

CHAPTER III

ECONOMIC DIFFICULTIES OF GERMANY IN TIME OF WAR

IN order to explain the economic and social consequences which would result from war in Germany, it is necessary first to examine the distribution of the population according to occupation, the height of incomes, and probability of savings, and then to consider how a war would shorten demands, decrease the sale of products, and in consequence cause stagnation in industry.

We have already pointed out that the interruption of land and sea communications must cause an immense rise in the price of agricultural products, particularly in industrial districts. And as at the same time work will cease, the danger of disaster will be great. To a certain extent government aid may be relied upon. But whether this will be effective or not depends upon the gravity of the crisis produced by war.

The question as to satisfaction of the needs of life concerns only those classes which are imperfectly guaranteed—that is, to those with insufficient and moderate incomes; the wealthy class will always be safe as regards the necessities of life.

The following table represents the distribution of the population by occupation in 1882 :

	Percentage of the Population.
I. { Agriculture	40.75
{ Arboriculture	0.65
	—

41.40

		Percentage of the Population.	
II.	{	Mining	2.96
		Building	6.08
		Manufacture	24.93
		Communications	3.16
		Transport	2.95
		40.08	40.08
III.	Trade	5.27	5.27
IV.	{	Engaged in medical, educa- tional, and religious pursuits	1.65
		Administration	1.45
		Military	1.17
		4.27	4.27
V.	In service	4.30	4.30
VI.	Without regular occupation	4.67	4.67

Thus we have six main classes as follows :

	Per Cent.		Per Cent.
I.	41.40	IV.	4.27
II.	40.08	V.	4.30
III.	5.27	VI.	4.67

The effect on the first of these classes will be comparatively small. But owing to the bonds joining to a certain extent all classes of the population, the crisis called forth by war may in the course of time react even upon the agricultural population. The first consequence of the rise in prices will be an increase in the income of this class of the population. Part of the agricultural labourers will be taken from work, but these may be replaced by contingents of men engaged in industry, who will be deprived of work in consequence of the shortening of production.

The fifth class is also comparatively secure, since in consequence of mobilisation a deficiency of such will arise.

The third class, engaged in trade, may also be regarded as secured, since war, while lessening certain forms of activity, will give rise to others. But individually, members

of this class will suffer greatly. As the crisis entailed by war approaches there will be lessened activity in trade, the prices of goods will fall, and only those traders who happen to have reserves of products required for the army, or products the import of which will be stopped, will draw advantage. Generally speaking, in consequence of sudden changes in prices immense difficulties will arise in trade.

The second class—that is, those engaged in industrial undertakings, either as masters or servants—will suffer the most. The greater part of this class is composed of persons occupied in factory work, and these will suffer immense losses. And the proportion of this group to the general population of Germany is very considerable, amounting to 40.08 per cent. It must be borne in mind that these figures relate to the whole of Germany, and that in various parts of the country the proportions are very different. Occupied in agriculture we find :

In Saxony . . .	19.7 per cent. of the population.
In Posen . . .	63.1 " " "

On the other hand, we find 16 per cent. of the population is occupied in industries in one province, and as much as 62 per cent. in others. The proportions occupied in trade in different parts of the country, excluding the great centres, fluctuate between 57 and 11 per cent.

It will be understood that the greater the proportion occupied in industry, the greater the crisis caused by war. In some of the great industrial localities the stoppage of work may cause serious disorders such as happened in June 1848, and March 1871 in Paris.

That stagnation and inevitable crisis in industry will be caused by war is inevitable, for certain reasons. The increase in the price of provisions in consequence of the interruption of communications will immediately diminish the purchasing resources of the population. On the declaration of war all state, commercial, and industrial securities will be depreciated, want of money will be

seriously felt, and the rate of discount will be raised. The more highly developed the trade and industry, the greater will be the perturbations caused and the more numerous will be cases of failure. Generally speaking, not only will the credit of the state, but the credit of all private individuals in all classes of society, be impaired.

