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# The War *and Business*

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OTTO H. KAHN



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1917



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*Address before  
Merchants Association of New York  
Friday, June 1, 1917*

WE have met to-day in pursuance of a high purpose, a purpose which at this fateful moment is one and the same wherever, throughout the world, the language of free men is spoken and understood.

It is the purpose of a common determination to fight and to bear and to dare everything and never to cease nor rest until the accursed thing which has brought upon the world the unutterable calamity, the devil's visitation of this appalling war, is destroyed beyond all possibility of resurrection.

That accursed thing is not a nation, but an evil spirit, a spirit which has made the government possessed by it and executing its abhorrent and bloody bidding an abomination in the sight of God and men.

What we are now contending for, by the side of our splendidly brave and sorely tried Allies, after infinite forbearance, after delay which many of us found it hard to bear, are the things which are amongst the highest and most cherished that the civilized world has attained through the toil, sacrifices and suffering of its best in the course of many centuries.

They are the things without which darkness would fall upon hope, and life would become intolerable.

They are the things of humanity, liberty, justice and mercy, for which the best men amongst all the nations—including the German nation—have fought and bled these many generations past, which were the ideals of Luther, Goethe, Schiller, Kant, and a host of others who had made the name of Germany great and beloved until fanatical Prussianism run amuck came to make its deeds a by-word and a hissing.

This appalling conflict which has been drenching the world with blood is not a mere fight of one or more peoples against one or more other peoples.

It goes far deeper.

It sharply divides the soul and conscience of the world.

It transcends vastly the bounds of racial allegiance.

It is ethically fundamental.

In determining one's attitude towards it, the time has gone by—if it ever was—when race and blood and inherited affiliations were permitted to count.

A century and a half ago Americans of English birth rose to free this country from the oppression of the rulers of England. To-day Americans of German birth are called upon to rise, together with their fellow-citizens of all races, to free not only this country but the whole world from the oppression of the rulers of Germany, an oppression far less capable of being endured and of far graver portent.

Speaking as one born of German parents, I do not hesitate to state it as my deep conviction that *the greatest service which men of German birth or antecedents can render to the country of their origin* is to proclaim, and to stand up for those great and fine ideals and national qualities and traditions which they inherited from their ancestors, and to

*set their faces like flint against the monstrous doctrines and acts of a rulership which have robbed them of the Germany which they loved and in which they took just pride, the Germany which had the good will, respect and admiration of the entire world.*

I do not hesitate to state it as my solemn conviction *that the more unmistakably and wholeheartedly Americans of German origin throw themselves into the struggle which this country has entered in order to rescue Germany, no less than America and the rest of the world* from those sinister forces that are, in President Wilson's language, the enemy of all mankind, the better they protect and serve the repute of the old German name and the true advantage of the German people.

Gentlemen, I measure my words. They are borne out all too emphatically by the hideous eloquence of deeds which have appalled the conscience of the civilized world. They are borne out by numberless expressions, written and spoken, of German professors employed by the State to teach its youth.

The burden of that teaching is that might makes right, and that the German nation has been chosen to exercise morally, mentally and actually, the over-lordship of the world and must and will accomplish that task and that destiny whatever the cost in bloodshed, misery and ruin.

The spirit of that teaching, in its intolerance, its mixture of sanctimoniousness and covetousness and its self-righteous assumption of a world-improving mission, is closely akin to the spirit from which were bred the religious wars of the past through the long and dark years when Protestants and Catholics killed one another and devastated Europe.

I speak in sorrow, for I am speaking of the country of my origin and I have not forgotten what I owe to it.

I speak in bitter disappointment, for I am thinking of the Germany of former days, the Germany which has contributed its full share to the store of the world's imperishable assets and which, in not a few fields of human endeavor and achievement held the leading place among the nations of the earth.

