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Volume Author/Editor: Charles H. Schmidt and Ralph A. Young

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Chapter Author: Charles H. Schmidt, Ralph A. Young

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THE EFFECT OF WAR ON BUSINESS FINANCING:

Manufacturing and Trade, World War I

'OR THOSE WHO OCCUPIED positions of financial responsibility in orporate management during the World War I era, the record preented in this paper will bring memories of feverish financing exeriences, which up to mid-1920 were more often profitable than nprofitable but were decidedly the reverse in the latter half of 1920 nd in 1921. These experiences undoubtedly left a deep impression, hich affected attitudes and policies for years to come. To those hose financial responsibility began at a later date, the record proides insight into a period rich in financial lessons.

This study has a single objective: to show simply, directly, and as omprehensively as available data permit, how economic developnents of the World War I era affected the financial structure—assets, iabilities and net worth—of manufacturing and trade enterprise. No one thinks that history repeats itself in detail, but a survey of his nearest parallel to the World War II period can be useful in bserving and interpreting current economic tendencies.

Facts on financial structure are only the trees, and not the forest tself. Therefore this study opens with a general review intended to utline the over-all financing tendencies of World War I as reealed in detail in the subsequent analysis. A comparison with nancing tendencies in World War II is also presented, but only in ummary fashion. Thorough examination of the way in which the nancial structure of business enterprise has reacted to the demands f the current war is reserved for a later paper in the present series.

The seven-year period that followed the outbreak of World War has been regarded, for simplicity of treatment, as consisting of hree major phases: the financial expansion of the war years, 1915-

18; the postwar financial expansion, 1919-20; and the postwar finan
cial contraction, 1921. To set the wartime record in perspective
comparisons are briefly made, so far as the data permit, with finan
cial experience before and after the war period, particularly wit
the two peacetime periods of financial expansion, 1922-29 and 193
37, and with the two peacetime liquidations of 1930-32 and 1938.

The historical data available to us for tracing the financial ex
perience of enterprise during the World War I era are far less com
plete than one would wish. They consist only of annual financia
statements of comparatively small samples of manufacturing an
trade companies in two size groups — large companies (over $
million total assets) and medium and small companies ($50 thou
sand to $5 million total assets).

The large corporation samples probably account for about 10 per
cent of the number of large corporations in these fields in 1920
and for about 20 percent of the total assets held by them. But th
samples of medium and small corporations include altogether onl
a few hundred out of a total number of more than 70,000, and thu
represent only a minor fraction of the total assets of manufacturin
and trade corporations in this size class. All available evidence re
lating to the World War I period indicates that the financial be
havior of medium and small companies contrasted in many respect
with that of large corporations, and our samples of medium an
small concerns display such a contrast.

The samples were collected for the most part in connection wit
the Financial Research Program's Studies in Business Financing
one of which deals with changes in the financial structure of manu
facturing and trade enterprise since the turn of the century. Appen
dix A, which discusses the methods and limitations of the presen
study, describes the samples in detail.

The charts and tables that illustrate the detailed discussion ar
based on aggregate financial statements for the samples. Thi
method, although subject to well-known limitations, was adopted
first, because of its simplicity, second, because of interest in the over
all financing tendencies of business enterprise, and third, becaus
our records suffice to describe only the general contours of wartim
changes in financial structure in manufacturing and trade. Aggre
gate balance sheet data and selected income statement data are pre
sented in Appendix B.

obably the most powerful influence affecting the financial ex- rience of corporate enterprise over the 1915-21 period was the rtime inflation of prices and the postwar price collapse. Over the -year period following the outbreak of war, the wholesale price rel more than doubled, and then during a single year it declined ore than one-third. Business accounts clearly mirrored the war- ne inflation and postwar deflation of prices and, what is more nificant, they reflected the changing attitudes and policies of rporate management, which were among the strategic elements the inflation and deflation process.

For six months prior to the outbreak of World War I, business tivity in the United States had receded, and the immediate effect the European conflict was to accelerate this recession. Within a ar, however, revival succeeded recession, and domestic recovery rces were strongly reinforced by an inflow of orders from abroad, pecially from belligerents for military supplies. Idle productive pacity was quickly reemployed, and corporate earnings and re- urces in manufacturing and trade began a rise that continued rough 1920. Per annum rates of growth in business asset invest- ent attained levels higher than those in any of the three prewar pansions (1904-07, 1908-10, and 1911-13) or in either of the peace- ne expansions that followed (1922-29 and 1933-37).

