

**CARNEGIE ENDOWMENT FOR
INTERNATIONAL PEACE:
PRELIMINARY ECONOMIC STUDIES
OF THE WAR, NO. 5; DIRECT COST
OF THE PRESENT WAR**

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Direct cost of the present war by David Kinley & Ernest L. Bogart

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DAVID KINLEY & ERNEST L. BOGART

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Carnegie Endowment for International Peace

DIVISION OF ECONOMICS AND HISTORY
JOHN BATES CLARK, DIRECTOR

PRELIMINARY ECONOMIC STUDIES OF THE WAR

EDITED BY
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Member of Committee of Research of the Endowment

No. 5

DIRECT COSTS OF THE PRESENT WAR

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INTRODUCTORY NOTE BY THE DIRECTOR

The Division of Economics and History of the Carnegie Endowment for International Peace is organized to "promote a thorough and scientific investigation of the causes and results of war." In accordance with this purpose a conference of eminent statesmen, publicists, and economists was held in Berne, Switzerland, in August, 1911, at which a plan of investigation was formed and an extensive list of topics was prepared. An elaborate series of investigations was undertaken, and, if the war had not intervened, the resulting reports might have been expected, before the present date, in printed form.

Of works so undertaken some aim to reveal direct and indirect consequences of warfare, and thus to furnish a basis for a judgment as to the reasonableness of the resort to it. If the evils are in reality larger and the benefits smaller than in the common view they appear to be, such studies should furnish convincing evidence of this fact and afford a basis for an enlightened policy whenever there is danger of international conflicts.

Studies of the causes of warfare reveal, in particular, those economic influences which in time of peace bring about clashing interests and mutual suspicion and hostility. They show what policies, as adopted by different nations, reduce the conflicts of interest, inure to the common benefit, and afford a basis for international confidence and good will. They tend, further, to reveal the natural economic influences which of themselves bring about more and more harmonious relations and tend to substitute general benefits for the mutual injuries that follow unintelligent self-seeking. Economic internationalism needs to be fortified by the mutual trust that just dealing creates; but just conduct itself may be favored by economic conditions. These, in turn, may be created partly by a natural evolution and partly

by the conscious action of governments; and both evolution and public action are among the important subjects of investigation.

An appeal to reason is in order when excited feelings render armed conflicts imminent; but it is quite as surely called for when no excitement exists and when it may be forestalled and prevented from developing by sound national policies. To furnish a scientific basis for reasonable international policies is the purpose of some of the studies already in progress and of more that will hereafter be undertaken.

The war has interrupted work on rather more than a half of the studies that were in progress when it began, but it has itself furnished topics of immediate and transcendent importance. The costs, direct and indirect, of the conflict, the commercial policies induced by it and, especially, the direct control, which because of it, governments are now exercising in many spheres of economic activity where formerly competition and individual freedom held sway, are phenomena that call, before almost all others, for scientific study. It is expected that most of the interrupted work will ultimately be resumed and that, in the interim before this occurs, studies of even greater importance will be undertaken and will be pushed rapidly toward completion.

The publications of the Division of Economics and History are under the direction of a Committee of Research, the membership of which includes the statesmen, publicists, and economists who participated in the Conference at Berne in 1911, and two who have since been added. The list of members at present is as follows:

Eugène Borel, Professor of Public and International Law in the University of Geneva.

Lujo Brentano,¹ Professor of Economics in the University of Munich; Member of the Royal Bavarian Academy of Sciences.

Charles Gide, Professor of Comparative Social Economics in the University of Paris.

¹ Membership ceased April 6, 1917, by reason of the declaration of a state of war between the United States and the Imperial German Government.

H. B. Greven, Professor of Political Economy and Statistics in the University of Leiden.

Francis W. Hirst, London.

David Kinley, Professor of Political Economy in the University of Illinois.

Henri La Fontaine, Senator of Belgium.

His Excellency Luigi Luzzatti, Professor of Constitutional Law in the University of Rome; Secretary of the Treasury, 1891-1893; Prime Minister of Italy, 1908-1911.

