

London, Paris, Berlin, Petrograd, Vienna, Brussels—are directly involved. New York, the seventh, as the capital of a neutral Power alone is not touched, and New York without the free working of the other six is practically paralysed. The moratorium that was proclaimed throughout the civilized world last August, and the closing of the Stock Exchanges, in order to avoid a general financial cataclysm, bear eloquent testimony to the violence and widespread havoc that the war at once produced and is continuing to produce. The volume of commerce and trade of the belligerent States, directly affected by war conditions, amounts to 70 % of the trade of the whole world. Only 30 %, i.e. barely one-third of the production and exchange of goods by mankind, belongs to neutral States. And of the mercantile marine of the world engaged in the transport of goods across the seas, about 80 % belongs to belligerent States, and must work under the conditions imposed by war.

Any and every estimate of the degree of economic strain for any particular belligerent State must necessarily be both rough and hypothetical—rough because our information and our data for calculations cannot be statistically precise, hypothetical because speculation as to the duration of the war has to reckon with unforeseen and unforeseeable military or political developments that may revolutionize the general situation.

For clearness' sake I propose to examine the economic problem as it may affect Germany and Germany's resources alone, and to assume throughout that the present naval conditions will broadly continue. It is desirable also to separate at the outset two different propositions and conclusions which are frequently confused: first, the general economic exhaustion and disloca-