself with the anxiety whether to-day it is not greater. The artifice which lies in this is not adapted to the earnestness of the situation. The attempt, so far as its content is concerned, to show that Germany with its money depreciation "is wealthy" has been already set at rest above.

If England is ready to buy German goods in the first years after conclusion of peace at the present fancy prices — she can have them.

All of the reasons which have been brought forward in my statements to show that the people's property before the war is no more in existence to-day are in like manner valid to indicate whether this wealth is to be claimed for our domestic financial purposes or to be paid over as an indemnity to the enemy. I should have to repeat here the exhaustion of our supplies, the complete wearing out of all our machines, tools,

¹⁾ "Matin" had a French translation made from Helfferich and gave notice of it in the following characteristic way in the advertising part of Nr. 12737, January 11th 1919:

<p style="text-align: center;">L'Allemagne peut-elle payer? Oui, et bien.</p> <p>Pour en être sûr, Pour avoir des renseignements précis sur ses richesses, Pour savoir ce qu'on peut lui demander, Pour pouvoir lutter économiquement contre elle, Pour connaître ses méthodes,</p> <p style="text-align: center;">Lisez</p> <p>Le livre du directeur de la Deutsche Bank, le docteur Karl Helfferich:</p> <p style="text-align: center;">La prospérité nationale de l'Allemagne de 1888 à 1913</p> <p style="text-align: center;">Traduction française éditée par Le Matin au prix de 1 Franc.</p>

utensils of all kinds, buildings etc., the numerous depreciations in value occasioned by the triple readjustment of our industry, the loss of men, and its reaction upon all values of our economic life, point for point, that is, I could only write over again the book from a second standpoint, which I had already written from the first. The people's property which formed the object of the estimate before the war, falls into three categories: it is either no more in existence (consumed or destroyed material etc.; foreign securities gotten rid of, objects in districts which have to be given up); or it exists in a depreciated condition (worn out, especially railways); or it exists indeed in an unchanged condition, but its "value" will in future depend upon factors, which cannot until now even approximately be estimated (chief example: urban landed property and dwelling houses). That there should be a fourth category in case of which existence, quality and value shall have remained unchanged, I hold as so improbable that I might regard it as utterly excluded. Especially actual depreciation in value is not to be balanced by a higher valuation of items on account of the phantastic prices of the moment, but it is to be on the other hand accepted that the fall in prices which is impending, with the unavoidable commotion, which it will cause in our economic life, will bring new depreciations in places not yet thought of.

But even if the changes in the people's property had not appeared, the figures would form no foundation for the calculation of a war contribution. The proof that those figures were never meant in the sense of furnishing an instantaneous picture of the property situation, is valid, not only for the purpose of showing the internal condition which I had in mind, but for every other purpose especially for the question of a war contribution. I also believe that a national economist would never have considered them in the sense first mentioned.

More correctly indeed the question of what we can afford is not yet settled. One could let fall the argument based on those numerical estimates and nevertheless maintain the demand: Germany must pay up to the limit of its capacity. Only one must then be clear over the question as to what is meant by this capacity and how one will judge of it without those figures (even if only approximately). There are two ways of doing

this: The enemy can either take the objects in natura, then it is quite independent of the estimate. Or he holds by that which can be produced by the objects: the yield; then he can push off the settlement to future years. That the first way is not practicable, a glance at the groups of our table shows. Of the 8 groups the 1th to 4th, 6th, and 7th contain almost exclusively immovable property: houses and lands, mines, railways, domains and forests belonging to the State, cannot be removed no matter how great the means of conveyance may be. That in Nos. 1 and 7 also some movable household property and office furnishings may be included, is over against demands running into milliards without importance. What can be realised from group 5: "investments abroad and foreign securities" our enemies, who have the first already in their hands know better than we; and what of the last may come into consideration they will also soon know from the conditions for prolonging the armistice. There remains the last group (8): "specie, goods in transit, ships etc." That the Entente have had their eyes upon the 2500 millions of gold in the vaults of the federal bank (Reichsbank) has been often enough revealed by covetous newspapers; the most valuable part of our ships, the navy, it has already; our supply of goods is as repeatedly represented, only insignificant (besides, altogether rated at only 5000 to 9000 millions and indeed not completely confiscatory). Therefore, the literal removal of the objects in natura is impossible. What a nation possesses is by far the greatest part immovable.

