

(November 22nd, 1915.)

## The Effect of the War on the Commerce and Finance of this Continent.

BY MR. CLARENCE W. BARRON.\*

AT a meeting of the Club held on the 22nd November, Mr. Barron said:

*Mr. President and Gentlemen of the Canadian Club,—* After such a flattering introduction I don't know what you could not expect of me. You might expect almost anything. I said to Mrs. Barron as I left the hotel this noon that there was so much I wanted to say, it would take me three hours to say it, and how to put it into thirty minutes I did not know. She said: "I want you to follow one direction from me and not look at any notes. You know your subject and all you have to do is to speak right out what you know and feel." That is what I must do and do rapidly, and if I appear at times not clear or illogical, Mr. Deacon and Mrs. Barron will be measurably responsible. I must speak to you extemporaneously and from the heart if not from the mind. Speaking is somewhat out of my line: It is different, you know, from writing, where one may carefully revise his expressions that they may carry the full thought.

### *Canada's Sacrifice*

One serious thought has been in my mind ever since I started for Canada in response to Mr. Deacon's request. The solemnity of this situation impresses me when I remember that a year ago in London I was looking into the faces of those bright Canadian boys as they came up from Salisbury Plain, where 33,000 of them were in training. In many places in London they were more noticeable than the English soldiers. Their faces seemed to me the brightest; their youth the most promising. When I now read of those Canadian regiments decimated in France and Flanders and come to this city of bereaved families and saddened homes to speak to you of the

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commercial aspects of the war, my subject seems almost a sacrilege. But this is a man's war, a war for humanity, and man must pay the price. (Applause.)

### *Conflict of Ideals*

The causes under this war are in a large way man and his development, although the immediate causes are commercial. As an Anglo-Saxon I rejoice at the difference in sentiment in Britain and in Germany. Now, don't think of the Germans, I beg of you, as singing the "song of hate"—that "song of hate" for which its author, Earnest Lissauer, was decorated, but which song, I believe, has now been officially suppressed. England is not fighting in hatred of Germany or the German people. The German people are not in a direct way responsible for this war. Their government has been a thing apart from themselves.

This war was a necessity in the development of humanity because two systems of government had grown up in the world that could no longer live side by side.

Man's development began with a club of war. The head of a family had to fight for food. He had to fight in the forest for game, in the waters for fish, in the soil and against the elements for his grain. He had to fight for everything at first. Man comes through his individual fighting period and becomes organized under an imperial or Kaiserlich form of government, primitive and small at first, with the fighting men organized for the welfare of the tribe. The eras of peace are expanded, and as villages grow into cities and are welded into states, and as states become nations, civilization is developed and the individual loses his state of warfare and the government becomes his protector, his warrior. But it is the idea that human progress is by physical conquest crystallized in the German system of thought that you should thoroughly understand. This thought and the education therefrom was formulated by their great teacher, Nietzsche, and was continued through Treitschke and Bernhardi. It was the doctrine that happiness was in power, not usefulness; that the State has no morals; that what the individual must not do the State may with impunity do; that the business of the State is to increase in power. That is the form of government which says that the people are the servants of the Crown, while you know the Anglo-Saxon race stands for the principle that the government is the servant of the people.

*All Anglo-Saxons for Democracy*

Mr. Deacon has asked me to speak a few words on the attitude of the United States. (Hear, hear.) He said I was pro-Ally. I instantly repudiated it. I am democratic in the largest sense. We cannot be responsible if Great Britain becomes broader in principle than her empire in territory and fights for the true principles of democracy for which we stood more than a hundred years ago. You need not have any doubt that the whole Anglo-Saxon race will stand for democracy every time. (Applause.)

We must consider this war from the two sides—human development and commercial development. No sooner is man, in his social development, in order and organization, than he is found under the reign of priest and king—reigns, I admit, quite necessary at his primal development. The kings said that they were the government and the priests said they would hold the lines of education and lead and control man's thought. How many bloody wars did it take to demonstrate that man had the right to read, to communicate intelligences, and to think for himself!