At the outset of wartime revival, current or working assets were atively scarce, fixed assets abundant. The financing problem of anufacturing and trade enterprise was therefore to provide work- g assets, and the problem was soon accentuated by the advance of ices. For enterprise in both fields the increase in working assets— ventory, receivables, cash and marketable securities—was excep- nally rapid. The growth of such assets in proportion to total ets was especially marked during the war years proper, and was ore noteworthy among large corporations than among medium d small concerns.

The increase in the book value of inventory over the war and stwar expansions (1915-20) reflected in part the effects of rising ces and in part larger holdings of physical stocks, both on hand d in transit. Inventory turnover, i. e., the dollar volume of inven- y in relation to sales, declined through the war years for large npanies as well as for medium and small concerns, suggesting that

protective and speculative inventory buying, induced by the pr
rise, and by transportation bottlenecks, exerted a cumulative
flationary influence on wholesale prices. After the war the invento
turnover of large corporations continued to decline, but that of t
smaller companies moved upward. On the whole, inventory acc
mulation—by both large and smaller companies during the w
years proper, and especially by the larger companies in the po
war years—appears to have been a strong factor in the financial
pansions of 1915-20. Concerning the postwar years, price advan
and shipment delays aggravated inventory speculation and p
voked duplicate ordering on an exceptionally wide scale.

The wartime increase in dollar inventory helped to swell c
porate profits because, as long as wholesale prices rose, the th
prevalent methods of inventory accounting in manufacturing a
trade generated unrealized book income as a result of the lag
tween the time of purchase and the time of sale of inventory. Th
methods, though based on averages of inventory cost, more nea
approximated the first-in, first-out ("fifo") method of invento
valuation than any other. A substantial proportion of large co
panies made provision, through the establishment of special inv
tory reserves, for book losses that were bound to occur if the w
time price advance were converted by the cessation of hostilit
into a decline, but in general these reserves were inadequate
meet the contingency of such a drastic price recession as occurr
in 1920-21. A few of the more conservatively financed compani
e. g., the U. S. Steel and International Harvester Corporatio
valued inventories in reports to stockholders at prewar prices a
carried the difference between these values and cost as invento
reserves.

The growth in manufacturing and trade sales during the w
years was accompanied by an increase in trade receivables, but t
increase of other quick assets — cash and marketable securities — w
even greater, and thus the liquidity of quick assets increased. D
ing the war years the rise in the cash balances of manufacturing a
trade corporations appears to have been somewhat more rapid th
the increase in demand deposits of banks, largely because of
creased cash balances among the large enterprises; but in the po
war years cash balances increased at about the same rate as c
culating deposits. And marketable securities, which were a ne

ɔle proportion of business assets in 1914, expanded during the ıin period of American war borrowing (1917-18) into a significant item both for larger and smaller companies. Much of this instment was of course a patriotic response to the Liberty Loan ives and did not reflect a deliberate policy of building up corrate liquidity by investment in marketable securities. Large ınufacturing companies liquidated marketable securities in 19-20, and large trade companies did so in 1920, and from all evidence this liquidation was large enough to help weaken the ırket for government obligations in these years; prices of governent bonds fell slightly toward the end of 1919 and sharply in the ly part of 1920. Some companies built up holdings of marketable urities while others were liquidating; this seems to have been rticularly true of smaller concerns in manufacturing and trade.

The expansion in wartime production, which was stimulated by r orders, by increased consumer incomes and by rising prices, ɔmpted both manufacturing and trade enterprise to add new ınt facilities. Not all of the plant expansion of the war years is vise in accounting records, for in war industries some contracts proled for the cost of special new facilities to be financed by contract vances. Prior to our entry into the war, European belligerents anced plant expansion in this way, obtaining a large part of the nds advanced from proceeds of security sales in American marts. Some plant expansion was covered under war contracts of our n government, 1917-18. Each of our samples had smaller perıtage additions to fixed property in 1918 than in 1917—a conseence of war priorities and shortages—but there was some revival fixed property additions in 1919 and an extremely sharp expanın in 1920. The average annual rate of investment in fixed propy (increase, net of depreciation as shown by corporate accounts) tween the end of 1918 and the end of 1920, and the average ratio fixed property expenditure to the property account for those two ars, were the highest attained between 1915 and 1937—a period luding two wartime expansions (1915-18 and 1919-20) and two acetime expansions (1922-29 and 1933-37).