And I speak in the firm faith that, after its people shall have shaken off and made atonement for the dreadful spell which an evil fate has cast upon them, that former Germany is bound to arise again and, in due course of time, will again deserve and attain the good-will and the high respect of the world and the affectionate loyalty of all those of German blood in foreign lands.

*But I know that neither Germany nor this country nor the rest of the world can return to happiness and*

*peace and fruitful labor until it shall have been made manifest, bitterly and unmistakably manifest, to the rulers who bear the blood-guilt for this wanton war and to their misinformed and misguided peoples that the spirit which unchained it cannot prevail, that the hateful doctrines and methods in pursuance of which and in compliance with which it is conducted are rejected with abhorrence by the civilized world, and that the over-weening ambitions which it was meant to serve can never be achieved.*

*The fight for civilization which we all fondly believed had been won many years ago must be fought over again. In this sacred struggle it is now our privilege to take no mean part, and our glory to bring sacrifices.*

But the immediate object which we are endeavoring to serve at this gathering bears no resemblance to sacrifice. It is patriotism plus "3½% tax-exempt and with conversion privilege"—surely a most tempting combination.

I wonder whether any of you have figured out the value in dollars and cents of the tax-exemption feature of the Liberty Loan.

If you invest your money in taxable securities, you of course pay tax upon the full income from

those securities. You actually realize upon your investment the gross return less the income tax.

If, on the other hand, you invest in the Liberty Loan, you retain the entire income therefrom.

You must regard, therefore, as return upon your investment in the Liberty Loan not only the  $3\frac{1}{2}\%$  interest payment, but also that sum which, had you realized it as income from taxable securities, you would have had to pay out as income tax. This naturally has, especially in the case of the larger incomes, a very substantial effect upon the actual interest realized.

If you will take the income tax rates adopted recently by the House of Representatives in the war revenue bill and add to the  $3\frac{1}{2}\%$  on the Liberty Loan such percentage as you would have to pay on taxable securities, you will get some astonishing results, as exemplified in the following table showing the yield from investing in the Liberty Loan as compared to the yield from taxable investments:

|       |                            |           |           |
|-------|----------------------------|-----------|-----------|
| 5.02% | in respect of incomes over | \$100,000 | per annum |
| 5.38% | " " " " "                  | 150,000   | " "       |
| 5.93% | " " " " "                  | 200,000   | " "       |
| 6.45% | " " " " "                  | 250,000   | " "       |
| 7.07% | " " " " "                  | 300,000   | " "       |
| 7.82% | " " " " "                  | 500,000   | " "       |
| 8.75% | " " " " "                  | 1,000,000 | " "       |
| 8.97% | " " " " "                  | 1,500,000 | " "       |
| 9.21% | " " " " "                  | 2,000,000 | " "       |

Now, of course, I quite realize that incomes over \$100,000 have only a platonic, and perhaps even a rather melancholy interest, for the vast majority.

I also realize that the income taxation rates as well as other features of the House Bill, will in all probability be modified when sober second thought and mature reflection come to assert themselves.

But still, there is bound to be vigorous taxation of *capital*, and therefore the figures which I have quoted give you a measure of the attractiveness and desirability of the Liberty Loan, which are certain to express themselves in the market value it will attain.

The effect of large subscriptions to the Liberty Loan is a heartening to our Allies, a warning to our enemies, and an insurance to ourselves.

To make war, money is as essential as men and munitions. Therefore an overwhelming success of the Liberty Loan is almost equal to a victorious battle.

It will be a new proof to our Allies of the immense force that is now arrayed on their side, it will bring home to our enemies further recognition of the gigantic economic power which they have tackled, it will prove to ourselves in how abundant

a measure we have at our disposal the financial means for defense and attack. It will be the first American battle of the war.

Woe to the man who proves himself a slacker by not taking his due part in the loan.

The loan must not only be successful, it must be overwhelmingly successful.

Patriotism, national pride and self-interest require it.