Later arose a division of opinion as to whether one man had the right to be the owner of another man. How long did that discussion go on concerning the declaration that a black man was from his birth a servant of the white man! We fought it out over your southern border and we called it a fight for human liberty. It took forty states in fratricidal strife for four years to settle that problem; and we settled it not alone for ourselves and this continent, but for the whole world.

*The State and Morality*

Now another struggle in human freedom and human progress is being fought out. It may not appear on the surface, but it is the clash of two systems of government that, as I said before, can no longer live side by side. The problem is: shall the government be the servant of the people or the people the servant of the government?

It was necessary that the most material, the most scientific and the most philosophic nation in the world should bring forth and stand up for the principle that humanity is developed by force; that national development means progress by force of arms and the absorption of other lands and of other peoples; that in national progress you must eat up or be eaten up.

There arises then that philosophy that the "will to power" is the way to happiness; that the business of the State is to

grab, to get, to hold, in every way it can; in fact, that national piracy is right and that there is no international morality because the laws of international morals have never been formulated.

We in the Anglo-Saxon world know that every right comes up, from the people and that people cannot do collectively what they have not the moral right to do individually. Our right to defend our family, our home, our property, is ours individually, and these inherent individual rights we transmit to the State—our State that becomes our defender with the same rights and moral principles we individually hold. We are dealing in this war with great issues, every one involving moral responsibility and national and international morality.

What must occur when any system of government declares it must expand by force of arms? "Kultur," in the German sense, means forceful influence, commercial expansion, prosperity in its most material sense; growth in population, in lands, in wealth and in material power. You take the most material, most philosophic and most scientific nation in the world and let it stand for that kind of "Kultural" growth and you have in time an issue which must be fought out before there can be any further progress in the world. (Hear, hear.)

*Commercial Causes*

That issue crops up, beginning many years back, in the commercial treaties thrust upon Russia by Germany at the close of the Russo-Japanese war. Germany forced tariff treaties upon Russia at the point of the bayonet, just as she forced Russia to consent that Austria should take Bosnia and Herzegovina in violation of the treaty of Berlin. The demand was, "You must assent or have war," and on neither occasion was Russia in position for war.

These forced commercial treaties were very onerous to Russia, and a few years ago—you would not read of this in the morning papers, it was not reported in the telegrams of the day—Russia asked Berlin to modify these treaties. The answer was, "No, they are good enough for Germany, and Germany will insist upon their renewal." Under these treaties agricultural products of Russia were kept out of Germany, but German products went through Russia from Moscow to Vladivostok. Indeed, German merchants and German merchandise dominated in Russia and eastward, and over the entire line of the Siberian Railroad.

Russia could remove this disability under which her international exchanges, her products and her people were suffering

only by force of arms, and Germany recognized that upon the termination of these treaties, in two or three years, she would be unable to renew them except by force of arms. This is a primary, a commercial cause, and the immediate cause, of the war. The incident of the murder of the Crown Prince in Serajevo is no longer discussed as any cause for war. Russia was preparing to free herself from German commercial bondage.

### *The Opportune Moment*

Germany knew it and knew that 1914 was the right time for Germany to strike. The German Emperor must consider the commercial, military and financial situation of Russia; also the conditions in Austria and France. The French banks had made large advances to the Balkan States and the Balkan loans had yet to be floated with investors. The French budget was in arrears and French revenues were \$200,000,000 behind expenditures. While Germany had been preparing for three years and had her financial house in order, France was in financial turmoil.

German spies thought they reported correctly that India was ready to secede; it was unthinkable in the German Emperor's view that South Africa should support the British Empire so soon after her war. (Applause.) They counted every rifle in Dublin and Belfast, and figured that England's hands were full with trouble in Ireland. The Emperor of Germany could not conceive that Canada would do anything else than go to Uncle Sam. (Laughter.) Canada and the United States have no more designs on one another than the North and South Poles. There is no power on earth that can set these two peoples at loggerheads or put them in any other social or political relation than those they now have. (Applause.) But, from the German view point, what was there to do, but make the issues of war at that time and give the incident at Serajevo as the cause?

