

Chapter 1 : U.S. Policy on War Loans to Belligerents - World War I Document Archive

Shaping Britain's choices throughout the war was the desire to preserve Britain's role as the dominant international financial power in the post-war world. War Finance (Great Britain and Ireland) | International Encyclopedia of the First World War (WW1).

Washington, August 10, My Dear Mr. I beg to communicate to you an important matter which has come before the Department. Morgan Company of New York have asked whether there would be any objection to their making a loan to the French Government and also the Rothschilds -- I suppose that is intended for the French Government. I have conferred with Mr. Lansing and he knows of no legal objection to financing this loan, but I have suggested to him the advisability of presenting to you an aspect of the case which is not legal but I believe to be consistent with our attitude in international matters. It is whether it would be advisable for this Government to take the position that it will not approve of any loan to a belligerent nation. The reasons that I would give in support of this proposition are: Money is the worst of all contrabands because it commands everything else. The question of making loans contraband by international agreement has been discussed, but no action has been taken. I know of nothing that would do more to prevent war than an international agreement that neutral nations would not loan to belligerents. While such an agreement would be of great advantage, could we not by our example hasten the reaching of such an agreement? We are the one great nation which is not involved and our refusal to loan to any belligerent would naturally tend to hasten a conclusion of the war. We are responsible for the use of our influence through example and as we can not tell what we can do until we try, the only way of testing our influence is to set the example and observe its effect. This is the fundamental reason in support of the suggestion submitted. Lansing observed in the discussion of the subject that a loan would be taken by those in sympathy with the country in whose behalf the loan was negotiated. If we approved of a loan to France we would not, of course, object to a loan to Great Britain, Germany, Russia, Austria, or to any other country, and if loans were made to these countries our citizens would be divided into two groups, each group loaning money to the country which it favors and this money could not be furnished without expressions of sympathy. These expressions of sympathy are disturbing enough when they do not rest upon pecuniary interests -- they would be still more disturbing if each group was pecuniarily interested in the success of the nation to whom its members had loaned money. The powerful financial interests which would be connected with these loans would be tempted to use their influence through the newspapers to support the interests of the Government to which they had loaned because the value of the security would be directly affected by the result of the war. We would thus find our newspapers violently arrayed on one side or the other, each paper supporting a financial group and pecuniary interest. All of this influence would make it all the more difficult for us to maintain neutrality, as our action on various questions that would arise would affect one side or the other and powerful financial interests would be thrown into the balance Department of State, Washington, August 15, Inquiry having been made as to the attitude of this government in case American bankers are asked to make loans to foreign governments during the war in Europe, the following announcement is made: There is no reason why loans should not be made to the governments of neutral nations, but in the judgment of this Government, loans by American bankers to any foreign nation which is at war are inconsistent with the true spirit of neutrality. New York, October 23, Mr. Supplementing our conversation of this morning, I desire to call your particular attention to the following conditions now existing in this country and abroad. The outbreak of the European War came at a time when this country owed a large amount to Europe, particularly to England in the form of short time drafts, maturing between the outbreak of the war and the end of the year. The amount, while large, was not abnormal, considering the volume of our trade relations and was directly due to the anticipated shipment of cotton during the autumn. War conditions, as you are aware, have made cotton bills unavailable for the settlement of this balance against us and it can only be wiped out by the shipment of the goods, in lieu of the cotton, that are now needed and desired by the various European countries. This is true, regardless of any temporary bridging over of the situation, and it has been the policy of the National City Bank, as far as possible and proper, to

stimulate the unprecedented and unusual buying that is now going on in this country by foreign governments and their nationals. Owing to war conditions, this buying is necessarily for cash and it is of such magnitude that the cash credits of the European governments are being fast depleted. Lately we have been urged by manufacturers who are customers of the bank and, in some cases, by representatives of the foreign governments, to provide temporary credits for these purchases. For that purpose we have recently arranged to advance the Norwegian Government some three million dollars, practically all of which is to be expended for cereals in this country. Very recently the Russian Government has placed directly, and through agents, large orders with American manufacturers -- such large orders that their cash credit has been absorbed and they have asked us to allow an overdraft, secured by gold deposited in their state bank, of some five million dollars. Some of our clients have been asked to take short time Treasury warrants of the French Government in payment for goods and have, in turn, asked us if we could discount them or purchase warrants direct from the French Government for the purpose of replenishing their cash balances. We have also been asked by European interests practically the same question as to English Consols and Treasury securities. Some of our German correspondents have approached us with the suggestion that, without naming a particular security, we sell securities to increase their cash account with us, and we have little doubt this is indirectly for the purposes of the German Government. We strongly feel the necessity of aiding the situation by temporary credits of this sort, otherwise the buying power of these foreign purchasers will dry up and the business will go to Australia, Canada, Argentine and elsewhere. It may in the end come back to us, but the critical time for American finance in our International relations is during the next three or four months and, if we allow these purchases to go elsewhere, we will have neglected our foreign trade at the time of our greatest need and greatest opportunity. It is the desire of the National City Bank to be absolutely in accord with the policies of our own Government, both in its legal position and in the spirit of its operations and, while very anxious to stimulate our foreign trade, we do not wish to, in any respect, act otherwise than in complete accord with the policy of our government. For the purpose of enabling them to make cash payments for American goods, the Bank is disposed to grant short time banking credits to European governments, both belligerent and neutral, and where necessary or desirable replenish their cash balances on this side by the purchase of short time Treasury warrants. Such purchases would necessarily be limited to the legal capacity of the bank and, as these warrants are bearer warrants without interest, they could not and would not be made the subject of a public issue. These securities could be sold abroad or be readily available as collateral in our foreign loans and would be paid at maturity in dollars or equivalent in foreign exchange. Washington, September 6, My Dear Mr. Doubtless Secretary McAdoo has discussed with you the necessity of floating government loans for the belligerent nations, which are purchasing such great quantities of goods in this country, in order to avoid a serious financial situation which will not only affect them but this country as well. Briefly, the situation, as I understand it, is this: Since December 1st, , to June 30, , our exports have exceeded our imports by nearly a billion dollars, and it is estimated that the excess will be from July 1st to December 1, , a billion and three quarters. Thus for the year the excess will be approximately two and [a] half billions of dollars. It is estimated that the European banks have about three and [a] half billions of dollars in gold in their vaults. To withdraw any considerable amount would disastrously affect the credit of the European nations, and the consequence would be a general state of bankruptcy. If the European countries cannot find means to pay for the excess of goods sold to them over those purchased from them, they will have to stop buying and our present export trade will shrink proportionately. The result would be restriction of outputs, industrial depression, idle capital and idle labor, numerous failures, financial demoralization, and general unrest and suffering among the laboring classes. Probably a billion and three quarters of the excess of European purchases can be taken care of by the sale of American securities held in Europe and by the transfer of trade balances of oriental countries, but that will leave three quarters of a billion to be met in some other way. Furthermore even if that is arranged, we will have to face a more serious situation in January, , as the American securities held abroad will have been exhausted. I believe that Secretary McAdoo is convinced and I agree with him that there is only one means of avoiding this situation which would so seriously affect economic conditions in the country, and that is the flotation of large bond issues by the belligerent governments. Our financial institutions have the money to loan

