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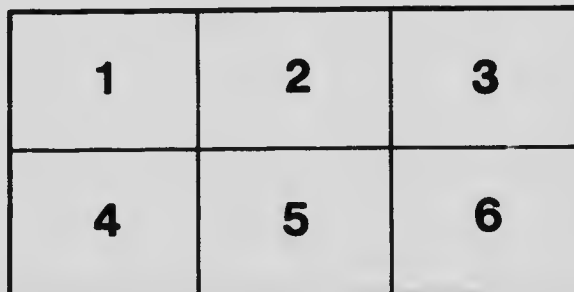
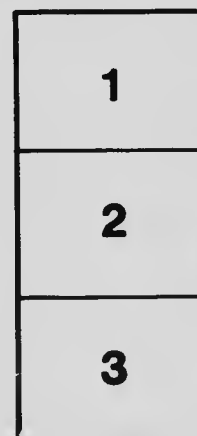
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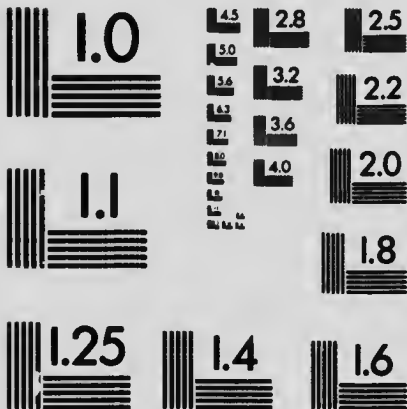
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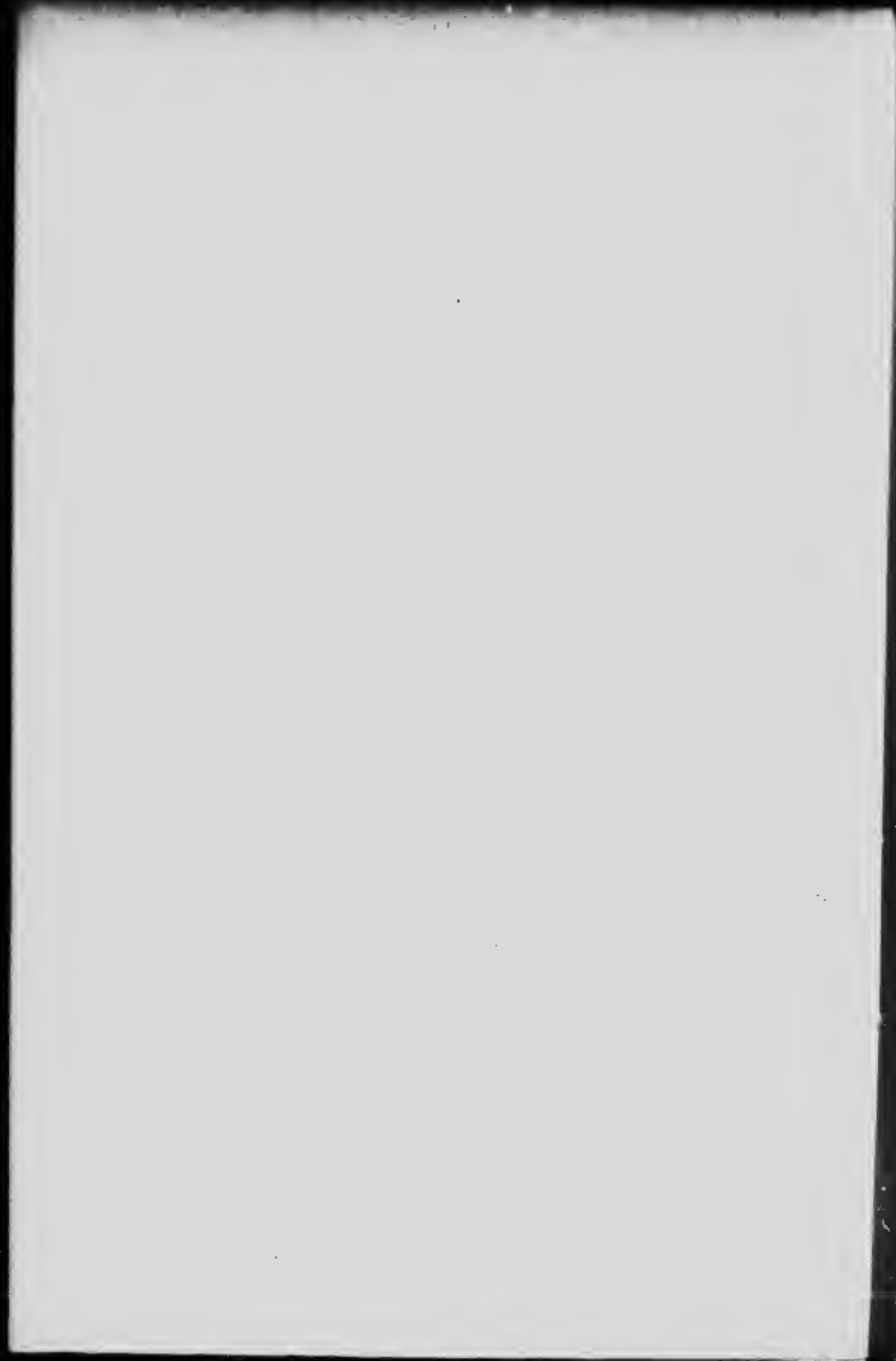
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THE STRUGGLE FOR BREAD

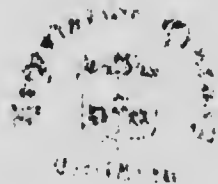


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**THE STRUGGLE FOR
BREAD: A Reply to "The
Great Illusion" and Enquiry into
Economic Tendencies**

*Leons.
R.*

By "A RIFLEMAN"



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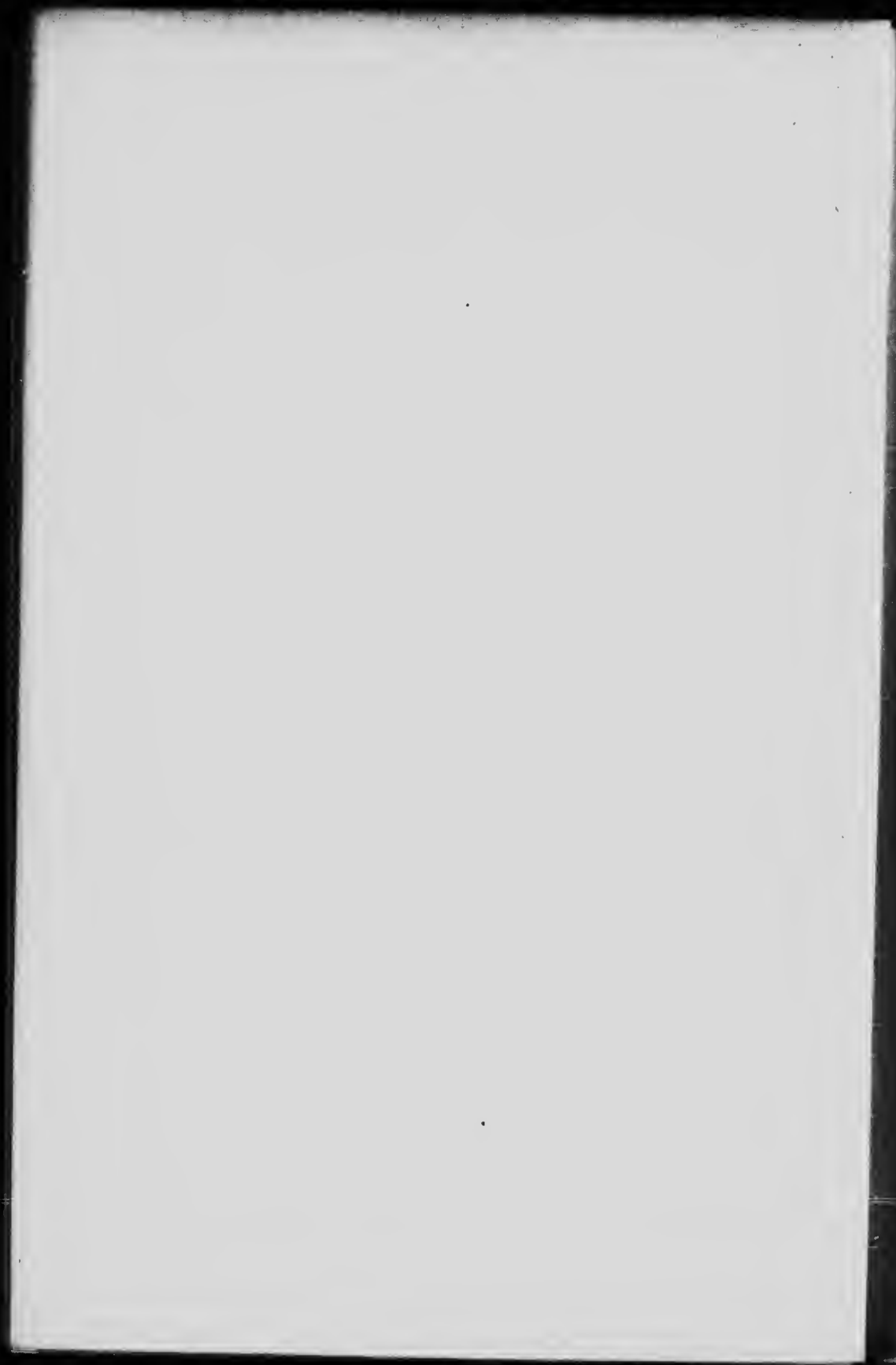
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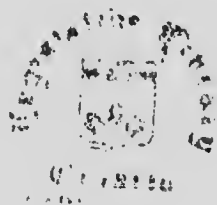
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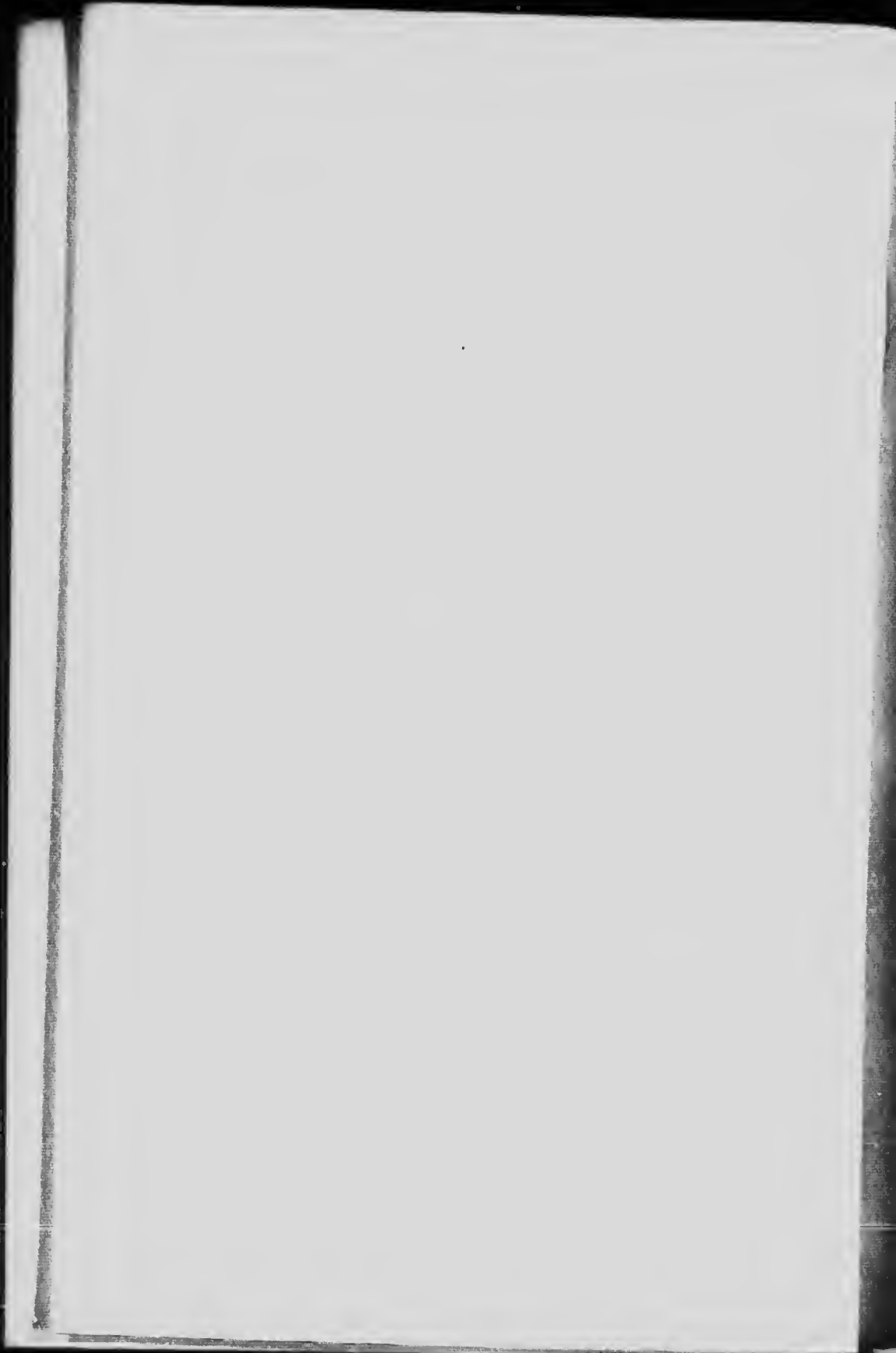
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THE STRUGGLE FOR BREAD





THE STRUGGLE FOR BREAD

I

INTRODUCTORY : THE EVOLUTION OF COMMERCE

IT is an unfortunate result of our system of education that the average Englishman is sadly lacking in a sound grasp of the governing principles which regulate the commerce of our own country and of the world in general. This sounds an extraordinary statement, especially in view of the floods of diatribe and clap-trap poured upon us by the re-opening of the Fiscal Question, nevertheless it is a fact which few will deny that the average "educated" man forms his opinions rather from a few high-sounding phrases caught up from general conversation, or the pages of reviews, than from serious study of the works reviewed or of the questions dealt with. This is a busy age, our Public School system does not inculcate habits of serious systematic original thought, and thus it happens that we Englishmen are perhaps more

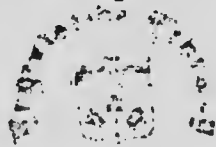
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than any other nation slaves to words and catch-phrases. Random expressions caught up in a hasty glance at some periodical, generally accepted conventions, and the prejudices wrought by early surroundings form and govern the ideas of our "educated" classes, with the inevitable result that these are as a whole as ignorant and prejudiced as the very illiterate classes and windy demagogues they profess to despise. The fact that a parrot talks does not give him intelligence to understand his own utterances; the fact that a man or woman has learnt to speak of Darwin, Haeckel, Spencer, or John Stuart Mill, at a Public School or University does not imply that he has actually read the works of the great writers in question, and moreover understands them. Some people there are who cherish the somewhat Utopian ideal of a suffrage based neither upon property, sex, nor age, but upon education; if by some miracle such a system could be brought into being: if an examination were to be taken into the education and intelligence of the inhabitants of these isles: and if by a still greater miracle it should happen that such an examination were to be intelligently conducted, one wonders which would be found to be most illiterate, the average product of our Public Schools and Universities, or that of our almost equally inefficient Secondary Schools? It

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would be a truly "sporting" question to decide. For this reason it appears to me necessary to preface the arguments which follow by a brief exposition of the fundamental principles of Political Economy. Those people who are already learned in the science are invited to pass on ; those, however, who doubt their thorough grasp of these fundamental principles, are warned that such a clear comprehension is absolutely necessary to the complete understanding of the chapters which follow.

Very well then. First, all wealth and all commerce is comprised in the possession and exchange of surplus products. The farmer exchanges his superfluous foodstuffs for such manufactured articles, clothes, boots, etc., as he requires ; the manufacturer equally exchanges his surplus of manufactured articles, and so on throughout every trade and industry. During the dawn of civilization, and even now amongst barbarous folk untouched by European influences, this exchange of products was carried on direct by barter. In those days men dwelt in scattered villages isolated by roadless forests, and each little village was a self-supporting community. The men tilled the ground, hunted the game, and fabricated their own rude weapons and agricultural implements ; the women spun their own



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rough cloth and helped with agriculture and other duties. Three ties, however, linked these scattered self-sufficing communities into a loose tribal confederacy : a common religion, a common tongue, and the influence of some great chieftain, a mighty warrior and the descendant real or fancied of some revered tribal leader half-forgotten in the mist of antiquity, idealized by generations of old men as old men love to idealize the heroes of their boyhood, and finally crowned with supernatural virtues and raised to the Pantheon of the Gods. Hard by the tomb of his mighty ancestor the tribal chieftain fixed his abode, and here at certain seasons of the year the petty village chieftains accompanied by their retainers flocked to pay worship to the tribal God, and homage to the living chieftain. Games would follow and feasting and merriment and along with all these there would be *trade*. Some of the villages might produce better pottery than others, others might be more skilled in manufacturing weapons, whilst others again might lie adjacent to richer hunting grounds and acquire wealth in pelts. So in the gathering of men and women from afar they would cast eyes at one another's belongings, exchanges would be made by the simple process of "swop," and the reign of commerce would have begun.