You must consider this war in its causes and effects in a very broad way. It is not only very broad in cause and effect in relation to the progress of humanity, but it is very broad in its financial, its material, its commercial, aspects.

To understand this war and its issues you must view it geographically as well as historically. You know where you stand in the progress of man and of humanity; that is the real progress. How can you have doubt as to your material prosperity when you consider whence prosperity flows? All wealth is from the sunshine, through the soil and by the labor

of man; and the nation which holds the soil holds the future. There are only two great unturned arable soils in the world to-day awaiting human occupation. These are in Russia and the upper part of the North American continent. (Hear, hear.)

### *The Strength of Canada*

Now when it comes to the settling of this war—the settling up and the settling down—you know or ought to know who has the land and where the future settlements will be! You are 7% of the North American continent in population and you have more than 7% of the railroad mileage. In respect not only to railroads, but in some political and financial aspects, you are better off than we are in the United States. The government here aids and helps to finance your transportation. You have a homogeneous government. You are protected on two sides by the oceans; on the north by nature; and on the south you have no Belgium and no Germany. You are protected on the south because no one would think of going through your southern boundary. (Applause.) You are the best protected people in the world! What better situation could you think of, when you ask who is going to get the material benefits in the settlements after the war? You think you have too many railroads; you haven't enough for the future! Provisionally you have three transcontinental railroads; and what is needed for the future of humanity is transportation. One of your weaknesses is in lack of machinery and smelting facilities for the development of your mineral wealth, but efforts are already being made to remedy this, and more will be after the war. (Hear, hear.) What you need is more mineral development, more agricultural development, more transportation, more people; and all these, it seems to me, you will get after the war.

Two of the greatest benefits, geographically speaking, will fall to Russia and Canada. England has no more land for her home people; France no more and Germany no more—she will have less than she now holds. (Applause.)

### *The Undesirable Germany*

Land development is the material blessing that you will receive; but the whole world will get the greater blessing of freer and broader thought. You may think Germany a nation of philosophers, of thinkers; but the one thing they have not thought of under the Hohenzollerns is government and its relation to other things and other peoples in this world.

National and international relations are foreign to German thought. The sphere of government is something apart from the people, and the people have nothing to say concerning their international relations. Thinking and speaking nationally, the Kaiser maintains—and rightfully under the German system—that he is the holder of German morality, or, others might say national immorality. That has all got to be changed hereafter, and the German people have got to think nationally and internationally and be responsible for their government. German diplomacy has proven the worst in the world; and why not? Diplomacy is nothing but international politeness—a due regard for the position of the other fellow. The Germans have never had due regard for the position of other nations.

Only forty per cent. of the Germans are Prussians yet the Prussians have been the warriors and the political makers of Germany. They welded Germany into an empire and have since reigned supreme. Hereafter the Germans, as a people, rather than the Prussians, as their military rulers, must be heard from.

#### *The Desirable Germany*

Your great English statesman, Mr. A. J. Balfour, is right in his declaration to his friends that this war is not against the industrial progress or the commerce of the German people and that the loss of industrial Germany would be a world loss. You must remember that Germany has wonderful social, industrial, transportation, postal, collection and financial systems; and in these respects represents the highest material development. But material development can make great progress under a strong solidifying and concentrating hand with a morally wrong leadership. When that material development has reached a climax the world has got to stop and change the system, or its head, with as little damage to the machinery as possible. Many people in the world could see nothing but cotton and material progress in the South, but that system had to be changed and the human principles under it readjusted. The South never could have changed its social and political system. The German people, left to themselves, never could have changed their international policies or military government planning expansion by conquest. The German people have got to know that they and their government have got to hold moral responsibilities, national and international. (Hear! hear! Applause.)

