

The Great Illusion

Devon



A Study of the Relation of Military Power
in Nations to their Economic
and Social Advantage

By

Norman Angell

He was expecting war & was arguing against it. He also thought that Europeans would treat each other well.

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Third Revised and Enlarged Edition

He wrote a book after the war called Great Illusion 1920

1909 written

WWI causes enormous destruction of property. Equalizes

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wealth in Europe. Rich had more property to be wiped out than the poor.

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The Great Illusion

CHAPTER I

STATEMENT OF THE ECONOMIC CASE FOR WAR

Where can the Anglo-German rivalry of armaments end?—Why peace advocacy fails—Why it deserves to fail—The attitude of the peace advocate—The presumption that the prosperity of nations depends upon their political power, and consequent necessity of protection against aggression of other nations who would diminish our power to their advantage—These the universal axioms of international politics.

IT is pretty generally admitted that the present rivalry in armaments with Germany cannot go on in its present form indefinitely. The net result of each side meeting the efforts of the other with similar effort is that at the end of a given period the relative position of both is what it was originally, and the enormous sacrifices of both have gone for nothing. If it is claimed that England is in a position to maintain the lead because she has the money, Germany

can retort that she is in a position to maintain the lead because she has the population, which in the end must mean money. Meanwhile, neither side can yield to the other, as the one so doing would, it is felt, be placed at the mercy of the other, a situation which neither will accept. There are two current solutions which are offered as a means of egress from this *impasse*. There is that of the smaller party, regarded in both countries for the most part as dreamers and doctrinaires, who hope to solve the problem by a resort to general disarmament, or, at least, a limitation of armament by agreement. And there is that of the larger and more practical party who are quite persuaded that the present state of rivalry and recurrent irritation is bound to culminate in an armed conflict, which, by definitely reducing one or other of the parties to a position of manifest inferiority, will settle the thing for at least some time, until after a longer or shorter period a state of relative equilibrium is established, and the whole process will be recommenced *da capo*.

This second solution is, on the whole, accepted as one of the laws of life: one of the hard facts of existence which men of ordinary courage take as all in the day's work. Most of what the nineteenth century has taught us of the evolution of life on the planet is pressed into the service of this struggle-for-life philosophy. We

are reminded of the survival of the fittest, that the weakest go to the wall, and that all life, sentient and non-sentient, is but a life of battle.

The sacrifice involved in armament is the price which nations pay for their safety and for their political power. And the power of England has been regarded as the main condition of her past industrial success: her trade has been extensive and her merchants rich, because she has been able to make her political and military force felt and to exercise her influence among all the nations of the world. If she has dominated the commerce of the world in the past, it is because her unconquered navy has dominated, and continues to dominate, all the avenues of commerce. Such is the currently accepted argument.

And the fact that Germany has of late come to the front as an industrial nation, making giant strides in general prosperity and well-being, is deemed also to be the result of her military successes and the increasing political power which she is coming to exercise in Continental Europe. These things, alike in England and in Germany, are accepted as the axioms of the problem. I am not aware that a single authority of note, at least in the world of workaday politics, has ever challenged or disputed them. Even those who have occupied prominent positions in the propaganda of peace are at one with the veriest fire-eaters on this point. Mr. W. T. Stead is one

navy =
commerce

of the leaders of the big navy party in England. Mr. Frederic Harrison, who all his life had been known as the philosopher protagonist of peace, declares that, if England allow Germany to get ahead of her in the race for armaments, "famine, social anarchy, incalculable chaos in the industrial and financial world would be the inevitable result. Britain may live on . . . but before she began to live freely again she would have to lose half her population, which she could not feed, and all her overseas Empire which she could not defend. . . . How idle are fine words about retrenchment, peace, and brotherhood, whilst we lie open to the risk of unutterable ruin, to a deadly fight for national existence, to war in its most destructive and cruel form." On the other side we have friendly critics of England, like Professor von Schulze-Gaevernitz, writing: "We want our [*i. e.* Germany's] Navy in order to confine the commercial rivalry of England within innocuous limits and to deter the sober sense of the English people from the extremely threatening thought of attack upon us. . . . The German Navy is a condition of our bare existence and independence, like the daily bread on which we depend, not only for ourselves but for our children."

Confronted by a situation of this sort, one is bound to feel that the ordinary argument of the pacifist entirely breaks down; and it breaks down for a very simple reason. He himself

accepts the premise which has just been indicated—viz., that the victorious party in the struggle for political predominance gains some material advantage over the party which is conquered. The proposition even to the pacifist seems so self-evident that he makes no effort to combat it. He pleads his case otherwise. "It cannot be denied, of course," says one peace advocate, "that the thief *does* secure some material advantage by his theft. What we plead is that if the two parties were to devote to honest labour the time and energy devoted to preying upon each other, the permanent gain would more than offset the occasional booty."

Some pacifists go farther and take the ground that there is conflict between the natural law and the moral law, and that we must choose the moral even to our hurt. Thus Mr. Edward Grubb writes:

Self-preservation is not the final law for nations any more than for individuals. . . . The progress of humanity may demand the extinction (in this world) of the individual, and it may demand also the example and the inspiration of a martyr nation. So long as the Divine providence has need of us, Christian faith requires that we shall trust for our safety to the unseen but real forces of right dealing, truthfulness, and love; but, should the will of God demand it, we must be prepared, as Jeremiah taught his nation long ago, to

give up even our national life for furthering those great ends to which the whole creation moves. This may be "fanaticism," but, if so, it is the fanaticism of Christ and of the prophets, and we are willing to take our places along with them.¹

The foregoing is really the keynote of much pacifist pronaganda. In our own day Count Tolstoi has even expressed anger at the suggestion that any but religious reaction against militarism can be efficacious.

The peace advocate pleads for "altruism" in international relationships, and in so doing admits that successful war may be the interest, though the immoral interest, of the victorious party. That is why the "inhumanity" of war bulks so largely in his advocacy, and why he dwells so much upon its horrors and cruelties.

It thus results that the workaday world and those engaged in the rough and tumble of practical politics have come to look upon the peace ideal as a counsel of perfection which may one day be attained when human nature, as the common phrase is, has been improved out of existence, but not while human nature remains what it is, and while it remains possible to seize a tangible ad-

¹ *The True Way of Life*, p. 29. I am aware that many modern pacifists are more objective in their advocacy than Mr. Grubb, but in the eyes of the "average sensual man pacifism is still deeply tainted with this self-sacrificing altruism." See Chap. III, Part III.

vantage by a man's strong right arm. So long as that is the case the strong right arm will seize the advantage, and woe betide the man who cannot defend himself.

Nor is this philosophy of force either as conscienceless, as brutal, or as ruthless as its common statement would make it appear. We know that in the world as it exists to-day, in spheres other than those of international rivalry, the race is to the strong, and the weak get scant consideration. Industrialism, commercialism, is as full of cruelties as war itself—cruelties, indeed, that are more long drawn out, more refined, though less apparent, and, it may be, appealing less to the common imagination. With whatever reticence we may put the philosophy into words, we all feel that conflict of interests in this world is inevitable, and that what is an incident of our daily lives we do not feel should be shirked as a condition of those occasional titanic conflicts which mould the history of the world.

The virile man doubts whether he ought to be moved by the plea of the "inhumanity" of war. The masculine mind accepts suffering, death itself, as a risk which we are all prepared to run even in the most unheroic forms of money-making; none of us refuses to use the railway train because of the occasional smash, to travel because of the occasional shipwreck, and so on. Indeed, peaceful industry demands a heavier toll even in blood

than does war, a fact which the casualty statistics in railroading, fishing, mining, seamanship, eloquently attest. The cod-fisheries of Europe have been the cause of as much suffering within the last quarter of a century, of the loss of as many lives; such peaceful industries as fishing and shipping are the cause of as much brutality.¹ Our peaceful administration of the tropics takes as heavy a toll in the health and lives of good men, and much of it, as in the West of Africa, involves, unhappily, a moral deterioration of human character as great as that which can be put to the account of war.