and wish to do so. On account of the great balance of trade in our favor the proceeds of these loans would be expended here. The result would be a maintenance of the credit of the borrowing nations based on their gold reserve, a continuance of our commerce at its present volume and industrial activity with the consequent employment of capital and labor and national prosperity. The difficulty is -- and this is what Secretary McAdoo came to see me about -- that the Government early in the war announced that it considered "war loans" to be contrary to "the true spirit of neutrality. The language is as follows: Bryan thought it well to repeat the August declaration and it appears in the first sentence of division 13 of the letter, a copy of which I enclose. On March 31, , another press statement was given out from the Department which read as follows: While loans to belligerents have been disapproved, this Government has not felt that it was justified in interposing objection to the credit arrangements which have been brought to its attention. It has neither approved these nor disapproved -- it has simply taken no action in the premises and expressed no opinion. The practical reasons for the policy at the time we adopted it were sound, but basing it on the ground that loans are "inconsistent with the true spirit of neutrality" is now a source of embarrassment. This latter ground is as strong today as it was a year ago, while the practical reasons for discouraging loans have largely disappeared. We have more money than we can use. Popular sympathy has become crystallized in favor of one or another of the belligerents to such an extent that the purchase of bonds would in no way increase the bitterness of partisanship or cause a possibly serious situation. Now, on the other hand, we are face to face with what appears to be a critical economic situation, which can only be relieved apparently by the investment of American capital in foreign loans to be used in liquidating the enormous balance of trade in favor of the United States. Can we afford to let a declaration as to our conception of "the true spirit of neutrality" made in the first days of the war stand in the way of our national interests which seem to be seriously threatened? If we cannot afford to do this, how are we to explain away the declaration and maintain a semblance of consistency? My opinion is that we ought to allow the loans to be made for our own good, and I have been seeking some means of harmonizing our policy, so unconditionally announced, with the flotation of general loans. As yet I have found no solution to the problem. Secretary McAdoo considers that the situation is becoming acute and that something should be done at once to avoid the disastrous results which will follow a continuance of the present policy.

Chapter 2 : World War 1: The Cost of War | Owlcation

First World War > Statistics > Financial Cost of the First World War; Financial Cost of the First World War. Allied Powers. Cost in Dollars in United States.

Governments can pay their bills in three ways: The public usually recognizes the first two, for they are difficult to hide. But the third tends to go unnoticed by the public because it involves a slow and subtle reduction in the value of money, a policy usually unarticulated and complex in design. Kings and queens, by secretly reducing the amount of gold in coins they issued to the public, could use the gold held back to pay for their own pet conquests. Slowly the public would discover that the coins they were using had less gold than the amount indicated on their face. Their value would be bid down, and the coin-holding public would bear the costs in lost purchasing power. Legal-tender laws adopted by governments prevented the public from exchanging bad coins at less than their face value. A fall in market value, after all, would cut off a significant future revenue source: Just as kings debased coins to help pay for their wars, the Federal Reserve used inflation to help pay for US participation in World War I. It did so by creating and issuing dollars in return for government debt. Furthermore, the Fed brought this debt onto its balance sheet at a higher price than the market would have paid otherwise, a subsidy born by all those who held money as its purchasing power declined. Before explaining how this process worked, it is necessary to know a few things about the Fed. The institution began operations in on the "real-bills" principle. Member banks could borrow cash from the Fed, but only by submitting "real bills" as collateral. These bills were short-term debt instruments that were created by commercial organization to help fund their continuing operations. The bills were in turn backed by business inventories, the "real" in real bills. By discounting or lending cash to banks on real bills, the Fed could increase the money supply. But government debt was not of a commercial nature, and therefore was not considered a real bill. An earlier step to harness the Fed for war-financing purposes was the addition of Section This change allowed the Fed for the first time to make loans to member banks with government debt serving as collateral. Thus, while loans on government debt were now permitted, their quantity was significantly limited. Only if there was some "slack" comprised of excess Fed holdings of real bills backing the note issue could With the United States gearing up for the war, President Woodrow Wilson announced in April the first war-bond issues, or "Liberty-bond" drives. The Fed now faced no constraints in bringing government debt onto its balance sheet to expand the note issue. This is best observed in our chart above. Collateral submitted prior to the changes had been primarily private debt. The US Treasury was happy with this setup, as it meant that Liberty-bond drives would be met with significant demand from investors. The necessity of luring investors away from competing private-sector bond issuers by posting high rates was avoided. Now the Treasury could skirt the competition by using the Fed to provide subsidized loans through the preferential rate. By a dollar would buy about half the goods it was capable of purchasing in To sum up, by overvaluing government debt, the Fed was able to issue money at a faster rate than it would otherwise have been capable of. At the same time, by overvaluing the government collateral it brought onto its balance sheet, the Fed reduced the quality of its own assets. Bankers and investors who watched such statistics grew wary and sold dollars for more credit-worthy stores of value. In this way a portion of war costs were paid for by everyone who held the weakening dollar. A Monetary History of the United States, â€”

Chapter 3 : America in the First World War [blog.quintoapp.com]

Financing the First World War was originally a chapter of Strachan's To Arms, and probably the least-read one. It's not for everyone – it assumes an understanding of basic finance, for one thing – but it should be useful to students of world financial history as well as anyone after a broader perspective on the First World War.