#### *Germany's Ambition*

Russia is going to come forth into the greatest freedom the world has ever seen. (Applause.) Here is one of the greatest unturned soils in the world, and a population of 166,000,000 people. What was the feeling of Germany towards her? She feared Russia would outclass her in numbers and power, because Germany looked at things material. Instead of regarding Russia as a neighbor and friend, and welcoming her expansion as that of a customer, she sought to curb her growth. Germany wanted the earth. First, she would be dictator of Europe. She expected to bisect Europe from the Baltic to Constantinople, and reach from the Persian Gulf to India. She had the big ships for the ocean and stole Kiao Chow from the Chinese for her eastern base. The line of cleavage she planned was through Constantinople. Finally, she expected to fight it out with England unless England would join in her plans. Over and over again she said to England, "We will divide and rule with you, and with you control the seas." But England said, "Never! (Hear! Hear!) There is no partnership that way for anybody. We are here to develop God's earth in the interest of humanity!" (Applause.)

#### *The Issues*

There are forty issues in this war. A few weeks ago I said there were thirty-six. But there are four more since Greece and Bulgaria have to be reckoned with. And we are glad to have more. Let them all come into the melting-pot! The job is so big. There is so much to be done, we don't want any to be left out. There is the Turkish question; the Mesopotamia irrigation question and the Mesopotamia oil fields. You know that rich territory between Batum and Baku on the Black and Caspian seas where the rich oil fields come down from the Ural mountains and terminate in the land of the Turk. Here is not only a great problem, but a great source of future power. The soil of Asia Minor is rich; but is it developed in Turkey? The Turk is a receding factor, in both power and development. You have development only where the spirit of the people is right. (Hear! Hear!) The moral fibre is the first essential. You will stand after this war just where you stand during the war in regard to the uplifting spirit of self-sacrifice, the Christian religion, and the progress of the world. (Hear! Hear!)

*The French Spirit*

Who is making great sacrifices? Germany says Britain is not doing much because she is neither recovering nor now gaining in territory. We might drop the whole of Germany into China, but does territory make a nation, or the spirit of the people? Germany has never recognized that the soul of the nation is the spirit of the people. The war is having a different effect upon the Allies from that which the Teutons anticipated. France is coming forward into new life, such as we never dreamt of before. (Applause.) She was showing us the highest in art, in painting, sculpture and architecture. Now she is showing us the soil of fraternity. For many years wherever you passed on the railroads or the highways of France or through Paris you saw posted on the walls "*Liberté, Égalité, Fraternité.*" It seems a very artistic presentation of a motto that sounded well politically, but now you see millions supporting it with their lives and ready to die for the spirit of it—the spirit of democracy. (Applause.)

*Soul of Great Britain*

Now what do you see in Great Britain? The British Empire is realizing the national spirit of administrative justice. (Applause.) England is the servant of all people, Africa, Asia, North and South America, to bring humanity forward into the light of freedom. Thus shall you see the soul of Great Britain. What will be the material effort? You can read over and over again in the Sacred Scriptures about the blessing of the generations of the upright, and the results. The external is not the essential, but the internal; and what does the Psalmist say of the upright? "He shall not be afraid of evil tidings." If you have any faith in the principles of your Empire, you have not the slightest doubt about the issue whether as regards Turkey or the Balkan states. (Applause.) If you have the faith that removes mountains of difficulties, you have faith that the results will insure the triumph of freedom in this war for humanity. (Applause.) That faith is the real essential thing, faith in the right, faith in democracy. (Hear, hear and applause.)

*Attitude of U. S.*

They have asked me where the United States stands. Where is Big Brother Jonathan? His soul is no bigger than yours! Think of Belgium, and her little spot of territory on the English Channel defended by the men and arms of England.

This Belgium to-day is in spirit the biggest country in the world! (Hear, hear and applause.)

Now where do we stand? The man who hasn't any arms when the burglar is at his front door had better stand still! (Laughter.) But we are getting arms. Ten million rifles are building, but for your British Empire and her Allies. (Applause.) We never floated a loan for five hundred million dollars until we floated one for you and your Allies. (Applause.)