The continuance of our prosperity is dependent on it. Non-success is, of course, not to be thought of. But the bare covering of the amount offered would chill the heart of enterprise.

A big over-subscription will quicken the pulse of business, will buoy up our spirits and give enhanced power and impetus to our undertaking.

New York must lead—not only in proportion to its resources as compared to those of other States, but far beyond that. And, of course, it will.

The splendid work of the gentlemen who at the request of the Secretary of the Treasury have taken upon themselves the heavy burden of the Liberty Loan campaign, and of assisting in working out the complex details of that huge transaction, has set us a magnificent example, to emulate, each one of us in his sphere.

These men, the leaders of the financial community, have thrown themselves into their task with a

zest and devotion, a disregard of personal considerations and a profusion of personal effort, which are worthy of the very highest recognition. Some of them have worked and are working to the point of physical exhaustion.

And if one may be singled out where all have done so magnificently, I am sure that I voice the sentiment of all of you in expressing the tribute of our gratitude and admiration to Mr. Frank A. Vanderlip, the Chairman of the Publicity Committee of New York's Liberty Loan Committee.

A more public-spirited and patriotic citizen the Republic does not possess, nor the business community a more valuable member or one more worthy of honor.

## I

If, without immodesty, I may venture on this occasion upon a few general suggestions appertaining to the relationship of business men to the grave and fateful undertaking in which our country is engaged, I need hardly emphasize that the first and foremost duty of business men, beyond and above every other interest, is to do everything in their power—I mean literally everything, without any limitation whatsoever—to help the President to win this most just and righteous war, into which, God knows, we have not lightly entered.

To this end we must not stop at any sacrifice, financial or personal, that the emergency may require of us.

We must consider our time and our capacities subject to selective conscription on the part of the Government, unconditionally, and upon the shortest notice. And I know well that no one of us will falter or fail to respond to any call that may be made upon him.

Besides the fine duty of personal service and sacrifice there rests more particularly upon business men the less grateful duty of vigilance concerning the business part of the conduct of the war, and if necessary—but only if necessary—of helpful criticism.

To wage a war—and this war far beyond any of those of the past—is the vastest and most strenuous business undertaking that a nation can put its hand to.

The amount of money of which the expenditure is confided to our Government staggers the imagination. The task of spending it wisely, efficiently and without wastefulness is one taxing the very highest ability and firmest character.

The integrity of those in charge of our Government is, of course, beyond the remotest shadow of suspicion.

There will be no scandal here such as has disgraced some responsible officials in other countries during the war—the most heinous of all disgraces.

But there are bound to be mistakes in an enterprise of this colossal magnitude and difficulty. Such mistakes, as far as they concern the policy and practice of expenditures, are apt to be first noticed by business men.

It is the duty of each one of us in such a case, quietly and courteously to bring the facts to the

attention of the official responsible for the respective department. I feel convinced that such representations made in a proper spirit and an appropriate manner, will meet with a sympathetic reception and receive adequate attention, but if—contrary to expectation—there should be no proper response or action in due course, then it becomes our patriotic duty to disclose the facts publicly and fearlessly, provided, of course, that we are quite certain that they are facts and not merely surmises or suspicions or exaggerated reports.

To say and to do the popular thing is not always the most patriotic thing.

Utterances or actions which meet with condemnation and resentment at the moment may turn out and be recognized in the course of time as having been of genuine service to the commonwealth.

## II

*I think the business men's slogan during the war should be "No panicky saving and no excessive profits."*

*From the psychological as well as from the economic point of view, it is of the greatest importance that there be no grave business set-back whilst the war lasts.*

Business should be kept active, employment should be abundant, wages should be high.

We are in this war to a successful finish, however long that may take. A serious decline in business would make us less able to provide the sums necessary to be raised by taxation and borrowing to conduct the war, and would moreover have a tendency, through its various and widespread effects, to produce that insidious disease, perilous and paralyzing to the nation's war efforts, "war-weariness."