The changes wrought in America during the First World War were so profound that one scholar has referred to "the Wilsonian Revolution in government. As the war furnished Lenin with otherwise unavailable opportunities for realizing his program, so too, on a more modest level, it opened up prospects for American progressives that could never have existed in peacetime. The coterie of intellectuals around the New Republic discovered a heaven-sent chance to advance their agenda. John Dewey praised the "immense impetus to reorganization afforded by this war," while Walter Lippmann wrote: It is customary to distinguish "economic liberties" from "civil liberties. Even before we entered the war, Congress passed the National Defense Act. It gave the president the authority, in time of war "or when war is imminent," to place orders with private firms which would "take precedence over all other orders and contracts. The Lever Act alone put Washington in charge of the production and distribution of all food and fuel in the United States. By the time of the armistice, the government had taken over the ocean-shipping, railroad, telephone, and telegraph industries; commandeered hundreds of manufacturing plants; entered into massive enterprises on its own account in such varied departments as shipbuilding, wheat trading, and building construction; undertaken to lend huge sums to business directly or indirectly and to regulate the private issuance of securities; established official priorities for the use of transportation facilities, food, fuel, and many raw materials; fixed the prices of dozens of important commodities; intervened in hundreds of labor disputes; and conscripted millions of men for service in the armed forces. Fatuously, Wilson conceded that the powers granted him "are very great, indeed, but they are no greater than it has proved necessary to lodge in the other Governments which are conducting this momentous war. Throngs of novice bureaucrats eager to staff the new agencies overran Washington. Many of them came from the progressive intelligentsia. Bernard Baruch, Wall Street financier and now head of the War Industries Board, held that the free market was characterized by anarchy, confusion, and wild fluctuations. Baruch stressed the crucial distinction between consumer wants and consumer needs, making it clear who was authorized to decide which was which. When price controls in agriculture produced their inevitable distortions, Herbert Hoover, formerly a successful engineer and now food administrator of the United States, urged Wilson to institute overall price controls: Taxes for the lowest bracket tripled, from 2 to 6 percent, while for the highest bracket they went from a maximum of 13 percent to 77 percent. In , less than half a million tax returns had been filed; in , the number was nearly 3. This was in addition to increases in other federal taxes. Federal tax receipts "would never again be less than a sum five times greater than prewar levels. The number of civilian federal employees more than doubled, from to , to , Instead, businessmen welcomed government intrusions, which brought them guaranteed profits, a "riskless capitalism. On the labor front, the government threw its weight behind union organizing and compulsory collective bargaining. In part, this was a reward to Samuel Gompers for his territorial fight against the nefarious IWW, the Industrial Workers of the World, which had ventured to condemn the war on behalf of the working people of the country. It should also not be forgotten that Franklin Roosevelt himself was present in Washington, as assistant secretary of the navy, an eager participant in the Wilsonian revolution. The permanent effect of the war on the mentality of the American people, once famous for their devotion to private enterprise, was summed up by Jonathan Hughes: The direct legacy of war – the dead, the debt, the inflation, the change in economic and social structure that comes from immense transfers of resources by taxation and money creation – these things are all obvious. What has not been so obvious has been the pervasive yet subtle change in our increasing acceptance of federal nonmarket control, and even our enthusiasm for it, as a result of the experience of war. In fact, "democracy" was already beginning to mean what it means today – the right of a government legitimized by formal majoritarian processes to dispose at will of the lives, liberty, and property of its subjects. Wilson sounded the keynote for the ruthless suppression of anyone who interfered with his war effort: Gregory seconded the

president, stating, of opponents of the war: Its real target was opinion. It was deployed particularly against socialists and critics of conscription. Debs, who had polled , votes in as presidential candidate of the Socialist Party, was sentenced to ten years in prison for criticizing the war at a rally of his party. Vigilantes attacked and on at least one occasion lynched antiwar dissenters. Citizens of German descent and even Lutheran ministers were harassed and spied on by their neighbors as well as by government agents. The New York Times, then as now the mouthpiece of the powers that be, goaded the authorities to "make short work" of IWW "conspirators" who opposed the war, just as the same paper applauded Nicholas Murray Butler, president of Columbia, for "doing his duty" in dismissing faculty members who opposed conscription. The public schools and the universities were turned into conduits for the government line. Postmaster General Albert Bursleson censored and prohibited the circulation of newspapers critical of Wilson, the conduct of the war, or the Allies. In the cases that reached the Supreme Court the prosecution of dissenters was upheld. In the same way, the Justices, with Holmes leading the pack, now delivered up the civil liberties of the American people to Wilson and his lieutenants. In the words of Bruce Porter, "Though much of the apparatus of wartime repression was dismantled after , World War I left an altered balance of power between state and society that made future assertions of state sovereignty more feasible" beginning with the New Deal. Still, this alleged time of terror is endlessly rehashed in schools and media. The worst and most obvious infringement of individual rights was conscription. Some wondered why, in the grand crusade against militarism, we were adopting the very emblem of militarism. The Speaker of the House Champ Clark D-MO remarked that "in the estimation of Missourians there is precious little difference between a conscript and a convict. In the first ten days after the war declaration, only 4, men enlisted; in the next weeks, the War Department procured only one-sixth of the men required. Ever the deceiver and self-deceiver, Wilson declared that the draft was "in no sense a conscription of the unwilling; it is, rather, selection from a nation which has volunteered in mass. The idea appealed to Wilson; Armenia was exactly the sort of "distant dependency" which he had prized 20 years earlier, as conducive to "the greatly increased power" of the president. He sent a secret military mission to scout out the territory. But its report was equivocal, warning that such a mandate would place us in the middle of a centuries-old battleground of imperialism and war, and lead to serious complications with the new regime in Russia. The report was not released. Instead, in May , Wilson requested authority from Congress to establish the mandate, but was turned down. There was no call to violence, nor did any violence ensue. A government stenographer took down the speech, and turned in a report to the federal authorities in Cleveland. Debs was indicted under the Sedition Act, tried, and condemned to ten years in federal prison. In January, , Debs was ailing and many feared for his life. Wilson wrote across the recommendation the single word, "Denied. It took Warren Harding, one of the "worst" American Presidents according to numerous polls of history professors, to pardon Debs, when Wilson, a "Near-Great," would have let him die a prisoner. Debs and 23 other jailed dissidents were freed on Christmas Day, To those who praised him for his clemency, Harding replied: It was a cruel punishment. Yet his incessant invocation of terms like "freedom" and "democracy" continues to mislead those who choose to listen to self-serving words rather than look to actions. Walter Karp, a wise and well-versed student of American history, though not a professor, understood the deep meaning of the regime of Woodrow Wilson: Today American children are taught in our schools that Wilson was one of our greatest Presidents. That is proof in itself that the American Republic has never recovered from the blow he inflicted on it. Porter, War and the Rise of the State: Free Press, , p. Oxford University Press, , pp. See also Murray N. Power and the Intellectuals," in John V. New York University Press, []. Higgs, Crisis and Leviathan, pp. Dutton, , pp. Kennedy, Over There, pp. Entire industries, even entire economic sectors, as in the case of agriculture, were organized and disciplined as never before, and brought into close and regular relations with counterpart congressional committees, cabinet departments, and Executive agencies. Rothbard, "Herbert Clark Hoover: Liberty Press, , pp. Kennedy, Over There, p. Porter, War and the Rise of the State, p. Jonathan Hughes, The Governmental Habit: Basic Books, , p. Hughes noted that the War Finance Corporation was a permanent residue of the war, continuing under different names to the present day. Moreover, "subsequent administrations of both political parties owed Wilson a great debt for his pioneering ventures into the pseudo-capitalism of the government corporation. Hughes, The Governmental Habit, p. See also Higgs,

