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"Credos of the Nations"

From
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Credit
in
The Nations:
a study of the European War.

By

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It may seem quite audacious to try to include within the limits of one moderate volume a study of the workings of credit in several of the principal belligerent nations in the European War, when for a full statement of the complex operations in any one of them a separate volume might be little enough. There is the additional reason against it that the time and labor in collecting and digesting the material must be as great for a brief treatment as for an extended exposition. Nevertheless, it was believed that an examination of the most important measures in each country, told in simple technical language, could be presented within a compass which would not require more time for its perusal than a busy man of affairs could afford. Such a study would furthermore bring to a much wider constituency an insight into the hidden workings of credit behind the issues of paper money, banking, foreign exchange, and public finance. Stripped of their technicalities these matters can be made easy of comprehension. In addition, such a discussion, under one head of the various policies of the greater nations would make possible a comparative study that would throw light on the successes and failures in affairs of stupendous importance and magnitude. Therefore it became
evident that, for our own enlightenment or entering
the struggle, we needed not only the facts in the
field of credit, but also a clear and simple pre-
sentation of the principles underlying these facts,
together with rigorous criticism of governmental pol-
tics in the light of these principles. Thus it was
hoped to make at once a constructive as well as
an objective study of events now before us, as in
the history of nations.

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

No attempt has been made to treat the credit
operations of Russia, Austria-Hungary, or Italy, be-
cause it has been impossible to obtain sufficient reliable data for their examination. For obvious reasons emphasis has been laid on the affairs of Germany. Her amazing industrial growth in the last thirty years and its causes show that Germany brought on the war, not because she was hampered on the seas, or had no room for the growth of her population, but because her newly acquired economic strength warranted a militaristic attempt to dominate Europe and the world. The examination of her economic situation leads to the conclusion that Germany is not now solvent and that steep-marking readjustments of obligations entered into for the distant future must be entertained. Taking little and borrowing much she has risked all on a single throw of the dice, on a military decision. She is now fighting not for the status quo ante, but for commercial gains, for expansion, if not for indemnities; indeed, her industrial classes were as much responsible for the war as her militarists, and the breaking of her credit is more likely to bring peace through the influence of her commercial classes than through a revolt of the masses. The charge on the present debt over $30,000,000,000, together with an ordinary finance budget, takes up the total net income of the German people. With such matters, as well as the inflation of credit, the increase of paper money by the Reichsbank and loan bureaus (nearly sevenfold), the devaluation of the mark, the rise of prices of over one hundred per cent, the present volume is concerned.
One of the main purposes in mind has been a comparison of the ways by which the German, French, British, and American systems of credit have met the unparalleled shocks of this unprecedented war. That British credit has shown itself superior, and in spite of the erratic plunge into government paper money has avoided the dangerous currency expansion connected with advances to the state in France and Germany, is one of the plain inferences from our study, which is rich in counsel for the management of our own credit operations.

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

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