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What had originated as religious and political gatherings became fairs, which in some cases, outliving change of religion and loss of political significance, have survived even to the present day.

As the wealth and population of the scattered communities increased exchange by barter was found to present great difficulties. It was difficult to appraise the value of two bulky heaps of miscellaneous goods, and still more difficult to carry these about in search of a purchaser. The primitive merchant in fact found himself in a quandary, if he left his goods unprotected whilst he sought for what he wanted in exchange they would probably get stolen ; at the same time no one could come to him if he stood and guarded them for precisely the same reason, in that primitive state of society no one dared to leave his goods. The solution of this difficulty was found in the adoption of some article in general demand as a common medium of exchange. For instance, if the merchant exchanged his goods for some readily portable object in general demand, he could afterwards stroll around the fair and buy at his leisure with the certainty that this article would be promptly accepted. In just the same fashion now penny-postage stamps are often used as money simply because they are in general

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demand. Now this common medium of exchange first took the form of readily portable objects of value purely from their own intrinsic worth. In historic times we have example of this primitive form of money in the West African Coast Trade. The natives of West Africa were of course ignorant of money when the Europeans first began to trade with their country, they traded therefore by barter. Iron, however, was greatly desired by them, and a bar of that metal deemed of great value. Thus a bar of iron became a definite standard of value, and people spoke of a "bar" of cotton, or any other trade-goods, meaning the quantity of such goods a bar of iron would purchase. Primitive money must have been of an analogous type, small bars of iron, copper, or silver coming into use as general standards of value and mediums of exchange. Our English pound still commemorates this form of money, having originally signified a pound's weight of silver. As civilization developed, however, money came to represent less an article of intrinsic value than a means of exchange. People as a whole, for instance, ceased to buy bars of copper or silver (gold by that time was not available in sufficient quantities to be used as money) with the intention of melting it down for use in the manufacture of ornaments or implements, but

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desired it simply as a ready means of exchange. Coined money developed gradually in consequence at first rings of copper, silver, and gold, became a general currency, being readily portable and in universal demand as ornaments, there followed circular discs of metal perforated by a hole so as to be strung readily upon a string, finally money assumed the form in which we now know it, rudely engraved with the sovereign's head and arms, alloyed with baser metals to give it strength to resist wear and tear, and used purely as a means of exchange. Lastly, the power of money was enormously increased by the invention of the credit system.

This was originated very simply. During the Middle Ages when in every country in Europe the roads swarmed with bands of robbers, generally in league with the innkeepers, it was obviously very dangerous for people to travel with large sums of money; accordingly it became the custom for merchants travelling from one large city to another to purchase letters of credit upon some prominent merchant of the city to which they were travelling. These letters, when they arrived, they presented to the merchant upon whom they were drawn, who at once paid them in cash. Now the merchants who gave out these letters of credit were generally goldsmiths and because of

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the strong safes in which they guarded their precious wares their neighbours who were less secure against thieves brought them their treasure to mind, and from these dual causes, the safes of goldsmiths and the letters of credit, there grew up the system of banks and banking. It was like this, the goldsmiths being known to their fellow-citizens and to the trading community at large as honourable and wealthy men who were both able and willing to redeem their obligations, letters of credit drawn upon them came to be accepted just as readily as money, nobody cared about the risks of having a large stock of money on his own premises, and thus so long as he had sufficient for everyday use the average merchant preferred, as we have seen, to deposit his superfluous treasure in the strong vaults of the goldsmiths. But again, it was extremely improbable that all the letters of credit issued by these latter would be presented for payment on one and the same day, so that they were able to issue letters of credit—bank-notes—for many times the value of the gold they actually possessed, which bank-notes, as we have seen, had come to be accepted just as readily as money. The value of this latter has thus been enormously cheapened. Great Britain, for instance, did commerce to the value of £1,212,806,038 in 1910, and yet during the same year to have realised that

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sum in *gold* would, as every one knows, have been impossible; such a sum in coined gold simply does not exist. It is by means of the paper-currency issued by the numerous banks of the world that this gigantic commerce was and is carried on, were this paper-currency to suddenly collapse, the value of the sovereign would leap up twenty-fold. Lastly, to complete our glance at the banking system it may be mentioned that the banker encourages people to bank permanently with him by paying them interest upon their money, and uses the sums thus deposited in speculations for his own advantage.

We have traced the evolution of money and the credit-system, we have seen that all commerce and wealth is comprised in possession and exchange of surplus values, we have now to consider how these surplus values originated, are produced, and are distributed.

Returning to the tribal confederacy we find ourselves in the England of the Heptarchy, of the first century after the Saxon Conquest. We find the country covered with dense forests in clearings amid which dwelt the isolated communities we have already described. In these villages the land was held in common, the government was patriarchal, and agriculture and handicrafts were of the simplest kind. At each sowing of the crops the land was

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parcelled out in strips allotted to each member of the community by lot and the whole was tilled in common, in all other respects the village was self-supporting. The fairs already described, however, slowly but surely exercised a modifying influence upon this rough self-sufficing civilisation. The meeting of peoples from different villages led to comparisons of products, the manufactured articles of one village came to be preferred to those of the others, and the inhabitants of this discovering a general demand for their handicrafts came to devote more and more of their attention to these latter to the exclusion of agriculture and hunting. Thus there began the specialisation of industry, some villages favourably situated for such a course devoted themselves to the weaving and dyeing of cloth, others again to mining, smelting, and working in metals, and others again to pottery. Thus there grew up towns ; some situated on the banks of navigable streams or otherwise centrally situated, came to form centres for the exchange of the commodities of the surrounding countryside, others depended mainly upon their own manufacturing industries. Slowly but surely civilisation developed, with individual property in goods there originated individual property in land, the village lands were first permanently parcelled out in strips, and finally, with the natural tendency of wealth to

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accumulate, passed into the hands of a single owner.

Thus there developed our present system of civilisation, cities, towns and landed estates grew with even development until the latter half of the eighteenth century and then with rapid bounds there sprang into being our present economic system. Up to this period our population had been in the main agricultural and our villages self-supporting units. The wool used by the towns was spun by the wives and daughters of the agricultural labourers, these also fabricated their own garments, whilst boots and tools were wrought by village mechanics. The invention of the spinning-jenny, however, profoundly modified these conditions. The new machines required factories, and these again necessitated an influx of men and women from countryside to towns to work them, thus there sprung up the great manufacturing towns of to-day.

Now let us consider how products are produced and distributed. All products are produced by Industrial Efficiency. This in its broadest sense applies to all forms of human effort, to the farm as to the factory, and expresses the art of obtaining the maximum of result for the minimum of effort. Taking the case of a factory, for instance, to obtain this maximum of

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result for the minimum of effort it is necessary to reduce all expenses of production to the last farthing whilst selling the products for highest possible prices. The wage-bill, the cost of raw materials, lighting, etc., must thus be reduced so far as is commensurate with the highest possible efficiency of production. And the same principle applies, as we have seen, to all forms of human effort.

Industrial efficiency, again, partakes of two natures : capital and labour. Capital represents the possession of a sufficient quantity of the recognized medium of exchange to inaugurate an enterprise. It may be and generally is derived from inherited property in land, shares, or funds ; on the other hand, men of character have acquired capital by saving and self-denial, whereas "a fool and his money are soon parted." Capital inaugurates enterprises and organises and controls commerce ; the richest mine is useless unless there be sufficient capital available to pay for the initial expenses of working, whilst the cleverest invention is equally of no avail save there be a capitalist to "push" it. Labour, however, is of course equally necessary for all forms of industry, and this brings us to the distribution of products. All commerce is, as we have seen, comprised in the exchange of surplus products, and the industrial enterprises

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which produce these products are, as we have also seen, inaugurated and controlled by capital. Taking the case of a factory again, but for the energy and foresight of a handful of men this factory would never have come into being ; and again, it is these men or their representatives who secure a market for the produce of their factory, who in fact arrange the exchange of commodities. If, for instance, we take an English factory for agricultural implements, we find that the capitalist-founders by means of their agents sell these agricultural implements to farmers either in this country or abroad. And these farmers, who are themselves capitalists, similarly obtain the money or credits by which they purchase such implements by means of the sale of their surplus farm produce to the manufacturing towns. Now in both these instances the products were in the first place originated by means of the energy and foresight of the capitalist, and this latter again arranges the exchange of products. Therefore the capitalist, not being a large-hearted philanthropist but a mere man working primarily for his own benefit, naturally claims, and does his best to secure, the lion's share of the products thus created and exchanged. He acts, in fact, as middleman and takes the middleman's profits. Of the money gained by the sale of the agricultural implements or farm

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produce the capitalist takes the largest possible share for himself. He pays his working men simply the lowest possible wage they will accept, he equally reduces the other costs of production to the last farthing; the surplus between the costs of production and the money gained by the sale of the produce he calls profit, and part of this profit is spent on articles of luxury, dress, servants, costly food, etc., for the comfort of the capitalist and his family, and part goes to extend the business or inaugurate new enterprises.

Now the share gained by labour in this distribution of products depends simply and solely upon two influences, the supply of labour available and the degree of organization and physical force possessed by the working class generally. When labour is scarce wages go up, when labour is plentiful wages fall, this is elementary; the second influence merits closer examination. This in fact is the attempt by organised labour to interpose an artificial, political, influence into the economic situation. The capitalist seeks as usual to pay the lowest wage permissible by the laws of supply and demand. Organised labour endeavours to artificially raise this level by a combined refusal to do labour save for a higher wage (the "strike"), and when the capitalist endeavours to utilise labour unaffected by this strike

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("blacklegs") labour generally endeavours to interpose with physical force, hence riots and bloodshed. From the ethical standpoint there is singularly little to choose between capital and labour during one of these contests, the motives of both sides are equally sordid. The capitalist certainly is no philanthropist and to speak of wicked labour agitators misleading the poor deluded working people is simply silly. It is equally absurd to speak of the selfish capitalist grinding the workers down, both sides equally fight for their own hands and it is brains and physical force which in the long run prevail. Ethical questions have simply no influence whatever with either side.

Lastly, it may be well to here consider the sources of national wealth. This may be summed up under three headings (1) the national character ; (2) the raw materials and natural products of the nation ; (3) the position of the nation with reference to international commerce.

Upon the first of these headings depends, of course, the course which will be made of the second and third. National character varies as much as does that of individuals and just as the thrifty sober energetic man forges ahead and outstrips far more richly equipped rivals, so we may discern the same phenomenon among the nations. The Jews, for instance, without country or national

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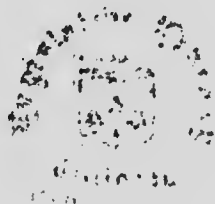
resources whatsoever, scattered among many lands, and remorselessly persecuted for centuries, have yet by sheer force of character fought their way to a leading position in the world's commerce; whilst the Scots, almost equally poorly circumstanced, have similarly forged to the front. In Spain, however, and in the case of some South American republics we see rich resources neglected thanks to sloth and inertia.

The second heading speaks for itself, provided a nation possesses the character to utilize such advantages, rich mines, fertile fields, and wealthy fisheries give the certainty of success in the race for wealth.

The third heading is, however, of enormous advantage *when* combined with the first and second; *provided* a nation be situated in a central position, at that spot, in fact, from which the surrounding nations are most readily accessible, it will naturally form a general meeting place where these nations traffic one another's wares. England, for instance, lies midway between America and India, at the very centre, in fact, of the world's trade-routes, thus the merchants from the various countries find it more convenient to send their goods to be sold in England and then re-sold either by English merchants or their own agents, than to send goods direct to America

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or the Far East. England, in fact, forms the general meeting-place of the world's commerce, a fact which in times past has enabled us to exact enormous "middleman's" profits, and at the same time dispose of our own productions to the best advantage. The cutting of the Panama canal, however, must inevitably materially affect the world's trade-routes, and almost certainly much to our disadvantage; our consent to the cutting of this canal was perhaps one of the most foolish of the very many foolish things of which even English "statesmen" have been guilty. And now having glanced at the fundamental principles of the political economy, their evolution and present-day application, we will pass on to the Struggle for Bread.



II

THE ECONOMIC BASIS OF WAR

MANY years ago the Roman Empire held sway over well-nigh the whole of the then civilized world. They were a very human people those old Romans and very much like unto ourselves. They had that peculiar and invaluable gift of self-righteousness which some people possess in extreme measure. We have all met him, that man who is invariably in the right, and a most unpleasant type of individual he is, self-assertive, dogmatic, argumentative, he is from his own showing the most peaceful, charitable, mildest man God ever created! Perchance you may know something of his past career, perchance certain shady episodes may come to your mind as you listen to his unctuous self-satisfaction, but never a doubt of his own genuineness seems to cross our friend's mind hint you never so darkly what evil tongues have said. Virtuous indignation not the blush of shame crimson his noble

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brow, he raves and he rants but ever he is self-righteous and at last you give up the attempt in despair, not even a hammer and chisel could drive into the head of such an individual that it is just possible that during some period of what appears to the average man a rather shady past *he* may have been in the wrong. There are nations very much like individuals and the Ancient Roman shared with the present day Briton in an extravagant estimate of his own virtue and of the large dose of original sin with which a beneficent Creator has dowered the surrounding peoples. The Romans, like ourselves, conquered a mighty empire out of pure philanthropy and goodwill unto all men, they, like ourselves, ruled over subject millions from pure innate disinterested love of justice and desire to maintain the *pax Romana*, and, to push the analogy even further, there were wicked cynical Romans even as there are wicked cynical Englishmen who professed to doubt those high-sounding phrases which were ever upon their countrymen's lips, and who darkly hinted that even Romans were but men, and that strange stories could be told as to the principles of philanthropy and brotherly love upon which certain out-of-the-way provinces were administered. Which is a nasty interfering frame of mind for any one to get into.

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The Romans, like ourselves, claimed to administer even justice unto all men, they claimed, like ourselves, to rule the conquered territories in the interests of the vanquished ; surely then if ever justice and lofty principles can bind an empire together, if the goodwill of conquered peoples can preserve the supremacy of the conquerors, the Roman Empire should have lasted until this day ? And yet this same Empire collapsed in bloodshed and ruin ! Why, then, was this ? Because that north of the Roman world stretched the great forest belt of Germania and Sarmatia ; from the heart of Russia, the fens of Prussia, down into Gallia and, though broken by the English Channel, into Britannia, there stretched a vast expanse of trees broken by slight clearings in which dwelt the barbarians. Rude rough men these, whose agriculture was but a feeble scratching of the soil and who subsisted mainly upon their herds and the chase. These barbarians were divided into many tribes and peoples, Gauls, Belgæ, Goths, Visigoths, Huns, all appear at some period or other of Roman history, and each with a multitude of sub-tribes. And these tribes dwelt north-east and west of the great forest-belt or amid the pasture-lands of Hungary and South Russia. Some of these tribes occupied rich lands and others poorer ones

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in the more barren north. Thus it came to pass that ever and anon as the northern peoples waxed greater in number their lands ceased to provide them with adequate support. So it would occur that after a succession of lean seasons their old men would put their heads together and point significantly to the richer lands of their neighbours to the south. And at the tribal meetings the *pros* and *cons* would be endlessly discussed, the accounts of some wandering hunters of the fair lands to the south flowing with "milk and honey" and greatly exaggerated in the telling would pass from mouth to mouth. At length the ruling chiefs would give the word, the young men would gird up their loins and sharpen their spears and swords, the women would gather in the harvest and take their children by the hand, the remnant of the crops and the huts would be burnt that no faint heart might feel tempted to return, and the northern peoples would swarm south. Then there would follow a whole series of wars, just as a pebble thrown into a stream produces a wide rippling agitation. Now and then, but rarely, the southerners would stand their ground and beat the northmen back, more often, however, after a few first defeats they would flee tumultuously and throw themselves upon *their* southern neighbours and thus there would come about

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a general movement of the tribes south, culminating in one of those great waves of barbarian invasion which continually menaced the Roman Empire throughout its existence. Hundreds of thousands of savage men and still more savage women would be suddenly thrust forth from their forest homes down into Roman territory to perish under the swords and spears of the legionaries, die cruelly in the amphitheatre to pleasure a Roman mob, rot to death in some fetid mine or crowded factory, or, those of the women that were young and fair, minister to the pleasures of the Roman youth in the houses of the courtesans.