Crisis and Leviathan, pp. Quotations from Wilson and Gregory in H. Peterson and Gilbert C. Fite, *Opponents of War*, Seattle, Wash.: University of Washington Press, [] , p. Ekirch, *Decline of American Liberalism*, pp. Ray Ginger, *The Bending Cross*: Rutgers University Press, , pp. Justice Holmes complained of the "stupid letters of protest" he received following his judgment on Debs: See also Kennedy, *Over There*, pp. See the brilliant essay by H. Vintage, [] , pp. It was only in war that men could pursue "the divine folly of honor. Peterson and Fite, *Opponents of War*, p. "Conscription as the Keystone," in Denson, ed.

Chapter 4 : World War I on the Home Front | Mises Institute

The first world war and capitalism A war that finance didn't want. Capitalists didn't want WWI; it was a disaster for finance. This was the end of the first great era of globalisation. It.

Visit Website The assassination of Franz Ferdinand set off a rapidly escalating chain of events: Austria-Hungary, like many in countries around the world, blamed the Serbian government for the attack and hoped to use the incident as justification for settling the question of Serbian nationalism once and for all. The Dual Monarchy of Austria-Hungary then sent an ultimatum to Serbia, with such harsh terms as to make it almost impossible to accept. World War I Begins Convinced that Austria-Hungary was readying for war, the Serbian government ordered the Serbian army to mobilize, and appealed to Russia for assistance. On August 4, German troops crossed the border into Belgium. In the first battle of World War I, the Germans assaulted the heavily fortified city of Liege, using the most powerful weapons in their arsenal—enormous siege cannons—to capture the city by August. Leaving death and destruction in their wake, including the shooting of civilians and the execution of a Belgian priest, whom they accused of inciting civilian resistance, the Germans advanced through Belgium towards France. First Battle of the Marne In the First Battle of the Marne, fought from September, French and British forces confronted the invading German army, which had by then penetrated deep into northeastern France, within 30 miles of Paris. The Allied troops checked the German advance and mounted a successful counterattack, driving the Germans back to north of the Aisne River. The defeat meant the end of German plans for a quick victory in France. Both sides dug into trenches, and the Western Front was the setting for a hellish war of attrition that would last more than three years. Particularly long and costly battles in this campaign were fought at Verdun February-December and the Battle of the Somme July-November. German and French troops suffered close to a million casualties in the Battle of Verdun alone. This increased hostility was directed toward the imperial regime of Czar Nicholas II and his unpopular German-born wife, Alexandra. Russia reached an armistice with the Central Powers in early December, freeing German troops to face the remaining Allies on the Western Front. America Enters World War I At the outbreak of fighting in, the United States remained on the sidelines of World War I, adopting the policy of neutrality favored by President Woodrow Wilson while continuing to engage in commerce and shipping with European countries on both sides of the conflict. In, Germany declared the waters surrounding the British Isles to be a war zone, and German U-boats sunk several commercial and passenger vessels, including some U.S. Widespread protest over the sinking by U-boat of the British ocean liner Lusitania—traveling from New York to Liverpool, England with hundreds of American passengers onboard—in May helped turn the tide of American public opinion against Germany. Germany sunk four more U.S. Gallipoli Campaign With World War I having effectively settled into a stalemate in Europe, the Allies attempted to score a victory against the Ottoman Empire, which entered the conflict on the side of the Central Powers in late. After a failed attack on the Dardanelles the strait linking the Sea of Marmara with the Aegean Sea, Allied forces led by Britain launched a large-scale land invasion of the Gallipoli Peninsula in April. The invasion also proved a dismal failure, and in January Allied forces were staged a full retreat from the shores of the peninsula, after suffering, casualties. The young Winston Churchill, then first lord of the British Admiralty, resigned his command after the failed Gallipoli campaign in, accepting a commission with an infantry battalion in France. British-led forces also combated the Ottoman Turks in Egypt and Mesopotamia, while in northern Italy, Austrian and Italian troops faced off in a series of 12 battles along the Isonzo River, located at the border between the two nations. British and French—and later, American—troops arrived in the region, and the Allies began to take back the Italian Front. The biggest naval engagement of World War I, the Battle of Jutland May left British naval superiority on the North Sea intact, and Germany would make no further attempts to break an Allied naval blockade for the remainder of the war. Second Battle of the Marne With Germany able to build up its strength on the Western Front after the armistice with Russia, Allied troops struggled to hold off another German offensive until promised reinforcements from the United States were able to arrive. On July 15, German troops launched what would become the last German offensive of the war,

attacking French forces joined by 85, American troops as well as some of the British Expeditionary Force in the Second Battle of the Marne. The Allies successfully pushed back the German offensive, and launched their own counteroffensive just three days later. The Second Battle of the Marne turned the tide of war decisively towards the Allies, who were able to regain much of France and Belgium in the months that followed. Toward Armistice By the fall of , the Central Powers were unraveling on all fronts. Despite the Turkish victory at Gallipoli, later defeats by invading forces and an Arab revolt had combined to destroy the Ottoman economy and devastate its land, and the Turks signed a treaty with the Allies in late October Austria-Hungary, dissolving from within due to growing nationalist movements among its diverse population, reached an armistice on November 4. Facing dwindling resources on the battlefield, discontent on the homefront and the surrender of its allies, Germany was finally forced to seek an armistice on November 11, , ending World War I. Treaty of Versailles At the Paris Peace Conference in , Allied leaders would state their desire to build a post-war world that would safeguard itself against future conflicts of such devastating scale. As the years passed, hatred of the Versailles treaty and its authors settled into a smoldering resentment in Germany that would, two decades later, be counted among the causes of World War II. Civilian casualties caused indirectly by the war numbered close to 10 million. The two nations most affected were Germany and France, each of which sent some 80 percent of their male populations between the ages of 15 and 49 into battle. The political disruption surrounding World War I also contributed to the fall of four venerable imperial dynastiesâ€”Germany, Austria-Hungary, Russia and Turkey. World War I brought about massive social upheaval, as millions of women entered the workforce to support men who went to war, and to replace those who never came back. The severe effects that chemical weapons such as mustard gas and phosgene had on soldiers and civilians during World War I galvanized public and military attitudes against their continued use. The Geneva Convention agreements, signed in , restricted the use of chemical and biological agents in warfare, and remains in effect today.

