

TRANSLATOR'S PREFACE.

The present work was written and first published in Czech almost a year ago, with the exception of some parts (Chapter II., §§ 1, 4 and 5, and Chapter III of the First Section), enlarged and completed by the author in February and March of this year. A complete revision of the English version of this work by the author was unfortunately prevented by his sudden death on May 1st. of this year, which was also the cause of a certain delay in its publication. Some of the suggestions made by the author (such as the substantial reduction of German reparations) have been meanwhile adopted, whereas others (such as the proposal of an International Economic Conference) are going to be carried out in the near future. Yet the work has lost none of its intrinsic value thereby and is as topical to-day as ever. The fact that it appears just before the meeting of the International Economic Conference lends it on the contrary only additional interest and justifies the view that it will command the same keen attention on the part of English and American economists and politicians as that provoked by the publication of the original and of the German translation in Central Europe. It was on account of the intrinsic value of this work no less than as an act of piety to the memory of the prematurely deceased scholar that his family decided to fulfill his wish by the publication of this translation in order to enable the English speaking public to become acquainted with his views on the present crisis.

Born 46 years ago, Jan Loevenstein soon rose to well deserved fame. His family has played and still plays an important role in the economic activities of Czechoslovakia. His father was Chairman of

important mining concerns, and his brother is General Director of the famous Škoda Works in Pilsen. Jan Loevenstein himself was at first active in practical economic life, but he soon gave up this practical occupation in order to devote himself entirely to the study of economic theory. Even before the War he undertook extensive travels in France and Italy, and especially in England and America, for the economic life of these two countries interested him most of all. On his return from the United States where he spent almost two years of his life, he wrote an extensive work on "*The National Banking System of the United States of America*" which constitutes one of the best and most exhaustive books on the subject in existence. After the War he acted as the Delegate of Czechoslovakia to the Reparation Commission in Vienna. In 1919 he became Professor of Economics and Finance in the Czech High Technical School in Brno (Brünn), and soon after he was appointed Professor of Financial Studies in the Masaryk University in the same town where he lectured up to his death.

Professor Jan Loevenstein gained distinction especially as an expert on the philosophy of economics and on the theory of public finance. Even his smaller works on the theory of Value and Exchange, on various theories of taxation (on the progression of the tax on profit, on direct and indirect taxes in relation to the capacity of the tax-payer etc.) and on economic noetics have spread his reputation even beyond the frontiers of his own country. His fame and importance as an expert grew every year, so that he became generally recognised by economists as an authority in these questions.

After the great slump on the New York Exchange in 1929 the crisis began to acquire ever growing proportions. The confidence of the public in the world credit system and in international economic solidarity was shaken and undermined, and mankind, sorely stricken by huge unemployment, became overwhelmed by general panic and anxiety. This state of affairs induced Professor Loevenstein to

interrupt his research work and theoretical studies and to devote himself to the study of the crisis, for which he was so well qualified both by his learning and by his knowledge of foreign languages. In the Summer of 1931 he went to England to study the conditions there at close quarters, and on his return from England he embodied the results of his enquiry and of his study of the crisis in the present work, published in Czech under the title "*The diagnosis and the cure of the world crisis*" ("*Diagnosa a léčení světové krise*").

His work was not of course the first book on the present crisis, for the number of works by various authorities, which have appeared on this subject in all countries, is truly stupendous. Yet Professor Loevenstein's work created an unusual interest even among the general public and was soon sold out. It led to many heated controversies, yet his chief arguments proved sound and have not been successfully refuted. The success of his work was mainly due to the outspoken candour, logic, originality and depth of his ideas.

Professor Loevenstein saw in the crisis a symptom of a social disease affecting the whole organism of society. He considered it the duty of all thinking economists and politicians to try and find the causes of this disease, for even if we succeed in overcoming it this time, as various signs of slight improvement seem to indicate, we must do all in our power to prevent its repetition in future. The correct remedy, however, can be found only through a correct diagnosis by means of an unbiased enquiry, leaving all considerations of political and national allegiance and all class prejudices aside. The physician must apply remedies even if they are unpleasant to the patient. In the same way a scholar must seek the truth alone, however unpalatable it may seem to many. Professor Loevenstein's views may not be generally endorsed and may even find many critics and opponents in England and America, yet even his most bitter antagonists must recognise that in his enquiry he was actuated by lofty motives, by the love of truth and by unimpeachable idealism. He saw in fact in the problem of the present crisis not only an

economic problem, but a question affecting the future of our whole civilisation, since the progress of civilisation is to a large extent conditional upon the economic efficiency and welfare of mankind.

Unfortunately unrelenting Fate interrupted the labours which he pursued with such zeal and energy. His premature death is deplored not only by his family, his pupils and his many friends in Czechoslovakia, England and America. It means a positive loss to the world in general, for in him the world lost more than an ordinary man of science. Professor Loevenstein possessed a rare gift of imagination, tempered by inexorable logic, and the courage of original, even if often unpopular views which did not always correspond with the views of his colleagues and of the official economic science of to-day and yesterday. These qualities and his practical idealism mark him as a real pioneer of new economic thought. He belonged in fact to those modern economists who, no longer satisfied with the idea of completely free industry and enterprise, demand a better legal and technical organisation and regulation of Production and Distribution. The question of a more just distribution of income and of a more efficient world organisation of Production, Distribution and Exchange has long ceased to be the postulate of Socialists alone. It is more and more realized that the growth of production, of national income and of the exchange of commodities, on which depends the improvement of consumption, cannot be left to free enterprise alone, and that the question of consumption and of the distribution of income is no less important than that of economical production. Completely free enterprise and the incentive of individual profit have in short ceased to be regarded as the sole or the most useful regulators of economic life, for the present lack of co-ordinated production and distribution and the free development of dynamic inequality of income, made possible by the Capitalist system, are an obvious drawback and danger. Economic science no longer regards the subjective postulate of individual gain as the most important factor, but lays an ever greater stress on the objective

postulate of national welfare and of economic life organised from the point of view of the prosperity of the world as a whole. A nation with many wealthy individuals, but with large masses of underfed workers is not a prosperous nation, and mankind with apparent overproduction, but with millions of unemployed and starving people cannot be considered as happy or well organised. The present crisis shows clearly that the world is one whole; the world character of the crisis proves the need of a world solution. The present volume forms an important contribution towards this end.

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V. N.