Such was the fate of the invaders so long as the Roman Empire retained its military efficiency unimpaired, but when owing to incapacity in high places and insubordination in low the Roman army failed to cope with the invader, then it was a different story. Fair provinces were ravaged and towns stormed and sacked, fire and sword made havoc of one of the most refined luxurious civilizations the world has ever seen, the Empire of the West crumbled to pieces in an orgy of lust and brutality, delicate Roman ladies became the slaves of dirty, greasy, evil-smelling barbarian lords, stately villas sank in flames and ashes, a riot of bloodshed swept over Gaul, Spain, and even Italia itself, and the cause of all this was that

far to the north some obscure barbarian people, equally unknown to history, the Romans, or their invaders, was hungry. And a like cause produced not one war, but a whole cycle of wars, and not one cycle of wars, but every cycle of wars ever since the world began.

Hundreds and even thousands of years ere a band of outlaws founded Rome there sprang up a mighty civilization in Babylonia, and around the Babylonians there dwelt barbarians even as there dwelt barbarians around the Roman Empire. And upon the Babylonians there swept down a flood of invasion as upon the Romans. From the deserts of Arabia there came the Semites, from the pasture lands of the Armenian north there swarmed Assyrians, Hittites, Medes, and Persians, and ever it was hunger that drove the barbarian immigrants to seek new homes. At wide intervals of time, at periods separated by even thousands of years, the oases and pastures of Arabia bred to overflowing: a few bad seasons, rumours passed from mouth to mouth anent the fairer, wealthier lands of Elam and Chaldea, and a swarm of fierce desert warriors came pouring north. In like manner and for like cause came successive waves of Hittites, Hyksos (the "Desert" Kings of Egypt), Medes and Persians; it was all because they were hungry. And it was

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because they were hungry that Saxon pirates ravaged the British shores, and that Norsemen in turn ravaged their English descendants, and again because they were hungry that the Arabs burst once more from their desert Arabia to overrun Asia Minor, Africa, and even Europe ; there were other causes, but they were subsidiary. Had Mohammed never lived, some other prophet would have unified the Arab tribes and led them forth on their path of conquest ; their invasion might have been delayed a few years, but it would surely have come about. Again, it was hunger that led wave after wave of Turks to the conquest of Asia Minor and South-Eastern Europe, and hunger that sent swarm after swarm of barbarians beating against the Chinese frontier. In every great cycle of wars which have moulded the world's history we discern always the same cause, the old eternal struggle between the Haves and the Have-Nots, the struggle for bread and all that makes life worth living. It is dignified by religion or shrouded by a mask of conventional hypocrisies, but ever the root-principle of all wars is the root-principle of the struggle between two dogs for a bone, the effort of the stronger to thrust the weaker to the wall.

No war in all history has been waged for a purely just and generous cause ; no war in all

history has been waged but to secure the real or fancied material interests of the contending powers. Our American colonies, for instance, revolted not because we endeavoured to impose a trifling tax upon them, and certainly not from any zeal for the liberty and rights of man, but simply and solely because we endeavoured to strangle their commerce by our Navigation Acts and exploit them for the benefit of our own merchants, and it was the discontent caused by this economic policy which led to the stamp tax being eagerly seized upon as a pretext for revolt. The motives on both sides were profoundly mean and profoundly sordid, but on the whole there was less hypocrisy on the English side than upon the American. Not that there was much to choose from an ethical standpoint between English Cabinet Ministers and American "patriots," but there was less necessity for hypocrisy on the English side. It was an understood thing in those days that colonies existed but for the purpose of being exploited for the benefit of the mother-country, and so much was this the case that not even the Americans could see how to justify their opposition to the Navigation Acts. So they seized upon the Stamp Duties, and thanked God for His mercies.

The American Civil War is another instance

of the economic motives of a conflict being shrouded in a veil of subsidiary issues. It was the desire for Free Trade rather than any real fear that the North would abolish slavery that led to the secession of the South. The Southern States depended upon cotton and agriculture; they had consequently no manufactures to protect, and desired to buy in the cheapest market. The Northern manufacturers, however, knew that the permanent loss of the Southern States would mean the permanent loss of the Southern market, owing to English competition. Hence the determination to keep the South in the Union. In this connection it should not be forgotten that neither of the groups of politicians that caused the struggle had any idea that they were ushering in one of the most awful contests the world has ever seen. The North fancied that the "Rebellion" would be crushed in a couple of months, the South was equally sanguine, and when once the struggle had begun in earnest, when once the war fever was raging north and south, neither gang of politicians dared to hold in the monster which, like Frankenstein, they had created. So there died thousands and tens of thousands of brave men in sacrifice to the incompetence of two of the most worthless sets of politicians that have ever made history. As for slavery, save that it

afforded a convenient party cry to both sides alike, it had very little to do with the matter.

Our own disastrous venture in South Africa bears a family likeness to the American Civil War. We intervened to secure the real or fancied interests of certain financiers and certainly had any of our politicians imagined that we were plunging into a struggle destined to cost us £250,000,000 and 20,000 lives all the piteous pleadings of the Uitlanders would, it is to be feared, have found us strangely cold. Again, however, once having roused the war-fever the politicians dared not turn back, and, so, despite an incompetence in high places, which is another unpleasant parallel with our transatlantic cousins, we blundered on. As for the Boers, they also went lightly into the struggle, they placed themselves, in fact, much in the position of a small boy who on being exhorted by a somewhat cantankerous, interfering old lady to mend the error of his ways, puts his fingers to his nose and calls out "*Rats!*" On this occasion the old lady gathered her skirts together and with much wheezing, panting and blowing, and after she had become very hot and very tired and profoundly sick of the whole business managed to catch the young hopeful and "spank" him soundly. There is no occasion to feel excessive sympathy for the small boy.

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And so if we examine closely into the history of any war, we find that on neither side have lofty considerations of religion, honour, patriotism, justice or generosity any real influence upon either governments or the peoples at large. On both sides alike it is the conflict of material interests that leads to strife masked doubtless in a veil of religious cant and patriotic rant, but always existent and strongly insistent. Such being the teachings of history then, we have now to consider in what direction there exists a conflict of interests among European peoples of to-day, and whether these material interests are of sufficient importance to lead to war.

III

THE PRESENT ECONOMIC POSITION IN EUROPE

THE salient factor which catches our eye in a glance at the economic circumstances of present-day Europe is the fact that Europe is hungry. During the last three years there have been bread riots alike in London, Paris, Berlin and Vienna, and industrial warfare in almost every important country in Europe. Why is this? Because there has been a general rise in food-prices whilst wages are not merely stationary but tend to fall. And again, why these phenomena? Into the causes of this movement in wages and food-prices we will now examine.

“There are lies, damned lies, and statistics,” figures adroitly manœuvred can be made to bolster up any theory, and have besides an additional disadvantage in that they convey little meaning to the average man: for this reason I will refrain, as far as possible from inflicting long rows of

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figures upon the reader. Unfortunately, however, one or two tables are absolutely necessary.

In glancing at this problem we notice one outstanding fact: that the rise in prices affects one particular branch of commodities alone—food-stuffs. This, in itself, disposes of the theory that the rise in the latter is due to the depreciated value of gold. Obviously, had this been the case, the rise in prices should have affected all commodities equally, and when we examine this theory more closely we see still more damaging evidence against it. Glancing at Table I on the next page we perceive that the total of gold imported and exported by the ten representative states, Great Britain, Germany, France, United States, Russia, Austria-Hungary, Italy, Canada, Argentina, and India for the period 1890-1 was valued at £137,477,080·45, their general trade totals (imports and exports) for the same period being £2,394,760,644·05; by 1910, however, these figures were altered to £227,200,887 and £4,386,496,282 an increase of not quite 100 per cent. in both totals. If, therefore, the quantity of gold available has doubled, so also has the general total of trade, *i.e.* if there are now twice as many sovereigns available there are now twice as many calls upon their purchasing power than was the case in 1890-1. Putting the matter in its simplest

TABLE I.
COMMERCE AND GOLD CIRCULATION.

Name of country.	1891.		1899-10.	
	Imports and exports of merchandise.	Imports and exports of gold.	Imports and exports of merchandise.	Imports and exports of gold.
Great Britain	£ 682,676,414	£ 54,443,545	£ 1,212,806,088	£ 108,212,212
Germany	435,125,650	18,859,850	803,814,450	31,297,500
France	426,720,000	19,950,558	613,552,000	34,065,680
United States	343,437,295·8	20,919,045·2	653,406,283	32,380,622
Russia	109,939,600	7,765,700	191,000,000	3,095,800
Austria	117,158,333	4,241,250	213,134,000	15,226,333
Italy	80,535,389	4,679,845	199,143,999	2,922,740
Canada	43,676,986	—	138,643,244	—
Argentina	33,231,400	2,013,855	140,946,367	—
India	122,259,576·25	4,603,432·25	220,049,851	—
Totals	2,394,760,644·05	137,477,080·45	4,386,496,282	227,200,887

Commerce has increased by 100 per cent., so also has the import and export of gold, therefore relative values remain unimpaired.

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form, if the quantity of gold available be doubled suddenly, its rarity and consequent value will diminish by 50 per cent. and the farmer will demand twice as much gold as formerly in exchange for his farm-produce. If, however, the amount of farm-produce available has doubled equally, the relative values of the two commodities will remain unimpaired. Now, as regards the sum-total of the world's commerce and the sum-total of gold available this, as is obvious from the figures, is precisely what has happened, therefore, the general exchange value of gold remains unaltered. Why then the general rise in food prices? There must be other factors at work.

On glancing at Table II on the next page we observe that the acreage under cultivation for food-grains in the same ten representative states as taken before was, in the period 1890-1, 538,598,187 acres, which area produced a crop of 5,202,192,754 bushels; these figures by 1910 were altered to 667,931,062 acres and 7,321,198,785 bushels, an increase of, roughly, 20 per cent. and 40 per cent. respectively. These figures are surely significant; whereas the general commerce of the states in question has increased by no less than 100 per cent., the increase in food-grains is only 40 per cent.! Has not this fact some bearing upon the question of why Europe

TABLE II.
AGRICULTURAL PRODUCE.

Name of country.	1891.		1910-11.	
	Area under cultivation (in acres).	Weight of crop produced (in bushels).	Area under cultivation (in acres).	Weight of crops produced (in bushels).
Great Britain	8,795,372	320,769,000	8,345,227	312,898,000
Germany	33,791,352	412,992,000	35,015,990	762,453,835
France	37,302,552.5	672,159,741	31,157,000	660,886,000
United States	71,726,611	1,469,037,570	95,326,800	2,059,223,000
Russia	214,315,000 (figures for 1899)	1,410,936,000	226,812,000 (1907)	2,366,340,900
Austria	29,792,500	610,373,500	36,845,000	477,263,300
Italy	16,169,382	203,953,750	12,256,150	126,807,450
Canada	2,723,861 (wheat only)	60,721,193 (wheat only)	7,750,400 (wheat only)	166,744,000 (wheat only)
Argentina	3,730,150 (wheat only)	41,250,000 (wheat only)	14,585,375	105,087,500
India	120,251,407	No figures available	199,837,120	283,494,800
Totals	538,598,187	5,202,192,754	667,931,062	7,321,198,785

NOTE A.—Only cereal crops suitable for human consumption, *i.e.*, wheat, barley, oats, rye, pulse, buckwheat, rice, are here considered.

NOTE B.—For convenience in reckoning, one hectare is here taken as = 2.5 acres instead of 2.47.

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is hungry? But perhaps these years represent isolated phenomena? Perhaps the years 1890-1 were special "boom" years in food-grains such as occasionally occur. Let us then, before expressing any decided opinion, glance at Table III, which traces the relative movement of food-grain production and general commerce for the years 1885-6 and 1910. We find that whereas the total of general commerce for the same ten states has increased from £2,017,491,073 in the first period to £4,386,495,282 in the second, an increase of, roughly, 115 per cent., the production of food-grains has increased only from 4,796,259,090 bushels to 7,321,198,785, or by only 60 per cent.! And this increase, too, is more apparent than real, for no figures for India are included in the total for 1885!

Now what do these figures really indicate, and how do they affect the rise in prices? First and foremost it is apparent that the amount of food-grains available for human consumption has relatively declined in proportion to other commodities; the disproportionate increase of general commerce can only be attributed to an immense increase in the production of manufactured articles—clothes, boots, machinery, etc.—raw materials to be used in such manufactures, and articles of luxury. And how does this affect the

TABLE III.
RELATIVE MOVEMENT OF GENERAL COMMERCE AND PRODUCTION OF FOOD-GRAINS.

Name of country.	1885.			1910.		
	General commerce.	Weight of crop.	Area cultivated.	General commerce.	Weight of crop.	Area cultivated.
Great Britain . . .	£ 641,371,649	Bushels. 328,069,000	Acres. 7,676,344	£ 1,212,806,088	Bushels. 312,898,000	Acres. 8,345,227
Germany . . .	295,261,300	437,108,000	32,682,677	803,814,450	762,453,835	35,015,990
France . . .	355,440,000	716,249,803	36,665,063	613,552,000	666,886,000	31,157,000
United States . . .	260,842,055	1,079,263,000	62,745,930	653,406,283	2,059,223,000	95,326,800
Russia . . .	97,282,017	1,419,724,000	No figures available	191,000,000	2,366,340,900	226,812,000
Austria . . .	102,502,626	505,845,267	31,585,625	213,134,000	477,263,300	36,845,000
Italy . . .	96,143,364	140,000,000	12,000,000	199,143,999	126,807,450	12,256,150
Canada . . .	39,635,969	150,000,000	15,112,284	138,643,244	166,744,000	7,759,400
Argentina . . .	38,102,200	20,000,000	2,000,000	140,946,367	105,087,500	14,585,375
India . . .	90,899,893	No figures available	161,000,000	220,049,851	283,494,800	199,837,120
General totals . . .	£ 2,017,491,073	4,796,259,070	361,611,919	4,386,495,282	7,321,198,785	667,931,062

General commerce has increased by 115 per cent., the production of food-grains by only 60 per cent.

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rise in food-prices? Obviously from the fact that our civilization is dependent upon a complex system of exchange. The farmer does not barter his produce for manufactured articles direct, but instead he receives money with which to purchase such articles, and the value of money in its relationship to commodities is dependent upon the factors of supply and demand. Now when we come to examine the movement of manufactured articles during the last ten years we note a gigantic increase throughout the great commercial states of the world. The value of British manufactured exports, £198,966,466 in 1891, has increased to £343,023,286 in 1910, whilst those of Germany, France, and the United States have in the same period increased from £124,853,800, £48,640,000, and £31,702,187 respectively, to £275,988,500, £77,936,000, and £153,396,249, or from a general total of £304,162,453 to £850,344,035, or by, roughly, 176 per cent. ! Now this enormous increase in manufactured goods acts in a twofold manner : on the one hand it cuts the prices of manufactured goods *down*, on the other hand it must force the prices of all food-stuffs *up*.* A little reflection must suffice to

* The food-prices are, of course, forced *up* by an indirect reaction. The population of the manufacturing towns being greatly increased, obviously means an increased *buying* in the

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make this obvious ; assuming that in 1891, ten bushels of food-grain (100 lbs. avoirdupois) would be equivalent to 100 pairs of boots, in 1910 the amount of boots available being increased by 176 per cent., whereas food-grains have only increased by only 60 per cent., sixteen bushels (160 lbs. avoirdupois) will now become equivalent to 276 pairs of boots ! Thus the value of the grain will be forced up by, roughly, 75 per cent. ! an increase in value which, as a matter of fact, closely approximates to what has actually occurred. In 1893-4 bread could be purchased in London at 3*d.* the quartern loaf, to-day, after being for a long period at 5½*d.* the quartern, an increase of, roughly, 75 per cent., it is now at 5*d.*, an increase of 66·6 per cent., whilst in Berlin, Paris, and Vienna prices have gone up in like manner.*

food-markets, the output of which, as we have seen, has not increased relatively with the increased population of the manufacturing towns or with the increased output of manufactured articles. Hence a rise in food-prices coincidently with a depreciated exchange value of manufactured articles and consequent fall in wages. The factors of the exhaustion of the soil necessitating the use of chemical manures and the costs of railway carriage must also be considered. Thus with the production of manufactured articles continuing to increase at a greater ratio than the production of food-grain, there must inevitably result a steady general rise in the prices of foodstuffs.

* As this goes to print, bread has again risen to 5½*d.* per quartern. But see note at end of chapter.