Chapter 5 : Economic history of World War I - Wikipedia

The economic history of World War I covers the methods used by the First World War (), as well as related postwar issues such as war debts and reparations. It also covers the economic mobilization of labor, industry and agriculture.

Banff, Alberta, is known for its picturesque scenery, majestic mountains and amazing wildlife. But it holds a darker secret. The internment of Ukrainian Canadians during the First World War came about as a result of the confinement of enemy aliens, from , under the terms of the War Measures Act. Over 8, people, in 24 stations and camps throughout Canada, were interned. Some 4, Ukrainian men, women and children at the time were citizens of Austro-Hungary, a country with which Canada was at war. Together with those in the camps, another 80, enemy aliens – the majority of whom were also Ukrainian – had to carry identification papers and report regularly to the local police. Christmas celebration at Internment Camp in Canada, W. Despite the advice of the British government to not discriminate against those citizens of the Austro-Hungarian Empire, Canada took a harder stance. Many of those interned were young men who were trying to leave Canada into the U. However, it was illegal for them to cross the border at the time. And while most were immigrants, some were Canadian-born, or naturalized British subjects. It did not matter: However, no serious threats to Canada ever materialized. Conditions at the camps varied, but as can be expected, were not particularly good. Castle Mountain, in Banff National Park, was especially bad. Many internees had been paroled into employment for private companies and government projects by , such as the development of Banff National Park, but were still required to report regularly to local authorities. To the memory of those who were interned at this site during the Great War. Eaton Internment Camp Most opened in ; the camp at Kapuskasing, in Ontario, was the last to be closed in Of the over 8, people interned, died of various injuries and illnesses, while 6 were killed trying to escape. Not surprisingly, some went insane or committed suicide as a result of their internment. In November , Bill C-C, the Internment of Persons of Ukrainian Origin Recognition Act, finally acknowledged the internment of Ukrainian Canadians during the First World War, calling for a negotiated settlement between those community members and the government. Read another story from us: The man who became President without ever leaving his house There are currently 20 plaques and memorials across Canada to commemorate the internment and the lives that were affected by it, including 2 locations in Banff National Park. She died in , at the age of Patricia Grimshaw is a self-professed museum nerd, with an equal interest in both medieval and military history.

Chapter 6 : Financing the First World War (Hew Strachan) - book review

The First World War took its toll on the whole of the European economy, leaving Europe on its knees, financially. Many industries that once thrived during peacetime had been retooled for war production.

Isolation was a long American tradition. Since the days of George Washington, Americans struggled to remain protected by the mighty oceans on its border. When European conflicts erupted, as they frequently did, many in the United States claimed exceptionalism. When the Archduke of Austria-Hungary was killed in cold blood, igniting the most destructive war in human history, the initial reaction in the United States was the expected will for neutrality. As a nation of immigrants, The United States would have difficulty picking a side. Despite the obvious ties to Britain based on history and language, there were many United States citizens who claimed Germany and Austria-Hungary as their parent lands. Support of either the Allies or the Central Powers might prove divisive. In the early days of the war, as Britain and France struggled against Germany, American leaders decided it was in the national interest to continue trade with all sides as before. A neutral nation cannot impose an embargo on one side and continue trade with the other and retain its neutral status. In addition, United States merchants and manufacturers feared that a boycott would cripple the American economy. Great Britain, with its powerful navy, had different ideas. A major part of the British strategy was to impose a blockade on Germany. American trade with the Central Powers simply could not be permitted. The results of the blockade were astonishing. Trade with England and France more than tripled between and , while trade with Germany was cut by over ninety percent. It was this situation that prompted submarine warfare by the Germans against Americans at sea. After two and a half years of isolationism, America entered the Great War. Since the Russians decided to quit the war, the Germans were able to move many of their troops from the eastern front to the stalemate in the West. The seemingly infinite supply of fresh American soldiers countered this potential advantage and was demoralizing to the Germans. American soldiers entered the bloody trenches and by November , the war was over. Contributions to the war effort were not confined to the battlefield. The entire American economy was mobilized to win the war. From planting extra vegetables to keeping the furnace turned off, American civilians provided extra food and fuel to the war effort. The United States government engaged in a massive propaganda campaign to raise troops and money. Where dissent was apparent, it was stifled, prompting many to question whether American civil liberties were in jeopardy. In the end, the war was won, but the peace was lost. Two dangerous decades of political isolationism followed, only to end in an ever more cataclysmic war. This megasite boasts several essays in these categories and many more, all illustrated, all outstanding. If you visit only one site, make this the one.

Chapter 7 : First World War and the Economy

War, foreign assets had represented nearly 20 percent of world GDP, this had fallen to only 8 percent by 1918, and only 5 percent by 1919. Only in the early 1920s did international investment reach and briefly.