For large companies the annual rate of investment in plant and uipment was lower, on the average, during the war years proper an during the expansion years of the '20s; for the smaller comnies this rate was higher during the war years than in the '20s.

Over the expansion years of the '30s, on the other hand, all c
samples except large trade corporations showed declines in pla
and equipment account.

Granting that our wartime data are incomplete, it neverthel
seems that the increased output of military supplies was acco
plished without abnormally large additions to manufacturing faci
ties financed by war industry itself, especially if allowance is ma
for the inflated building and equipment costs of this period. Mo
over, such additions as there were apparently did not seriously
terfere with plant expansion among manufacturing and trade
terprises serving consumers. The expansion of plant facilities
1919-20 was clearly a response to the outburst of postwar consum
spending in this country, to an unprecedented influx of orders fro
world markets, and to business optimism that these developme
engendered at prevailing and prospective price levels. In additio
the modernization of facilities became desirable as an aid to ma
taining the high wage rates that had been established during w
years. To judge from our samples, most of the wartime additio
to the book value of fixed property accounts, however much
flated by abnormal costs, were carried over into the '20s at c
less depreciation, without special postwar write-downs. Howev
some postwar write-downs were taken on war-built plant and equ
ment, after individual companies had established the econom
obsolescence of such facilities, as permitted under wartime corpor
income tax laws.

The postwar increase in the fixed property expenditures of man
facturing and trade enterprise has been interpreted as representi
in significant part, replacement deferred during war years. The
counting records for our samples suggest that on the whole su
corporations spent their depreciation and depletion accruals
replacement during the war period proper. The postwar expa
sion in plant facilities seems to have represented deferred repla
ment only to a small degree; to a much greater extent it develop
because going concerns launched new business projects, some
which had been planned during the war years and deferred, so
of which were newly conceived ventures. Among railroads, ho
ever, deferred replacement was probably of considerable imp
tance, and their postwar expenditures for deferred replacement a
property betterments undoubtedly swelled the demand for the o

ut of manufacturing industry and, indirectly, for trade services s well.

Manufacturing and trade companies as a whole earned more and aved more in the wartime expansions than in the succeeding peace-ime expansions: a much larger proportion of these corporations eported profits to the Treasury during the war and postwar ex-ansions than in the expansion period of the later '20s or that of he '30s. After the second year of the war, profits after taxes tended o decline in relation to sales, but in relation to net worth they eached higher average levels than in the interbellum expansions. After 1916 corporate taxes took a large part of net income, claim-ng in 1918 as much as 45 percent of manufacturing profits and 35 ercent of trade profits.

While retained earnings were an important source of funds for inancing asset investment, external sources were also relied upon eavily. Short-term debt, a large part of which was bank debt, was he chief external source during the 1915-18 expansion for both he larger and the smaller companies represented in the samples ve have observed; but in the postwar expansion sales of stocks and onds exceeded in importance short-term debt as an external source f funds. In general, however, fixed asset investment was financed y retained earnings plus sales of new securities—stocks or bonds; nd short-term debt, where relied upon, was confined to financing dditions to working assets. In this respect the financing of wartime sset expansion was consistent with accepted standards of prudence. There were exceptions, perhaps too numerous as events turned out; ur samples in each year had a few companies that financed part of heir long-term investment needs by means of short-term debt.

The rapid expansion of bank deposits that occurred during the ears 1915-20 was closely paralleled by the growth of bank loans. According to national bank figures, loans to manufacturing and rade enterprise constituted nearly half of the bank loans outstand-ng at the end of 1920. It seems clear, therefore, that increased bor-owing by manufacturing and trade was a factor of considerable mportance in the inflation of bank credit during the war and post-ar periods. There are indications also that during the 1915-20 eriod the greater reliance on bank debt characterized the large orporations more than the smaller concerns. Over the entire six-ear period, there apparently was a very considerable increase in the total *number* of small and medium-size companies that owed debt to banks, but only a moderate rise in the average amount of such debt; on the other hand, the increase in the total number of large corporations that owed debt to banks was probably small, but the average amount of notes payable increased greatly.

