

# Economic Gains Through War

By Prof. W. W. SWANSON.

The new war credits of £400,000,000 recently voted by the British Government, brings the expenditures of the United Kingdom, on account of the European war, up to more than \$10,000,000,000. In certain quarters, and especially in the neutral press, there is considerable discussion on the enormous economic waste occasioned by the war, and the entire lack of any compensating advantages. To a certain extent this view is based upon the theories of Mr. Norman Angell, who, in his work, "The Great Illusion," descants on the utter futility of war as far as any economic advantages are concerned. It is well worth while therefore, in view of prevalent thinking on this subject, to examine what basis there may be in fact of expecting any economic gains as a result of the present war.

The economic motive, of course, is not the only one for determining a nation to enter war, but it is far more potent than most of us have been willing to believe. Germany entered upon the present struggle mainly to conceive and strength her economic position in the world. For the past generation, and particularly during the last decade she has dreamed of extending her Empire from the Baltic to the Persian Gulf. And yet that could not have been her chief reason for involving Europe in the horrors of war, else she would have been content with the holding the line of the Vosges, pressing the Russians back to the Visula, while her armies, in conjunction with the Turk overran Mesopotamia to the Persian Gulf. And in that case, if Belgium had not been invaded, it is entirely possible that Great Britain would not have intervened, until, at least, the war had been well under way. By following this policy it is quite clear that Germany could easily have realized all that she had hoped for in the Near East. Instead of pursuing this programme, however, Germany chose to invade Belgium and thus brought Britain into the war.

Germany knew the risks she ran, but deliberately and ruthlessly decided to carry into effect a programme that had been matured by a study of twenty years. This programme was the result of the work of the industrial and colonial interests of the Empire, and its chief spokesman was Admiral von Tirpitz, the colonial party determined to possess Calais, which would give Germany a foothold on the Atlantic — a base from which Germany could wage a trade war with the United Kingdom in the future. In addition the industrial and capitalistic parties determined that the coal-fields of Belgium, and the ore beds of Northern France, were essential to the economic development of the German Empire, and were well worth the risk of war. We do not insist upon this aspect of the question as being the chief or in any sense the most important fact that determined the General Staff of Germany to wage war on France by way of Belgium; but it had an undeniable effect upon the decision that was reached by the military authorities of the Fatherland. In substantiation of this position may be cited the fact that in May, 1915, six strong agrarian and industrial leagues petitioned the German Government to retain, as part of the fruits of victory, the whole of Belgium and the industrial districts of Northern France including the Departments of the North, Calais and French Lorraine. To these leagues war meant more than political and racial advantages, it involved solid economic gains.

Mr. Norman Angell, in "The Great Illusion" takes great pains to show that the mere annexation of territory can bring no gains to the conqueror—that wages will be paid as before to former workers, that the capital invested will draw its usual returns, and that it is a matter of complete indifference, from the economic standpoint, whether Lorraine belongs to France or Germany. The flaw in this argument becomes quite apparent, however, when we scrutinize the demands of these German economic and industrial leagues. It is purposed to compensate the original owners of the mines, railways and landed estates in Northern France — but to compensate them at the expense of the vanquished. That is to say, according to their programme, France is not only to lose the conquered territory, but is to pay the compensation to those who are dispossessed as well. This throws an entirely new light upon Mr. Angell's position. French workmen may be employed and receive wages as before, but the capital invested with the accrued dividends will belong to subjects of the Kaiser. Here, then, we see a great and substantial reason why the financial and colonial parties in Germany desired war, the outlet for the

investment of capital in Belgium and Northern France would be incomparably greater than could be ever secured by the acquirement of new colonies, or the development of Germany's former possessions in times of peace. More and more, in fact, it comes evident that, fundamentally, the present war is based upon economic considerations. Armed peace alone means enormous returns to the capitalists of any military nation. A small war, giving a military people possession of tropical countries, or, as in the case of England, of Burmah, India and Egypt, must inevitably yield high dividends to those who obtain oil and mining concessions or the right to exploit these countries economically. As evidence of this fact it may be mentioned that the propertied classes of England derive more than one-quarter of their incomes from foreign investments alone. There is abundant evidence available, therefore, to prove that war may enrich a nation, and, even if it does not pay the people as a whole in every instance, brings great wealth to the capitalistic classes.

It is now evident why Germany chose to attack France through Belgium, and thus run the risk of unduly lengthening her lines of defence. And an understanding of this fact, also, makes clear that neither the professors nor the military class—however much they may have been to blame—are not actually responsible for the war. The German armament firms, the industrial classes of the Rhine, and the imperial and colonial interests, are chiefly responsible for this madness. To them it means more profits and ever-widening spheres of influence for economic aggrandizement. To them, if not to Germany as a whole, a successful war would pay, would be well worth while.

From the time of Bismarck to the present day, the black industrial regions of the lower Rhine have played a great role in Germany's foreign policy. It was the metallurgical interests that supported Buelow during the memorable contest between the Socialists and the Liberal-Conservatives. Each firm paid a head tax, for election purposes, for every man in its employ; so that, no matter how the democratic workman might vote, his influence at the polls was largely multiplied by the huge cash contributions placed by the "interests" in the Chancellor's hands. The concessions in Morocco, secured for the Mannesmann brothers—which brought France and Germany to the verge of war—are but another manifestation of the hateful influence of Germany's capitalists upon her foreign policy. Everywhere, on all sides, the nefarious operations of colonial leagues and the steel and iron interests of Germany have made their influence felt in that country's foreign policies.