The Western Front quickly stabilized, with almost no movement of more than a few hundred yards. The greatest single expenditure on both sides was for artillery shells, the chief weapon in the war. Since the front was highly stable, both sides built elaborate railway networks that brought supplies within a mile or two of the front lines, with horse-drawn wagons used for the final deliveries. In the ten-month battle at Verdun, the French and Germans fired some 10 million shells in all, weighing 1. Britain paid the war costs of most of its Allies until it ran out of money, then the US took over, funding those Allies and Britain as well. The War saw a decline of civilian consumption, with a major reallocation to munitions. The annual output of artillery grew from 91 guns in 1914 to 1915. Warplanes soared from 1914 to 1915, while the production of machine guns went from 1914 to 1915. Most of the energy supplies came from coal mines in Britain, where the issue was labour supply. Critical however was the flow of oil for ships, lorries and industrial use. There were no oil wells in Britain so everything was imported. In 1914, total British consumption was 10 million barrels, of which 85 percent was supplied by the United States, and 6 percent by Mexico. Convoys and the construction of new tankers solved the German threat, while tight government controls guaranteed that all essential needs were covered. Archbold between May and September. The only solution to the crisis lay with increased oil shipment from America. The close working relationship that evolved was in marked contrast to the feud between the government and Standard Oil years earlier. In 1914 and 1915, there was increased domestic demand for oil partly due to the cold winter that created a shortage of coal. Inventories and imported oil from Mexico were used to close the gap. In January 1915, the U. Fuel Administrator ordered industrial plants east of Mississippi to close for a week to free up oil for Europe. In 1915, the Royal Navy consumed 12,000 tons a month, but had a supply of 30,000 tons a month from the Anglo-Persian Oil Company, using their oil wells in Persia. They expanded by a third during the war, primarily to produce transports of the sort that German U-boats were busy sinking. But after the war, employment tumbled as the yards proved too big, too expensive, and too inefficient; in any case world demand was down. The most skilled craftsmen were especially hard hit, because there were few alternative uses for their specialized skills. Ireland and World War I Ireland was on the verge of civil war in 1914 after Parliament voted a home rule law that was intensely opposed by the Protestants, especially those in Ulster. When the war broke out the law was suspended and Protestants gave very strong support for the war in terms of military service and industrial output. At the outbreak of the war, most Irish people, regardless of political affiliation, supported the war in much the same way as their British counterparts, [22] and both nationalist and unionist leaders initially backed the British war effort. Their followers, both Catholic and Protestant, served extensively in the British forces, many in three specially raised divisions. Over 100,000 Irishmen fought in the war, in several theatres with 30,000 deaths. In 1916, Catholic supporters of Irish independence from the United Kingdom took the opportunity of the ongoing war to proclaim an Irish Republic and to defend it in an armed rebellion against British rule in Dublin. The rebellion was poorly planned and quickly suppressed. The British executed most of the prisoners which caused Catholic opinion to surge in favour of independence. The Asian and African colonies provided large numbers of civilian workers, as well as some soldiers. Over one million Indian troops served overseas, of whom 62,000 died and another 67,000 were wounded. Conscription Crisis of 1915 and Canadian women in the World Wars Canada was prosperous during the war but ethnic conflict escalated almost out of control. In terms of long-run economic trends, the war hardly affected the direction or the speed of change. The trajectory of the main economic factors, the business and financial system, and the technology continued on their way. Women temporarily took war jobs, and at the end of the war there was a great deal of unrest among union members and farmers for a few years. However, Fischer also says it was done by means of exclusion and repression. He says the war turned a peaceful nation into "one that was violent, aggressive, angst- and conflict-ridden, torn apart by invisible front lines of sectarian division, ethnic conflict and socio-economic and political upheaval. The nation depended on the export of wool, mutton, wheat and

minerals. London provided assurances that it would underwrite the war risk insurance for shipping in order to allow trade amongst the Commonwealth to continue in the face of the German u-boat threat. London imposed controls so that no exports would wind up in German hands. The British government protected prices by buying Australian products even though the shortage of shipping meant that there was no chance that they would ever receive them. On the whole Australian commerce expanded. Iron mining and steel manufacture grew enormously. As a result, the cost of living for many average Australians was increased. Despite the considerable rises in the costs of many basic items, the government sought to stabilize wages, much to the anger of unionists. Not all of these disputes were due to economic factors, and indeed in some part they were the result of violent opposition to the issue of conscription, which many trade unionists were opposed to. Meanwhile, although population growth continued during the war years, it was only half that of the prewar rate. Per capita incomes also declined sharply, falling by 16 percent. When the war began Bank of England officials worked with the government of South Africa to block any gold shipments to Germany, and force the mine owners to sell only to the Treasury, at prices set by the Treasury. This facilitated purchases of munitions and food in the U. S, and other neutrals. By London lost control to the mining companies which were now backed by the South African government. They wanted the higher prices and sales to New York that a free market would provide. Belgium sustained significant material damage, providing a major obstacle to its economic recovery after the war. There was both large-scale spontaneous militant and passive resistance. Belgium was heavily industrialized; while farms operated and small shops stayed open some large establishments shut down or drastically reduced their output. The faculty closed the universities; many publishers shut down their newspapers. Most Belgians "turned the four war years into a long and extremely dull vacation," according to Kossmann. Germany then stripped some factories of useful machinery, and used the rest as scrap iron for its steel mills. It shipped in large quantities of food and medical supplies, which it tried to reserve for civilians and keep out of the hands of the Germans. The government set up judicial proceedings to punish the collaborators. New resources were opened, especially copper mining in Katanga Province. The war caused a heavy demand for copper, and production soared from tons in to 27, tons in , then fell off to 19, tons in Smelters operate at Elisabethville. Diamond and gold mining also expanded during the war. The Anglo-Dutch firm Lever Bros. New rail and steamship lines opened to handle the expanded export traffic. Hitched to the plough, cultivating the soil. All agriculture rests upon their shoulders. Uncomplaining, with an attitude that amounts almost to religious exultation, the woman of France bears the burden. But thousands of little factories opened up across France, hiring women, youth, elderly, disabled veterans, and behind the lines soldiers. Algerian and Vietnamese laborers were brought in. Plants produced , 75mm shells a day. The economy was supported after by American government loans which were used to purchase foods and manufactured goods. The arrival of over a million American soldiers in brought heavy spending for food and construction materials. There was a permanent loss of population caused by battle deaths and emigration. Internal lines of communication and transportation were disrupted, and shipments of the main export, cheap wine, had to be cut back. Crime soared as French forces were transferred to the Western Front, and there was rioting in the province of Batna. Shortages mounted, inflation soared, banks cut off credit, and the provincial government was ineffective. These bonds were denominated in francs instead of pounds or gold, and were not guaranteed against exchange rate fluctuations. After the war the franc lost value and British bondholders tried, and failed, to get restitution. However its dealings became strained because of growing misunderstandings between the Wall Street bankers and French bankers and diplomats. A famous example was Ho Chi Minh who worked in Paris, and was highly active in organizing fellow Vietnamese, and even demanding a voice for them at the Paris Peace Conference in The French army enlisted hundreds of thousands of colonials. From Africa came , soldiers, of whom , fought on the Western front. French administrators, focused on supporting the armies on the Western Front, disregarded or suppressed protest movements. History of Russia " The Russian economy was far too backward to sustain a major war, and conditions deteriorated rapidly, despite financial aid from Britain. By late there was a severe shortage of artillery shells. The very large but poorly equipped Russian army fought tenaciously and desperately despite its poor organisation and lack of munitions. By , many soldiers were sent to the front unarmed, and told to pick up whatever weapons they could from the

battlefield. Enemy control of the Baltic Sea and the Black Sea severed Russia from most of its foreign supplies and markets. Russia had not prepared for a major war and Reacted very slowly as problems mounted in Inflation became a serious problem. Because of inadequate material support for military operations, the War Industry Committees were formed to ensure that necessary supplies reached the front. But army officers quarreled with civilian leaders, seized administrative control of front areas, and refused to cooperate with the committee. The central government distrusted the independent war support activities that were organized by zemstva and cities.