One of the striking features of corporate financial behavior in manufacturing and trade during 1915-18 is the extent of the changes in balance sheet relationships that in prewar years had come to be regarded as "normal." The first departures from prewar rule-of-thumb standards were undoubtedly viewed as "temporary and essential expedients," but they were soon crystallized by the requirements of national war finance and by the process of wartime price inflation. While the new pattern of corporate balance sheet relationships reflected elements of strength—larger holdings of cash, marketable securities and receivables, and even increased working capital — it also reflected elements of weakness, such as higher book values of inventory, unprotected by adequate reserves for price recession, and greatly augmented short-term debt in the form of notes and accounts payable.

During the war years changes of this sort were more marked in the case of the large corporations. They were the enterprises to incur the stronger impact of wartime expansion pressures, and they were in a position to command promptly the large amounts of credit needed to finance wartime asset expansion, particularly the expansion of current assets. But financial expansion by medium size and small enterprises was likewise greatly stimulated in the early phase of the war period, and these companies too showed marked changes in balance sheet proportions from prewar years.

The story of financial experience in manufacturing and trade during the postwar boom of 1919-20 is one of accelerated growth in business assets and liabilities. For a time after the Armistice, many business leaders anticipated a substantial recession in wholesale prices and were hesitant in undertaking forward commitments. Both consumer and producer markets, however, received support from various sources: for example, the continued military expenditures of the Federal government; expenditures of bonuses and savings of discharged soldiers; expenditures of abnormal cash balances by industry and trade to maintain current operations and to make postwar readjustments; the expenditure of funds for special puroses, obtained by business enterprises and ultimate consumers hrough the liquidation of Liberty Bond holdings; and the expendiure by foreign nations of accumulated dollar balances, of proceeds rom new foreign loans, and of intergovernmental advances from he United States.

Although wholesale prices sagged in the first quarter of 1919. hey failed to decline seriously as a whole, and soon began to move ıpward. This had a decisive effect on business expectations. As onsumer and business spending gathered force, business sentiment urned buoyantly optimistic. Optimism was soon reinforced by ınprecedented demands from world markets, demands that carried the dollar volume of exports and the balance of merchandise rade to record levels for the entire period between the two World Wars. Three strategic financial elements helped to make these great xpectations effective: first, the willingness of banks to renew loans o borrowers with established lines of credit; second, the easy acess to new bank and trade credits in domestic and foreign trade; hird, the availability of the capital markets to private financing, ıow that the Treasury war financing program was ended and the ontrol of the Capital Issues Committee relaxed.

Postwar sales of large manufacturing companies were well susained in 1919-20, especially by heavy export demands, but sales of rade and of medium and small manufacturing corporations moved harply upward, mainly in response to the heavy wave of consumer uying financed from savings, bonuses, and current income. The ccompanying financial prosperity of large trade companies and f thousands of the country's smaller enterprises was probably a najor stimulant in the 1919-20 investment boom. It is significant hat the proportion of manufacturing and trade corporations reorting profits was higher in 1919 than in any other year of the ntire period 1914-39. Furthermore, there were fewer business ailures in 1919 and 1920, and a higher ratio of new business enterrises to discontinued enterprises, than in any other years from the utbreak of World War I to the end of 1939.

It seems justifiable to say that while the financial expansion of 915-18 was accentuated by the sustained response of large manuacturing corporations to wartime production and price stimuli, he expansion of 1919-20 was intensified by the response of large rade companies, and of the majority of medium and small companies in both manufacturing and trade, to a price, market, an transport situation that was especially stimulating to them. The fac that in 1918 there was a check to the expansion of plant and equip ment facilities in trade and in medium and small manufacturing plus the fact that the war years 1915-18 had been a time of hig profits, high corporate savings and rapid working capital growth combined to produce the needed financial flexibility among al sizes of concerns to take advantage of diversified demands, domesti and foreign, after the war.

For most manufacturing and trade concerns 1920 was a year o profitable operation, but by mid-year business activity and price had passed their crest, and by the end of the year demoralized com modity markets, widespread cancellation of orders, and mountin unemployment showed the acute financial distress of business en terprise. For the year as a whole, however, financial accounts re flected mainly a sharp expansion in resources; the effect of defla tion was not recorded until 1921, when the current assets and deb of many manufacturing and trade companies suffered drastic shrink age.