I said when I went to Washington to investigate the Lusitania business that we could settle the war and settle it soon so far as Germany was concerned by giving half a billion to Russia, our friend in our Civil War, and half a billion to France, our friend in our Revolutionary War. We have now done that, and more. We have loaned the Allies five hundred millions without any fuss about it, and we say it is only the beginning! (Applause.) We have given you millions in commercial credits that you don't hear about, and are arranging to give you millions more. (Hear! Hear!) We have loaned you a billion dollars for our securities, at very good prices. We bought your Canadian Pacific in a market of advancing prices, and as fast as we bought it you got the money. We have loaned millions and are building up credits where Great Britain was formerly looked to for funds. The war has cost you six billion dollars, and to-day we have loaned you over two billions; and that is only the beginning. (Applause.)

*How Cost is Paid*

I am asked who will pay these large figures of war costs. Suppose the present wealth of Great Britain and her Allies be placed at 250 billions, and the war costs at about fifty billions. If after the war you shrink the remaining 200 billions by 25% you have then only 150 billions left to pay your fifty billions, and you are pinched. But providentially something we call inflation comes in. There is an increase in wages during war. It shows in everything, from a watch-spring to the food you eat. What we call war inflation is simply a necessitous advance in wages. It is conceivable that your 250 billions may become before the end of the war 400 billions, and then your fifty billions, instead of being a third of your figured wealth, may be but one third your increase. The world will be richer in spirit and in material things every year that this war goes on.

*War's Duration*

Now you may ask me how long this war will go on. I was not inclined to credit the expectations a year ago of a Christmas drive. I figured out that you would not be ready to do much for a year. If you are ready by next spring, you will be in good time. So far as the nations of the world are concerned, you can't settle this thing in a hurry. When you know you are in for a good long struggle, there is a better national spirit. I think Kitchener was right and that the Allies should prepare for a three years' war, but not expect more than two. Using such financial brains as I have, I think the Germans can't go through a third winter.

*Three Factors—Men*

Why do I believe this? There are three factors to cause the collapse of Germany. The first is men. You can put into your fighting line only 10 per cent. of your population. Germany had a population of 66,000,000 at the outbreak of the war, but she has grown faster in the last fifteen years in population by increase in families than any other nation, and it is figured that, measured by population in other countries, her real strength for immediate war purposes is less than 60,000,000. At the beginning she had no more than 6,000,000 men for the firing line. France has two-thirds as many, Russia has twice as many and Great Britain promises 4,000,000 men for the front by next spring. Without arms, equipment or organization, Great Britain and her Allies began with more than two men for one as compared with Germany, Austria and Turkey.

The Germans have lost their first million of men in nearly four million casualties. A majority of the wounded go back; but the war will go on with an increasing ratio of destruction. In the third year of war Germany will have lost one-half her fighting men. When you have broken by one-half the human force in a beleaguered nation you can figure on the terms and times of victory. Joffre says that what he wants is Krupps and that he will get it when he disposes of another million Prussians right on the soil of France. He says that is where the war began, will be fought out, and will be finished.

I asked among the highest authorities for Germany a year ago, "What do you expect as the outcome of this war?" "We expect a draw," they replied. That was the best they expected after Great Britain went into it. I said, "You'll

never get it!" The issues are too great between the two systems of government. There can be no compromise; there can be no draw; it has got to be fought out. (Cheers.)

*Food Supply*

I think I have shown you that the length of this war depends upon the supply of men, in the first place. After men what do you need? Don't gloat over it, but the Germans are in distress for food. And the starvation will not be felt by the man in the trenches, but by the women and children at home. It is only there that you can cut down in food supplies. In the field there is waste, and increased consumption. When you speed up your machinery you have to throw in more fuel under the boilers.

