

banker, Mr. Goldschmidt, and his client, Mr. Schmidt, may here be recorded :

G—— “ I have come, Mr. Schmidt, to ask you to subscribe to the new Imperial 5 per cent. Loan. It is a patriotic duty.”

S—— “ Alas, I have no money.”

G—— “ Oh ! but surely you have securities ? ”

S—— “ Yes, I have 25,000 marks in Brazilian bonds, but Brazil has defaulted and they are unsaleable.”

G—— “ Ah ! there I can help you. You shall hand over the securities and we will lend you 21,000 marks. You shall keep the 1000 marks for yourself, and the 20,000 you can subscribe to the Imperial Loan.”

It is hardly necessary to say that this transaction was most acceptable to Mr. Schmidt. He took his bonds to the bank, received 21,000 nicely printed marks, kept 1000, and paid 20,000 over the counter for the new Imperial bonds. But when the second Imperial Loan came along, Mr. Schmidt had no more securities to “ mobilise ”—at least he thought he had not—but the ingenious banker reminded him that his invaluable furniture could be pledged, and thus a second subscription was forthcoming for the second loan.

Theoretically this method of raising money for the war might be pursued until all the property in Germany had been pledged to the state ; for after all war loans are a mortgage on the property and industry of a country. But, in the first place, however cleverly the thing is arranged, this inflation of credit tends also to inflate the currency and to raise prices. And in the second place, a point must soon be reached at which the whole com-