Although the financial distress of business concerns was only on of many factors that contributed to the 1920-21 recession, there i no doubt that the distress was severe and important. Several con siderations illustrate its intensity.

First is the severity of the fall recorded in wholesale and retai prices. Between the middle of 1920 and the middle of 1921, th span of a single year, a sharper and more rapid decline in whol sale prices occurred than over the three-year period of drastic de flation from the middle of 1929 to the middle of 1932. Only farn prices declined more severely in the latter and longer period tha in 1920-21. The percentage decline in retail food prices and in th cost of living was practically identical, judging from available in dexes, for the two periods.

Second was the fact that falling prices imperilled commitmen on forward orders, commitments to buy of both manufacturers an retailers, and commitments to sell of manufacturers. Postwar risin prices, and the artificial shortages which they precipitated, couple with transportation bottlenecks, encouraged the practice of dupl cate orders. When inventory stocks accumulated more rapidly tha sales, cancellation of duplicate orders followed; and when it ap

eared that deliveries were still in excess of needs, further cancel-
ıtions followed. Domestic cancellations quickly spread backward 'om retailing, and as they gained force, receding prices brought virtual avalanche of cancellations from international markets. In ›ecember 1920, the committee on finance and currency of the ;hamber of Commerce of the State of New York issued a report eclaring: "The wave of cancellations of buying orders and repudia-.on of sale by buyers, which at present is sweeping the world and is ıenacing also the United States, has called forth a great concern in usiness and banking circles."[1] Reputable concerns in these circum-:ances were confronted with a difficult choice. In many cases, en-)rcement of contracts to sell meant the conversion of inventory ıto receivables of dubious collectibility, with the serious danger ıat the latter would shortly become bad debts. Commitments to uy, on the other hand, involved a concern's credit standing in the :ade, future as well as present, and were not lightly repudiated by esponsible companies. One large rubber concern, reorganized in 920, set up a reserve of $24 million to cover losses on its commit-ıents for future delivery. Manufacturing companies, whose post-'ar prosperity depended heavily on foreign orders, were especially ulnerable in this situation.

A third indication of the severity of the 1920-21 recession is the eduction in the book value of inventory that resulted from sales nd write-downs. For the large manufacturing and trade companies ıcluded in our samples, the percentage reduction for the single ear 1921 was roughly four-fifths of the percentage decrease over he three-year liquidation of 1930-32. Inventory write-downs of a roup of 64 large manufacturing and trade companies for which ıformation is available totaled $344 million in 1920-22—for each orporation an average of more than $5 million that disappeared nto thin air. Such write-downs in 1920 amounted to 18 percent, nd in 1921 to 13 percent, of beginning-of-year book value. Cor-orations that did not recognize the losses resulting from the col-apse of prices by means of inventory write-downs, nevertheless ex-erienced them in the form of smaller operating profits or larger perating losses arising from higher costs of goods sold.

Fourth is the fact that at the end of 1920 much of the swollen

[1] Chamber of Commerce of the State of New York, "Report of the Committee on inance and Currency," *Monthly Bulletin* (December 1920) p. 13.

dollar inventory holdings were financed by short-term debt. It
true that a good deal of this debt was legitimate by convention
credit standards (e. g., the rule of thumb that there should be tw
dollars of current assets for each dollar of current debt). Noneth
less, about half of the companies represented in our samples ha
short-term indebtedness, including income tax accruals, that e
ceeded the highest amounts of "cash throw-off from operations
(net profit plus non-cash charges against income) in any one ye
of the entire war and postwar period 1915-20; and in some cas
the excess was substantial. It seems clear that many business co
cerns, in following their accustomed practice of looking to futu
sales at the current price level for the liquidation of their shor
term indebtedness, failed to discount fully the possibility of a su
den and drastic decline in prices that would prevent the full r
tirement of outstanding debt from current transactions. The con
panies represented in our data, while they are not numerous, are a
concerns that survived both the liquidation of 1920 and the pr
longed depression of 1930-32; in other words, they represent th
more ably managed companies. Obviously, the debt problem face
by many imprudent and less well managed concerns must have bee
critical indeed, considering the commitment and inventory situ
tion at that time.