Germany formerly raised 85% of her food. Belgium was always dependent upon food imports. She is, therefore, a food liability and not a food asset. I figured that Germany with a normal crop would be deficient in food in war time not only by 15% as before, but by 30%. Germany formerly had the assistance of 300,000 Poles who came in every autumn to help gather her harvest. I don't imagine there was any volunteer help from that quarter this fall. There was diminished force throughout Germany in the field and the weather was not favorable. The reserve power of Germany is not what it is in other countries. Germany has always worked with her full reserves in men, women and children, as well as in finance, chemistry and machinery. The women have always worked in the fields and, therefore, she cannot now summon the reserve labor of women as can other nations.

The crops gathered in Germany this year were only about two-thirds of normal and with the increasing demand this means only half a harvest. You can read in the German papers, notably in the *Frankfurter-Zeitung*, that the public calls upon the government to take possession of the food supplies in one line after another. The last call in the *Frankfurter-Zeitung* was for the government to control all the supplies of fat. That paper complained that the poor had now no fat for their frying pans.

*Finance*

First, the supply of bread had to be regulated, then the supply of meat was curtailed and now the government has been called upon to regulate the frying pan and it must be done. The crops are always determined in this latitude about July, and up to July, Germany could send for cheese to

Switzerland, for butter to Demark, for beef to other countries, but in July, Germany was informed by these neutral nations trading with her that cash must accompany all orders, and cash means gold. When food fails, your finance fails. Crop failure always touches finance. The money supply soon goes down, not immediately, but gradually. The gold supply, fundamental in the German system, now begins to decline.

You have then these three factors against Germany. Her supply of men can't last three years; and there is the factor of shortage of food; and there is the failure in finance and reserves; for gold, finance and reserves can't last long where crops are deficient.

#### *Canada's Destiny*

I don't want to swell your pride too much by telling you how tremendous will be the material results to you after this war. We have not in the United States the available arable land that you have. You have proportionately more railroads; and so long as a country needs for its prosperity freedom, good government and good transportation, you are in a favored position. Russia has also the land, but has got to build more railroads. But you are the one people who have the land, with the right climate, position and transportation and you are ready to invite the whole world to come in.

In the next generation you will not be 7% of the North American people in population and growth but a far larger part. I see a growth for Canada in the next thirty years greater than for any other part of this continent. Indeed, I think you will grow in the next thirty years faster, broader and greater than any part of this continent has ever grown in any thirty years.

#### *Some Questions Answered*

The hour of two o'clock having arrived, Mr. Barron concluded his address, but offered to remain to answer any questions that members of the Club might wish to put to him.

In response to a question by Mr. J. W. Woods, Mr. Barron stated that the banishment of vodka in Russia had given wonderful results. The drink bill of that country had paid the government \$300,000,000 a year. Since drink had been abolished the increase in the savings deposits of the people had been more than \$300,000,000. All of this was an increased credit for the government and its war finance. After the war, Russia would have outlets through the Dardanelles and the Kiel Canal, which should be free to the whole world

in the great era of peace and development now assured from this war.

Asked as to how long Great Britain could go on paying \$25,000,000 a day for the expense of the war, Mr. Barron replied:

"As long as you and I back her up. England is worth more commercially to-day than ever before. She has the carrying trade of the world, no less land, no fewer colonies; and her manufactures, trade and commerce are greater than ever. One half the hands in a factory may enlist for the war, yet, astonishing to relate, the output of the factory increases, the men remaining work with redoubled energy and the women volunteer for work that was never expected of them. The full strength of labor and finance will back up the Empire. Last December, the day before I sailed for America, I asked one of the richest men in England concerning the income tax and he replied: 'I and my friends are glad to pay double and expect to pay at least half our income before the end, but it is not begrudged. The government can have everything; all we ask to have left is our bread and butter'."

#### *England's Cruse*

As to Britain's ability to pay the bills, there will be no diminution in that cruse of oil. (Tremendous cheering). So long as Britain's name on a scrap of paper is made good by her blood and treasure before the world, you can put no commercial value or limit on the Empire of Great Britain. (Hear! Hear! Good! Good!—cheering and stamping of feet).