Of course, there must be some dislocation of business. That cannot be avoided.

Manufacturers making certain kinds of articles, merchants dealing in certain kinds of goods, will have to adjust themselves, to an extent, to making some different articles required by the needs of the occasion, and to dealing in different goods.

But business should and can remain excellent and—again for psychological and economic reasons—there should be a good, indeed more than normal margin of profit, because of the greater risks involved in doing business during war time (and because of other considerations which would require a somewhat lengthy explanation,) but a large slice of that profit once realized should be taken by the Government in the shape of excess profit and income taxation.

It is, of course, absurd to preach—as is being preached in some quarters—that no one should be allowed to make more money during a war than his bare living expenses. If we cannot accumulate savings we shall very soon be at the end of our tether.

But it is entirely right to preach that no one should benefit financially from the dreadful calamity of war, that no one should be permitted to use the urgent necessities caused by war to exact extortionate prices.

*Of course, also, we should all economize during war, but the rule of reason holds good even in respect of things that it is well and praiseworthy to do.*

As the war proceeds, and especially if it lasts a long time, it will become increasingly necessary to turn the productive activities of the nation from things that can be dispensed with to things that are *necessary* for the conduct of the war and otherwise.

But, if owing to the needs of the war, certain lines of business may and probably will have to be extinguished for the time being and the activities of those who have handled them heretofore, utilized in other directions, let the evolution come gradually and not with a sudden jerk which would give a needless jar to the delicate machinery of business.

*In whatever respects and for as long as we can maintain the normal course of trade, without detriment to our supreme task, the successful ending of the war, we should, I believe, do so.*

But we can and unquestionably should at once proceed to take such steps, each one of us, as will produce, if I may use the term, primary savings.

This is, of course, a complex subject and its full discussion would require far more time than I have at my disposal.

I will only quote one homely instance to illustrate my meaning:

If we, every one of us in our individual households, pay careful attention to the avoidance of that waste of food and material for which America

is proverbial, if we deny ourselves a few indulgences in the way of eating and drinking and late entertaining, if we do those and a few similar simple things, the resulting national saving in the aggregate will be enormous, the stock of national assets will be increased and no one will be damaged by the process in his own business.

This is a crude and obvious example, but I think the same test can be applied to other methods of economizing—at least in the early stages of the war.

It is likewise obvious that we should at once start upon reducing our individual use of such materials and articles for which a special demand is created by Government requirements, and that by doing so we are not causing any detriment to industry.

At the same time we must realize that if the conflict continues for a long time, it will doubtless become necessary to resort to more drastic and deep cutting measures of saving.

*May I add that the worst and least permissible way of saving during a war is to cut down on one's charitable and altruistic contributions along his habitual channels. War charities should not be supported at the expense of one's accustomed charities, but in addition thereto.*

### III

Lastly, and to return to the beginning. Our one and supreme job, the one purpose to which all others must give way, is to bring this war to a successful conclusion.

One of the means toward that end is to make the Liberty Loan a veritable triumph, an overwhelming expression of our gigantic economic strength.

To accomplish that, let each one of us feel himself personally responsible, let each one of us work as if our life depended on the result. And, in a very real sense, does not our national life and our individual life depend on the outcome of this war?

Would life be tolerable if the power of Prussianism, run mad and murderous, held the world by the throat, if the primacy of the earth belonged to a government steeped in the doctrines of a barbarous past and supported by a ruling cast which preaches the deification of sheer might, which despises liberty, hates democracy and would destroy both if it could?

To that spirit and to those doctrines, we, citizens of America and servants, as such, of humanity, will oppose our solemn and unshakable resolution "to make the world safe for democracy," and we will say, with a clear conscience, in the noble words which more than five hundred years ago were uttered by the Parliament of Scotland:

*"It is not for glory, or for riches,  
or for honor that we fight, but  
for liberty alone which no good  
man loses but with his life."*