Given the exaggerated business optimism occasioned by the fa
that no serious postwar recession in prices developed in 1919, an
by the prompt emergence of active demands for goods from dome
tic and world markets, it was perhaps inevitable that prudence an
caution in financial management should have been thrown to th
winds in early postwar years. And when this attitude was combine
with the financial unbalance that had accumulated over four yea
of war prosperity, it seems inevitable, from today's vantage poi
at least, that business assets in postwar years should have d
teriorated in quality as they increased in quantity, and that a seve
financial crisis should sooner or later have resulted.

Considering the nature of the eventual crisis, its international
well as domestic basis, it could hardly have been avoided by an
makeshift policies of business, banking and government, conceive
and applied at the moment. Unfortunately, business departur
from prudence in commitments to buy and sell, in inventory hol
ings, and in short-term business debt had gone too far in too man

ises. Furthermore, the participation of manufacturing and trade oncerns in the speculative excesses of the period was widespread; ı certain industries—of which automobiles, textiles, rubber, paper, etailing and wholesaling were outstanding examples – financial verextensions were numerous and conspicuous. Orders for goods ere too often placed and accepted with a reckless disregard for the esponsibilities involved. The ultimate liquidity of too many debt ommitments, however consistent with customary practice and with ie commercial credit theory underlying the newly established Fedral Reserve System, was solely dependent on impending transacons at the inflated level of prices then prevailing; in other words, oo few concerns took sufficient account of their future capacity to etire debt from funds retained from operations in case short-term iarket expectations failed to materialize. Lastly, too many business reditors and debtors were unprepared to make debt adjustments nce financial crisis was at hand; too few of them had anticipated the ossibility of such a crisis, and too few debtors had refunded excess iort-term debt in time, or converted it into equity. In brief, busiessmen, bankers, and public officials had simply raised their sights n the future too high and in so doing had overlooked immediate ealities. Nothing except a different set of postwar business expectaions, a less ambitious scale of business planning, and stricter aderence to older standards of financial prudence could have altered he result.[2]

Whether wartime taxes on corporate profits accentuated the warime inflation of business debt, by reducing the funds available for nternal financing or self-financing, is debatable. It is true that igher profits after taxes, if not paid out in dividends, would have iade it possible to expand corporate resources after the war with ess reliance upon current debt; on the other hand, such a fiscal olicy would have made it more profitable to "trade on equity" y financing current operations with bank and trade credit. Moreover, departures from pre-1914 business standards of balanced financial structure had gone far even before the United States entered the var, and it cannot be said with certainty today that untaxed profits vould have been used to liquidate current debt.

Opinions will differ as to whether the abrupt liquidation of cur-

See in this connection Stella Stewart, *Post-War Planning of World War I*, U. S. ureau of Labor Statistics, Historical Study No. 63 (May 1943).

rent assets and short-term debt, given the inflated financial stru ture of 1920, was desirable from the standpoint of the long-ru prosperity of the whole economy; and as to whether business ente prise could have avoided participating so extensively in the postw: accumulation of inventory, of current debt, and of forward cor mitments to buy and sell. Business concerns were, of course, follo ing long-established practices of financing current operations, ar their policies were formulated by executives whose experience di not embrace a single period of drastic price deflation. Furthermor the business contraction and price deflation of 1920-21 was mo than a crisis of commitments, inventory and current debt; irr sponsible cancellation of orders and the heavy liquidation of i ventory and business debt seem mainly to have made the contra tion more severe. Nevertheless, it was unfortunate that the postw: environment induced such widespread disregard of financial pr dence.

In drawing general conclusions from this paper, it should b borne in mind that only a limited segment of the economy is dea with here, and only a few of the factors involved. Many elemen other than those associated with the financing of manufacturin and trade enterprise determined the course of the war period fina cial expansion, and many other elements, international as well : domestic, operated to bring about the postwar liquidation. Th difficulties that beset any effort to obtain a completely comprehe sive view are so great, however, that use must be made of invest gations of more limited scope. Only by comparing the views of number of different observers will it be possible to develop th entire record of World War I and absorb fully the economic lesso of that period.

FINANCING TENDENCIES, WORLD WAR II — A PRELIMINARY COMPARISON

Compared with the present conflict, World War I was part-tim Even in 1918, the year of greatest effort, probably only a little mo than a fifth of the national product was devoted to war. Milita output made no serious inroads on civilian supplies until the secon half of 1918, and by the end of that year hostilities had ceased an demobilization was in full swing. But in 1941, before the count was directly involved in World War II, one-tenth of the nation: