

## From the President

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# 1914 and the World We Lost


**N**inety years ago this month, on June 28, 1914, Archduke Francis Ferdinand, heir to the throne of the Austro-Hungarian empire, and his wife, Sophie, were assassinated by a Bosnian-Serb nationalist in the city of Sarajevo. It served as the spark which set off the events that started World War I later that summer. It also ended the predominantly classical-liberal epoch of the nineteenth century and ushered in roughly the last hundred years of collectivism, interventionism, and war.

What the epoch before 1914 was like was concisely expressed by John Maynard Keynes in his 1919 volume *The Economic Consequences of the Peace*:

What an extraordinary episode in the economic progress of man that age was which came to an end in August, 1914! The greater part of the population, it is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with this lot. But escape was possible, for any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages. The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such

quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend. He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality, could despatch his servant to the neighboring office of a bank for such supply of the precious metals as might seem convenient, and could then proceed abroad to foreign quarters, without knowledge of their religion, language, or customs, bearing coined wealth upon his person, and would consider himself greatly aggrieved and much surprised at the least interference. But, most important of all, he regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement, and any deviation from it as aberrant, scandalous, and avoidable. The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions, and exclusion, which were to play the serpent to this paradise, were little more than the amusements of his daily newspaper, and appeared to exercise almost no influence at all on the ordinary course of social and

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economic life, the internationalization of which was nearly complete in practice.

However imperfectly, throughout all that was called at that time “the civilized world,” the rule of law prevailed and the rights of individuals to their life, liberty and property were widely respected. Governments rarely consumed more than 10 percent of the wealth of their citizens and subjects—leaving the remaining 90 percent to be consumed, saved, and invested as those citizens and subjects considered most useful, advantageous, and profitable. Freedom of trade generally prevailed among these nations, with the tariff barriers that existed being minor stumbling blocks to the competitive flow of goods and services around the world.

## Free to Move

In addition, there was virtual free movement of people from one end of the globe to the other, with only the Russian and Turkish Empires, among the European nations, imposing visa requirements. And American immigration restrictions were only beginning to be imposed to any noticeable extent. Between 1850 and 1914 almost 60 million people had migrated from their home countries to other parts of the world, with almost half of them making their destination the United States.

The welfare state was still in an embryonic stage, having been introduced in its modern form in Imperial Germany, starting in the 1880s, by the “Iron Chancellor,” Otto von Bismarck, to undermine the appeal of the German Socialist Party. Inspired by the German model, Great Britain had only introduced the first of its national health-care programs in 1911. In the United States, proponents of the German welfare state were propagandizing for a similar system; but in those years before 1914, assisting the less fortunate was still considered a matter for private philanthropy, voluntary charitable associations, and local communities.

Governments tended to balance their budgets, with surpluses used to pay off any debts accumulated during national emergencies. While the monetary systems of the major nations of Europe and North America were under the control of government-run or -sponsored central banks, in general those systems were managed on the basis of the gold standard—with actual gold coins and bullion in circulation as the media of exchange; bank notes and checks were redeemable in gold on demand at legally enforced fixed rates of exchange.

The tragedy of war had not disappeared from the human scene in the decades before 1914, but wars were few and more limited in their impact on both life and property than the “total war” and collectivist revolutionary violence of the remainder of the twentieth century.

How long ago that classical-liberal epoch now seems! Even with the demise of totalitarian collectivism in their fascist and communist forms, the individual remains a ward of the paternalistic welfare-interventionist state, with all his activities regulated by government.

What goes by the name of “free trade” is actually managed trade manipulated through a variety of international organizations controlled by the governments of the world. Gold was long ago replaced with paper currencies, the value and stability of which are totally dependent on the caprice of governments that pander to special interests and pursue ideological agendas.

World War I, of course, did not create by itself the century we have just experienced. The trends toward collectivism and interventionism had been developing for at least 20 years before the war began. Indeed, World War I was the culmination of the rise of socialism and nationalism in the late nineteenth century. What the war provided were the means and the rationale to bring socialism and nationalism into complete control of society. The world still has not recovered from what used to be called the Great War. □