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We have seen that the increased output of manufactured articles must force the prices of food-stuffs up, we must also bear in mind that this increased output must equally force the prices of manufactured articles themselves *down*. If there be two pairs of boots available where formerly there has been but one then, obviously, the demand remaining constant, the value of the boots must depreciate by 50 per cent. Manufactured goods, therefore, have with reference to food-stuffs, suffered an enormous depreciation in value, a depreciation accurately reflected in our gold currency which, it should be remembered, merely reflects the exchange values of commodities. To attribute the rise in food-prices to the depreciated value of gold is, in fact, a curious instance of putting the cart before the horse; doubtless there are many influences at work, and the fluctuations of gold itself may have some temporary influence, nevertheless, the main cause as must be apparent from the above lies simply in the depreciated exchange value of manufactured articles themselves as compared with food-stuffs. It is a significant proof of the justice of these views that the great rise in food-prices has occurred coincidentally with a tremendous "boom" in manufactured articles. In 1905 our total trade was valued at £972,616,444, by 1910 these

figures had altered to £1,212,806,088, an increase of 24 per cent. ; in 1905 bread was at $4\frac{1}{2}d.$ the quartern loaf, in 1910 this price was raised to $5\frac{1}{2}d.$, a percentage of increase which roughly corresponds with that of our general commerce ; whilst, now that the price has fallen to $5d.$ * per quartern, we hear it simultaneously prophesied, that our figures for 1911 will show a reduction in our general trade. Can this sympathetic movement in general commerce and food-grain prices be attributed to mere coincidence ? Let us also glance at the movement of gold for the years in question, we find that in 1905 there was imported and exported British gold coin to the value of £19,811,091, whilst in 1910 these figures had increased to £26,280,950, or by roughly 25 per cent., which again closely follows the movement in general commerce. How then are we to account for the tremendous rise in food-prices save on the hypothesis suggested above ?

As we have seen the increased output of manufactured articles has acted in a two-fold manner, it has forced the prices of all food-stuffs up whilst cutting the prices of manufactured articles themselves down. Now how does this affect the capitalist and his employees ? In what manner does it affect the struggle for bread ?

* The reduction was only temporary.

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Again in a twofold manner : it cuts down profits and it cuts down wages. Let us glance for a moment at Table IV on the overleaf, which traces the movement of population among the same ten states during the periods 1885-6, 1890-1, and 1910. We observe that the general total of population in these states has increased from 543,697,762 in the first period to 813,968,980 in the last or by 48 per cent. Now we have the following data, that during the last twenty-five years general commerce in these states has increased by 115 per cent. ; that the production of food-grains has increased by 60 per cent. ; that population has increased by 48 per cent. ; and that the price of food-grains in England has risen by upwards of 75 per cent.* during the last seventeen years—from the great drop in 1893-4. Now what do these various data signify? First we note that the ratio of increase in the production of food-grains is greater than the ratio of increase in population, which fact effectually disposes of the legend that the population of the world is increasing beyond the supporting-power of the soil. Secondly we note that the ratio of increase in general commerce is greater than the ratio of increase in population by 67 per cent.

* Retail prices : the increase is 60 per cent. wholesale prices.

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TABLE IV.
MOVEMENT OF POPULATION.

Name of country.	1885.	1891.	1910.
Great Britain . .	35,241,482	38,104,975	45,469,564
Germany . . .	45,234,061	49,428,470	64,903,423
France	37,672,048	38,343,192	39,252,245
United States . .	50,155,783	62,622,250	91,272,266
Russia	102,970,831	117,561,874	160,095,200
Austria	37,883,226	41,171,697	49,418,598
Italy	28,459,628	30,535,848	34,565,000
Canada	4,324,810	4,833,239	7,565,000
Argentina . . .	3,000,000	4,086,492	6,805,684
India	198,755,993	221,376,957	315,000,000
Total	543,697,762	600,064,994	813,968,980

Population has increased by 48 per cent. since 1885.

which, when we subtract the 12 per cent. increased ratio of food-grains, leaves a 55 per cent. general increase in production of manufactured goods, etc., above the increase in the production of food-grains. And this *general* increase in the whole of the ten states under consideration must necessarily vary with the particular circumstances of the particular states. Thus in England, Germany, France, and the United States, the relative increase of manufactures to production of food-grains must necessarily be greater than in Russia, Canada, or Argentina. Thus the 55 per cent. *general* rise in the exchange values of food-grains must similarly vary in the different states.

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Now, taking the demand for manufactured goods among the populations of our ten representative states in 1885 as representing 1, then the *natural* increase in this demand should by 1910 have represented 1.48; as we know, however, there has been an increase of 67 per cent. upon the natural ratio of production as compared with population, thus the actual production in 1910 represented 2.15. What then was the cause of this surplus of production over the natural demand? And how does it affect the present economic situation in Europe? The cause of this surplus production lies in a variety of influences, social and economic, which have resulted in the rise of great cities. Among all the principal states of the world the growth of great manufacturing towns has been a marked feature of the nineteenth century, and the last twenty-five years has seen this tendency even more strongly at work. In Germany 41 per cent. of the population of 1885 resided in towns, in 1910 this proportion had increased to 54 per cent., in France during the same period with a stationary population, the proportion of urban population to rural has altered from 34.8 per cent. to 40 per cent. New lands, such as the United States and our colonies, have experienced the same tendency in even more marked degree;

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alike in the former country, Canada and Australia there are cities and slums ; the immigrants from Europe who crowd to the American shores do not flock to till the prairies of the west, they congregate in eastern cities, and help to swell the manufacturing industries of the United States. Thus out of a total population of 62,654,302 in 1891, 7,670,493 American wage-earners were returned as engaged in agriculture, and 3,837,112 as employed in industries. In 1910 out of a populace of 93,000,000, 10,381,765 were supported by agriculture, and 7,085,309 by industries, an increase of roughly 28 per cent. and 95 per cent. respectively. During the same period the value of American manufactured exports has, as we have seen, increased from £31,702,187 to £153,396,249 or by 500 per cent. !

This growth of great cities with its consequent concentration of population has, together with the enhanced productive power of labour-saving machinery, resulted in an increase in output of manufactured articles quite disproportionate to the general increase in population ; it has had also the effect of rendering their supply with food-stuffs more difficult. For, whilst as we have seen, the actual production of food-grains has increased more rapidly than has the general population, yet when these food-grains have to

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be conveyed by rail or sea to distant centres of population the expense of carriage will naturally have to be met by the purchasers. The increased production of manufactured goods beyond the natural increase in the demand must moreover result in a consequent "slump" in such commodities. Now it should be borne in mind that the inhabitants of all these manufacturing towns *must* eat, whereas to the farmer after a certain point the purchase of manufactured goods becomes a luxury. If, therefore, after satisfying this point, the manufacturing towns are to force their wares upon the farmers they must create an artificial demand or else find some other customers. Now in this "forcing" of the market for manufactured goods we get the key to the present economic situation in Europe, every great manufacturing country is endeavouring to find fresh markets for its goods, and, again, we note the cross commerce of articles of luxury, safety razors, artificial teeth, motor cars, etc., between the great European nations, and the frenzied efforts which each makes to protect its home market and capture new ones. And, again, we note that the over-production of manufactured goods must necessarily lead to increased competition to find customers. And competition, again, must tend to lower prices, whilst, again,

lower prices must mean small profits and low wages.

This, then, is the present economic situation in Europe, that the over-production of manufactured articles must force the prices of foodstuffs up whilst cutting wages down : thus food prices are rising whilst wages are falling : and that this is no temporary phenomenon caused by a momentary fluctuation in gold, but the inevitable sequence of an industrial movement which, whilst seen at its strongest during the last five years, has been slowly developing for a quarter of a century.

Now then we see why Europe is hungry, and now we understand that Europe is destined to become more hungry still.

NOTE I.

The great expansion in the production of manufactured articles occurred mainly during the period 1895-1911. As shown by Table V, the general total of commerce in the ten representative states taken, £2,567,589,755 in 1890, actually declined to £2,292,285,543 in 1895, a decrease of, roughly, 14 per cent., whilst in the same period the production of food-grains increased from 5,390,893,310 bushels to 5,811,026,965, or by upwards of 10 per cent. Obviously this movement in general commerce and the production of food-grains could have no other result than the heavy drop in food-prices which characterized the period 1891-4 in all countries alike. It is, however, important to realize that this drop in bread-prices was a purely temporary phenomenon, due to the financial depression of the period, which resulted in a

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decline in the output of manufactured articles. As shown by Table VI, however, in the period 1895-1911, general commerce has increased from £2,292,285,543 in 1895, to £4,634,935,957 in 1911, or by more than 100 per cent., whilst in the same period food-grain production has increased from 5,811,026,965 bushels to 7,013,239,475, or by only 24 per cent. Now, my thesis is that this disproportionate increase in general commerce, as compared with food-grain production, must result in a proportionate rise in the exchange-values of bread-stuffs; it may be interesting, therefore, to examine the actual movement of bread-prices in Britain during this period.

From 1894 to 1910 wheat-prices have been as follows :—

	Per Imperial Quarter.	
	<i>s.</i>	<i>d.</i>
1894	22	10
1895	23	1
1896	26	2
1897	30	2
1898	34	0
1899	25	8
1900	26	4
1901	26	9
1902	28	1
1903	26	9
1904	28	4
1905	29	4
1906	32	11
1907	32	11
1908	36	0
1909	39	8
1910	36	0

It will be observed that with temporary fluctuations the rise in prices has been constant, and that at present we pay

TABLE V.
RELATIVE MOVEMENT OF GENERAL COMMERCE AND PRODUCTION OF FOOD-GRAINS.

Name of country.	1890.			1895.		
	General commerce. £	Weight of crop. Bushels.	Area cultivated. Acres.	General commerce. £	Weight of crop. Bushels.	Area cultivated. Acres.
Great Britain	748,944,115	328,071,000	9,547,740	702,522,065	287,791,000	8,839,280
Germany	539,169,520	400,141,925	33,858,205	383,509,350	429,289,000	34,248,815
France	413,000,000	732,105,365	35,780,067	380,360,000	746,098,643	35,572,502
United States	326,920,845	1,396,284,208	68,096,214	285,072,512	1,421,171,000	67,878,595
Russia	112,005,200	1,811,096,000	—	122,832,463	2,014,440,000	—
Austria	115,000,000	489,764,000	31,695,000	122,025,000	644,402,000	34,442,000
Italy	88,623,347	192,903,250	15,953,922	88,999,832	171,242,500	16,282,500
Canada	43,721,478	40,527,562	—	44,884,097	61,592,822	—
Argentina	49,365,000	—	2,587,500	42,758,600	35,000,000	5,500,000
India	130,840,250	—	124,684,621	119,321,624	—	181,575,709
General totals.	2,567,589,755	5,390,893,310	322,203,269	2,292,285,543	5,811,026,965	384,340,401

During the period 1890-95, general commerce decreased by, roughly, 14 per cent., whereas food-grain production increased by nearly 10 per cent. Result, a fall in food-prices proportionately.

TABLE VI.
RELATIVE MOVEMENT OF GENERAL COMMERCE AND PRODUCTION OF FOOD-GRAIN.

Name of country.	1895.			1911.		
	General commerce.	Weight of crop.	Area cultivated.	General commerce.	Weight of crop.	Area cultivated.
Great Britain	702,522,065	287,791,000	8,839,280	1,237,562,434	200,251,000	7,758,060
Germany	383,509,350	429,289,000	34,248,815	882,130,000	686,748,031	34,889,319
France	380,360,000	746,098,643	35,572,502	688,000,000	395,928,000	19,046,000
United States	285,072,512	1,421,171,000	67,878,595	708,157,026	1,722,836,000	99,880,700
Russia	122,832,463	2,014,440,000	—	233,390,000	2,168,274,300	226,812,000
Austria	122,025,000	644,402,000	34,442,000	219,643,000	468,797,500	36,890,000
Italy	88,999,832	171,242,500	16,282,500	213,357,874	170,567,075	14,089,125
Canada	44,884,097	61,592,822	—	153,878,124	543,807,200	20,992,900
Argentina	42,758,600	35,000,000	5,500,000	138,301,644	155,100,000	16,412,500
India	119,321,624	—	181,575,709	200,515,855	357,940,800	203,664,338
General totals.	2,292,285,543	5,811,026,965	384,340,401	4,634,935,957	7,013,239,475	680,434,942

During the period 1895-1911 general commerce has increased by more than 100 per cent., food-grain production by only 24 per cent.

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more than *sixty per cent.* higher prices for our bread than was the case in 1894. And this despite the fact that food-grain production has increased in greater ratio than has population. This, moreover, is in Free-Trade Britain; the statements, therefore, attributing the rise in prices to Protection have obviously no foundation in fact: Fiscal Policy has in reality nothing whatever to do with the case.

The rise in prices here noted is surely a somewhat ominous sign for the future; the plain truth is that we are progressing backwards to the happy state of affairs in the "hungry forties"; that the rise in food-prices is due to the depreciated exchange-values of manufactured goods; that wages must fall whilst food-prices rise.

NOTE II.

TABLE OF MINERAL PRODUCTION 1885-1910.

Name of country.	1885.	1910.
	Tons.	Tons.
Great Britain	182,082,644	327,414,876
Germany	86,304,485	249,561,435
France	26,599,642	47,500,349
United States	103,283,841	426,265,779
Russia	24,896,242	39,205,504
Austria-Hungary	19,055,975	21,428,512
Italy	636,405	4,724,165
Canada	Inappreciable	Inappreciable
Argentine	Inappreciable	Inappreciable
India	Inappreciable	11,870,114
Totals	442,559,234	1,127,960,734

It will be observed that mineral production, coal, iron, copper, etc., has increased by roughly 280 per cent. This gives some idea as to the actual increase of output of manufactured goods, for of course the minerals are used for the various branches of manufacturing industry. Obviously an increase so far beyond the natural increase of demand can only result in a fall in sale-values.

IV

THE CONDITIONS OF TRADE-RIVALRY

THE over-production of manufactured goods must lead to the rise of food prices and the forcing of the markets, these are the cardinal factors we have to bear in mind when considering the struggle for bread. For it is a struggle for bread really all this frenzied trade-rivalry and patriotic rant. The toiling millions of the great cities want bread and to buy bread they must have wages, and to pay his employees wages the capitalist must be able to sell his wares. And while the capitalist wants profit on his capital and nice clothes and costly food, the workers want bread. And for every capitalist there are a thousand workers and they all want bread. The music-hall artist and the circus-rider and the man who cuts your hair they all want bread, and if the capitalist cannot sell his wares and the factories are idle and their "hands" unemployed and starving then the music-hall artist and the circus-rider and the man who cuts

your hair will all starve too. And the journalist, the author, the scientist and all those "intellectuals" who deem themselves "far from the madding crowd" will starve also. For it is the industry of the worker which pays for all. Thus the well-being of every inhabitant of our great cities is bound up with the power of the manufacturer to sell his wares.

Now the manufacturer sells his wares in two markets: there is the home market and the foreign one.

In the home market the manufacturer exchanges his products with the surrounding farmers and other manufacturing cities. Thus one town which produces soap will exchange its soap for food-stuffs, boots, clothes, etc., which exchange is conducted by means of money. As we have seen, however, the production of all kinds of manufactured goods has now greatly outstripped the natural demand; thus, in every important State, the manufacturer, after satisfying the wants of the home market, finds himself left with a huge surplus, which his own countryfolk decline to purchase at a price which will afford him profit. So this surplus the manufacturer seeks to dispose of abroad. The American boot-manufacturer, to take a case in point, after satisfying the wants of the American farmers, factory

hands, business people, and their families, disposes of his surplus stock in England, or wherever else he can find a purchaser, and manufacturers have outstripped the natural demand by 67 per cent., so the English, the French, the German, and the American manufacturers have each a huge surplus of products of which to dispose. Result—trade-rivalry. Wherever there is a country wealthy enough to purchase goods there you see British, French, German, and American merchants side by side all striving to sell goods. Result—cut-prices, small profits, and low wages for all alike.

Now we have to consider the nation as an economic unit. How far is the nation dependent upon the surrounding countries, and how far independent? How far is international trade reciprocal, and how far competitive?