Beside these peace sacrifices the "price of war" is trivial, and it is felt that the trustees of a nation's interests ought not to shrink from paying that price should the efficient protection of those interests demand it. If the common man is prepared, as we know he is, to risk his life in a dozen dangerous trades and professions for no object higher than that of improving his position or increasing his income, why should the statesman shrink from such sacrifices as the average war

¹ The newspaper *Le Matin* recently made a series of revelations, in which it was shown that the master of a French cod-fishing vessel had, for some trivial insubordinations, disembowelled his cabin-boy alive, and put salt into his intestines, and then thrown the quivering body into the hold with the cod-fish. So injured were the crew to brutality that they did not effectively protest, and the incident was only brought to light months later by wine-shop chatter. The *Matin* quotes this as the sort of brutality that marks the Newfoundland cod-fishing industry in French ships.

demands if thereby the great interests which have been confided to him can be advanced? If it be true, as even the pacifist admits that it may be true, that the tangible material interests of a nation may be advanced by warfare; if, in other words, warfare can play some large part in the protection of the interests of humanity, the rulers of a courageous people are justified in disregarding the suffering and the sacrifice that it may involve.

Of course the pacifist falls back upon the moral plea: we have no right to take by force. But here again the "common" sense of ordinary humanity does not follow the peace advocate. If the individual manufacturer is entitled to use all the advantages which great financial and industrial resources may give him against a less powerful competitor, if he is entitled, as under our present industrial scheme he is entitled, to overcome competition by a costly and perfected organization, of manufacture, of advertisement, of salesmanship, in a trade in which poorer men gain their livelihood, why should not the nation be entitled to overcome the rivalry of other nations by utilizing the force of its public bodies? It is a commonplace of industrial competition that the "big man" takes advantage of *all* the weaknesses of the small man—narrow means, his ill-health even—to undermine and to undersell. If it were true that industrial competition were

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always merciful, and national or political competition always cruel, the plea of the peace man might be unanswerable; but we know, as a matter of fact, that this is not the case, and returning to our starting-point, the common man feels that he is obliged to accept the world as he finds it, that struggle and warfare in one form or another are one of the conditions of life, conditions which he did not make. And he is not at all sure that the warfare of arms is necessarily either the hardest or the most cruel form of that struggle which exists throughout the universe. In any case, he is willing to take the risks, because he feels that military predominance gives him a real and tangible advantage, a material advantage translatable into terms of general social well-being, by enlarged commercial opportunities, wider markets, protection against the aggression of commercial rivals, and so on. He faces the risk of war in the same spirit that a sailor or a fisherman faces the risk of drowning, or a miner that of the choke-damp, or a doctor that of a fatal disease, because he would rather take the supreme risk than accept for himself and his dependants a lower situation, a narrower and meaner existence, with complete safety. And also he asks whether the lower path is altogether free from risks. If he knows much of life he knows that in so very many circumstances the bolder way is the safer way.

And that is why it is that the peace propaganda has so signally failed, and why the public opinion of the countries of Europe, far from restraining the tendencies of their governments to increase armaments, is pushing them into enlarged instead of into reduced expenditure. They find it universally assumed that national power means national wealth, national advantage; that expanding territory means increased opportunity for industry; that the strong nation can guarantee opportunities for its citizens that the weak nation cannot. The Englishman believes that his wealth is largely the result of his political power, of his political domination, mainly of his sea power; that Germany with her expanding population must feel cramped; that she must fight for elbow room; and that if he does not defend himself he will illustrate that universal law which makes of every stomach a graveyard. And he has a natural preference for being the diner rather than the dinner. As it is universally admitted that wealth and prosperity and well-being go with strength and power and national greatness, he intends so long as he is able to maintain that strength, and power, and greatness, that he will not yield it even in the name of altruism until he is forced to. And he will not yield it, because should he do so, it would be simply to replace British power and greatness by the power and greatness of some other nation, which

he feels sure would do no more for the well-being of civilization as a whole than he is prepared to do. He is persuaded that he can no more yield in the competition of nations than as a business man or as a manufacturer he could yield in commercial competition to his rival; that he must fight out his salvation under conditions as he finds them, since he did not make them, and since he cannot change them.

And admitting his premises—and these premises are the universally accepted axioms of international politics the world over—who shall say that he is wrong?

CHAPTER II

THE AXIOMS OF MODERN STATECRAFT

Are the foregoing axioms unchallengeable?—Some typical statements of them—German dreams of conquest—Mr. Frederic Harrison on results of defeat of British arms and invasion of England—Forty millions starving.

BUT are these universal axioms unchallengeable?

Is it true that wealth and prosperity and well-being depend on the political power of nations, or, indeed, that the one has anything whatever to do with the other?

Is it true that one nation can gain a solid, tangible advantage by the conquest of another?

Does the political or military victory of a nation give any advantage to the individuals of that nation which is not still possessed by the individuals of the defeated nation?

Is it possible for one nation to take by force anything in the way of material wealth from another?

Is it possible for a nation in any real sense

to "own" the territory of another—to own it, that is, in any way which can benefit the individual citizens of the owning country?

If England could conquer Germany to-morrow, completely conquer her, reduce her nationality to so much dust, would the ordinary British subject be the better for it?

If Germany could conquer England would any ordinary German subject be the better for it?

The fact that all these questions have to be answered in the negative, and that a negative answer seems to outrage common sense, shows how much our political axioms are in need of revision.

The trouble in dealing with this problem, at bottom so very simple, is that the terms commonly employed in its discussion are as vague and as lacking in precision as the ideas they embody. All European statesmen talk glibly of the "collapse" of the British Empire or of the German, as the case may be, of the "ruin" of this or that country, of the domination and supremacy of this or that Power, but all these terms may respectively, so it appears, stand for a dozen different things. And in attempting to get at something concrete, and tangible, and definite, one is always exposed to the criticism of taking those terms as meaning something which the authors never intended.

I have, however, taken at random certain solemn and impressive statements of policy, typical of many, made by responsible papers and responsible public men. These seem quite definite and unmistakable in their meaning. They are from current papers and magazines which lie at my hand, and can consequently be taken as quite normal and ordinary and representative of the point of view universally accepted—the point of view that quite evidently dominates both German and English policy:

It is not Free Trade, but the prowess of our Navy . . . our dominant position at sea . . . which has built up the British Empire and its commerce.—*Times* leading article.

Because her commerce is infinitely vulnerable, and because her people are dependent upon that commerce for food and the wages with which to buy it . . . Britain wants a powerful fleet, a perfect organization behind the fleet, and an army of defence. Until they are provided this country will exist under perpetual menace from the growing fleet of German *Dreadnoughts*, which have made of the North Sea their parade-ground. All security will disappear, and British commerce and industry, when no man knows what the morrow will bring forth, must rapidly decline, thus accentuating British national degeneracy and decadence."—H. W. Wilson in *The National Review*, May, 1909.

Sea-power is the last fact which stands between Germany and the supreme position in international

commerce. At present Germany sends only some fifty million pounds worth, or about a seventh, of her total domestic produce to the markets of the world outside Europe and the United States. . . . Does any man who understands the subject think there is any power in Germany, or, indeed, any power in the world, which can prevent Germany, she having thus accomplished the first stage of her work, from now closing with Great Britain for her ultimate share of this 240 millions of overseas trade? Here it is that we unmask the shadow which looms like a real presence behind all the moves of present-day diplomacy and behind all the colossal armaments that indicate the present preparations for a new struggle for sea-power."—Mr. Benjamin Kidd, in *The Fortnightly Review*, April 1, 1910.