It might well be wondered why Germany, with a magnificent colonial empire, and with the free trade market of Great Britain open to her, has ventured on the course she has followed. Notwithstanding all that has been said to the contrary, Germany has secured, in the last generation, her fair share of the undeveloped land of the world. The United Kingdom, the world's richest market, was open to her on the most liberal terms; everywhere her trade and commerce were expanding. The solution seems to lie in the fact that her armament factories had to justify their existence; and that her iron ore beds showed signs of exhaustion. Under these terms, Belgium and France appeared to offer themselves as an easy prey; and the opportunities for the investment of German capital in these countries promised far richer returns than could ever be expected from the mere exploitation of colonies or protectorates. All this, of course, was based on the assumption that German arms would prove strong enough to occupy and retain Belgium, Calais and French Lorraine. The events of the war have made the realization of this programme quite impossible. The "drive to the East" becomes once more, therefore, the chief end of Germany's foreign and military policy. It is hoped that, by establishing a protectorate over European Turkey and its Asiatic possessions, German influence, and therefore German trade, will be predominant in the Near East. It would be foolish to deny that Mesopotamia possesses vast potential resources, and that it may in the near future, as in days gone by, prove a rich and flourishing country when adequately developed. At the same time the jubiliations of the German press seem somewhat premature when it is realized that the all-rail freight rates from Asia Minor to Bremen and Hamburg are much heavier than the water rates on similar goods from South American ports to Liverpool. In other words,

as far as the war is concerned, Britain's trade connections with South America alone are much more valuable than any possible business that Germany can develop in Asia Minor, during the war, can ever be.

On the other hand the war is being waged, on the part of the Allies, for solid economic ends also. Undoubtedly the moving force in Russia was Slav hegemony in the Balkans; but behind and beneath this national problem trade interests bulked large. The tariff between Russia and Germany was due for revision and settlement by 1916; and the small, but powerful, Russian capitalistic group was demanding protection against the huge supplies of cheap German wares that were being dumped in Russian markets. There is no doubt that Germany, especially during the Russo-Japanese war, forced Russia to agree to a tariff policy determined in its main details in Berlin. Russia was in dire straits and was obliged to accept this trade arrangement; but the bureaucracy meant to revise the schedule of duties in Russia's interests, at the first opportunity. It seems clearly enough established now that the growing bitterness of this tariff dispute was one of the chief reasons that made it worth while, in the eyes of the official classes at least, for Russia's going to war. Free trade, or a tariff for revenue only, may be the soundest economic practice; but it is odious to have these fiscal expedients forced upon an unwilling people by the shaking of the mailed fist. It is not surprising to learn, therefore, that soon after the outbreak of war Mr. Bark, Russia's Minister of Finance, proposed officially to France and England that an economic union be formed to wage a trade war with Germany upon the conclusion of peace. The Italian press has recently come out strongly in favor of this policy. France and England are lending their official support to the movement. Germany has already formed a Central European Economic Union comprising Germany, Austria, Hungary, Turkey and Bulgaria. It is hoped to compel, through economic pressure, Holland, Switzerland, Denmark and the other Scandinavian countries as well as the Balkan States to finally enter this Union. Peace, therefore, in all likelihood will see a recurrence of war in a disguised form. The truth is, that Germany used unfair methods in extending her trade in the years that are past. By military power she has compelled France and Russia to accept trade arrangements that were otherwise unacceptable. She has given through rates on goods shipped from interior towns, for export, on government railways, thus virtually subsidizing foreign trade. In this way German shipping has driven English tramp steamers from the Australian and Asiatic trade. She has given bounties to industries shipping goods abroad; and in the face of this competition several important English industries were unable to make headway and were forced to the wall. In the light of these facts England and the Allies may be compelled to adopt similar protective measures, which will take a large part of Germany's export trade out of her hands. Thus it may be concluded that war may yield economic gains of a substantial nature, although the costs of the struggle may outweigh benefits received. Still it is indisputable that certain classes within a nation may gain as the result of war; and that in the end a nation, by freeing itself from foreign dominance, may find the huge outlays involved in a modern war well worth while.

## THE FRENCH INCOME TAX.

The French income tax law, passed in July, 1914, after more than fifty years' discussion of such a project, will take effect this year. Under the terms of the new measure every person living in France, whether a citizen or foreigner, must pay 2 per cent tax on the taxable portion of his income if it amounts to \$1,000 or over. The taxable portion is 20 per cent of incomes of \$1,000 to \$2,000 a year, 40 per cent of incomes ranging from \$2,000 to \$3,000, 60 per cent of incomes from \$3,000 to \$4,000, and 80 per cent of anything over \$5,000.

A man earning \$5,000 per year would therefore pay 2 per cent on \$4,000, or \$80 per year, and others in proportion.

## THE BRITISH BUDGET.

London special says that judging from latest returns, revenues of government for year ending March 31, will total £350,000,000 (\$1,750,000,000) against £305,000,000 (\$1,525,000,000), estimated in budget. This difference, together with evidence that daily cost of war has been exaggerated, strengthens belief that war loan will be postponed until after April. It is also possible that a dollar loan will be arranged first, but complete secrecy surrounds mobilization policy. Whatever is done it is certain that no strain will be put on Wall Street.