The nation, first of all, consists of a people speaking one tongue, under one form of government, and inhabiting well-defined boundaries, the climatic and geographical conditions of which impose certain racial characteristics, which, as we have seen in the introductory chapter, have an important bearing upon the use made by the nation of its natural resources. Now these latter, as is inevitable, vary greatly, and international trade can be considered reciprocal only when it

complements the resources of the one nation by those of the others, and is *competitive* when one nation endeavours to sell to another wares which the merchants of this latter nation are fully capable of producing for themselves. When, for instance, America sends us cotton, which we do not produce, but need for manufactures, and takes in exchange articles which she similarly does not produce, her trade with us is reciprocal; but when the same country sends us boots, which we can manufacture for ourselves, she is competing with our own merchants, and killing one of our own industries. In this endeavour to distinguish between *reciprocal* and *competitive* trade, lies the basis of the policy of Protection adopted by every country save ourselves. With this policy all manufactured goods imported from abroad which will compete with native industries are heavily taxed, so as to prevent their being sold for a profit at lower prices than native manufacturers charge, whilst it is endeavoured to restrict the purchase of foreign goods to such products as will aid native production, raw materials for manufactures, etc. At the same time, however, every nation endeavours to sell as much of the huge surplus which has resulted from this policy of fostering native industries as possible abroad, with the result that every great manufacturing

country is becoming more and more dependent upon foreign trade ; 54 per cent. of the populace of Germany, aided by labour-saving machinery, must obviously produce a far greater volume of manufactured articles than the remaining 46 per cent. can consume, in far greater measure than must the 77 per cent. of our own population who dwell in towns be dependent upon our export trade. So the German, the Englishman, the Frenchman, and the American all produce a far greater quantity of manufactured goods than their own countryfolk can consume, and so all alike seek to dispose of their goods abroad, either to people who do not produce such goods, but have natural resources either in timber, wheat, etc., by which they can pay for them, such as the Argentine Republic, India, Canada, etc., or to one another ; but if the Englishman sells goods in Germany he is competing with the German manufacturer, and if the German sells goods in England it is *vice versa*, and so on throughout the world. And if the Englishman sells goods in Turkey or Argentina he is taking trade from the German, and if the German sells goods in either of these countries—or any other country come to that—he is taking trade from the Englishman ; and the well-being of every inhabitant of the great manufacturing towns, such

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as London, Paris, or Berlin, is bound up in the power of the capitalist to sell his wares; and the production of manufactured articles has outstripped the natural increase of demand by 67 per cent., therefore new markets must be found for these wares or the existing ones be "forced"; hence the rush for colonies and feverish trade competition between the great manufacturing countries. And the production of manufactured goods is still increasing, and the great cities must sell their wares or starve. Now we understand what trade-rivalry really is. It resolves itself, in fact, into the struggle for bread. A large and increasing proportion of the populace of the great nations have become concentrated into cities, and this great and increasing proportion of the populace must buy bread. And they buy bread and other food-stuffs by giving to the farmer in exchange their manufactured goods. But the supply of these manufactured goods has outrun the demand; therefore, the manufacturing towns are obliged to force the markets by fabricating articles of luxury, and to do this they need special raw materials; timber, such as mahogany; shell, such as mother-o'-pearl; ostrich feathers, etc., which again are purchased by the exchange of manufactured articles; hence the growing dependence of the great

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manufacturing towns upon over-seas trade and the intense competition between British, French, and German merchants in remote corners of the world. And this system of exchange between the farmer and the factory hand is, as we have seen, carried on by the capitalist-system and by means of money. And owing to the overflow in the production of manufactured articles which still continues, the exchange value of these has depreciated, and is still depreciating. But the capitalist wants his profits just the same, *he* wants articles of luxury besides the farmer, therefore, with the exchange value of manufactured articles depreciating, it is a logical certainty that wages must fall, whilst at the same time food prices rise, and all for exactly the same cause, the depreciated exchange value of manufactured articles. Here we have the crux of the situation ; either trade-rivalry must by some means be checked or the manufacturing towns must starve ; there is no alternative.

The Fiscal Question, Tariff Reform or Free Trade has in reality little bearing upon our national fortunes : the unprejudiced man who examines it upon its own merits is forced to the conclusion that it is very much a case of six to one and half a dozen to the other. It is doubtless true that imports pay for exports, and that if we

expect to sell goods to Germany we must be prepared to buy in return. When, however, we examine Anglo-German commercial relations for the year 1910 we observe that we imported goods to the value of £61,845,029 in exchange for articles valued at £36,922,234. Can we by any process of arithmetic make these two figures equal to one another? The value of an article is measured by the amount of gold the merchant is prepared to pay for it; if, therefore, we paid £61,845,029 where the Germans paid £36,922,234 it must be obvious that our imports from Germany were much more valuable than our exports to the latter country. Are we then to assume that the Germans were such poor businessmen or such generous philanthropists as to make us a present of the difference in values? The surmise is hardly tenable. No, the difference in values represents a dead loss to Britain of £24,923,795 which went to support German working-men and stimulate further industries in rivalry to our own. Our imports from Germany moreover were mainly manufactured articles which our own merchants could have supplied equally well if at a slightly higher price: the total loss of our export trade with Germany would thus have been well compensated for by the expenditure of £61,845,029 in support of

our own industries instead of those of our most formidable rival.

Again taking the case of Great Britain and the United States. Our exports to the latter country were in 1910 £31,418,139, in exchange for £117,619,833. Again by what process of arithmetic is it possible to make £1 worth of English goods equal to nearly £4 worth of American? One is driven then to the conclusion that, whilst as a general rule imports pay for exports, yet this rule like all others has exceptions, and that the case for Tariff Reform, whilst greatly exaggerated, rests upon a basis of sound reasoning. On the other hand, our most serious rivalry with Germany occurs not so much in our own home markets as in overseas ones, Argentina, United States, Belgium, Bulgaria, etc., and it is rather difficult to see how any system of Tariff Reform, however adroitly manipulated, can affect these; if German trade-rivalry is to be crushed it must be by other measures than playing with tariffs.

So Tariff Reform and Free Trade, whilst convenient as party-cries, are in reality questions of minor importance; and the productive-power of labour-saving machinery is continually increasing; and the great cities are continually waxing greater and greater; and the production of

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manufactured articles progresses in ever-increasing ratio to the natural increase in the demand ; and trade-rivalry must in consequence grow ever more and more intense ; and wages must fall whilst food-prices rise ; under such circumstances, what will this trade-rivalry lead to ?

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TO-DAY the European peoples are hungry, to-morrow they will be more hungry still, what then is likely to result from such hunger? A hungry man is proverbially an angry man, it takes little to rouse his passions, and if it so happens that he takes it into his head that some one else is enjoying an undue share of this world's goods, and if this person happens to blunder upon his pet corn, it is likely enough that this hungry man will become somewhat dangerous.

Now Germany of to-day, to take one particular instance, is in very much the same frame of mind as that of the hungry man described above. Germany is hungry, how desperately hungry few Englishmen quite realize, and in the matter of Morocco we have come blundering very roughly against her corns. The fact that we claim that it was her own fault for placing herself in a position where we could not fail to jostle her, and declining

to move out of our way has very little to do with the matter. It is not what we think, but what she thinks, and Germany is angry, which again is of no special importance at the present moment, but is a significant symptom of times to come. For the root cause of the whole trouble is that Germany is hungry, and by the economics of the case Germany is bound to become more hungry still. Now, as we have seen, all the European peoples are hungry, but Germany happens to be the hungriest of the lot. And this has nothing to do with her fiscal policy, but is the outcome of quite different causes, of a population already teeming and fast increasing, of poor natural resources, and of the lingering effect of the Thirty Years' War. Germany, despite the tremendous strides made by her commerce during the past forty years, is really one of the poorest of the Great Powers, and not even in Austria or in Italy is the struggle for life more bitter. And this struggle for life must inevitably become more severe as population increases. The cleanly streets and neat homes of Berlin do not represent Germany, nor the Berliner the German working man. In the great manufacturing towns of Prussia, Bavaria or Saxony where the foreign eye seldom penetrates, you will find slums as fearful as the worst London can show. The German

working man works for longer hours and for less pay than the Englishman, obtains less of the pleasures of life and has conscription into the bargain. This is the truth and the Fiscal Question has nothing to do with the case. The Thirty Years' War threw Germany back an hundred years in the scale of civilization, thus when the unification of the German people had been accomplished Great Britain and France had already captured the world's trade. Thus when Germans sought to develop their natural resources, it was to British and French capitalists that they were obliged to turn to borrow capital to initiate their enterprises. Did, for instance, a German wish to start a factory, he was obliged to interest British or French capitalists in the matter. And these gentlemen did not give their help for nothing. So German industry began under the initial disadvantage of having to pay back borrowed capital and from this disadvantage it has not yet succeeded in shaking itself free. So the German capitalist must pay interest on his borrowed capital and he also desires a profit for himself; this again spells low wages. In this circumstance, therefore, together with poor natural resources and an overflowing population lie the causes of the low rates of German wages. And, as we have seen, wages must continue to fall whilst food prices

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must continue to rise. What, then, will these conditions lead to? Now in our glance back into the dawn of history we saw what happened when a tribe or people overflowed the natural resources of its own territories: its rulers cast eyes upon some nation it took to be weaker and wealthier than itself, and from the circumstances of that particular tribe being hungry there arose a whole cycle of wars. And this phenomenon we have seen repeated throughout history down to the present day. Then what is likely to happen in Europe of to-morrow? Germany is hungry and must become hungrier: Germany is strong: the probabilities are then that if she imagines that she can gain anything by fighting Germany will fight. But can Germany gain by fighting? Can the hungry German workman benefit by war? This brings us to Mr. Norman Angell's work "The Great Illusion."

Briefly stated, Mr. Angell's arguments are that it is a "gross and dangerous illusion" to assume that any fully civilized nation can gain any material advantage by war with another fully civilized nation. That the military conquest of a civilized people is financially futile: that successful trade is not dependent upon military strength: that foreign trade cannot be effected by military conquest: that an indemnity exacted from a

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defeated people is of no real advantage to the recipient : that the seizure of our colonies would not affect Great Britain to her economic disadvantage : that finally the delicate interdependence of modern international finance would make war equally disastrous to all civilized communities alike, and that in the case of an Anglo-German war any depreciation in British credit caused by disasters in such a conflict would strike back boomerang-fashion and hit German banks and industries a smashing blow, that in sum our conception of military conquest as achieving financial and economic gain is, so far as concerns war between fully civilized European states, a "gross and dangerous illusion" based upon a state of society which has ceased to exist.* All these arguments deserve careful scrutiny. We will here take the crux of them : Can military conquest favourably affect the commerce of the conqueror? Taking Mr. Angell's own instance of an Anglo-German war : in event of the German fleet gaining command of the sea would German commerce benefit thereby? Would a single German be one ha'penny or pfennig the richer for it?

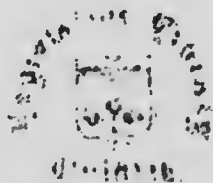
We must begin from a secure starting-point by first forming a just appreciation of what Mr.

* P. 21.

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Angell throughout his work consistently ignores or misunderstands, the military factors influencing the problem. Let us begin by carefully considering how far an Anglo-German war would result in disorganization of industry. It will be conceded by every one who carefully considers the subject that so long as our fleet remains undefeated, no invasion of these isles, more serious than a raid by a small body of troops, can be attempted, and equally that once our fleet has suffered a decisive defeat no invasion, with its picturesque accompaniment of the sack of London and the economic reaction upon the unfortunate German general's banking account so graphically portrayed by Mr. Angell, is in the least likely to occur. It is recognized by every sane man among us that a decisive defeat at sea must force our government to an immediate peace. Sensational novelists may write of a curious medley of boy scouts, territorials and yeomanry covering themselves with glory and dying in the last ditch amid the smoking ruins of London, but the serious soldier merely smiles at such ravings. The decisive defeat of our fleet at sea must from fear of a financial catastrophe force our government to at once sue for an armistice, and since on Mr. Angell's own showing the German government would have excellent cause to watch our

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financial position with tender solicitude, such an armistice would be readily granted with the effect of at once calming any financial panic. Thus the tremendous economic disaster pictured by our novelists and perfervid imperialists, the forty millions starving, the sudden collapse of British credit, etc., etc., all of which rant Mr. Angell appears to take seriously, would simply not occur. Nevertheless, as I shall later show, British industry would in such an event have sustained a smashing blow and this disaster would redound to the benefit of the German capitalist and of the German working-man. Let us pass on to a consideration of a factor no less germane to an examination of the financial disorganization likely to result from an Anglo-German conflict, the duration of hostilities. It is often assumed that in event of war the German fleet would seek refuge behind its powerful fortresses and play a "waiting-game" in the hope of wearing down the superior British navy by torpedo warfare; an examination, however, of the actual economic structure of Germany forces one to the conclusion that such a policy would be, from the German standpoint, simply suicidal. Practically half the population of Germany is more or less dependent upon sea-borne trade, a blockade of the German coasts by the British fleet would, therefore, if permitted,

through the streets of the great German cities with unemployed, and an irresistible outburst of public opinion force the fleet to a certain disaster, *à la Cervera*.* A "waiting-game," therefore, can give the German fleet no hope of success, modern economic conditions render Fabian tactics hopeless, whether waged by armies or navies, it is, therefore, from the military standpoint a far more hopeful course, as it is also far more in consonance with German military traditions, that their fleet should, in event of a purely Anglo-German war, strive to compensate for inferior fighting power by a prompt and vigorous offensive at the very outset of the war alike by battleships and torpedo boats. From this it follows that an Anglo-German war must be short, sharp and decisive. It is the fashion to ridicule the "Bolt from the Blue" school, but it can, I think, hardly be denied that whilst an attack upon the British fleet in time of profound peace

* It must be remembered that in the case of a purely Anglo-German war, there would, presuming the German fleet to play a "waiting game," be nothing to distract the attention of the German people from the grinding pressure of British sea-power; no such great military operations as would ensue during a war against Britain and France combined. The moral pressure upon the German people in such a contest would thus be far greater than in the case of a war against Britain and France combined.

is of course inconceivable, yet should a period of diplomatic strain arise, for us to expect a declaration of war to precede hostilities would be merely absurd. The Austro-Prussian war of 1866, in which there was a declaration of war, great armies to be mobilized and vast distances to be traversed, was decided within less than seven weeks. An Anglo-German war, with fleets separated but by a few hours' steam, would be decided at most within seven days and under conceivable circumstances within *seven hours*. Is it to be assumed that so short a period of hostilities would materially disorganize either British or German commerce? * A careful consideration of the, to coin a new phrase, militarico-economic factors of the problem forces one to the conclusion that in itself an Anglo-German conflict could not produce those far-reaching economic consequences, and that wide-spread reaction upon the international financial position popularly held to be the inevitable accompaniment of such a struggle. †

* We may in this connection draw a useful lesson from the recent coal strike. The press-writers all agreed that the coal strike *must* be prevented: nevertheless it actually came about. They also agreed that it would entail the utter disorganization of industry and to every one's surprise things went on much as they did before.

† The struggle would probably be decided, in the sense

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Now, assuming the German fleet to prove victorious under the above-mentioned conditions we will pass to the consideration of how far it be possible for Germany to benefit economically by such a victory.

First, there is no conceivable reason why the German government should not, under such circumstances, resuscitate Napoleon's Berlin decree and declare the British Isles to be in a state of blockade to all ships which had not first touched at German ports. Germany being by hypothesis in a position to actually enforce such a decree, this would act with disastrous effect upon British commerce. Hamburg and Bremen would replace London and Paris as the centres of the world's commerce, and become the universal markets for barter and exchange which, as we have, in our introductory chapter, noted the advantages conferred by a favourable position with regard to the world's trade-routes, cannot but react beneficially upon German commerce. Again, by giving preferential harbour dues to native shipping whilst exacting high rates from foreign powers, Germany could not fail to capture the world's carrying trade. The Englishman, unable because of higher harbour dues to compete in freightage of the decisive battle having been won, before either English or German bankers knew that hostilities were in progress.

with the German shipper, must inevitably be shouldered off the great trade-routes. We ourselves played a somewhat similar game with the Dutch; surely every Englishman remembers Cromwell's Navigation Act and the part it played in building up British shipping? Here, then, are two distinct economic advantages to be gained by military conquest, nor I think it will be admitted are they inconsiderable ones. This does not, however, exhaust the potentialities of military conquest intelligently utilized to bestow economic advantages. Mr. Angell writes: "On the morrow of her marvellous victory Germany is by some sort of a miracle to find shipyards, foundries, cotton-mills, looms, factories, coal and iron mines, and all their equipment, suddenly spring up in Germany in order to take the trade that the most successful manufacturers and traders in the world have been generations in building; Germany is to be able suddenly to produce three or four times what her population have been able heretofore to produce; for she must either do that or have the markets which England has supplied heretofore still available to English effort." May one mildly suggest that the £1,000,000,000 war indemnity which, as Mr. Angell informs us, can be extracted by a victorious Germany from defeated Britain, might, if intelligently utilized, do something to

develop German productive power? Mr. Angell tells us that German commerce has been built up on borrowed capital, that German industries are working "on a margin," etc., etc. May one then suggest that a free gift of £1,000,000,000 of British capital might fail to produce those weird and wonderful happenings which, according to our author, befall the luckless power which receives a war indemnity? Mr. Angell writes at length on the "Indemnity Futility." Unfortunately, his arguments are all based upon the assumption, instanced by the case of Germany in 1870, that the power which receives a war-indemnity will under all and any circumstances spend it in the same spirit of open-handed generosity towards the world in general as a gay young "dog" who has received an unexpected legacy from a fond, but foolish, maiden aunt. It is, of course, quite true that in 1870 Germany squandered the French war-indemnity in just such a fashion, with the result that there followed just such a period of financial "tightness" as is, alas! too often experienced by sad and disillusionized young "dogs" who have spent suddenly acquired wealth with more haste than prudence. Mr. Angell, however, fails to appreciate the fact that Germany in 1870 had not "found" herself as a business-nation and that the German government of the

day no more knew how to lay out the newly acquired wealth to best advantage than would the gay young "dog" of our analogy. But modern Germany is a nation of the keenest business men the world has ever seen, and if we credit the average German statesman with the financial insight of the average German business man, the "Indemnity Futility" assumes quite a different complexion. Distributed among German banks it would enormously cheapen German capital, with the result that German commerce would take a tremendous stride forward, and that this stride forward would be at our expense. Here is a simple sum in rule of three: in the period 1885-1910 German commerce has on borrowed capital increased from £295,261,300 to £803,814,450, by how much will German commerce have increased at the end of a second period commencing with a free gift of £1,000,000,000 of British capital? and, moreover, with German shipping favoured by a Navigation Act and a "Berlin Decree" to render Hamburg and Bremen the centres of the world's commerce? Is it not extremely probable that within a very short time after the receipt of the war-indemnity there would commence that tremendous development of German productive power which Mr. Angell ridicules as absurd? Can it be denied