It is idle to talk of "limitation of armaments" unless the nations of the earth will unanimously consent to lay aside all selfish ambitions. . . . Nations, like individuals, concern themselves chiefly with their own interests, and when these clash with those of others, quarrels are apt to follow. If the aggrieved party is the weaker he usually goes to the wall, though "right" be never so much on his side; and the stronger, whether he be the aggressor or not, usually has his own way. In international politics charity begins at home, and quite properly; the duty of a statesman is to think first of the interests of his own country."—*United Service Magazine*, May, 1909.

Why should Germany attack Britain? Because Germany and Britain are commercial and political rivals; because Germany covets the trade, the colonies, and the Empire which Britain now

possesses.—Robert Blatchford, *Germany and England*, p. 4.

It is upon their national security (assured by naval supremacy) that their economic future—their food, clothing, and housing—depends.—Admiral Mahan in the *Daily Mail*, July 4, 1910.

Great Britain with her present population exists by virtue of her foreign trade and her control of the carrying trade of the world; defeat in war would mean the transference of both to other hands and consequent starvation for a large percentage of the wage-earners.—T. G. Martin in the *World*.

If the command of the sea could be taken from us for a week or two these islands and their riches would be absolutely open to the plunderer. . . . When a landlord was shot by his parishioners, a Catholic priest asked indignantly from the pulpit, What right had he to tempt the poor people in this district to murder him by going about unarmed? We do not want the Powers of Europe to be tempted after this fashion.—Mr. J. St. Loe Strachey, editor of the *Spectator*, in "A New Way of Life," p. 80.

We offer an enormously rich prize if we are not able to defend our shores; we may be perfectly certain that the prize which we offer will go into the mouth of somebody powerful enough to overcome our resistance and to swallow a considerable portion of us up.—The Speaker of the House of Commons in a speech at Greystoke, reported by the *Times*.

What is good for the beehive is good for the bee. Whatever brings rich lands, new ports, or wealthy industrial areas to a State enriches its treasury, and therefore the nation at large, and therefore the in-

dividual.—Mr. Douglas Owen in a letter to the *Economist*, May 28, 1910.

Do not forget that in war there is no such thing as international law, and that undefended wealth will be seized wherever it is exposed, whether through the broken pane of a jeweller's window or owing to the obsession of a humanitarian Celt.—*Referee*, November 14, 1909.

We appear to have forgotten the fundamental truth—confirmed by all history—that the warlike races inherit the earth, and that Nature decrees the survival of the fittest in the never-ending struggle for existence. . . . Our yearning for disarmament, our respect for the tender plant of non-conformist conscience, and the parrot-like repetition of the misleading formula that the "greatest of all British interests is peace" . . . must inevitably give to any people who covet our wealth and our possessions . . . the ambition to strike a swift and deadly blow at the heart of the Empire—undefended London.—*Blackwood's Magazine*, May, 1909.

These are taken mainly from English sources, but there is not a straw to choose between them and current German opinion on the subject. Thus a German Grand Admiral writes:

The steady increase of our population compels us to devote special attention to the growth of our overseas interests. Nothing but the strong fulfilment of our naval programme can create for us that importance upon the free-world-sea which it is incumbent upon us

to demand. The steady increase of our population compels us to set ourselves new goals and to grow from a Continental into a world power. Our mighty industry must aspire to new overseas conquests. Our world trade—which has more than doubled in twenty years—which has increased from 500 millions sterling to 800 millions sterling during the ten years which our naval programme was fixed—and 600 millions sterling of which is sea-borne commerce—only can flourish if we continue honourably to bear the burdens of our armaments on land and sea alike. Unless our children are to accuse us of short-sightedness it is now our duty to secure our world power and position among other nations. We can do that only under the protection of a strong German fleet, a fleet which shall guarantee us peace with honour for the distant future.—Grand Admiral von Koester, President of the Navy League, reported in the *Norddeutsche Allgemeine Zeitung*.

One popular German writer sees the possibility of "overthrowing the British Empire" and "wiping it from the map of the world in less than twenty-four hours." (I quote him textually, and I have heard almost the counterpart of it in the mouth of a serious English public man.) The author in question, who, in order to show how the thing could come about, deals with the matter prophetically, and, writing from the standpoint of 1911, admits that:

At the beginning of the twentieth century Great Britain was a free, a rich, and a happy country, in

which every citizen, from the Prime Minister to the dock-labourer, was proud to be a member of the world-ruling nation. At the head of the State were men possessing a general mandate to carry out their programme of government, whose actions were subject to the criticism of public opinion, represented by an independent Press. Educated for centuries in self-government, a race had grown up which seemed born to rule. The highest triumphs attended England's skill in the art of government, in her handling of subject peoples. . . . And this immense Empire, which stretched from the Cape to Cairo, over the southern half of Asia, over half of North America and the fifth continent, could be wiped from the map of the world in less than twenty-four hours! This apparently inexplicable fact will be intelligible if we keep in sight the circumstances which rendered possible the building up of England's colonial power. The true basis of her world-supremacy was not her own strength, but the maritime weakness of all the other European nations. Their meagre or complete lack of naval preparations had given the English a position of monopoly which was used by them for the annexation of all those dominions which seemed of value. Had it been in England's power to keep the rest of the world as it was in the nineteenth century the British Empire might have continued for an unlimited time. The awakening of the Continental States to their national possibilities and to political independence introduced quite new factors into *Weltpolitik*, and it was only a question of time as to how long England could maintain her position in the face of the changed circumstances.

And the writer tells how the trick was done, thanks to a fog, efficient espionage, the bursting of the English war balloon, and the success of the German one in dropping shells at the correct tactical moment on to the British ships in the North Sea:

This war, which was decided by a naval battle lasting a single hour, was of only three weeks' duration—hunger forced England into peace. In her conditions Germany showed a wise moderation. In addition to a war indemnity in accordance with the wealth of the two conquered States, she contented herself with the acquisition of the African Colonies, with the exception of the southern States, which had proclaimed their independence, and these possessions were divided with the other two Powers of the Triple Alliance. Nevertheless, this war was the end of England. A lost battle had sufficed to manifest to the world at large the feet of clay on which the dreaded Colossus had stood. In a night the British Empire had crumbled altogether; the pillars which English diplomacy had erected after years of labour had failed at the first test.

The appearance of a book by Dr. Rudolph Martin, a German Privy Councillor, "whose opinions may be taken as expressing the great bulk of the educated classes of Germany," emphasizes how much the foregoing represents very common aspirations in Germany. Dr. Martin says:

The future of Germany demands the absorption of Austria-Hungary, the Balkan States, and Turkey, with the North Sea ports. Her realms will stretch towards the east from Berlin to Bagdad, and to Antwerp on the west.

For the moment we are assured there is no immediate intention of seizing the countries in question, nor is Germany's hand actually ready yet to clutch Belgium and Holland within the net of the Federated Empire.

"But," he says, "all these changes will happen within our epoch," and he fixes the time when the map of Europe will thus be rearranged as from twenty to thirty years hence.

But Germany, according to the writer, means to fight while she has a penny left and a man to carry arms, for she is, he says, "face to face with a crisis which is more serious even than that of Jena."

And, recognising the positions, she is only waiting for the moment she judges the right one to break in pieces those of her neighbours who work against her. All Germans, declares Dr. Martin, know that this is not far off.

France will be her first victim, and she will not wait to be attacked. She is, indeed, preparing for the moment when the allied Powers attempt to dictate to her.

Germany, it would seem, has already decided

to annex the Grand Duchy of Luxemburg, and Belgium incidentally with, of course, Antwerp, and will add all the northern provinces of France to her possessions, so as to secure Boulogne and Calais.

