

“1914 is (still) the New Black”

There are decades where nothing happens; and there are weeks where decades happen.

— **Vladimir Lenin (1870 – 1924)**

In 1914, Europe had arrived at a point in which every country except Germany was afraid of the present, and Germany was afraid of the future.

— **Sir Edward Grey (1862 – 1933)**

Last week’s email, “[1914 is the New Black](#)”, was the most widely read Epsilon Theory note to date, and given yesterday’s events it bears repeating, as the echoes of 1914 are growing louder and louder. We are, I think, likely embarked on the death spiral phase of a game of Chicken, just as in the summer of 1914. The stakes are, for now at least, not nearly as cataclysmic today as they were a century ago, but the social and political dynamics are eerily alike.

I’m often asked how to get a better take on a historical event like the lead-up to World War I, and the answer is that there’s no substitute for immersing yourself in what people were actually saying and writing at the time the events transpired. If you’re lucky, perhaps you’ll pick a period that also attracted the attention of a gifted historian like a Robert Caro or a David McCullough. Second best, I’ve found, is to find a gifted editor or anthologist to smooth the path a bit. One such anthologist is Peter Vansittart, who collected a wide range of original texts in his classic books, “Voices: 1870 – 1914” and “Voices from the Great War”. I’ve taken some of those texts and appended them below. They speak for themselves, I hope, to illustrate the defining characteristic of [a spiraling game of Chicken](#) – all sides begin to speak in terms of “having no choice” but to take aggressive actions to defend their own interests.

Before the quotes, though, three other historical observations:

- 1) **The Austrian ultimatum to Serbia – long seen as the proximate cause of World War I – was accepted by the Serbian government almost in its entirety.** Unfortunately, that “almost” part made all the difference. An important anecdote to remember the next time someone calls your attention to Tsipras’s acceptance of 90% of the Eurogroup reform ultimatum.
- 2) **Anti-establishment voters are always underrepresented in establishment polls.** Noted segregationist and Alabama governor George Wallace won the 1972 Democratic Party primary in Michigan despite showing third in polls. Daniel Ortega and his Sandinista regime lost the 1990 Nicaraguan election by 10 percentage points to Violeta Chamorro despite leading by more than 10 points in every pre-election poll. The Syriza NO landslide was no surprise here, and this is an important phenomenon to keep in mind when you start to see opinion polls from Italy and France published over the next few days.

- 3) **Politics always trumps economics.** My favorite 1914 quote in this regard is from Lord Cunliffe, governor of the Bank of England from 1913 – 1918, who famously declared that war was impossible because “The Germans haven’t the credits.” So what if Greek banks run out of euros? The Greek government will make their own, or maybe issue California-style IOUs and dare the Eurogroup to boot them out of the currency. If you think that an ECB squeeze can put this political genie back in the bottle, you’re making the same classic error as Walter Cunliffe did.

And now the quotes.

I held a council at 10:45 to declare war with Germany. *It is a terrible catastrophe but it is not our fault.* An enormous crowd collected outside the palace; we went on the balcony both before and after dinner. When they learned that war had been declared, the excitement increased and May and I with David went on to the balcony; *the cheering was terrific.*

— **King George V (1865 – 1936)**

England alone carries the responsibility for peace or war, no longer us.

— **Kaiser Wilhelm II (1859 – 1941)**

In this most serious moment I appeal to you to help me. An ignoble war has been declared to a weak country. The indignation in Russia shared fully by me is enormous. *I foresee that very soon I shall be overwhelmed by the pressure brought upon me and be forced to take extreme measures which will lead to war.* To try and avoid such a calamity as a European war, I beg you in the name of our old friendship to do what you can to stop your allies from going too far. -- Nicky

— **Tsar “Nicky” Nicholas II (1868 – 1918) in a letter to his cousin, Kaiser “Willy” Wilhelm II**

Now Tsarism has attacked Germany, *now we have no choice*, now there is no looking back.

— **Kurt Eisner (1867 – 1919)**

Necessity knows no law; we must hack our way through.

— **Theobald von Bethmann-Hollweg (1856 – 1921) in a speech to German Reichstag**

The few neutral states are not sympathetic toward us. Germany has not a friend in the world, she stands utterly alone and has only herself to depend on. ... *How different it all was a few weeks ago, when we launched so brilliant a campaign – now a bitter disillusionment is setting in.* And how much we shall have to pay for all that is being destroyed!

— **Helmuth von Moltke the Younger (1848 – 1916) in a letter to his wife**

In this war it is a question ... of German civilization against barbarous Slavdom.

— **Helmuth von Moltke the Younger (1848 – 1916)**

The year 1914 in America seemed the crest of a wave of passionate idealism among young people, and of passionate selfishness among middle-aged people.

— **John Cowper Powys (1872 – 1963)**

July 25: Unbelievably large crowds are waiting outside the newspaper offices. News arrives in the evening that Serbia is rejecting the ultimatum. General excitement and enthusiasm, and all eyes turn towards Russia – is she going to support Serbia? The days pass from 25 to 31 July. Incredibly exciting; the whole world is agog to see whether Germany is now going to mobilize.

July 31: Try as I may I simply can't convey the splendid spirit and wild enthusiasm that has come over us all. We feel we've been attacked, and the idea that we have to defend ourselves gives us unbelievable strength ... You still can't imagine what it's going to be like. Is it all real, or just a dream?

— diary of Herbert Sulzbach, “With the German Guns” (1935)

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