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that it would very speedily happen that wherever a German business man competed with an Englishman to the extent of £1, he would compete to the extent of £3? Can it be denied that the Englishman would under such circumstances be undersold and shouldered out of the market? Can it be denied that under such circumstances Germany would secure the bulk of the world's commerce? This tremendous development of German industry would come at the very moment when, owing to the withdrawal of £1,000,000,000, British capital would be scarcer, when the British manufacturer would in consequence be hampered by an increased cost of production and the consequent necessity of raising his prices. Thus Germany would prey largely upon the British export trade, which would mean black disaster to the British manufacturer and the British working man. Year by year, German trade rivalry would wrap itself around British commerce like the coils of a giant boa-constrictor, and slowly, but surely, with an ever-increasing pressure, squeeze the British merchant from the world's markets. British capitalists would be ruined, British factories would stand still and silent, British workmen would be unemployed and with their wives and children starving. There would not be the sudden lurid gory disaster painted by the rabid

Imperialist, during the first two years or so we should hardly feel the disaster save for a sentimental regret over departed glories. But in the *decade* after the war the pinch would come, and the catastrophe would be no less terrible in that there would be little of the heroic or sensational to relieve its gloom; only a slow, silent, grinding pressure, breaking up homes, ruining capitalist and workman alike. There would be a stream of emigration to the colonies on the part of the strongest and wealthiest; our foreign trade having passed to Germany, the soil of these isles would no longer suffice to support our population; for the rest there would be a period of riots and labour-wars, with their inevitable concomitants of hunger and death, until our surplus population had been killed off, after which our island would settle down to its hopeful future as an economic and political appendage of the German Empire.

But, it will be said, if Germany captures our export trade and ruins British commerce will she not destroy our power to buy German goods and thus sacrifice her best customer? Unfortunately if Germany be successful in capturing our export trade valued at £430,589,511 in 1910 she can very well afford to lose a market for £61,845,029 worth of goods. Mr. Angell never seems to realize that in a community it is the interest of

the majority which sways national policy, and whilst a few individual German merchants might suffer from a British disaster yet as we have seen the vast majority would stand to gain enormously by the decline of our commerce.

Mr. Angell writes *à propos* of an indemnity, "One of two things happens: either the money is exchanged for real wealth with other nations, in which case the greatly increased imports compete directly with the home-producers, or the money is kept within the frontiers and is not exchanged for real wealth abroad and prices inevitably rise. There is, however, as touching relations with other nations a further effect; the rise in price of all commodities hampers the receiving nation in selling these commodities in the neutral markets of the world, especially as the loss of so large a sum by the vanquished nation has just the inverse effect of cheapening prices and enabling that nation to compete on better terms with the conqueror in neutral markets. The dilemma as stated above is clear and simple, and I challenge any economist to show any real escape therefrom."

I accept the challenge. Let us examine the actual case of a war-indemnity of £1,000,000,000 paid by defeated Britain to victorious Germany, and assume that this be used as capital to develop

German productive power, how can the importation of *raw materials* compete with native industry? I should like Mr. Angell or any one else of his school to prove such a thing possible. And again with exchange of the capital received for real wealth beyond the national frontiers, how can there ensue an all-round rise of prices within the national boundaries? I challenge Mr. Angell or any one else to prove that such an all-round rise in prices must necessarily occur. Take the case of but one industry, the cotton-industry. Let us assume a development of this industry; the importation required would be of two natures, raw cotton and productive machinery, which latter would be of a type which Germany does not herself largely produce. How then can such importations be competitive trade? Again we must consider the fact that the loss of so huge a sum as £1,000,000,000 would render money "tight" in Great Britain with a consequent rise in the value of money with its accompaniment, a fall in prices. But America is not materially dependent upon British credit* and the prices demanded for

* Mr. Angell mistakes *co-operation* for interdependence. Obviously, any effect of the payment of a British war-indemnity of £1,000,000,000 on American credit could be only temporary. In the effort to raise this sum no doubt outstanding British credits in America would be called in,

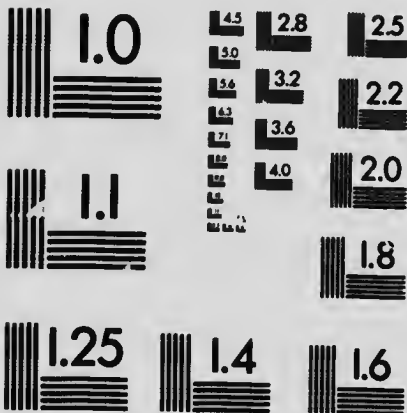
raw cotton would remain stationary, nay the sudden appearance on the scene of a host of German buyers would force the price of cotton up. Thus the British manufacturer at the very time when money would be scarce and dear would be required to pay higher prices with the inevitable result that he must either buy less and lose a portion of his trade without an effort, cut into his profits or else raise his prices with the result of being undersold by his German competitor. And the same reasoning obviously applies to all branches of industry in which we have at present to meet German competition. Mr. Angell in reasoning from the analogy of France in 1870 fails to appreciate that the latter country at that time was not materially dependent upon imported raw materials whereas Great Britain at present is. The sudden transfer of British capital to Germany whilst it might effect a temporary fluctuation in prices owing to the calling in of outstanding credits, could not obviously *materially* affect the general

with the result of a temporary rise in the American bank-rate, but obviously the credits called in would only represent a small fraction of the £1,000,000,000; thus the rise in the American bank-rate would be much less than the rise in the British, *i.e.* money would be very much cheaper in America than Britain; a decline in American prices would thus be unlikely, and in any case be in much less ratio than the decline in British purchasing power.



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standard of money throughout the world, *for there would still be the same amount of money available* and the German buying must consequently force up the prices of raw materials at the very moment when British manufacturers would be at their wits' end to obtain ready money.

Again, *à propos* of Mr. Angell's argument that military conquest cannot capture trade, we must consider in connection with the foregoing paragraph the effects of a German resuscitation of the Berlin decree. Under this act all ships trading with Great Britain would first have to touch at German ports; thus a vessel clearing from say Charleston, South Carolina, U.S.A., with cotton for Lancashire would first be obliged to go to Hamburg or Bremen, pay harbour dues, obtain a clearance and afterwards sail on to an English port. She would thus be obliged to go hundreds of miles from the direct course with all its expense of extra fuel, extra pay and provisions for the crew and extra harbour dues. Now since according to orthodox Free Trade doctrine it is always the consumer who pays the expenses of importation it becomes obvious that all this must mean a rise in the prices of all kinds of imported articles, *including food-stuffs*. Thus there would inevitably come about a rise alike in the costs of production and in the cost of living at the very time when

German trade-competition quickened and intensified by a mighty influx of British capital would be flooding our markets with cheap goods. Can the gentlemen who not so long ago, when it was a question of a small import tax on wheat, strewed flaming posters throughout the countryside warning our intelligent electorate that, "your food will cost you more!" deny the justice of these arguments?

But it will be said markets are places where things are bought as well as exchanged, what will Germany take in exchange for her cheap manufactured articles? And will not the things thus taken in exchange compete with native industries? Mr. Angell writes, "And by what sort of miracle is she [Germany] to be able to consume the wheat, because if she cannot take that wheat the Canadian cannot take the plough." Here we get the crux of the question; assuming Germany to make a tremendous stride in industrial production what is she to take in exchange for her manufactured products? The answer to all this is in reality very simple. It is a law of political economy that the acquisition of wealth by any means carries with it new demands for the superfluities of life. By the time that Germany has progressed so far as to be able to supply the Canadians with ploughs Germany will also be able to consume the Canadian

wheat. It is obvious when one looks into it. The standard of living in Germany is at present much lower than in England or France, but with a "boom" in German trade, with high wages and general prosperity, the standard of living will inevitably rise and there will be a demand for the luxuries and superfluities of life which at present from the very fact of this general low standard of living are not largely produced in Germany. How then can these superfluities compete with native industries? Even imagining Germany to take the whole of the Canadian wheat crop, which is obviously extremely improbable, this in 1910 could only muster 166,744,000 bushels against a native cereal crop of 762,453,835 bushels, hardly sufficient to compete seriously with native farmers, whilst any fall in bread prices would, of course, be a boon to the German people as a whole.

And what of England? Germany's gain would be England's loss. The British manufacturer undersold by his German rival would be obviously forced from the markets, in every branch of our foreign trade German competition would cut the ground from under our feet. British capitalists would be ruined, British workmen thrown out of employment, and Britain reduced to a mere economic appendage of the German Empire. Our natural wealth in coal and

iron mines could not be wholly destroyed, but our great foreign trade would wither away and die under the oppressive influence of German sea-power as if from the touch of a magician's wand. We would supply Germany with raw materials, we would supply Germany with articles of luxury, the latest sartorial fashions perhaps, but here our commercial possibilities would end, Germany victorious at sea would strangle our trade and industries as we ourselves strangled the trade and industries of Ireland in the eighteenth century.

Mr. Angell inquires, If Germany be victorious at sea, would a single German be one pfennig the richer for it? I submit that the question has been fully answered and in the affirmative, but let us examine the anti-militarist and Pacificist standpoint still more closely. One bright specimen of a Liberal leader-writer, writing in the "Star" *à propos* of the Socialist successes at the German elections, reiterating Mr. Angell's arguments anent the futility of armaments, wrote of Protection and Militarism as "twin vultures gnawing at the vitals of the German people" and rejoiced at the determination evinced by these latter to rid themselves of these crushing burdens. I am afraid, however, that if the situation be carefully examined it will be found rather difficult to prove that the reduction of armaments and the introduction of Free Trade

could in any way reduce the cost of living in Germany. Assuming all tariff-walls to have disappeared, does any one imagine that the Canadian or American or Argentinian or Indian farmer is going to sell wheat or foodstuffs to Germany without receiving manufactured articles in exchange? And how is Germany to suddenly develop the productive power necessary to produce such manufactured articles? And how is Germany to dispose of them if produced in the teeth of British competition? I challenge Mr. Angell or any other Free Trader and Pacificist to prove that it is possible, by any process of trade whatsoever, to buy goods without paying for them! Let us presume a victory of the Liberal parties in Germany and the disbandment of the German Army and consignment of the "Dreadnoughts" to the scrap heap together with the introduction of Free Trade. Would a single German be ultimately one pfennig the richer for it? Here is the situation in Mr. Angell's own words:—"On the morrow of [the] marvellous victory Germany is by some sort of a miracle to find shipyards, foundries, cotton mills, looms, factories, coal and iron mines, and all their equipment suddenly spring up in Germany in order to take the trade that the most successful manufacturers and traders in the world have been

generations in building ; Germany is to be able suddenly to produce three or four times what her population have heretofore been able to produce." How can Free Trade and universal disarmament help forward German industry ? How can all this enable the German manufacturer to sell goods in Canada or the United States or Argentina or in any country in the world ? How can it increase his productive power ? How can it reduce the cost of living ? For to import foreign foodstuffs Germany must be able to export manufactured articles, and in the foreign food markets she must meet British competition. And if Germany be successful in achieving these series of miracles how can it but hit back at British industry ? For if by some miracle Germany suddenly makes a tremendous stride in productive power and meets us in our food markets this cannot but result in increased competition between the British manufacturer and his German rival with the inevitable result of cutting the prices of manufactured articles *down* and forcing food prices *up*. How can this reduce the cost of living either in England or in Germany ? How can this but result in distress alike in England and in Germany ? And is this increased trade rivalry and increased cost of living likely to breed feelings of mutual admiration and brotherly love between the British and German peoples ? How

long would it be before the armaments abolished amid such a peal of trumpets and such a chorus of fine sentiments would spring up again ?

But again, how is it possible to assume any such development of German productive power as pictured above save on the assumption of a German victory at sea and the receipt of a huge war indemnity to capitalize German industry ? And again, *how is it possible to assume a reduction of the cost of living in Germany save on the assumption that a tremendous development of German industry has beaten Britain from the food markets ?* Under a capitalist system of production nothing but an armed triumph over Britain can reduce the cost of living in Germany. This is the plain fact and Socialism bringing with it the at least temporary disorganization of industry and a European war is scarcely likely to render food more easily attainable by the German people whatsoever its ultimate benefits to the human race.

Again, Mr. Angell writes, "If a war against a handful of farmers, without so much as a gun-boat to their name, cost Great Britain a quarter of the sum in question, it is a little difficult to see how the actual cost of a war against the greatest Empire of history, with the greatest fleet of history, with the greatest naval traditions of history behind it, is going to leave much change out of a

thousand millions—in any case, not enough to make attack worth a government's while as a business proposition." These be fine phrases, unfortunately they disclose an almost blatant ignorance. Mr. Angell entirely ignores the fact that the war in South Africa lasted for three years, whereas an Anglo-German war, if Germany be successful, would be over in less than three weeks, that Great Britain had to mobilise a great army and transport it over thousands of miles of water, whereas the British and German fleets lie separated but by a few hours' steam. It is probably an over-estimate to take the expenditure of the German government victorious in a purely Anglo-German war at £50,000,000. Add £100,000,000 for indirect loss of trade, and £30,000,000 per annum for the last ten years on the fleet, all of which figures are probably over-estimates, and we arrive at a total of £450,000,000 which leaves substantial change out of the £1,000,000,000 war indemnity. A profit of more than 100 per cent. is not bad from the business point of view, and when we consider the economic aftermath of a German naval victory as portrayed above, can it be asserted that a German victory at sea would be devoid of financial and economic advantage? But Mr. Angell argues that to pay off £1,000,000,000 war indemnity the British banks

would be obliged to call in outstanding credits throughout the world, in which process a whole series of German trades which are dependent upon British credit and British cheap money would be badly hit, by which economic reaction Germany, so Mr. Angell would have us believe, would stand to lose in one direction rather more than the £100,000,000 she gained in the other. Surely this sort of thing is merely playing with words? Are we really to imagine that the German government which has the assurance of receiving £1,000,000,000 of British capital would be unable to forestall any possible disadvantageous reaction upon its native industries by merely promising support to its own bankers, or that German business men generally would have so little confidence in their victorious government as to decline to accept its paper? Moreover Mr. Angell's arguments are mutually contradictory, first he pictures chaos in German industry from the withdrawal of credit and then he tells us that the receipt of the war indemnity will render money excessively cheap, thus causing a general rise in prices. But according to the first argument Germany is going to lose more than she gains, therefore money should be dearer not cheaper, and since, according to Mr. Angell, the loss of national capital redounds to the benefit alike of government and people

Germany should be in an excellent financial position. Surely it is obvious that these arguments end in a logical absurdity ! We have, in fact, something approaching to a Gilbertian situation. Germany wants capital, Germany borrows capital and pays interest upon it, German commerce has made gigantic strides upon borrowed capital : but when Germany receives *free* capital this is to be productive of weird and wonderful woes to the German people ! If capital is of no value to Germany why is she a debtor-nation ? Why does she borrow capital and pay interest upon it ?

I think it will be conceded by the impartial person who reads the above that military conquest *can* capture trade, that the loss of command of the sea by Great Britain would inevitably entail the capture of our carrying trade by Germany, and that the capitalization of German industry by the receipt of a gigantic war indemnity would result in the eventual capture by Germany of the bulk of our export trade. Our loss would be Germany's gain, the German capitalist would achieve higher profits, the German working man would receive higher wages, the individual German whether working man or capitalist would gain by a military conquest over Great Britain and gain enormously. And Germany is hungry now and must become hungrier still ; the ruling classes in

88 THE STRUGGLE FOR BREAD

Germany, in a vague sub-conscious manner, feel that they have to gain by an armed triumph over Britain, Germany is building a mighty fleet. Wherefore it behoves us howsoever* amiable our feelings towards Germany to keep a watchful eye upon the German Navy.