All this is to come like a thunderbolt, and Russia, Spain, and the rest of the Powers friendly to England will not dare to move a finger to aid her. The possession of the coast of France and Belgium will dispose of England's supremacy for ever.

The necessity for armament is put in other than fictional form by so serious a writer as Dr. Gaevernitz, Pro-Rector of the University of Freiburg. Dr. Schulze-Gaevernitz is not unknown in England, nor is he imbued with inimical feelings towards her. But he takes the view that her commercial prosperity depends upon the political domination of Germany.¹

After having described in an impressive way the astonishing growth of Germany's trade and commerce, and shown how dangerous a competitor Germany has become for England, he returns to the old question, and asks what might happen if England, unable to keep down the inconvenient upstart by economic means, should, at the eleventh hour, try to knock him down. Quotations from the *National Review*, the *Ob-*

¹ See letter to the *Matin*, August 22, 1908, and citations from his article given in Part III. of this book.

server, the *Outlook*, the *Saturday Review*, etc., facilitate the professor's thesis that this presumption is more than a mere abstract speculation. Granted that they voice only the sentiments of a small minority, they are, according to our author, dangerous for Germany in this—that they point to a feasible and consequently enticing solution. The old peaceful Free Trade, he says, shows signs of senility. A new and rising Imperialism is everywhere inclined to throw means of political warfare into the balance of economic rivalry.

How deeply the danger is felt even by those who can in no sense be considered Jingoës may be judged by the following from the pen of Mr. Frederic Harrison. I make no apology for giving the quotations at some length. In a letter to the *Times* he says:

Whenever our Empire and maritime ascendancy are challenged it will be by such an invasion in force as was once designed by Philip and Parma, and again by Napoleon. It is this certainty which compels me to modify the anti-militarist policy which I have consistently maintained for forty years past. . . . To me now it is no question of loss of prestige—no question of the shrinkage of the Empire; it is our existence as a foremost European Power, and even as a thriving nation. . . . If ever our naval defence were broken through, our Navy overwhelmed or even dispersed for a season, and a military occupation of our arsenals, docks, and capital were effected, the ruin

would be such as modern history cannot parallel. It would not be the Empire but Britain that would be destroyed. . . . The occupation by a foreign invader of our arsenals, docks, cities, and capital would be to the Empire what the bursting of the boilers would be to a *Dreadnought*. Capital would disappear with the destruction of credit. . . . A catastrophe so appalling cannot be left to chance, even if the probabilities against its occurring were 50 to 1. But the odds are not 50 to 1. No high authority ventures to assert that a successful invasion of our country is absolutely impossible if it were assisted by extraordinary conditions. And a successful invasion would mean to us the total collapse of our Empire, our trade, and, with trade, the means of feeding forty millions in these islands. If it is asked, "Why does invasion threaten more terrible consequences to us than it does to our neighbours?" the answer is that the British Empire is an anomalous structure, without any real parallel in modern history, except in the history of Portugal, Venice, and Holland, and in ancient history Athens and Carthage. Our Empire presents special conditions both for attack and for destruction. And its destruction by an enemy seated on the Thames would have consequences so awful to contemplate that it cannot be left to be safeguarded by one sole line of defence, however good, and for the present hour however adequate. . . . For more than forty years I have raised my voice against every form of aggression, of Imperial expansion, and Continental militarism. Few men have more earnestly protested against postponing social reforms and the well-being

of the people to Imperial conquests and Asiatic and African adventures. I do not go back on a word that I have uttered thereon. But how hollow is all talk about industrial reorganization until we have secured our country against a catastrophe that would involve untold destitution and misery on the people in the mass—which would paralyze industry and raise food to famine prices, whilst closing our factories and our yards!

CHAPTER III

THE GREAT ILLUSION

These views founded on a gross and dangerous misconception—
 —What a German victory could and could not accomplish—
 —What an English victory could and could not accomplish—
 —The optical illusion of conquest—There can be no transfer of wealth—The prosperity of the little States in Europe—
 —German Three per Cents at 82 and Belgian at 96—
 —Russian Three and a half per Cents at 81, Norwegian at 102—
 —What this really means—Why security of little States not due to treaty—Military conquest financially futile—If Germany annexed Holland, would any German benefit or any Hollander?

I THINK it will be admitted that there is not much chance of misunderstanding the general idea embodied in the foregoing. Mr. Harrison is especially definite. At the risk of "damnable reiteration" I would again recall the fact that he is merely expressing one of the universally accepted axioms of European politics—namely, that a nation's financial and industrial stability, its security in commercial activity—in short, its prosperity and well-being, depend upon its being able to defend itself against the aggression of other nations, who will, if they are able, be tempted

to commit such aggression because in so doing they will increase their power and consequently their prosperity and well-being, at the cost of the weaker and vanquished.

I have quoted, it is true, largely journalistic authorities because I desired to indicate real public opinion, not merely scholarly opinion. But Mr. Harrison has the support of other scholars of all sorts. Thus Mr. Spenser Wilkinson, Chichele Professor of Military History at Oxford, and a deservedly respected authority on the subject, confirms in almost every point in his various writings the opinions that I have quoted, and gives emphatic confirmation to all that Mr. Frederic Harrison has expressed. In his book, *Britain at Bay*, Professor Wilkinson says: "No one thought when in 1888 the American observer, Captain Mahan, published his volume on the influence of sea-power upon history, that other nations besides the British read from that book the lesson that victory at sea carried with it a prosperity and influence and a greatness obtainable by no other means."

Well, it is the object of these pages to show that this all but universal idea, of which Mr. Harrison's letter is a particularly vivid expression, is a gross and desperately dangerous misconception, partaking at times of the nature of an optical illusion, at times of the nature of a superstition, —a misconception not only gross and universal,

but so profoundly mischievous as to misdirect an immense part of the energies of mankind and to misdirect them to such degree that unless we liberate ourselves from this superstition civilization itself will be threatened.

And one of the most extraordinary features of this whole question is that the absolute demonstration of the falsity of this idea, the complete exposure of the illusion which gives it birth, is neither abstruse nor difficult. Such demonstration does not repose upon any elaborately constructed theorem, but upon the simple exposition of the political facts of Europe as they exist to-day. These facts, which are incontrovertible, and which I shall elaborate presently, may be summed up in a few simple propositions, which sufficiently expose the illusion with which we are dealing. These propositions may be stated thus:

1. An extent of devastation, even approximating to that which Mr. Harrison foreshadows as the result of the conquest of Great Britain by another nation, is a physical impossibility. No nation can in our day by military conquest permanently or for any considerable period destroy or greatly damage the trade of another, since trade depends upon the existence of natural wealth and a population capable of working it. So long as the natural wealth of the country and

the population to work it remain, an invader cannot "utterly destroy it." He could only destroy the trade by destroying the population, which is not practicable, and if he could destroy the population he would destroy his own market, actual or potential, which would be commercially suicidal.

2. If an invasion by Germany did involve, as Mr. Harrison and those who think with him say it would, the "total collapse of the Empire, our trade, and the means of feeding forty millions in these islands . . . the disturbance of capital and destruction of credit," German capital would, because of the internationalization and delicate interdependence of our credit-built finance and industry, also disappear in large part, and German credit also collapse, and the only means of restoring it would be for Germany to put an end to the chaos in England by putting an end to the condition which had produced it. Moreover, because also of this delicate interdependence of our credit-built finance the confiscation by an invader of private property, whether stocks, shares, ships, mines, or anything more valuable than jewellery or furniture—anything, in short, which is bound up with the economic life of the people—would so react upon the finance of the invader's country as to make the damage to the invader resulting from the confiscation exceed in value the property confiscated. So that

Germany's success in conquest would be a demonstration of the complete economic futility of conquest.