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Total domestic bond purchases during the war exceeded \$2 billion, ten times the amount of money raised abroad. Canada had financed the war by incurring more than \$2 billion in debt, thereby passing the war's costs to future generations, but it owed most of this money to Canadian citizens, not foreign lenders.

The consequence was massive deficits. In the opening weeks of the war, the government paid for its outlays through short-term Treasury Bills and Ways and Means Advances from the Bank of England. The story of wartime revenue extraction is the effort to raise taxation without crippling public willingness to support the war effort. As for borrowing, two periods are apparent: Whatever effects dim remembrances of the Napoleonic and French Revolutionary Wars or more recently the Gladstonian tradition might have had, such expectations were revealed rapidly as illusory. It was this budget that set the template for subsequent wartime budgets. McKenna raised income tax by 40 percent, lowered the earnings level at which it was levied, increased duties on various indirect taxes, and took two distinctive steps. Nonetheless, while McKenna was willing to take unprecedented steps, he recognized the limitations of taxation. As he told the House of Commons in April, new taxation would be levied only to the level required to cover interest charges on new borrowing as well as to allow for the creation of a sinking fund to meet the debt incurred. Bonar Law implemented no new taxation initiatives and was content to raise the rates on taxes already established by McKenna, including moving the Excess Profits Duty to 80 percent in his budget of May. More radical steps to reduce the deficit, such as a capital levy, were rejected by the Treasury. Once the tremors associated with the financial crisis subsided, Lloyd George moved to the traditional means: The First War Loan was floated in November. The loan was a failure, though its miscarriage was disguised by the Bank of England. In lock step interest rates rose. Three expedients were employed: Why was there a shift away from long-term borrowing? The use of Treasury Bills and Bonds allowed for tailoring of duration and rate to the capital market and to the British public. Moreover, American entry into the war in April afforded the Treasury the opportunity for cheaper borrowing. Interest rates declined from the high level that had been deemed necessary to prop up the sterling-dollar exchange. When neither Treasury Bills nor Bonds sufficed, Ways and Means Advances from the Bank of England proved to be an effective way of filling in the revenue gap. The shift to a policy of more or less continuous borrowing had drawbacks. The unfunded debt climbed dramatically, forcing the authorities to have steady recourse to the markets to service the floating debt. It has been pointed out that doing so not only placed governments in the position of constantly chasing new funds, it also complicated handling as issues and maturities multiplied. The business of managing the national debt became more intensive with the move away from long-term financing. From to the money supply doubled. Naturally, this had consequences for the level of prices in the UK, which doubled as well. Balderston has suggested that the latter effectively acted as a shock absorber, permitting not only the raising of funds needed by the government, but also checking the rise in prices. These were issues that transcended the financial, encompassing war aims, internal politics, diplomacy, economics, and grand strategy. A series of scholarly works have illuminated the approach of British governments while at the same time drawing attention to the tensions generated by external finance. The chief problem seemed to be that the rest of the world could not pay the City the debts that it was owed. Britain had agreed in the Declaration of London, signed in September with France and Russia, not to forge a separate peace. Quickly it became apparent that for Paris and Petrograd credit was an essential element in what constituted the alliance. This was not necessarily a stipulation that bothered Lloyd George as Chancellor. He was willing to furnish financial assistance. However even Lloyd George agreed that if Britain was to assist its Allies in financing purchases in the British Empire and the United States, that gold should be shipped in return. Cunliffe and the Treasury argued that given that France and Russia had suspended convertibility while Britain remained on the gold standard, that the gold was better deployed by Britain in the name of the coalition. It was a view resisted by the French and the Russians, both of whom suspected darkly that this was a ploy to support continued British financial hegemony. Nonetheless, the Treasury and the Bank of England persisted in tying the extension of credits to the provision of gold. Repeated French and Russian efforts to

borrow directly on the UK capital market were either rebuffed or conceded in ways that limited their possible borrowing. For example, in February the French were given permission to float short-term obligations in London but only if they were denominated in francs rather than sterling, which curtailed their appeal markedly. While stringent, there were limits for the allies could not be starved financially. The outcome was loans to the Allies by Britain. For McKenna and his officials, Britain could not pay for its external purchasing, fund allied requirements and simultaneously expand and equip the new mass British armies. Trying to do so would not only endanger the war effort, but also bankrupt Britain. Others, notably Lloyd George, were insistent that what mattered was winning the war. The fall of the Asquith coalition and the advent of Lloyd George as Prime Minister in December ended the debate but did not alter external financial policy. The importance of the United States to the war effort rose steadily:

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Canada's involvement in the First World War began in , with Canadian war bonds called "Victory Bonds" after The first domestic war loan was raised in November , but not until the fourth campaign of November was the term Victory Loan applied.