The following forms of industry will suffer most of all :

Working and manufacture of metals	. 607,481
Machine building	94,807
Chemical manufacture	71,777
Spinning and weaving	910,089
Leather working and paper making	. 221,688
Manufacture from wood	469,695
Building	533,511
Preparation of clothing	1,259,791

Does there exist among the German working classes such savings as would make the stoppage of work called forth by war unfelt? The accumulation of savings depends upon national and individual character, and also upon the level of work in normal times. The thrift of the Germans is unquestioned. But a considerable part of the population receives insignificant wages, which only satisfy their daily needs ; and among this class there can hardly be any savings.

The existence in Prussia of an income tax, and the corresponding statistics, make it possible to judge of the distribution of income among the population, and conclusions drawn from Prussia may be applied approximately to the rest of Germany. The following figures relate to the year 1890 :

	Proportion of the Population.	Average Income.
Incomes insufficient	. 40.11 per cent. ...	197 m. (£9 17s.)
„ small	. 54.05 „ ...	276 „ (£13 16s.)
„ moderate	. 4.81 „ ...	896 „ (£44 16s.)
„ considerable	1.3 „ ...	2781 „ (£139 1s.)

Thus we see that 40 per cent. of the population belong to the necessitous class, while 54 per cent. have small

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incomes, and are hardly in a position to save. The average income of an individual of the first class is only 197 marks (£9 17s.), and of the second class only 276 marks (£13 16s.).

For the more precise exposition of this matter let us take a province with developed industries. The following figures relate to the kingdom of Saxony. In 1894 the number of persons in Saxony receiving incomes was estimated at 1,496,566. The number of these

Who did not pay income tax was only	85,849	or	5.7 %
Having incomes under 600 m. (£30)	633,929	„	42.4 „
„ from 600 to 2200 m. (£110)	675,862	„	45.2 „
„ „ 2200 to 6300 „ (£315)	79,928	„	5.3 „

The incomes of the population of Saxony are thus distributed :

From landed property	287 mill. m.	(£14,350,000)	or	22.5 %
„ capital	220 „ „	(£11,000,000)	„	17.2 „
„ salary and wages	771 „ „	(£38,550,000)	„	60.3 „
	<u>1278</u> „ „	<u>(£63,900,000)</u>	„	<u>100 „</u>

From this it will be easily seen what convulsions would be caused by the stoppage of work. The following are the figures relating to all Germany. The general income of the population estimated on the years 1893-94 amounted to 5,725,338,364 marks (£286,266,918 4s.). This income was distributed as follows :

Urban population	3878 million m.	(£193,900,000)	or	68 %
Country „	1846 „ „	(£92,300,000)	„	32 „

In 1866 the total income amounted to 3,600,000,000 marks (£180,000,000) and was distributed thus :

Urban population	1620 million m.	(£81,000,000)	or	45 %
Country „	1980 „ „	(£99,000,000)	„	55 „

Thus, when in 1866 the incomes of the urban population of Germany amounted to 45 per cent. of the general

income, the crisis caused by war affected only £81,000,000 of the income of the people. To-day such a crisis would threaten an income of £193,900,000, for now not a half but two-thirds of the general income proceeds from industry and trade.

All this indicates a position by no means favourable. But it is improved by the fact that the amount of savings is considerable. Thus in Saxony in 1893 the number of pass books issued by the savings banks was 1,783,390. The average deposit was £18 9s. But though the existence of such savings is favourable as an economic phenomenon, it could hardly serve to stave off the crisis naturally resulting from war. The average deposit, £18 9s., is too small. In addition, it must be borne in mind that the savings banks would not be in a position to meet a general or even a very large withdrawal of deposits. The deposits in these savings banks amount to £32,900,000, of which over £25,000,000 is placed on mortgage, and £63,500,000 in the public funds. It is obvious that to realise these mortgages in a short time would be impossible, while state securities in a time of war could only be sold at an immense loss. The associations and individuals to whom the remainder of the money is lent would not be able in a moment of crisis to repay their loans, and only the cash in the offices of the savings banks—that is, but £350,000—would be at the disposal of the depositors.