3. For allied reasons in our day the exaction of tribute from a conquered people has become an economic impossibility; the exaction of a large indemnity of doubtful benefit to the nation receiving it, even when it can be exacted.

4. Damage to even an infinitely less degree than that foreshadowed by Mr. Harrison could only be inflicted by an invader as a means of punishment costly to himself, or as the result of an unselfish and expensive desire to inflict misery for the mere joy of inflicting it. In this self-seeking world it is not practical to assume the existence of an inverted altruism of this kind.

5. For reasons of a like nature to the foregoing it is a physical and economic impossibility to capture the external or carrying trade of another nation by military conquest. Large navies are impotent to create trade for the nations owning them, and can do nothing to "confine the commercial rivalry" of other nations. Nor can a conqueror destroy the competition of a conquered nation by annexation; his competitors would still compete with him—*i. e.*, if Germany conquered Holland, German merchants would still have to meet the competition of Dutch merchants, and on keener terms than originally, because the Dutch merchants would then be

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within the German's customs lines. Moreover, Germans would not be able to take a penny-piece from the citizens of Holland to reimburse the cost of conquest, as any special taxation would simply be taxing Germans, since Holland would then be a part of Germany; the notion that the trade competition of rivals can be disposed of by conquering those rivals being one of the illustrations of the curious optical illusion which lies behind the misconception dominating this subject.

6. The wealth, prosperity, and well-being of a nation depend in no way upon its political power. Otherwise we should find the commercial prosperity and social well-being of the smaller nations which exercise no political power, manifestly below that of the great nations which control Europe, whereas this is not the case. The populations of States like Switzerland, Holland, Belgium, Denmark, Sweden are in every way as prosperous as the citizens of States like Germany, Russia, Austria, and France. The trade *per capita* of the small nations is in excess of the trade *per capita* of the great.

7. No nation could gain any advantage by the conquest of the British Colonies, and Great Britain could not suffer material damage by their loss, however much such loss would be regretted on sentimental grounds, and as rendering less easy certain useful social co-operation between kindred peoples. The use, indeed, of the

word "loss" is misleading. Great Britain does not "own" her Colonies. They are, in fact, independent nations in alliance with the Mother Country, to whom they are no source of tribute or economic profit, their economic relations being settled, not by the Mother Country, but by the Colonies. Economically, England would gain by their formal separation, since she would be relieved of the cost of their defence. Their loss, involving, therefore, no change in economic fact (beyond saving the Mother Country the cost of their defence), could not involve the ruin of the Empire and the starvation of the Mother Country, as those who commonly treat of such a contingency are apt to aver. As England is not able to exact tribute or economic advantage, it is inconceivable that any other country necessarily less experienced in Colonial management would be able to succeed where England had failed, especially in view of the past history of the Spanish, Portuguese, French, and British Colonial Empires. This history also demonstrates that the position of Crown Colonies in the respect which we are considering is not sensibly different from that of the self-governing ones. It is not to be presumed, therefore, that any European nation would attempt the desperately expensive business of the conquest of England for the purpose of making an experiment with her Colonies which

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all Colonial history shows to be doomed to failure.

The foregoing propositions traverse sufficiently the ground covered in the series of those typical statements of policy, both English and German, from which I have quoted. The simple statement of these propositions, based as they are upon the self-evident facts of present-day European politics, sufficiently exposes the nature of those political axioms which I have quoted. But as men even of the calibre of Mr. Harrison normally disregard these self-evident facts, it is necessary to elaborate them at somewhat greater length.

For the purpose of presenting a due parallel to the statement of policy embodied in the quotations made from the *Times* and Mr. Harrison and others, I have divided the propositions which I desire to demonstrate into seven clauses, but such division is quite arbitrary, and made only in order to bring about the parallel in question. The whole seven can be put into one, as follows: That as the only possible policy in our day for a conqueror to pursue is to leave the wealth of a territory in the complete possession of the individuals inhabiting that territory, it is a logical fallacy and an optical illusion in Europe to regard a nation as increasing its wealth when it increases its territory, because when a province or state is annexed, the population, who are the real and

only owners of the wealth therein, are also annexed, and the conqueror gets nothing. The facts of modern history abundantly demonstrate this. When Germany annexed Schleswig-Holstein and Alsace not a single ordinary German citizen was one pfennig the richer. Although England "owns" Canada, the English merchant is driven out of the Canadian markets by the merchant of Switzerland who does not "own" Canada. Even where territory is not formally annexed, the conqueror is unable to take the wealth of a conquered territory owing to the delicate interdependence of the financial world (an outcome of our credit and banking systems), which makes the financial and industrial security of the victor dependent upon financial and industrial security in all considerable civilized centres. So that widespread confiscation or destruction of trade and commerce in conquered territory would react disastrously upon the conqueror. The conqueror is thus reduced to economic impotence which means that political and military power is economically futile—that is to say, can do nothing for the trade and well-being of the individuals exercising such power. Conversely, armies and navies cannot destroy the trade of rivals, nor can they capture it. The great nations of Europe do not destroy the trade of the small nations to their benefit, because they cannot; and the Dutch citizen, whose govern-

only true if you have a liberal democracy.

The problem is not solved by the fact that the great nations of Europe do not destroy the trade of the small nations to their benefit, because they cannot; and the Dutch citizen, whose govern-

ment possesses no military power, is just as well off as the German citizen, whose government possesses an army of two million men, and a great deal better off than the Russian, whose government possesses an army of something like four million. Thus the Three per Cents of powerless Belgium are quoted at 96, and the Three per Cents of powerful Germany at 82; the Three and a half per Cents of the Russian Empire, with its hundred and twenty million souls and its four million army, are quoted at 81, while the Three and a half per Cents of Norway, which has not an army at all (or any that need be considered in the discussion), are quoted at 102. All of which carries with it the paradox that the more a nation's wealth is protected the less secure does it become.¹

It is this last fact, constituting as it does one of the most remarkable of economic-sociological phenomena in Europe, which might be made the text of this book. Here we are told by all the experts that great navies and great armies are necessary to protect our wealth against the

¹ This is not the only basis of comparison, of course. Everyone who knows Europe at all is aware of the high standard of comfort in all the small countries: Scandinavia, Holland, Belgium, Switzerland. Dr. Bertillon, the French statistician, has made an elaborate calculation of the relative wealth of the individuals of each country. The middle-aged German possesses (on the established average) nine thousand francs; the Hollander, sixteen thousand! (see *Journal*, Paris, Aug. 1, 1910).

aggression of powerful neighbours, whose cupidity and voracity can be controlled by force alone; that treaties avail nothing, and that in international politics might makes right. Yet when the financial genius of Europe, studying the question in its purely financial and material aspect, has to decide between the great States with all their imposing paraphernalia of colossal armies and fabulously costly navies, and the little States (which, if our political pundits are right, could any day have their wealth gobbled up by those voracious big neighbours) possessing relatively no military power whatever, such genius plumps solidly, and with what is in the circumstances a tremendous difference, in favour of the small and helpless. For a difference of twenty points, which we find as between Norwegian and Russian, and fourteen as between Belgian and German securities is the difference between a safe and a speculative one; the difference between an American railroad bond in time of profound security and in time of widespread panic. And what is true of the Government funds is true in an only slightly less degree of the industrial securities, in the national comparison just drawn.

Is it a sort of altruism or quixoticism which thus impels the capitalists of Europe to conclude that the public funds and investments of powerless Holland and Sweden (any day at the

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mercy of their big neighbours) are 10 to 20 per cent. safer than the greatest Power of Continental Europe? The question is, of course, absurd. The only consideration of the financier is profit and security, and he has decided that the funds of the undefended nation are more secure than the funds of one defended by colossal armaments. How does he arrive at this decision, unless it be through the knowledge that modern wealth requires no defence, because it cannot be confiscated?

