

tion or ruin of her trade which Germany may ultimately have to face as the broad result of the war ; and, secondly, the immediate effect on her economic resources *while the war lasts* and on her capacity in consequence of this direct effect to find the means to wage war. For, even if we make the extreme assumption that ' the war will ruin Germany's trade and commerce ', that Germany will emerge from it a mere ghost of her former economic self, and that a generation may pass before her productive powers and shattered economic organization are restored to the normal level, say, of 1913, ultimate ruin will not of itself mean present incapacity to wage a long war. Nations, like individuals, may ruin themselves in a gigantic effort. Ultimate exhaustion is no sure basis for inferring incapacity both to make and prolong a great struggle for a very considerable time. It is far too commonly assumed amongst ourselves that the mere loss of trade on a large scale by Germany will rapidly be a decisive factor. We do not sufficiently distinguish between the ultimate and total cost and its effects, and the immediate cost and its effects, of war. The whole bill, of course, has to be paid in the long run. But the capacity of a nation to wage war and to continue to wage it, primarily turns on its capacity to meet the bill and the drain on its resources of the moment, governed by the conditions of the moment, not of the future governed by the conditions of the future. Broadly, then, the cost of war and the capacity of a nation to meet it may be analysed under three main heads : (1) the money cost of carrying on the military and naval operations required (i.e. the equipment and maintenance of the armies and fleets and the armaments) and the material capacity to feed and clothe the non-combatant population and maintain the industries