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## Reconstruction Problems

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## Reconstruction Problems\*

By F. W. GEHLE.

Mankind faces the future with no greater desire in its heart than to secure a glimpse of what is to be the aftermath of the war. There never was a more vital hour than that in which we are living. Having for more than four years struggled through the greatest war of all the ages, we have crossed the threshold of peace. Where lately we were thinking in terms of cannon, bayonets, war supplies and front line trenches, we have come suddenly to think in terms of reconstruction.

Our minds will not grasp the completeness of the change that has come about until the millions of men who are enlisted in France have returned from the battlefields to their homes and firesides. It will not be until then that we shall grasp the full magnitude of the task of making the world completely over.

In magnitude and importance nothing ever approached the problems that have risen to confront us. Some of these problems are wholly new. Others are old, in new aspects. They resolve themselves into five classes: moral, social, international, economic and financial.

Morally, socially and politically, the problems that face the world are so formidable and so involved in their nature, that we have no present way of judging how the future will solve them. This war was the crisis of a thousand years of history, and the degree in which it will bring about the consummation of society's ideals is so vaguely defined that statesmen to-day do not even hazard a guess regarding what is before us. Society has been and is being made over, in every sense, and on the completeness with which the allied statesmen who are now gathering in France build their foundation of peace on right doctrine, on justice and wisdom, will depend in a large measure the completeness with which society attains its ideals.

Human ideals are based, in the very nature of things, on certain fundamental principles. Hence, out of this war must come a vindication of these principles. That is why at the very

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beginning of peace, problems will have to be settled involving reparation and punishment for the wrongs of this war and establishing guarantees for the world's safety in the future. Problems will have to be solved of alliances and pledges, of ties and enmities of recent birth, of friendships of long standing and hatred stretching back to antiquity. Problems will have to be settled—unless a way is to be left open for another world war speedily to follow this one—of governments, territories, boundaries, creeds and races.

Embracing, as it did, so vast a portion of the earth's surface, and having entailed such an unparalleled sacrifice of blood and treasure, the war must inevitably bring about government and territorial readjustments of far-reaching importance. That is plain to everyone. Readjustments of boundaries are certain to be made through the whole eastern hemisphere, just as readjustments of thrones and rulers have already been made. Affecting particularly Germany, Austria-Hungary, Russia, the Balkan states and Turkey, and taking in parts of Asia and Africa, these readjustments will be powerful factors in determining the condition of internal politics in all nations and of international policies in all the world.

These comprise one group of factors. There are other factors as well. Within a very short time, now, we shall have to take account of the lowered standards of existence that have come from having tens of millions of men revert to the primitive, both in defending and taking life. We shall have to take account of the check that has been given to education, law, literature, art, religion and all those measures of civilization that contributed to carry mankind forward, prior to 1914, in every sphere of endeavor.

### THE ECONOMIC PROBLEMS.

The moral, social and political sequel of the war offers one formidable group of problems to absorb our minds and efforts from to-day forward. There are to be considered the economic problems and the financial problems as well. The world will have to consider these very seriously. The war's economic problems will have to do with such things as reconstruction and rehabilitation, with supplies of goods necessary for life, with commerce and industry, with international trade, with labor, with prices, with government control and labor restrictions and with the rights

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of property and individuals. The financial sequel will embrace those problems which govern capital and credit, state debts and currency inflations, taxes, deranged gold standards, the foreign exchanges and the national and international banking relations.

As with statesmen in their attitude toward the future of political and social problems, so with bankers in their attitude toward these other problems—the answers are too vaguely defined to permit any confident prediction, or more than expressions of hope and purpose. All the problems confronting the world are so immense that one's mind staggers at the contemplation of them all. Because of their magnitude, and because of the frightful wastage entailed by the war, they will not be solved in a week, or a month, or even a year.