Nor can it be replied that I am confusing two things, political and military, as against commercial security. My whole point is that Mr. Harrison, and those who think with him (that is to say, the statesmen of Europe generally) are for ever telling us that military security and commercial security are identical, and that armaments are justified by the necessity for commercial security; that the Navy is an "insurance," and all the other catch phrases which are the commonplace of this discussion.

If Mr. Harrison were right; if, as he implies, England's commerce, her very industrial existence, would disappear did she allow neighbours who envied her that commerce to become her superiors in armament, how does he explain the fact that the great Powers of the Continent are flanked by little nations infinitely weaker than themselves having always a *per capita* trade equal, and in most cases

greater than themselves? If the common doctrines be true the Rothschilds, Barings, Morgans, and Sterns would not invest a pound or a dollar in the territories of the undefended nations, and yet, far from that being the case, they consider that a Swiss or a Dutch investment is more secure than a German one; that industrial undertakings in a country like Switzerland, defended by a comic opera army of a few thousand men, are preferable in point of security to enterprises backed by three millions of the most perfectly trained soldiers in the world. The attitude of European finance in this matter is the absolute condemnation of the view commonly taken by the statesman. If a country's trade were really at the mercy of the first successful invader; if armies and navies were really necessary for the protection of trade, the small countries would be in a hopelessly inferior position, and could only exist on the sufferance of what we are told are unscrupulous aggressors. And yet Norway has relatively to population a greater carrying trade than Great Britain,¹ and Dutch, Swiss, and Belgian merchants compete in all the markets of the world successfully with those of Germany and France.

It may be argued that the small States owe

¹ The figures given in the *Statesman's Year-Book* show that proportionately to population Norway has nearly three times the carrying trade of England.

their security to the various treaties guaranteeing their neutrality. But such a conclusion of itself would condemn the supporters of the great armaments, because it would imply that international good faith constituted a better defence than armaments. If this were really the case, armaments would indeed be condemned. One defender of the notion of security by treaty puts the case thus:

It would be a strange result of our modern international rivalry if those smaller members of the European family came to occupy a more favourable position than have their neighbours. But things seem working in that direction, for it is a fact that, with no defence worth speaking of, these countries are more secure against invasion, less fearful of it, less preoccupied by it than England, or Germany, or France, each with its gigantic army or navy. Why is this? Only because the moral force of a treaty affords a stronger bulwark than any amount of material strength.

Then, if these smaller countries can enjoy this sense of safety from a merely moral guarantee, why should not the larger ones as well? It seems absurd that they should not. If that recent agreement between England, Germany, France, Denmark, and Holland can so effectively relieve Denmark and Holland from the fear of invasion that Denmark can seriously consider the actual abolition of her army and navy, it seems only one further step to go for all the Powers collectively, great and small, to guarantee

the territorial independence of each one of them severally. The North Sea Treaty of 1907 supplies even the very words that would establish such an agreement.

You may say this is Utopian, but it is at least not more than the futile attempt of the last hundred years to try and base territorial independence solely or mainly on material resources. You will hardly deny that the fear in England of actual invasion has not merely kept pace with, but has outstripped, the increase of our expenditure on our Navy. Nor is the case different with any other country. The more armaments have been piled upon armaments the greater has grown the sense of insecurity. May I not fairly argue from this that we have all gone the wrong way to work, and that the more we reduce our armaments and rely upon simple treaties the safer we shall all feel and the less we shall be afraid of aggression?

But I fear that if we had to depend upon the sanctity of treaty rights and international good faith, we should indeed be leaning on a broken reed.¹

¹ "The principle practically acted on by statesmen, though, of course, not openly admitted, is that frankly enunciated by Machiavelli: 'A prudent ruler ought not to keep faith when by so doing it would be against his interests, and when the reasons which made him bind himself no longer exist.' Prince Bismarck said practically the same thing, only not quite so nakedly. The European waste-paper basket is the place to which all treaties eventually find their way, and a thing which can any day be placed in a waste-paper basket is a poor thing on which

It is but the other day that Austria, by the hand of "his most Catholic Majesty"—a sovereign regarded as one of the most high-minded in Europe—cynically laid aside solemn and sacred engagements, entered into with the other European Powers, and, without so much as a "by-your-leave," made waste paper of them, and took advantage of the struggle for civilization in which the new Turkish Government was engaged to annex Bosnia and Herzegovina, which he had given a solemn undertaking not to do, and I fear that "his most Catholic Majesty" does not even lose caste thereby. For, though but a few months separate us from this double breach of contract (the commercial equivalent of which would have disgraced an ordinary tradesman), Europe seems to have forgotten the whole thing.

The sanctity of treaty rights is a very frail protection to the small State. On what, therefore, does its evident security rest? Once again, *on the simple fact that its conquest would assure to the conqueror no profit.*¹

to hang our national safety. Yet there are plenty of people in this country who quote treaties to us as if we could depend on their never being torn up. Very plausible and very dangerous people they are—idealists too good and innocent for a hard, cruel world, where force is the chief law. Yet there are, some such innocent people in Parliament even at present. It is to be hoped that we shall see none of them there in future" (Major Stewart Murray, *Future Peace of the Anglo-Saxons*).

¹ On the occasion of the first anniversary of the annexation

Let us put this matter as concretely and as practically, with our feet as close to the earth as possible, and take an actual example. There is possibly no party in Europe so convinced of the general truth of the common axioms that at present dominate international politics as the Pan-germanists of Germany. This party has set before itself the object of grouping into one great power all the peoples of the Germanic race or language in Europe. Were this aim achieved, Germany would become the dominating Power of the Continent, and might become the dominating Power of the world. And according to the commonly accepted view such an achievement would, from the point of view of Germany, be worth any sacrifice that Germans could make. It would be an object so great, so desirable, that German citizens should not hesitate for an instant to give everything, life itself, in its accomplishment. Very good. Let us assume that at the cost of great sacrifice, the greatest sacrifice which it is possible to imagine a modern civilized nation making, this has been accomplished; and that Belgium and Holland and Germany, Switzerland, and Austria, have all become part of the great

the Austrian Press dealt with the disillusion the Act involved. One paper says: "The annexation has cost us millions, was a great disturbance to our trade, and it is impossible to point to one single benefit that has resulted." There was not even a pretence of economic interest in the annexation which was prompted by pure political vanity.

German hegemony: *is there one ordinary German citizen who would be able to say that his well-being had increased by such a change?* Germany would then "own" Holland. *But would a single German citizen be the richer for the ownership?* The Hollander, from having been the citizen of a small and insignificant State, would become the citizen of a very great one. *Would the individual Hollander be any the richer or any the better?* We know that, as a matter of fact, neither the German nor the Hollander would be one whit the better, and we know also, as a matter of fact, that in all human probability they would be a great deal worse. We may, indeed, say that the Hollander would be certainly the worse in that he would have exchanged the relatively light taxation and light military service of Holland for the much heavier taxation and the much longer military service of the "great" German Empire.

The following correspondence, provoked by the first edition of this book, throws some further light on the points elaborated in this chapter. Mr. Douglas Owen, writing to the *Economist*, May 28, 1910, says:

Whatever brings rich lands, new ports, or wealthy industrial areas to a State enriches its treasury, and therefore the nation at large, and therefore the individual.