The second way remains: the goods are left in the country, but it is required to deliver up the yield from them, in some cases all in others a part. Thus by way of example; the Entente has conveyed to it the property in railways, mines and public lands; and estates, collects the revenues from them and applies them to paying the interest upon the debt and to the liquidation of it. Or it has a preference mortgage entered up upon all the parcels of agricultural land in the country to the effect that $\frac{1}{4}$ of the revenue coming from these is to be handed over. An object, such as the railways, seems to the adherents of this idea to recommend itself for this mode of treatment, since one can set the scale of charges as high as may be necessary to meet the interest, so that it may even be possible as a matter of

calculation to extract from Germany the costs of the war from the railway charges alone.

The calculation is faulty in one respect. It presupposes that by application of pressure results up to any amount may be attained, just as the water engineer by a series of water pipes can convey water here or there. The factors in political economy are however not dead masses of capital but living men. And in every measure pertaining to this, one must take into consideration how the human element will react toward it. An economic community of 60 million people does not produce the usual results when the best incitement to labour is removed; the consciousness that the fruits of its labour will redound to its own advantage. Whoever sees in economics nothing but a mechanism, which one can build up on figures (and just laymen are usually inclined to such a view), believes indeed that one can take such a consideration into account by deducting certain percentages. Whoever is acquainted with its connection with all human interests by which it is permeated as by an arterial system, he knows that the determining source of all economic returns lies in this point, that the tyrant awaits in vain from a subjected people for the proceeds which a once free people produced by severe but willingly endured labour. We have formerly already emphasised this point in order to warn our financiers not to count upon the same yield from German economic activity in case of severe peace conditions. What is correct will remain correct, whether it concerns our financiers or those of the Entente. All observers of the work of slaves from Varro and Columella to the authoress of "Uncle Tom's Cabin" are agreed upon this: that the results of productive labour diminish where the free workman is not working for himself, but the slave for others. The negroes in the American slave states had free an afternoon in the week for themselves; it is said that they did as much on this half day as otherwise on a whole one. In building up the science of economics, the English and French have taken the lead of all people. It cannot be that the successors of Adam Smith, Ricardo and John Stuart Mill, von Quesnay, Turgot and J. B. Say can be to-day so blinded as to follow those deceptive calculations of expected proceeds and to mistake the general experiences of the world, which lurk behind the frivolously devised peace conditions of that sort.

We can also trust without hesitancy to the judgment of the English and French economists¹), if they are asked as experts

¹) It is scarcely to be supposed that from this side the economically absurd process of thought would have been allowed to go uncontradicted. But the forwarding of newspapers and periodicals from the Entente countries has been so unregular in the last weeks und months that we would hardly hear of expressions of opinion of that kind. Out of the London Economist of December 1918 there lies before me the following extract: ". . . With astonishing forgetfulness of his own pledged word, the Prime Minister continues to talk of collecting the whole cost of the war from Germany, if it can be done. As we pointed out in last week's Economist, the Government early in November agreed to President Wilson's peace terms, subject to a reservation on "Freedom of the Seas", and a stipulation that the President's phrase with regard to restoration of invaded territories should be taken to mean compensation for all damage done to the civilian population of the Allies and to their property by the aggression of Germany by land, by sea, and from the air. Any attempt to twist this phrase into meaning the whole cost of the war would be financial sophistry that would be flouted in Houndsditch; and yet the Prime Minister, and most of the Press and of the candidates, are demanding, in a joyful chorus, that we should forget our pledged word and the country's honour. Mr. Lloyd George, however, is beginning to see that these promises are raising dangerous expectations in the electorate. In his speech at Bristol, on Wednesday, he made no attempt to show that the thing could not be done because it was contrary to our pledged word. That little detail did not occur to him. But he went out of his way, with much display of honest candour, to show that 'it is not right for the Government to raise false hopes, and least of all on the eve of an election', and so on; and that, in short, it could not be done, because the Allies' bill is 24,000 millions, and Germany's total wealth before war was estimated at 15,000 to 20,000 millions; further, that 5 per cent on 24,000 millions would be 1,200 millions a year.

He went on to say, however, that a Committee appointed to consider the question thought that the wealth of Germany was greater than pre-war estimates had supposed — he might have added that all pre-war figures have to be revised very much upwards to bring them into line with current prices — so that Germany may be able to pay more than seemed likely at first sight. . . ."

That, however, even newspapers, to which in other things Jingoism believed it could appeal, see themselves now obliged to draw limits, is shown by extracts from the "Statist" of December 21st 1918, pp. 1135—1136:

"We have, then, two strong motives each urging us to a course which is more or less opposed to that which is recommended to us by the other

whether those calculations concerning proceeds give any reason for supposing that such proceeds can be obtained from a subjected people and whether it lies also in the interest of English, French or Italian economics to load itself with the burden of this enslavement without a well founded prospect of another kind of success than to have damaged the conqueror at the same time with the conquered.