Justice cannot be established with the speed with which it was overthrown. Terrible wrongs cannot be atoned at once. Territorial readjustments cannot be determined out of hand. Governments and dynasties cannot be destroyed and replaced in a single operation. The vast and intricate war machine that has been built up cannot be taken apart immediately. Armies of tens of millions of men cannot be demobilized and returned to productive industry by a simple executive order. Ruined cities cannot be rebuilt without effort. Economic progress cannot be restored as quickly as it was arrested. Financial expedients cannot be abandoned as readily as they were called into being.

In view of the future trials and tests which the summaries that I have given indicate for the world, it will be judged that the process of getting back to normal is destined to involve supreme difficulties for the nations. Let us for a moment confine our thought to what confronts the United States. That our difficulties will be colossal will be accepted, I believe, without dispute. They will not be so colossal as the difficulties of the nations of Europe. Nor will they be of the same character. The United States was the last of the great powers to draw the sword and is the least weakened of the nations. But, paradoxical as it may sound, it is by very reason of our favorable position that some of our greatest problems will arise. All nations of the earth look hither to-day for their help and strength, and in satisfying their requirements we shall have imposed upon us not only great opportunities but vast responsibilities as well.

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The task of releasing the nation from its war tension and returning it to a basis where it will meet the requirements of ordinary affairs is one that will not be simple, nor easily within our power. It is in industry that the change from war conditions up to this time has been most visible and pronounced throughout the United States; hence the most pressing problems we face at the moment are industrial in their nature. Up to a few weeks ago all our thoughts and efforts, together with our tremendous forces of production, were devoted to the output of goods needful for the prosecution of the war. Those goods were so urgently in demand that our factories and labor were turning them out at a rate of forty to fifty million dollars a day. To-day those goods are no longer in demand, except in such quantities as may serve the United States army and navy on a peace basis.

We all want to look forward in the months immediately before us to a period of good times, with business in a vigorous, uplooking state. But can such a period be immediately ahead, while plants are being readjusted from a war-time to a peace-time basis, and while the world is still bewildered with the rapidity with which epochal events are occurring? The world's disorders of more than four years have drawn us far out of the beaten track of our lives, and it would seem that we could not, without a wrench, return to normal life as it was lived before the outbreak of the war.

An automobile speeding over a road at 60 miles an hour cannot make a right angle turn without slowing down, and industry in the United States can hardly be expected to make the turn into peace pursuits without very definite adjustments.

Roughly there are 8,000,000 war workers of one kind or another in the United States. There are more than 3,000,000 men in the army and navy. The mustering out of both the industrial war army and the military forces will be a gigantic task, and although those just now released are readily finding employment, none of us can be so sanguine as to expect that all the millions of men and women will be absorbed into peace-time industry promptly and at present wages and hours of employment.

However, it is not my purpose to say things here that will suggest that bankers generally are depressed and disquieted regarding the outlook. In all those seasons of depression and doubt which alternate with periods of optimism and confident assurance

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regarding the future, the fallibility of man's reasoning is made painfully apparent. On all big questions it has always been thus, and until experience has perfected human intelligence in all things, on big questions and little it will always be thus. In the present situation men's opinions differ widely and seasons of depression will lead to one kind of reasoning while seasons of enthusiasm will lead to quite another.

This present season ought not to be for any of us a season of depression. Concerning the outlook as it is to be scanned to-day, I will admit that one prospect appears to contradict another. That simply shows the complexity of the circumstances coming out of the war. I have said that all nations of the earth look hither to-day for their help and strength. And yet we must admit that the immediate future holds out to the United States two possibilities. On one hand, we must frankly admit that there is the possibility of an industrial setback. On the other hand we must recognize that there is the possibility of an industrial boom greater than has been seen at any time before.

One can argue plausibly for one prospect and logically for the other. Let us try it briefly. For instance, let us take the disquieting possibility first. The grounds for looking forward to an industrial setback may be briefly presented as follows:

1—Peace has deprived munition plants of a market which has been taking millions of dollars' worth of material daily. The war demand for shells, cartridges and guns will hereafter be as nothing by comparison with the recent demand.