The events of July and early August are a classic case of "one thing led to another" - otherwise known as the treaty alliance system. Sir Edward Grey , the British Foreign Secretary, was moved to comment that he had "never before seen one State address to another independent State a document of so formidable a character. However, Serbia had long had Slavic ties with Russia, an altogether different proposition for Austria-Hungary. Whilst not really expecting that Russia would be drawn into the dispute to any great extent other than through words of diplomatic protest, the Austro-Hungarian government sought assurances from her ally, Germany, that she would come to her aid should the unthinkable happen and Russia declared war on Austria-Hungary. Russia, bound by treaty to Serbia, announced mobilisation of its vast army in her defence, a slow process that would take around six weeks to complete. Germany, allied to Austria-Hungary by treaty, viewed the Russian mobilisation as an act of war against Austria-Hungary, and after scant warning declared war on Russia on 1 August. France, bound by treaty to Russia, found itself at war against Germany and, by extension, on Austria-Hungary following a German declaration on 3 August. Germany was swift in invading neutral Belgium so as to reach Paris by the shortest possible route. Britain, allied to France by a more loosely worded treaty which placed a "moral obligation" upon her to defend France, declared war against Germany on 4 August. Her reason for entering the conflict lay in another direction: Like France, she was by extension also at war with Austria-Hungary. Japan, honouring a military agreement with Britain, declared war on Germany on 23 August Two days later Austria-Hungary responded by declaring war on Japan. Italy, although allied to both Germany and Austria-Hungary, was able to avoid entering the fray by citing a clause enabling it to evade its obligations to both. The following year, in May , she finally joined the conflict by siding with the Allies against her two former allies. Click here for more extensive information detailing who entered the war - and when. What was intended as a strictly limited war - a brief war - between accuser and accused, Austria-Hungary and Serbia, rapidly escalated into something that was beyond the expectations of even the most warlike ministers in Berlin and certainly Vienna, which quickly became alarmed at spiralling events in late July and sought German reassurances. His first step was to oust Austria as the prime influence among these German states. He achieved this by engineering war with Austria in over disputed territory in the duchy of Holstein much against the wishes of his own Kaiser. As importantly, Bismarck had successfully displaced Austria in the spheres of influence over the many small German states. Having assembled a united assembly in the north Bismarck determined to achieve the same in the south - and so unite all of the German states under the Prussian banner. How to achieve this? Bismarck resolved that war with the French, a common enemy, would attain his aims. First, he needed to engineer a credible reason for war. Thus, in , Bismarck attempted to place a Hohenzollern prince on the throne in Spain. Napoleon III, fearful of the prospect of theoretical war on two fronts - for the Hohenzollern prince was a relative of Kaiser Wilhelm I - objected. Bismarck turned up the diplomatic heat by releasing, on 14 July , a doctored version of a telegram ostensibly from the Kaiser to Bismarck himself, called the Ems Telegram. The effect of the telegram was to simultaneously insult both France and Prussia over their inability to resolve the dispute over the Spanish throne. Napoleon III, facing civil revolt at home over quite unrelated matters, and receiving encouraging noises from his military commanders, responded by declaring war against Prussia five days later, on 19 July Once again, as was the case against Austria, the Prussian military machine demolished the French forces. Napoleon III, who personally led his forces at the lost Battle of Sedan, surrendered and was deposed in the civil war that boiled over in France, resulting in the Third French Republic. Meantime the Prussian forces laid siege to Paris between September and January , starving the city into surrender. The consequences of the war were numerous. He had secured what he wanted, and his chief desire now was to maintain its stability. He therefore set about building European alliances aimed at protecting Germany from potentially threatening quarters. He

was acutely aware that the French were itching to revenge their defeat at the earliest opportunity - and the loss of Alsace and Lorraine to Prussia would prove to be a lasting sore. Indeed, the French plan for war in 1871, Plan XVII, was largely based around the recapture of Alsace and Lorraine in the shortest possible time - with disastrous consequences. Bismarck did not initially fear an alliance between France and Britain, for the latter was at that time in the midst of a self-declared policy of "splendid isolation", choosing to stay above continental European politics. If not Britain then, how about Russia and, conceivably, beaten foe Austria-Hungary? This latter treaty promised aid to each other in the event of an attack by Russia, or if Russia aided another power at war with either Germany or Austria-Hungary. Should either nation be attacked by another power, e. France, they were to remain - at the very least - benevolently neutral. This alliance, unlike others, endured until war in 1914. It was this clause that Austria-Hungary invoked in calling Germany to her aid against Russian support for Serbia who in turn was protected by treaty with Russia. The Triple Alliance Two years after Germany and Austria-Hungary concluded their agreement, Italy was brought into the fold with the signing of the Triple Alliance in 1882. Under the provisions of this treaty, Germany and Austria-Hungary promised to assist Italy if she were attacked by France, and vice versa: Italy was bound to lend aid to Germany or Austria-Hungary if France declared war against either. Additionally, should any signatory find itself at war with two powers or more, the other two were to provide military assistance. One of the chief aims of the Triple Alliance was to prevent Italy from declaring war against Austria-Hungary, towards whom the Italians were in dispute over territorial matters. A Secret Franco-Italian Alliance In the event the Triple Alliance was essentially meaningless, for Italy subsequently negotiated a secret treaty with France, under which Italy would remain neutral should Germany attack France - which in the event transpired. The Reinsurance Treaty Potentially of greater importance - although it was allowed to lapse three years after its signature - Bismarck, in 1873, agreed to a so-called Reinsurance Treaty with Russia. This document stated that both powers would remain neutral if either were involved in a war with a third be it offensive or defensive. However, should that third power transpire to be France, Russia would not be obliged to provide assistance to Germany as was the case of Germany if Russia found itself at war with Austria-Hungary. Both powers agreed to consult with the other should either find itself at war with any other nation, or if indeed the stability of Europe was threatened. This rather loosely worded agreement was solidified in 1877 with the Franco-Russian Military Convention, aimed specifically at counteracting the potential threat posed by the Triple Alliance of Germany, Austria-Hungary and Italy. In short, should France or Russia be attacked by one of the Triple Alliance signatories - or even should a Triple Alliance power mobilise against either where to mobilise meant simply placing a nation on a war footing preparatory to the declaration of hostilities, the other power would provide military assistance. British Emergence From Splendid Isolation Meanwhile, Britain was awaking to the emergence of Germany as a great European power - and a colonial power at that. With the effective dismissal of Bismarck the new Kaiser was determined to establish Germany as a great colonial power in the Pacific and, most notably, in Africa. Britain, at that time the greatest power of all, took note. In the early years of the twentieth century, in 1902, she agreed a military alliance with Japan, aimed squarely at limiting German colonial gains in the east. She also responded by commissioning a build-up in her own naval strength, determined to outstrip Germany. In this she succeeded, building in just 14 months - a record - the enormous Dreadnought battleship, completed in December 1906. By the time war was declared in 1914 Germany could muster 29 battleships, Britain 18. This agreement finally resolved numerous leftover colonial squabbles. Together the two agreements formed the three-fold alliance that lasted and effectively bound each to the other right up till the outbreak of world war just seven years later. Again, although the two Entente agreements were not militarily binding in any way, they did place a "moral obligation" upon the signatories to aid each other in time of war. It was chiefly this moral obligation that drew Britain into the war in defence of France, although the British pretext was actually the terms of the largely forgotten Treaty of London that committed the British to defend Belgian neutrality discarded by the Germans as "a scrap of paper" in 1914, when they asked Britain to ignore it. Such were the alliances between the major continental players. Russian War With Japan: This was followed by a land invasion of both disputed territories of Korea and Manchuria in 1905. Among other set-pieces, the Japanese astonished the western powers by destroying the entire Russian fleet at the Battle of Tsushima May 1905 for the loss of two torpedo boats - a

humiliating Russian defeat. President, Theodore Roosevelt, mediated a peace agreement between Japan and Russia, one that resulted in material gains for Japan and with note being taken in Berlin of the fallacy of the myth of Russian "invincibility".