To which another correspondent replied:

Mr. Owen here outlines with admirable brevity the very optical illusion from which the book takes its title. In every civilized State revenues which are drawn from "rich lands, new ports," etc., are expended on the administration of these rich lands, and new ports, and the citizens of the enlarged administrative area are exactly where they were before; and the notion that in some mysterious way wealth may first be drawn from a territory into the treasury, and then be redistributed with a profit to the individuals who have contributed it or to others, is merely a vulgar error due to inattention as to the real methods of modern political administration. It would be just as reasonable to say that the citizens of London are richer than the citizens of Birmingham because London has a richer treasury, or that Londoners would become richer if the London County Council were to "annex" the county of Hertfordshire; or to say that people's wealth varies according to the size of the administrative areas which they inhabit. The whole thing is, of course, what Mr. Angell calls it, an optical illusion. Just as poverty may be greater in the great city than in the small one and taxation heavier, so the citizens of a great State may be poorer than the citizens of a small one—as they very often are. Modern government is mainly, and tends to become entirely, a matter simply of administration, and mere jugglery with the administrative entities, the absorption of small States into large ones, or the breaking up of large States into small ones is not of itself going to affect the matter one way or another.

The letter of another critic provoked the following reply:

While it is true, of course, that if Germany annexed Holland the German Government revenue would be increased by the amount of the Dutch taxes, German expenditure would be charged with the cost of Dutch administration, and any taxes collected in Holland would simply be absorbed by the increased expenditure incurred in the administration and defence of Holland, so that the German Government and German people would be exactly where they were before. If an attempt were made to exact from the newly acquired province some special tribute to be distributed in some way among the other States of the Empire, Dutch discontent would be so great that the cost of administration, policing, repression, defence, etc., would be so increased as certainly to offset the advantages of such tribute. But there is no reason to suppose that Germany would even attempt this. She has not done so in the case of Schleswig-Holstein or Alsace Lorraine—*i.e.*, she has never taken from those provinces a tribute which she has attempted to distribute among the other States of the Empire, so that the individual German is not one pfennig richer because those States have been incorporated in the Empire.

CHAPTER IV

THE IMPOSSIBILITY OF CONFISCATION

Our present vocabulary of international politics an historical survival—Why modern conditions differ from ancient—The profound change effected by credit—The delicate interdependence of international finance—Attila and the Kaiser—What would happen if a German invader looted the Bank of England—German trade dependent upon English credit—Confiscation of an enemy's property an economic impossibility under modern conditions.

DURING the Jubilee procession an English beggar was heard to say:

I own Australia, Canada, New Zealand, India, Burmah, and the Islands of the Far Pacific; and I am starving for want of a crust of bread. I am a citizen of the greatest Power of the modern world, and all people should bow to my greatness. And yesterday I cringed for alms to a negro savage, who repulsed me with disgust.

What is the meaning of this?

The meaning is that, as most frequently happens in the history of ideas, our vocabulary is a survival of conditions no longer existing,

and our mental conceptions follow at the tail of our vocabulary. International politics are still dominated by terms applicable to conditions which the processes of modern life have altogether abolished.

In the Roman times—indeed, in all the ancient world—it *was* true that the conquest of a territory meant a tangible advantage to the conqueror; it meant the exploitation of the conquered territory by the conquering State itself to the advantage of that State and its citizens. It not infrequently meant the enslavement of the conquered people and the acquisition of wealth in the form of slaves as a direct result of the conquering war. In mediæval times a war of conquest meant at least immediate tangible booty in the shape of movable property, actual gold and silver, land parcelled out among the chiefs of the conquering nation, as took place at the Norman Conquest, and so forth.

At a later period conquest at least involved an advantage to the reigning house of the conquering nation, and it was mainly the squabbles of rival sovereigns for prestige and power which precipitated the wars of such period.

At a still later period civilization, as a whole—not necessarily the conquering nation—gained (sometimes) by the conquest of savage peoples, in that order was substituted for disorder. In the period of the colonization of newly-discovered

land the pre-emption of such territory by one particular nation secured an advantage for the citizens of that nation in that its overflowing population found homes in conditions that were preferable to the social or political conditions imposed by alien nations. *But none of these conditions is part of the problem that we are considering.* We are concerned with the case of fully civilized rival nations in fully occupied territory, and the fact of conquering such territory gives to the conqueror no material advantage which he could not have had without conquest. And in these conditions—the realities of the political world as we find it to-day—"domination," or "pre-dominance of armament," or the "command of the sea," can do nothing for commerce and industry or general well-being; we may build fifty *Dreadnoughts* and not sell so much as a penknife the more in consequence. We might conquer Germany to-morrow, and we should find that we could not, because of that fact, make a single Englishman a shilling's worth the richer in consequence, the war indemnity notwithstanding.

How have conditions so changed that terms which were applicable to the ancient world—in one sense at least to the mediæval world, and, in another sense still to the world of that political renaissance which gave to Great Britain its Empire—are no longer applicable in *any* sense

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to the conditions of the world as we find them to-day? How has it become impossible for one nation to take by conquest the wealth of another for the benefit of the people of the conqueror? How is it that we are confronted by the absurdity (which the facts of our own Empire go to prove) of the conquering people being able to exact from conquered territory rather less than more advantage than it was able to do before the conquest took place?

The cause of this profound change, largely the work of the last thirty years, is due mainly to the complex financial interdependence of the capitals of the world, a condition in which disturbance in New York involves financial and commercial disturbance in London, and, if sufficiently grave, compels financiers of London to co-operate with those of New York to put an end to the crisis, not as a matter of altruism, but as a matter of commercial self-protection. The complexity of modern finance makes New York dependent on London, London upon Paris, Paris upon Berlin, to a greater degree than has ever yet been the case in history. This interdependence is the result of the daily use of those contrivances of civilization which date from yesterday—the rapid post, the instantaneous dissemination of financial and commercial information by means of telegraphy, and generally the incredible progress of rapidity in communication which has put the

half-dozen chief capitals of Christendom in closer contact financially, and has rendered them more dependent the one upon the other than were the chief cities of Great Britain less than a hundred years ago.

A well-known French authority, writing recently in a financial publication, makes this reflection:

The very rapid development of industry has given rise to the active intervention therein of finance, which has become its *nervus rerum*, and has come to play a dominating rôle. Under the influence of finance, industry is beginning to lose its exclusively national character to take on a character more and more international. The animosity of rival nationalities seems to be in process of attenuation as the result of this increasing international solidarity. This solidarity was manifested in a striking fashion in the last industrial and monetary crisis. This crisis, which appeared in its most serious form in the United States and Germany, far from being any profit to rival nations, has been injurious to them. The nations competing with America and Germany, such as England and France, have suffered only less than the countries directly affected. It must not be forgotten that, quite apart from the financial interests involved directly or indirectly in the industry of other countries, every producing country is at one and the same time, as well as being a competitor and a rival, a client and a market. Financial and commercial solidarity is increasing every day at the expense of commercial

Wrong

and industrial competition. This was certainly one of the principal causes which a year or two ago prevented the outbreak of war between Germany and France *à propos* of Morocco, and which led to the understanding of Algeciras. There can be no doubt for those who have studied the question that the influence of this international economic solidarity is increasing despite ourselves. It has not resulted from the conscious action on the part of any of us, and it certainly cannot be arrested by any conscious action on our part.¹

A fiery patriot sent to a London paper the following letter:

When the German Army is looting the cellars of the Bank of England, and carrying off the foundations of our whole national fortune, perhaps the twaddlers who are now screaming about the wastefulness of building four more *Dreadnoughts* will understand why sane men are regarding this opposition as treasonable nonsense.