The command of the sea once lost can never be regained, Germany need fear no war of *revanche* for by the mere threat of the blockade of our coasts she can always prohibit us from rebuilding our fleet, without landing a man upon our shores Germany could hold us in a state of perpetual vassalage, she could force us to accept conscription and send armies to fight her battles, she could dictate alike our foreign policy and internal legislation. The government elected by the British people, be it Liberal, Labour, Socialist or Conservative, must take its orders from Berlin, and the death-knell of British liberty would have sounded as it would of our economic prosperity. Even now, when according to the Liberal Press we are enjoying a period of unexampled prosperity, we have millions among us living upon the verge of starvation. Would the condition of these unfortunates be improved by the passage of our carrying trade into German hands or the surrender

* I am not sure whether this is in the dictionary, if not I will take the credit of inventing it.

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of £1,000,000,000 of British capital to stimulate to further exertions industries that already compete with our own? Surely not, again I say for the sake of all we hold dear it behoves us to watch carefully the German navy.

VI

IS THE CONQUEST OF TERRITORY FINANCIALLY FUTILE ?

TAKING the case of the economic aftermath of an Anglo-German war we have seen that Germany stands to gain enormously by victory in such a struggle, we have seen, moreover, that there are economic forces driving the German Government to war: this war may be with ourselves, France or Russia. How could Germany benefit economically by victory in a struggle with either of these latter powers whether together or singly. Again we must first consider the military factors governing such a struggle.

Taking the case of a Franco-German war the contest would be decided within a very short period, six weeks in fact, provided that the Germans were victorious, would see them before Paris. The causes of this short duration of modern wars are to be found in the economic

structure of Europe together with the politico-geographical conditions. The great size and cost of modern armies, the indirect costs of war due to the disorganization of industry, all forbid a lengthy campaign, if therefore decisive results are to be attained they must be attained quickly, ere that an economic stalemate forces both sides to an inglorious peace. Modern warfare, therefore, resolves itself into the effort to achieve the maximum of result in the minimum of time, every available man, therefore, active army, reserve, and Landwehr, must be used at the very outset of the war in the endeavour to attack as speedily as possible and with superior numbers. Both sides alike being obliged to work under these conditions, and both relying equally upon the offensive, for no European army pins its faith to sitting still behind trenches *à la* Kuropatkin, the issue must needs be very speedily decided. Assuming a German victory, France having as we have seen used every available man at the outset of hostilities, her resistance would be utterly crushed and Paris would soon fall into German hands, for under modern conditions it would be an economic impossibility for France to stand a second siege of Paris or "People's War," *à la* 1871. Now how could Germany benefit from such an outcome? And could such benefits, if

any, recoup the cost of the war? First we note that with France, as with Great Britain, a disastrous war means reduction to a state of permanent vassalage to Berlin. The population of Germany already exceeds that of France by fifty per cent., ere long it will have become twice as numerous as that of the latter country, and no "silver streak" protects France from the German millions. With an open frontier, for as we shall see Belgium and Switzerland would pass into German hands as spoils of victory and turn the fortified lines which at present cover the French frontier, and numerous railroads leading to her great industrial towns, France would be hopelessly beaten in the race for hegemony, and the threat of an invasion render her statesmen mere puppets of Teutonic diplomacy. Leaving aside all questions of political and military advantage, however, we will confine ourselves to considering the purely economic gains accruing from such a victory. First Holland, Belgium, and Switzerland, not to speak of the northern provinces of France which would, all told, represent a population of twenty millions, would pass into German hands. These states are, as Mr. Angell informs us, in a better financial position than Germany, and the average wealth *per capita* is greater than is the case with the individual German, thus they would represent

a taxable value of at least thirty millions of German citizens and increase by fifty per cent. the taxable and financial resources of the German Empire. Thus the burden of taxation distributed over a larger and wealthier population would press far less heavily upon the individual German than at present. Mr. Angell tells us that at the present time the German chancellor is at his wits' end to make both ends meet. Would not the acquisition of three wealthy states do something to simplify his problem? Again the northern seaports of France and the ports of Holland and Belgium, gates through which flow the largest proportion of the commerce of Continental Europe, would be in German hands and subject to German taxation: without, therefore, directly taxing a single Frenchman, or Hollander or Swiss Germany could secure a revenue of £50,000,000 per annum. Later on I shall return to this subject.

But it may be inquired, Can these gains be set off against the economic losses of a Franco-German war? Is the game of conquest really worth the candle? Let us consider the economic reactions of a Franco-German conflict. This as we have seen would be probably over within six weeks, let us, however, for the sake of argument assume it to last three months, and the expenses

of the German army to be £1,000,000 per day. This would make the direct cost of the war £100,000,000. The indirect cost must now be considered. Assuming Germany to be at war with France alone, her fleet being superior would have command of the sea, and with her great population the actual number of men called to arms some 1,500,000* would not represent one-sixth of the able-bodied manhood. Under such circumstances productive industry would not be greatly disturbed, while within the fourth month the armies would be demobilized, and the men back in their homes. Obviously then the tremendous indirect losses from war pictured by the Pacificist school are wildly exaggerated. If Great Britain were leagued with France and had command of the sea, productive industry would if hostilities be greatly prolonged be greatly hampered by a difficulty in obtaining raw materials, and the impossibility of disposing of the manufactured articles overseas. The short duration of the war must, however, be considered in this connection, hostilities would have ceased ere the supply of raw material be exhausted, whilst the expectation of a prompt peace would steady public opinion,

* Roughly speaking one man out of two is taken for conscription, and barely one-third of the trained men would be actually utilized.

and render the cessation of productive industry unlikely. Not until the cost of raw materials had risen so much as to render production unprofitable would there occur a universal shutting down of factories. Taking the case of a purely Franco-German war we shall have greatly overestimated the total direct and indirect cost to a victorious Germany at £200,000,000; against this must be set off a French war-indemnity of at least an equal amount (we have seen that a war-indemnity can if intelligently utilized be made of profit to its recipient), and, moreover, the increased financial resources due to the annexations of Belgium, Holland, Switzerland, and the northern French seaports, an all round increase of taxation which may be estimated at £100,000,000 per annum. Surely enough to make attack worth a government's while as a business proposition! But it may be said that the financial disorganization caused by the war would hit the small states and Europe generally, thus materially reducing the financial resources which it is proposed to tax. But the financial stability of a modern state is far less easily overbalanced than many people imagine, France after all the sufferings of 1870, with fire and sword carried through her fairest provinces, within a single decade so far recovered herself as to be in

a far superior financial position to the very power which had conquered her; with the shorter duration therefore of a modern war, the economic reactions if more conspicuous must be in reality far less than was the case formerly. There might and probably would be a temporary depression all round, a run on credit, etc., but this depression would be merely temporary.* As we have seen real wealth, the production and exchange of surplus values, would not in reality be materially affected by a short sharp war, and when all is said and done credit and symbols of exchange of all kinds only reflect the actual condition of a nation's wealth. Whilst, therefore, there would be a temporary depression, four or five years would in all human probability suffice to restore things to their normal equilibrium. It becomes, therefore, apparent that even conceding the absurdly exaggerated notions as to the indirect cost of a Franco-German war to be correct Germany would in the long run stand to gain immensely by success in such a struggle. Take the cost of the war as being £1,000,000,000, and set off against this direct gain in taxation arising from the occupation by Germany of the French, Belgian, and Dutch sea-ports, for twenty-five

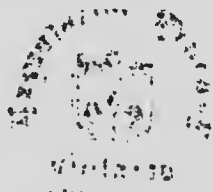
* Individuals might be hit but the nation as a whole would suffer little.

years. Making allowance for the temporary depression in trade immediately following the war such taxation would amount to at least £2,000,000,000. A profit of cent. per cent.!

Now let us take Mr. Angell's own instance of the futility, from the financial standpoint, of the annexation of territory, a British occupation of Hamburg. Our author writes *à propos* of an attempt to prove that we could not profit by the seizure of the private property of the Hamburg citizens.

“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 unsaleable. 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

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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 ravages of war. The banks, however, finding that through the action of the British Government, the original title-deeds have become waste-paper, and British financiers having already had their fingers burned with that particular class of property, withhold support, and money is only procurable at extortionate rates of interest, so extortionate that it becomes quite evident that as a Government 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."

The key to the fallacy underlying these arguments is contained in Mr. Angell's own words: "But the same paralyzing sense of insecurity hangs over the whole business." What causes this sense of insecurity? Lack of confidence in the military power of the British Government to hold what it had gained. Elsewhere Mr. Angell informs us that self-interest is the real basis of respect of contract. If, therefore, the financiers asked to support the hypothetical British Governmental enterprise had not the prospect before them that at no distant period Germany would assert herself and regain her losses, no sentimental reasons would withhold them from backing an enterprise which held out reasonable probability of profit. Let us, on the other hand, take the instance of a German occupation of Antwerp and seizure of Antwerp property. Does Mr. Angell

really imagine that German bankers would doubt their Government's power to hold what it had gained? There might, and probably would, follow economic reactions analogous to those portrayed by Mr. Angell in the case of Hamburg, but any securities held by German banks and business institutions could be guaranteed by their Government, whilst as to British and other losers it is sorely to be feared that they would have to write off a bad debt so far as such securities are concerned. Here all economic reactions would end. British institutions would be hit, and British institutions would have to grin and bear it. When great earthquakes occurred in San Francisco and Kingston, British financial interests suffered, and not only British financial interests, but French, German, and American, not to mention those of smaller states. Nevertheless, there was no reaction upon international finance. It may, of course, be replied that these earthquakes were unavoidable calamities, but so, unless the European powers, as is actually the case, be prepared to make a German seizure of Antwerp a *casus belli*, would such a seizure of Antwerp property be an unavoidable calamity! The British financiers hit must either clamour for war or else grin and bear it. Which brings us to the essential truth, to be further dilated on elsewhere,

that all economic security is dependent upon military power.

But Mr. Angell's examination as to the possibilities of financial advantage accruing to Great Britain from a seizure of Hamburg ignores one essential fact : that for us to gain financially from such a seizure it is not in the least necessary for us to start by interfering with the private property of worthy inoffensive Hamburg citizens or by making waste-paper of title-deeds. Hamburg happens to be the great gate of German commerce. Through this city there passed in 1909 goods to the value of £312,847,000. What is to prevent us from taxing these goods? We could tax imports coming in and exports coming out, and tax them to the tune of £30,000,000 per annum. If, moreover, we are ever sufficiently powerful to capture Hamburg—it is a case of "first catch your hare," remember—we should in all probability be sufficiently powerful to capture Bremen, and through Bremen there passed in 1909 seaborne goods to the value of £172,368,090. With Hamburg and Bremen in our hands, the bulk of the seaborne commerce of Germany, value £485,215,090, could be taxed at our pleasure, and provide an income of £40,000,000 per annum—sufficient in ten years to pay off all costs of the war by which they were captured

with a handsome surplus into the bargain. But it may be objected you ignore the ravages of war ; at the end of the war the shipping and commerce you propose to tax would have withered away. We have already dealt with the "economic reactions of war" argument. Hamburg and Bremen in our hands would no doubt mean that the German merchant marine would have practically disappeared, but it would merely have passed to British or neutral flags. For the rest, so long as German industry is dependent upon raw materials imported from abroad, so long these must be brought in ships, be they British, German, or Portuguese, and so long as German merchants seek to export goods abroad, so long Hamburg and Bremen, as the most convenient routes of transit, must remain great shipping centres. If, then, Hamburg and Bremen were, as the result of successful war, to pass into British hands, a British Government could levy harbour dues from every ship entering these ports, and a British Government could tax all goods passing through its custom lines. And as, according to the orthodox Free Trade argument, it is the consumer who pays all costs of freightage and import taxes, it would be the German people who would ultimately pay these dues and taxes. Again, it may be said, Would not such taxes have

the effect of diverting trade to some other seaport? But what other seaports are there available? If it is sought to utilize the Dutch ports, goods must not only be transported considerable distances by rail, which of course greatly increases the cost of carriage, but they would also have to cross either Dutch or German custom lines. With equal taxation, it is obvious that the superior position of the German seaport would render it impossible to divert trade from them.

In practice, with a British occupation of Hamburg and Bremen as a result of successful war, one of two things must happen: either German industry be taxed out of existence, or a revolution hurl the present militarist government from the reins of power. Germany is already one of the most heavily taxed countries in Europe, yet the German Government can barely make both ends meet. If, therefore, we come between the German Government and half its revenue, as would happen with our occupation of the ports, either this Government must abandon all hopes of a *revanche* and reduce its military expenditure, in which case we should be firmly seated in our new possessions for another century or more, or else the deficit in revenue must be made up by fresh taxes. As the first alternative is well-nigh

inconceivable, the fresh taxes would be levied, with the result that German industry would be taxed to breaking-point. Either there would be a revolution, a republic, and ourselves permanently in receipt of tribute from the German nation, or German commerce wither and die, so far as concerns export trade, owing to cost of production. In this case we should gain the bulk of Germany's overseas trade, valued at £373,355,400 in 1910, and besides the German home-market for all such industries as are dependent upon the import of raw materials. This, again, would mean increased profits for the British manufacturer, increased work for the British workman, and higher wages all round. No doubt Mr. Angell will remind us that British capital is interested in a considerable degree in German industry, and a collapse of German commercial prosperity would hit back at British interests. One is forced to remind Mr. Angell that a national government is obliged to consider the well-being of the most considerable number of its citizens, and that whilst a small and comparatively insignificant section of British capitalists is interested in the industries that compete with our own and would suffer from their collapse, yet there cannot be the slightest doubt that to the great mass of British capitalists and to the great mass of the British people the

removal of German trade competition would be an unmixed blessing.

Can it then be really asserted that the seizure of Hamburg would be a financial futility? Can it be asserted that no Englishman would benefit from such a conquest? And can it be asserted that no single German could benefit by the military conquest of France by Germany? The idea must be dismissed as preposterous.

Again, consider the case of a Russo-German war. That Germany could gain anything material from such a struggle may be dismissed as unlikely, it was for this reason that Bismarck advised friendship with "our eastern neighbour," but does the same thing apply to a victorious Russia? Would the occupation of Hamburg or Bremen be of no advantage to the Russian Empire? Or in the case of an Austro-Russian war, would not an Austrian triumph mean ultimately the possession of Salonika and control over the greater portion of the Balkan peninsula. Would not this mean the power to impose preferential taxes in favour of Austrian goods upon the whole of the Balkan states? Would this be a financial futility? The idea that war between civilized states cannot produce economic advantage does not bear the test of close examination.

VII

THE CASE OF THE SMALL STATES

NOW let us consider the case of the small states. Mr. Angell writes : " 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 Government 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 one 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 no 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.

"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 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 aspects, has to decide between 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 securities, is the difference between a safe and a speculative one—the difference between an American railroad boom

in time of profound security and in time of widespread panic. And what is true of the Government funds is true in only a slightly less degree of the industrial securities in the national comparison just drawn.

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

If it truly be the knowledge that modern wealth cannot be confiscated which leads the financial genius of Europe to conclude that the public funds of powerless Holland are safer than those of the greatest power in Europe, how comes it that ere Mr. Norman Angell burst upon an astounded world in a blaze of glory no one of our great financial magnates condescended to enlighten the world as to the folly of armaments?