2—The European nations, to re-establish themselves in the markets of the world, will henceforward use every means at their disposal to win back what they have lost since the middle of 1914. There will be a peremptory demand for the immediate employment of thirty million men released from fighting. The desire to plunge again into work to restore some of the appalling losses inflicted by the war disaster will be overwhelming.

3—Necessity for regaining lost commerce will lead to an effort to undersell American manufacturers, not only abroad, but here in our own home market. The assumption that the people of Europe will be so poverty-stricken that they will sell for anything conjures the picture of a whole continent making a united

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effort to flood the markets of the outside world with merchandise, sold at prices against which American manufacturers cannot compete.

4—Poverty and tax burdens will be such that a tide of emigration will set in strongly to the United States, to disorganize conditions here. Many of the lower classes of central and south-eastern Europe would come now were there means of leaving the war-ridden countries. Means will be restored after peace is signed. Then we may expect a horde of people who for a long time cannot be assimilated and will consequently cause grave disturbance and dislocation of industry.

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That is one side of the argument, the disturbing side, which you will note, sounds a dirge for American prosperity. Here is the other side: that which looks to the future with hope and confidence:

1—There is about to dawn in Europe an era of reconstruction and redevelopment on a scale never before witnessed in the history of the world. France, Belgium, Italy, Russia, Rumania, Serbia, Austria and Poland all have been invaded. All will need material to make good the ravages of war. In the part of France that was under German occupancy complete rehabilitation will be required. Belgium will have to be built all over again, industrially. Restoration of cities, factories, dwellings, bridges and warehouses elsewhere will require material beyond any present estimate. In every part of Europe the first duty will be to the restoration of the heart of industry and the arteries of commerce.

2—The United States is the only great industrial nation equipped with working forces, plant facilities and capital sufficient to turn out immediately what Europe will want at once. Orders must be placed with us for enormous quantities of raw material, for steel and iron and other metals, for lumber, grain, cotton, provisions and a thousand things with which to restore a continent to a semblance of its former self.

3—With able-bodied men pitifully reduced by loss of life and limb, Great Britain and the continental countries will not be able to command cheap labor and turn out cheap goods for export at a profit. Dependence upon the labor that remains will mean higher

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wages. Higher wages will at once cut off the advantage that was in other years a determining factor in establishing Europe in the world's export market.

4—Higher wages abroad will overcome the tendency of emigration to the United States.

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Any man can measure one group of arguments against the other and come to one or another conclusion—whichever he desires. An industrial collapse or an industrial boom greater than any seen before—one extreme or the other may be selected as America's destiny.

My personal belief is that the answer will be determined by the urgency of Europe's need for our goods, plus the ability of the United States to extend credit to enable Europe to satisfy that need.

Temporarily we shall have a period of uncertainty, with wage readjustments and with, perhaps, a certain amount of unemployment. But that will be only temporarily. The whole world will presently be knocking at our door for material with which to reconstruct destroyed cities, railroads and factories. In satisfying the demands to be made we shall have the greatest opportunity ever placed before any industrial nation in the history of the world. The part to be played by the United States in the reconstruction period will be a dominating one.

Our new financial position, which will have much to do with bringing all this about, is already established. Since the outbreak of the war in 1914, the United States has shipped abroad 22 billion dollars' worth of food and manufactured materials and has imported only one-half as much. We have taken payment for nine-tenths of the balance in securities and notes. Is this not significant of what we are going to do in the future? England at the pinnacle of its financial fame never extended credit as we have done.