Gotaro Ogawa, Professor of Finance at the University of Kioto, Japan.

Sir George Paish, London.

Maffeo Pantaleoni, Professor of Political Economy in the University of Rome.

Eugen Philippovich von Philippsberg,¹ Professor of Political Economy in the University of Vienna; Member of the Austrian Herrenhaus, Hofrat.

Paul S. Reinsch, United States Minister to China.

His Excellency Baron Y. Sakatani, formerly Minister of Finance; formerly Mayor of Tokio.

Theodor Schiemann,² Professor of the History of Eastern Europe in the University of Berlin.

Harald Westergaard, Professor of Political Science and Statistics in the University of Copenhagen.

Friedrich Freiherr von Wieser,³ Professor of Political Economy in the University of Vienna.

The function of members of this Committee is to select collaborators competent to conduct investigations and present reports in the form of books or monographs; to consult with these writers as to plans of study; to read the completed manuscripts and to inform the officers of the Endowment whether they merit publication in its series. This editorial function does not com-

¹ Died, June, 1917.

² Membership ceased April 6, 1917, by reason of the declaration of a state of war between the United States and the Imperial German Government.

³ Membership ceased December 7, 1917, by reason of the declaration of a state of war between the United States and Austria-Hungary.

mit the members of the Committee to any opinions expressed by the writers. Like other editors, they are asked to vouch for the usefulness of the works, their scientific and literary merit, and the advisability of issuing them. In like manner the publication of the monographs does not commit the Endowment as a body or any of its officers to the opinions which may be expressed in them. The standing and attainments of the writers selected afford a guarantee of thoroughness of research and accuracy in the statement of facts, and the character of many of the works will be such that facts, statistical, historical, and descriptive, will constitute nearly the whole of their content. In so far as the opinions of the writers are revealed, they are neither approved nor condemned by the fact that the Endowment causes them to be published. For example, the publication of a work describing the attitude of various socialistic bodies on the subject of peace and war implies nothing as to the views of the officers of the Endowment on the subject of socialism; neither will the issuing of a work, describing the attitude of business classes toward peace and war, imply any agreement or disagreement on the part of the officers of the Endowment with the views of men of these classes as to a protective policy, the control of monopoly, or the regulation of banking and currency. It is necessary to know how such men generally think and feel on the great issue of war, and it is one of the purposes of the Endowment to promote studies which will accurately reveal their attitude. Neither it nor its Committee of Research vouches for more than that the works issued by them contain such facts; that their statements concerning them may generally be trusted, and that the works are, in a scientific way, of a quality that entitles them to a reading.

JOHN BATES CLARK,
Director.

EDITOR'S PREFACE

Before the war broke out financial prophets told us that the economic burden entailed by it would be so great as to make its long continuance impossible. But thoughtful students of history were well aware that wars once entered into were not stopped because of their tremendous costs. The present war is no exception, and probably will continue until one side or the other is in a position to enforce its terms. In the midst of the terrible conflict no appeal for peace can successfully be made on the basis of destruction of wealth. Nor should it be in this war, at any rate. For so far as the United States and her allies are concerned, the other issues involved far outweigh the utmost economic destruction that can be imagined as the result of the war.

However, the matter of cost is of great interest as well as of importance from two points of view. Many people are surprised that the countries involved have been able to incur the waste of war through so long a period. The surprise, however, exists because of a common misconception concerning the source of a country's economic ability to bear war. War is not waged with wealth accumulated in gold or silver; nor, for any length of time, even with accumulated munitions of war. If a country's agricultural and industrial forces are sufficient to supply what is necessary to feed and clothe the people, including the army, the country may continue war indefinitely so far as concerns the "sinews of war." The important thing is that the supply of food, clothing, and munitions and implements of war shall be continuous and adequate. That continuity of supply depends on the natural resources of the country and the population not included in the fighting line. In such a condition, even if a country could not buy anything abroad, it could continue in war. Moreover, it could, while at war, buy abroad as long as its supply of gold lasted and its credit was good, provided, of course, it could insure that the goods bought would get to its