A number of years ago it happened in Berlin that a merchant with numerous business connections met with a severe business misfortune and suddenly disappeared, leaving behind him many liabilities and few assets. The creditors filled with indignation started inquiries and learned that he had sailed for Cape Town. In a meeting of creditors a lawyer delivered a learned and sharp sighted speech, which showed that the legal situation was favourable for them, that in this English colony the German common law had validity (from the Dutch period), that the extradition treaty is applicable etc. When the jurist was through his business audience declared unanimously they did not wish to either disturb the man in his new dwelling place or to lodge him in a German jail. They had much more an interest in letting him attend to his business in Cape Town undisturbed. Then they would again do business with him and "make money out of him"; and in course of time probably

consideration. One tells us that Germany, unprovoked and without other cause than a guilty desire to rob the weak, plunged us into a war that has caused lamentable loss of life, and has involved us in comparative poverty. The other reminds us that trade consists of an exchange of commodities between different peoples, and that if we impoverish our possible customers we destroy our own chance so far to recover quickly. That being so, we would ask our readers to consider very carefully whether Mr. Lloyd George's advice is wise, as unquestionably it tallies with our resentful feelings. Most of us in our hearts feel that the Germans deserve almost any punishment. But such of us as have given careful and long attention to the causes which promote human progress remember that vengeful feelings are the very worst of all advisers; that man lives and progresses by dealing with man; and that if we can do ourselves reasonable justice it is an extremely unwise thing to drive antagonists into desperation." . . .

"The real question, then, before us is not whether Germany is in reality richer than she was supposed to be before the War, nor is it even whether Germany can pay the indemnities pointed to by Mr. Lloyd George.

more than they had previously suffered losses. And so it happened.

There are to be sure means of counteracting the above mentioned lessening of production which is the effect of subjecting people to economic slavery. This can take place either by strong compulsion or by the granting of extensive freedom. The dictator does not stand absolutely powerless against wilful idleness, obstinacy, disturbances by strikes and sabotage. By increased supervision, by compulsion, by cutting down wages, by penal laws and criminal prosecution, something can be reached if not all. But a rule of fear and terror costs money. It would not be sufficient to maintain an occupation army in Germany strong enough to carry through with difficulty such regulations; it must be strong enough to make itself at once and unconditionally master of any sharp opposition that showed itself at any place, before it could spread. If one assumes that only five army corps would be used for this purpose, it is clear that England could more advantageously employ these 150 000 to 160 000 men in her own industries than in standing guard over foreign ones.

The opposite way that of extensive freedom would consist in this, namely, to extend the payment of the debt over a long period of years and to leave the manner of the liquidation to

It is if we exact the uttermost farthing that can be wrung out of Germany shall we benefit ourselves and prepare the way for a wiser, a juster, and a more peace-loving Europe in the future? If Germany is really able to pay all of us the immense sums pointed to, how are they to be obtained? Are we to pour great armies into Germany, completely disarm the population of that country, and insist that our armies of occupation shall not be withdrawn until all our demands are complied with? If so, has Mr. Lloyd George or his committee considered how long it will be before we get our demands carried out? And have either considered whether it would be more profitable to us to employ our men at home or to keep them as a garrison in Germany to exact a few millions more or less? Lastly, we would ask, What has become of the policy of which we used to hear so much when our prospects of victory were not very bright, namely the extreme desirability of wresting from Germany the trades which she won from ourselves and others before she rushed into war? Have we come to despise trade now that we are victors? And are we disposed to live upon what we can wring from Germany rather than what we can win for ourselves by honest and useful work?"

ourselves. As a means of exciting fear, the threat would be ever present: "if you do not show yourself willing, I shall use force", and so this method can make one willing. But in what way can the willingness be shown? The naïveté that supposes payments running into milliards can be consummated as purchases are paid for at a huckster's shop at the counter exists no longer to-day even in the brain of the most narrow-minded statesman. Nations pay each other with goods. In order to fulfil with good will the obligations laid upon her, Germany must seek to dispose of as many goods as possible abroad. The only means of doing this is: to underbid competitors. The honesty of intention would be shown just in this way that every German works as long and with as much effort as possible and be contented with a wage which will just cover the minimum amount of what he needs for his livelihood, in order to make the price of the goods he produces as cheap as possible. The consequence would be that the German goods offered on all neutral markets would be the cheapest; and even the Entente would finally see itself underbitten on its own markets. "The more they oppress the people, the more it increases and spreads out."

The result of our economic analysis is therefore the same two possibilities which in a purely instinctive way Lloyd George has already represented to himself as a justifiable objection and as placing of a limit: great compulsion is only effective by means of a levy of men which England must withdraw from her industries; great liberty of action only if it is used to surpass other nations in cheapness in the sale of goods: "That is the limit."