It is very necessary to note that in those industrial localities where the stoppage of work would be felt most acutely, the Socialist teaching and propaganda are most widely spread.

With such a state of affairs, what could the government and society do to lessen the disaster? A certain number of hands deprived of industrial work might be turned to agriculture, and replace the agricultural labourers summoned to the colours. But, in the first place, only the strongest of the manufacturing class could turn to labour in the field, and the vast majority is unfit for such work. In addition, such men would unwillingly

take to field labour, all the more so because the treatment of agricultural labourers in Germany is inferior to that to which factory hands have been accustomed.

To organise public works on a great scale is a difficult task. And the very nature of such works by which the state might undertake to help the unemployed is by no means fit for all. Public works require either great physical strength or special training. And workmen who have been engaged in weaving, in spinning, or in the manufacture of chemicals would, for the greater part, be incapable of work with the crowbar, the pickaxe and the wheelbarrow. The experience of Paris in 1848 in this respect is instructive. When workmen formerly engaged in trades which required only attention and some dexterity were given pickaxes and spades, it was found they could not stand the bent position of the body, and soon had their hands raw from the friction of the tools. The government may give aid to the families of soldiers on service, but obviously cannot feed the whole of the unemployed population.

It must be noted that in Germany, in the number of persons receiving incomes, the proportion of women is very considerable. Out of every thousand persons occupied in industry, trade and manufacture respectively, 176, 190, and 312 are women. The number of women is especially great in the lower and ill-paid forms of work. The greater part of the women are engaged in the following industries :

	umber of men Engaged.	Percentage of Total Number of Workers.
Making, repairing, and cleaning of clothing	551,303	43.8
Spinning and weaving	362,138	39.8
Trade	184,537	22.0
Hotels and buffets	141,407	45.0
Preparation of food products	96,724	13.0
Paper making	31,256	31.2
Stone working	27,660	7.9
Wood „	27,372	5.8

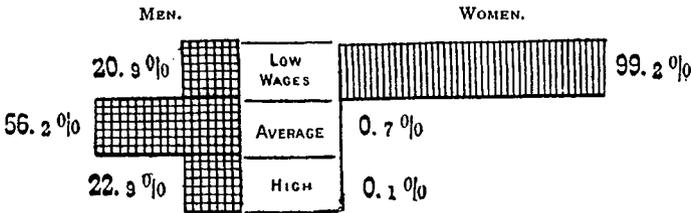
In general in Germany the rate of wages is very low,

the yearly earnings of individuals engaged in industry fluctuating between £30 6s. and £50 2s., which to the large families of the German working classes means poverty. Women workers in Germany receive much less than men, generally less than a shilling a day, while nowhere except in Anhalt do the daily earnings of women reach two shillings. If 24 shillings a week be considered moderate payment, over 24 shillings high, and under 15 shillings low, the distribution of workers according to these categories appears :

	Low Wages	Moderate Wages.	High Wages.
Men and women together . .	29.8	49.8	20.4
Men separately	20.9	56.2	22.9
Women separately	99.2	0.7	0.1

In view of the importance of this question we present the result graphically :

Classification of Workers in Germany according to Wages.



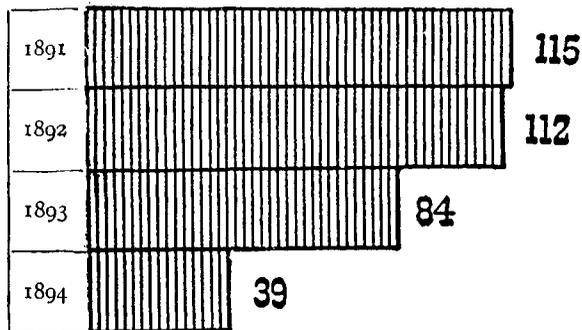
From this it will be seen that women receive much lower wages than men. Less than a fifth part (19.76 out of 99.2) receive more than 10 shillings a week, while 70 per cent. receive less than 10 shillings, and more than half receive less than 8 shillings a week. To such women, living independently, the cost of lodging and

food is not less than 5 shillings a week. It will be seen how little remains out of weekly earnings of 6 to 8 shillings, for clothing, against sickness, and for other unforeseen contingencies.