What would be the result of such an action on the part of a German Army in London? The first effect, of course, would be that, as the Bank of England is the banker of all other banks, there would be a run on every bank in England, and all would suspend payment. But, simultaneously, German bankers, many with credit in London, would feel the effect; merchants the

¹ *L'Information*, August 22, 1909.

world over threatened with ruin by the effect of the collapse in London would immediately call in all their credits in Germany, and German finance would present a condition of chaos hardly less terrible than that in England. The German Generalissimo in London might be no more civilized than Attila himself, but he would soon find the difference between himself and Attila. Attila, luckily for him, did not have to worry about a bank rate and such like complications; but the German general, while trying to sack the Bank of England, would find that his own balance in the Bank of Berlin would have vanished into thin air and the value of even the best of his investments dwindled as though by a miracle; and that for the sake of loot, amounting to a few sovereigns apiece among his soldiery, he would have sacrificed the greater part of his own personal fortune. It is as certain as anything can be that were the German Army guilty of such economic vandalism there is no considerable institution in Germany that would escape grave damage—a damage in credit and security so serious as to constitute a loss immensely greater¹ than the value of the loot obtained. It is not putting the case too strongly to say that for every pound taken from the Bank of England German trade would suffer a thousand. The influence of the whole finance

¹ Very many times greater, because the bullion reserve in the Bank of England is relatively small.

Attila lives
in a world
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of Germany would be brought to bear on the German Government to put an end to a situation ruinous to German trade, and German finance would only be saved from utter collapse by an undertaking on the part of the German Government scrupulously to respect private property, and especially bank reserves. It is true the German Jingoës might wonder what they had made war for, and an elementary lesson in international finance which the occasion afforded would do more than the greatness of the British Navy to cool their blood. For it is a fact in human nature that men will fight more readily than they will pay, and that they will take personal risks much more readily than they will disgorge money, or for that matter earn it. "Man," in the language of Bacon, "loves danger better than travail."

Events which are still fresh in the memory of business men show the extraordinary interdependence of the modern financial world. A financial crisis in New York sends up the English bank rate to 7 per cent., thus involving the ruin of many English businesses which might otherwise have weathered a difficult period. It thus happens that one section of the financial world is against its will compelled to come to the rescue of any other considerable section which may be in distress.

From one of the very latest treatises on inter-

national finance,¹ I make the following very suggestive quotations:

Banking in all countries hangs together so closely that the strength of the best may easily be that of the weakest if scandal arises owing to the mistakes of the worst. . . . Just as a man cycling down a crowded street depends for his life, not only on his skill, but more on the course of the traffic there. . . . Banks in Berlin were obliged, from motives of self-protection (on the occasion of the Wall Street crisis), to let some of their gold go to assuage the American craving for it. . . . If the crisis became so severe that London had to restrict its facilities in this respect, other centres, which habitually keep balances in London which they regard as so much gold, because a draft on London is as good as gold, would find themselves very seriously inconvenienced; and it thus follows that it is to the interest of all other centres, which trade on those facilities which London alone gives, to take care that London's task is not made too difficult. This is especially so in the case of foreigners who keep a balance in London which is borrowed. In fact, London drew in the gold required for New York from seventeen other countries. . . .

Incidentally it may be mentioned in this connection that German commerce is in a special sense interested in the maintenance of English credit. The authority just quoted says:

¹ Hartley Withers, *The Meaning of Money*.

It is even contended that the rapid expansion of German trade, which pushed itself largely by its elasticity and adaptability to the wishes of its customers, could never have been achieved if it had not been assisted by the large credit furnished in London. . . . No one can quarrel with the Germans for making use of the credit we offered for the expansion of the German trade, although their over-extension of credit facilities has had results which fall on others besides themselves. . . .

Let us hope that our German friends are duly grateful, and let us avoid the mistake of supposing that we have done ourselves any permanent harm by giving this assistance. It is to the economic interests of humanity at large that production should be stimulated, and the economic interests of humanity at large is the interest of England, with its mighty world-wide trade. Germany has quickened production with the help of English credit, and so has every other economically civilized country in the world. It is a fact that all of them, including our own Colonies, develop their resources with the help of British capital and credit, and then do their utmost to keep out our productions by means of tariffs, which makes it appear to superficial observers that England provides capital for the destruction of its own business. But in practice the system works quite otherwise, for all these countries that develop their resources with our money aim at developing an export trade and selling goods to us, and, as they have not yet reached the point of economic altruism at which they are prepared to sell

goods for nothing, the increase in their production means an increasing demand for our commodities and our services. And in the meantime the interest on our capital and credit and the profits of working the machinery of exchange are a comfortable addition to our national income.

But what is a further corollary of this situation? It is that Germany is to-day in a larger sense than she ever was before England's debtor, and that her industrial success is bound up with England's financial security.

What would be the situation in Britain, therefore, on the morrow of a conflict in which she were successful?

I have seen mentioned the possibility of the conquest and annexation of the free port of Hamburg by a victorious British fleet. Let us assume that the British Government has done this and is proceeding to turn the annexed and confiscated property to account.

Now, the property was originally of two kinds: part was private property, and part was German government, or rather Hamburg government, property. The income of the latter was earmarked for the payment of interest of certain government stock, and the action of the British Government, therefore, renders it all but valueless, and in the case of the shares of the private companies entirely so. The paper becomes un-

saleable. But it is held in various forms—as collateral and otherwise—by many important banking concerns, insurance companies, and so on, and this sudden collapse of value shatters their solvency. Their collapse not only involves many credit institutions in Germany, but, as these in their turn are considerable debtors of London, English institutions are also involved. London is also involved in another way. As explained previously, many foreign concerns keep balances in London, and the action of the British Government having precipitated a monetary crisis in Germany, there is a run on London to withdraw all balances. In a double sense London is feeling the pinch, and it would be a miracle if already at this point the whole influence of British finance were not thrown against the action of the British Government. Assume, however, that the Government, making the best of a bad job, continues its administration of the property, and proceeds to arrange for loans for the purpose of putting it once more in good condition after the ravage of war. The banks, however, finding that the original titles have, through the action of the British Government become waste paper, and British financiers having already burned their fingers with that particular class of property, withhold support, and money is only procurable at extortionate rates of interest, so extortionate that it be-

comes quite evident that as a governmental enterprise the thing could not be made to pay. An attempt is made to sell the property to British and German concerns. But the same paralyzing sense of insecurity hangs over the whole business. Neither German nor British financiers can forget that the bonds and shares of this property have already been turned into waste paper by the action of the British Government. The British Government finds, in fact, that it can do nothing with the financial world unless precedently it confirms the title of the original owners to the property, and gives an assurance that titles to all property, throughout the conquered territory shall be respected. In other words, confiscation has been a failure.

It would really be interesting to know how those who talk as though confiscation were still an economic possibility would proceed to effect it. As material property in the form of that booty which used to constitute the spoils of victory in ancient times, the gold and silver goblets, etc., would be quite inconsiderable, and as we cannot carry away sections of Berlin and Hamburg we could only annex the paper tokens of wealth—the shares and bonds. But the value of those tokens depends upon the reliance which can be placed upon the execution of the contracts which they embody. The act of military confiscation upsets all contracts, and the courts

of the country from which contracts derive their force are paralyzed because judicial decisions are thrust aside by the sword.

The value of the stocks and shares would collapse, and the credit of all those persons and institutions interested in such property would also be shaken or shattered, and the whole credit system, being thus at the mercy of alien governors only concerned to exact tribute, would collapse like a house of cards. German finance and industry would show a condition of panic and disorder beside which the worst crises of Wall Street would pale into insignificance. Again, what would be the inevitable result? The financial influence of London itself would be thrown into the scale to prevent a panic in which London financiers would be involved. In other words, British financiers would exert their influence upon the British Government to stop the process of confiscation.

So the argument is that
a liberal democracy or
a capitalistic society has
nothing to fear from attack
or war.

• National Socialism?
Nationalizing industries?
Selling things by eminent
domain?
Attacking Socialized countries?