There are those who say that the United States, with development of its own resources making large demands upon capital, cannot for years to come be economically fitted to supply the world with capital. To them one need only point to the figures I have quoted, and to the credits the United States has placed in the hands of the Allies, since the war began. A little



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more than four years ago we were a debtor nation, heavily obligated to foreign lenders. Now we are a strong creditor nation. Something like three billion dollars' worth of American securities, previously owned abroad, was returned to this country before our entrance into the war, and in addition  $1\frac{1}{4}$  billions of gold were sent in payment for our products, while  $2\frac{1}{4}$  billions of foreign government loans were secured here. Since our entrance into the war upward of  $8\frac{1}{2}$  billions have been borrowed here on foreign credits, directly from the government, and additional credits are being regularly extended by the United States treasury.

We have gained a financial independence never before experienced. We have canceled our European debt while Europe has piled up her debt with us. Equipped with an elastic currency system, the part to be played by the United States in the reconstruction period will, it is my firm conviction, be a dominating one. The extraordinary showing of power in face of the political and economic convulsion of the past four years has given the United States a new financial prestige, and our strategic position, economically and commercially, will be stronger with each month that elapses after the close of the war. Our leading men of affairs are thoroughly alive to what is before them. It is for the rest of us to do some right thinking and right planning.

The war, I believe, has been the making of the American nation. Events and developments since it began have been tremendous, and there is promise of much more. A little while ago we reckoned our accounts in hundreds of thousands and in millions. Now we are reckoning in units of billions. We have ceased to think within the limits of sections or even of our own continent: we have come to regard the world as the scope for our sympathies and the field for our enterprise, while all humanity has become the rightful object for our planning.

America is to-day the world's unconquered hope. The war opened to our vision a new glory and greatness and power. It saved us from losing our head in the whirlpool into which we were tossed; it brought us up with a sharp turn and we shall now maintain the efficiency of which we are capable.

We frequently heard it said, before April, 1917, that we were inviting the wrath and hatred of the people of Europe by our cold-hearted indifference to the suffering of the war-stricken countries. If there was danger of that, that danger was removed

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when we took our rightful place in the war. We have now shown the world the scope of our wonderful resources and the intensity of our application to the project of a war for humanity. We will henceforward show how capable we are as a nation to apply those same resources to the project of upbuilding the structures of humanity.

Let us admit that there will be a selfish motive in all that we do. We need not be ashamed to do that. We shall prosper as nations abroad, that are our customers, prosper. But remember this: we ourselves cannot prosper if it is our ambition and purpose to take every possible advantage of other nations, not so well off as ourselves, in a ruthless manner. Nations over-sea will not be beggars of the United States in any sense of the word. They will be customers. And the degree in which the United States shall become a nation of world tradesmen and world bankers will be determined by the manner in which we grasp the opportunity of treating others not as beggars but as respectable customers and purchasers of our goods.

The manufacturer, the merchant, the export commission broker, the banker, the transportation man, the producer from the soil, the miner—aye, the accountant as well—all these must alike look forward to deriving a benefit upon the conclusion of peace—not only a personal benefit, nor even a national benefit, but an international and world benefit.

Foreign purchases in the United States of the future, more than ever of the past, will be paid for with credit. Shipment of gold hither in exchange for goods will be made only in so far as we command that shipment by the refusal of credit, and will be limited in any case. Means of immediate payment for all that Europe requires will be lacking, and, if there is no substitute for that means, we know that purchases will have to be curtailed. If Europe, which is and must for many years to come be our chief customer, curtails its purchases, our trade will languish, men who are employed will lose their work and prosperity will give way to hard times. Just as we cannot forever count upon a prosperity that springs from the calamity of other people, so we cannot count upon taking advantage of that calamity. If we are to have growing commercial relations with the rest of the world, we must cast aside insular habits and prejudices, and provide the rest of the world with the means of paying for

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products bought from us. We must accept promises to pay, and grant easy terms. We must accept as collateral the character, integrity, industry and skill of the people with whom we trade.

In that way only, by earnest, willing co-operation, shall we grasp firmly the great opportunity that is before us.