Thus it cannot be expected that on a stoppage of work caused by war the workers of Germany could find any considerable resource in their savings. In particular this will be the case with the women workers, and it must be borne in mind that in times of disorder women always appear as a dangerous element. The assistance which the government grants to the women whose fathers and husbands have been called away to the army will be insignificant, especially in view of the rise in the price of food of which we have above spoken.

It is very probable that the condition of the working classes in Germany will constantly deteriorate. It is true that emigration to America in recent years has fallen off, as the following diagram shows.

Emigration from Germany to America in Thousands.



But such a decrease took place in consequence of the difficulties with which emigration was attended. In view of the immense development of German industry, and of the raising of protective duties in other countries, Germany, in order to keep her place in the foreign

markets, has been forced to work and sell more cheaply. The lowering in the price of manufactured goods has had its natural consequence in a fall of wages. This in itself is a misfortune. But when we add the misfortunes of war, which will shorten work even at low wages, it is difficult to foresee the consequences.

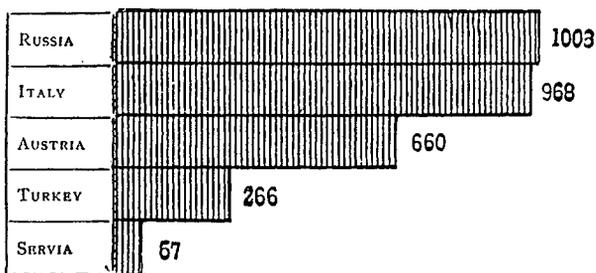
It is necessary also to consider how war will react on the interests of the propertied classes in Germany. Their savings are very considerable, and the German debt is almost all held in Germany. War will produce a great panic on the money market, and the value of the securities in which are invested the savings of the propertied classes will be greatly depreciated. To carry on war it will be necessary to obtain a loan of fifty millions sterling, and, in the event of failure, it may be of several times this sum to pay contributions. And even in the event of a successful war those loans which will be issued for carrying on operations can be placed only at low prices. So early there can be no assurance of victory, while defeat might entail the disruption of the German Empire.

It need hardly be pointed out that shares in industrial undertakings will fall even more than government securities. But in addition to government funds and industrial securities, foreign securities are held in Germany to an immense amount. Since the introduction of a stamp duty on foreign securities, on their admission on the German Bourses, vast quantities of such securities have been acquired. Between 1882 and 1892 foreign papers were presented for stamping to the value of 20,731 million marks (£1,036,550,000), of which 5644 millions of marks (£282,200,000) were actually stamped, that is, admitted officially on the Bourse. In this number were admitted securities of countries which might take part in a war.

Russian	.	.	1003 million marks	(£50,150,000).
Italian	.	.	968 " "	(£48,400,000).
Austrian	.	.	660 " "	(£33,000,000).
Turkish	.	.	266 " "	(£13,300,000).
Servian	.	.	57 " "	(£2,850,000).

We will present this graphically :

Value of Foreign Securities stamped in Germany in Millions of Marks.



Of course not all of the securities stamped in Germany remained there in circulation. But if this be so, they have been replaced by others, since local capital still continues to seek advantageous investments.

The immense quantities of government and trading-industrial securities, both local and foreign, circulating in countries where the propertied classes are numerous and dispose of immense savings, increase the risk of war for such countries, and accentuate the crisis which it will cause. Thus in Germany an unsuccessful war would result in immense losses in such securities, and in those which would be issued to meet military necessities. But even in the event of a successful war, Germany would sustain great losses in the securities of those countries which had lost.