It seems passing strange that the financial genius of Europe in making investments should not have understood the why and wherefore of its own proceedings. Again, if it be the knowledge that wealth cannot be confiscated, which is the *sole* reason for the financial genius of Europe choosing to invest with the smaller states, why should it not invest equally with the larger ones? Surely since the capitalists of Europe are neither altruists nor quixotes, the fact that a state is weak and helpless cannot in itself give it a special claim upon their support? Obviously, then the presumed knowledge, "that modern wealth requires no defence because it cannot be confiscated" can scarcely account for the phenomenon. Let us examine this question more closely, Mr. Angell assumes that the small states, "if our political pundits are right could any day have their wealth gobbled up by those voracious big neighbours," but is this assumption justified? Could Germany send a single soldier into either Belgium, Holland or Switzerland unless she were prepared to fight either England or France or probably the two combined? Could, conversely, France or England venture upon hostile acts in either Belgium or Holland or Switzerland unless prepared to fight Germany? And could Russia or Germany venture to invade Norway or Sweden

or Denmark unless prepared for war with one another or with England? In what degree then, despite that they do not in themselves possess military power, is the position of these small states militarily insecure? And are not these same states on Mr. Angell's own showing, thanks to the fact that an equilibrium of force guaranteeing their neutrality spares them from the necessity of raising costly armies for their defence and thereby from the heavy taxation and financial burdens of the great powers, consequently in a superior financial position to these latter? What, then, is there at all surprising in the fact that these states being militarily secure by reason of an equilibrium of force among the powers, and in a superior financial position by reason of being spared the burden of defensive preparations, should be able to raise loans upon easier terms than the powers which protect them? The financier who is asked to invest money in Belgian stock knows perfectly well that for either France or Germany to invade Belgium would mean a general European war, his money therefore is as safe if invested in Belgium as it would be if invested in France or Germany, whilst Belgium is, thanks to lower taxation and small military expenditure, in a better financial position than either of the big states; what then is there

wonderful in the fact that Belgian Government stock should be quoted at higher rates than that of Germany? And how can it be deduced from this that economic security has no relationship with military power? I challenge Mr. Angell or any other of his school to draw therefrom a logical argument proving the futility of armaments. The National Debts of Norway, Holland, Belgium and Switzerland are less *pro rata* of population than those of England, France, Germany or Russia, the incidence of taxation is also less in the small states than among the larger ones, whilst an equilibrium of military power guarantees their economic security. Again what is there surprising in the fact that these states needing far smaller sums and better able, in proportion to size, to pay for them should be in a position to obtain loans on easier terms?*

Let us assume Mr. Angell to one day take a stroll through a London street, and in so doing

* Elsewhere in his work Mr. Angell tells us that Austria annexed Bosnia-Herzegovina out of "pure political vanity." He also quotes the writings of the Pan-Germanist school as advocating the annexation of Holland and Belgium. If then these states lie at her mercy why does not Germany, a stronger and more militarist power than Austria, annex these states out of "pure political vanity?" As a matter of fact, however, despite that she had occupied these provinces for nearly thirty years with her troops, and that the formal annexation only

that he were to meet half a dozen or so of the rougher elements of our community. What is it that would prevent these roughs from laying violent hands upon our author, rolling him into the gutter, and stealing his watch and chain, etc.? Obviously the police. And yet the average policeman is from the financial standpoint in far inferior circumstances to Mr. Angell. Are we from that to conclude that the police are unnecessary? Because an equilibrium of force preserves the small states from attack, are we on account of their financial position to assume that military power is unnecessary? Such reasoning is obviously fallacious.

Mr. Angell writes that the case of the small states constitutes "one of the most remarkable of economic-sociological phenomena in Europe." It may be due to the innate stupidity of a militarist writer, but to me Mr. Angell's treatment of this very complex problem appears merely to stamp his reasoning as brilliant but superficial. From the purely military standpoint these small states are, in fact, far more militarily secure than their larger neighbours. The guiding rendered *de jure* a state of things already existing *de facto*, such in fact as exists at present in the case of ourselves and Egypt, Austria's action brought her to the verge of war with Russia; judge then the hornets' nest that Germany would bring about her ears if she attempted to annex Holland!

principle of modern warfare is the doctrine, "full strength on the decisive point," and this decisive point is invariably the main-body of the enemy's army, for only by decisively beating this latter in battle is it possible to attain a decisive result. Germany, therefore, cannot invade either Belgium or Switzerland until she has decisively beaten the French army, for you cannot win battles by marching away from the enemy, nor is it safe to divert a single man or gun from the near vicinity of the expected decisive battle. That under the military aspects of the problem Germany may attempt a rapid flank march through either Belgium or Switzerland, or both, to turn the French fortified frontier is of course only to be expected, but the point is that such movements would be but a means to an end, the defeat of the French army, and that only a very small portion of Belgian or Swiss territory would be traversed, and that no important fighting would take place on Belgian or Swiss soil. These states would, in fact, experience comparatively little of the horrors of war, and sustain far less damage in credit or material resources than either France, if defeated, or Germany, if in like case. These small states, in fact, stand as regards their more powerful neighbours very much in the position of the fair maiden for whose smiles two fond but

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foolish lovers are perpetually threatening to fight. One or other, probably both, of the fond and foolish ones is in considerable danger, but, of course, the fair maiden herself is perfectly safe, at least until one of the fond and foolish people has polished off his rival when the coquettish beauty is likely to be brought to heel.

VIII

COLONIES AND MILITARY POWER

NOW let us consider the case of colonies. Mr. Angell takes as his text that :
"No foreign 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 a loss would be regretted on sentimental grounds, and as rendering less easy certain useful social co-operation between kindred peoples. For the British colonies 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 all Colonial history shows to be doomed to failure."

That Germany would not attempt the conquest of England for the sole purpose of seizing our colonies may be conceded at once, no one whose opinion is worth having has ever suggested that she would do so. Let us, however, consider the question, Do we stand to lose economically by the conquest of our colonies by a foreign power? First of all, it should be remembered that we originally granted self-government to our

colonies, not because we were driven to do so, but simply because at the time of the grant of such self-government the colonies were not considered wor^t troubling over. There is such a tremendous amount of misconception upon this subject that it is worth while to look into it closely. It is popularly supposed that the American success in the War of Independence forced our government to the conclusion that, "English colonists like Greek colonists of old go out on terms of being equal, not subordinate to those who are left behind ; but when they have effectively planted another and a distant land they must within the widest limits be left to rule themselves ; that whether they are right or whether they are wrong, more perhaps when they are wrong than when they are right, they cannot be made amenable by force ; that mutual good feeling, community of interest, and abstention from pressing rightful claims to their logical conclusion can alone hold together a true Colonial Empire." Apparently Mr. Angell shares the popular view here expressed ; unfortunately it happens to be diametrically opposed to the facts of the case. In reality, so far from the War of Independence causing the British Government to relax its claims to supremacy over the colonies an actually reverse effect was produced. The West India isles, at that

time our most valuable colonies, were held in tight bonds, and surely every one who has read Southey's "Life of Nelson" recalls the latter's enforcement of the Navigation Act upon American shipping, which enforcement was endorsed by the Home Government. The colonies were viewed with jealousy and suspicion, and the Imperial Parliament strenuously asserted its own supremacy. During the period 1787-1867 the authority of the Home Government over colonial legislatures was, as a matter of fact, more strongly asserted than during any other period in our colonial history. Slavery was abolished in the West India Isles, *self-governing colonies*, by authority of the Imperial Parliament and in teeth of the bitter opposition of the local legislature—"whether they are right or whether they are wrong, more perhaps when they are right than when they are wrong, they cannot be made amenable by force"—how do these fine sentiments bear comparison with actual facts? A revolt in Canada was crushed with an iron hand, whilst down to the year 1849 the old restrictive system of trade and navigation laws continued in force. To argue then that Great Britain, the most successful colonizing nation in the world, was forced to grant complete economic independence and full self-government to her colonies from fear of an

armed revolt merely indicates a lamentable ignorance of history. The Australian colonies were taxed without representation for more than half a century after the American Revolution! What then was the real cause of the grant of economic independence and full self-government to our colonies? The answer is to be found in the Free Trade triumph of 1846 and the advent to power of "Manchester School." This school did not consider the colonies worth keeping. The West India Isles had been ruined by the bestowal of freedom to the slaves, Canada and Australia were thinly-populated, impoverished communities, and the Mother-Country was quite prepared to see them pass out of her hands altogether without making a serious effort to retain them. But neither self-government nor full economic independence were granted to *India*, the possession of which *was* considered to be of economic advantage, and to this very day we hold India by armed force, we do not grant India self-government, and we do not grant to her full economic independence. Our governance of India to-day is in spirit a survival of our old colonial system, yet can it be argued that the possession of India has not in the past and does not at present carry with it distinct economic advantages to the British Empire. The possession of India is the basis

upon which has been built up our present industrial system, it was the fact that we possessed a great and sure market for our manufactured goods, it was the building up of a great industrial population due to the possession of this market which enabled us to adopt the policy of Free Trade, and it will be when this market becomes seriously menaced by a foreign competitor that we shall finally revert to Protection. India in 1910 took one-tenth of our export trade, can it be seriously suggested that the total loss, by any means whatsoever, of our largest customer could be a matter of indifference to the British people? As Free Traders are fond of telling us, exports pay for imports, if therefore we were to lose one-tenth of our export trade how would this affect our importation of foodstuffs? The plain fact is that we conquered India not for the benefit of the Indian peoples, but for the benefit of the British merchant, we rule India to-day for the benefit of the British merchant, and so long as we continue to rule India so long we shall continue to do so for the benefit of our own merchants—all of which may be very sad, but it is nevertheless true. Yet can it be denied that the possession of India, our largest market for export trade, is of economic advantage to the British Empire? And can it be denied that the loss of

India would throng our streets with unemployed ? But we hold India by armed force, and we do not concede to her self-government, all of which, according to Mr. Angell, is fatal to economic advantage !

Now let us imagine a Russian conquest of India, and trace its effect upon the British people. We may be certain that in accordance with its present policy the Russian Government would proceed to levy an import tax on British goods which, since in accordance with orthodox Liberal gospel the consumer pays all taxation, would mean higher prices to be paid by the Indian people, which, again, would mean less quantities purchased. This, of course, would hit both British and Indian peoples, and we may be very sure that under protection of the tariff-wall either native or Russian capitalists would speedily capture our present Indian trade. Can we afford to lose our best customer for export trade ?

A tremendous amount of nonsense is written, be it remarked incidentally, about our rule in India by the Pacificist School. It is said that we oblige India to maintain a huge army for our service, and that we, in some unexplained manner, exploit her for the benefit of our commerce. Starting with the concession that we English rule India primarily for our own benefit, let us, for sake

of argument, imagine a British evacuation of India. How much better off would be the Indian peoples? First of all, unless they were prepared to pass under Russian rule they would be obliged to provide for their own defence which, now that the power and prestige of the British Empire no longer supported them, would require an army of at least 500,000 men on a peace footing with a potential strength of thrice that number as compared with the 225,000 who at present suffice; they would also require a Navy at least equal to that of Japan. To provide these armaments and favour native industries the Government would doubtless resort to Protection, and so there would come about the curious fact that the British in evacuating India would leave the Indian peoples a helpless prey to, what our Liberal friend termed, "The twin vultures of Protection and Militarism" gnawing at their vitals! Again let us imagine that were Great Britain to concede India self-government. The governments of our "daughter nations," Canada and Australia, are, with the possible exception of the United States, perhaps the most corrupt and inefficient on the face of the earth, conceiving what few would be disposed to deny, the same high standard of political purity to prevail in India, it becomes obvious that self-government for India would, in practise, entail but

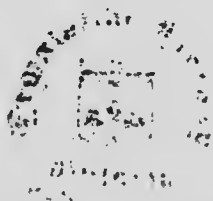
the replacement of what is at present a fairly clean-handed and fairly efficient bureaucracy by a gang of irresponsible politicians whose great object in life would be the filling of their own pockets. Such a government would, of course, promptly introduce Protection and, according to Free Trade doctrine, the Indian peoples would thus be penalized for the benefit of the capitalist, or their last state under self-government be infinitely worse than their first state under direct British rule !

We have seen that Mr. Angell's assumption, that Great Britain, the most experienced and successful colonizer in all history, was forced by fear of armed revolt to grant self-government and economic independence to her colonies is based upon an ignorance of the facts of history ; now let us pass on to consider the economic losses to Great Britain resulting from the loss of our self-governing colonies. Let us glance at Australia. Her great cities lie all hard by the sea-coast within easy reach of an invader, whilst the bulk of her populace is concentrated in a comparatively narrow space between the great western desert and the sea. Again, this population whilst comparatively wealthy, is weak in numbers and devoid of genuine military training. Should, therefore, Great Britain have sustained a crushing disaster on the seas, the conquest of Australia would, for

a power possessed of a powerful fleet and army, be an enterprise presenting few dangers and many advantages. Such a power lies near to hand in Japan; is it to be imagined that on the morrow of a British disaster Japan, which Mr. Angell informs us is so desperately poor and heavily taxed, and which moreover has already an old score against Australia on account of her contemptuous treatment of the Yellow Man, would hesitate long ere selecting a pretext for hostilities? Is it not the fear of such a happening which has caused the Australian Government, weak and inefficient though it is, to introduce a Bill for Compulsory Service? And can it be imagined that the power which beat back the Russian hosts from Manchuria would have any great difficulty in overrunning Australia? The Australian Militia could offer little serious resistance to such an invasion. Melbourne and Sydney, the great centres of national life and effort, would pass into Japanese hands almost without a blow, these seized and the fertile belt occupied there would be little necessity to chase the remnants of the citizen armies into the interior. With Melbourne and Sydney held by the Japanese, these would be in a position to control the whole commerce of the island continent even more effectively than we, if in possession of Hamburg and

Bremen, could control that of Germany, whilst that a steady influx of Japanese colonists would come swarming alike into Australia and New Zealand—which latter state could no more resist a Japanese invasion than could Australia. How would all this affect British commerce? Our trade with Australia was in 1910 valued at £66,287,798, but with this country in Japanese hands she would be exploited for the benefit of Japanese goods, and a tariff wall infinitely more "solid" than that which at present bars out British goods, would be raised against us, for it would no longer be the benefit of the Australian people which would be considered but that of Japan. Again, if we cannot export goods to Australia she cannot pay for them by exporting goods to us: result, total loss of our commerce with the Australian people.

Now, let us take the case of South Africa. Her great cities again are seaports, and could be readily seized by an invader, which, again, would give ready economic control over the whole vast hinterland. Thus, a power possessed of Cape Town or Port Elizabeth could indirectly tax the whole Africander people and, equally, effectually bar out British goods in favour of the commerce of its own nationals. Would Germany, therefore, if in possession of these seaports reap no



economic advantage therefrom and Great Britain suffer no economic loss ?

Mr. Angell writes, *à propos* of South Africa, and in the attempt to prove that the British Government has less power over a self-governing colony than over an independent state : "What were the larger motives that pushed us into war with the Dutch Republics ? It was to vindicate the supremacy of the British race in South Africa, to enforce British ideals against Boer ideals, to secure the rights of British Indians and other British subjects, to protect the native against Boer oppression, to take the government of the country generally from a people whom such authorities as Doyle and many of those who were loudest in their advocacy of the war described as 'inherently incapable of civilization.' What, however, is the outcome of spending two hundred and fifty millions upon the accomplishment of these objects ? The present government of the Transvaal is in the hands of the Boer party. We have achieved the union of South Africa in which the Boer element is predominant. We have enforced against the British Indian in the Transvaal and Natal the same Boer regulations which were one of our grievances before the war, and the Houses of Parliament have just ratified an act of union in which the Boer

attitude with reference to the native is codified and made permanent. Sir Charles Dilke, in the debate in the House of Commons on the South African Bill, made this quite clear. He said: 'The old British principle in South Africa, as distinct from the Boer principle, in regard to the treatment of natives was equal rights for all civilized men. At the beginning of the South African War the country was told that one of its main objects, and certainly that the one predominant factor in any treaty of peace, would be the assertion of the British principle as against the Boer principle. Now the Boer principle dominates throughout the whole of South Africa.'" But will *Truth* or *The Nation*, or the *Star* or the *Daily News and Morning Leader* agree that one of the main causes of the Boer War was a disinterested desire to enforce upon the Boer people the British principle in regard to the treatment of natives of equal rights for all civilized men? Did we in granting self-government to the purely British colony of Natal accompany such a grant with the stipulation for the application by the colonists of the British principle, as opposed to the Boer principle of equal rights for all civilized men? Will any prominent Liberal politician assert that we went to war with the Boers as a protest against the

treatment of our British Indian subjects? Mr. Angell's argument would be logically sound only if he could prove that the financiers, whose claim for support was the true cause of the war, were, as a result of the grant of self-government to the Boers, actually worse off under British rule than when the Boer Republics were independent states. Can Mr. Angell prove this?

Again, what was the real cause of the grant of self-government to the Boer people? Was it not due to the conviction that we could not hope to permanently govern the Transvaal and Orange River Colonies as conquered states? Was it not due to the latent military power of the Boer people, as proved by our last war? In 1899 we rushed light-heartedly into war with the Boers, imagining that the struggle would be over in three months and require 70,000 men; instead of this it lasted three years, required 300,000 men, and cost two hundred and fifty millions. In a second Boer war, thanks to the lessons taught by the last, we could probably thrash the Boers effectually within four or five months, and at a cost of fifty millions, but what government would care about risking the experiment? This brings us to a curious contradiction in Mr. Angell's arguments. First of all he tells us that economic security is in no sense dependent upon

military power, then he tells us that colonies are of no advantage to the Mother-Country because the experience of Great Britain, the most successful coloniser the world has ever seen, proves that colonies, unless they are to break away and become independent states, must be conceded full economic and political freedom. But what is it that forces the Mother-Country to grant this economic and political independence to the colonies but their military power? How can the colonies break away and become independent but by armed force? Mr. Angell, therefore, himself, by his own reasoning, clearly and conclusively demonstrates the very thesis which his work is written to disprove: that economic security is dependent upon military power! Why does Great Britain no longer tax her colonies? The right of such taxation has never been formally abandoned by the British Parliament, and the colonies are to-day wealthy states which could if they would materially lighten the burden of Imperial Defence. Why then does Great Britain refrain from levying taxes in Australia or in Canada? Is it not from the knowledge that such taxation would be at once hotly resisted by the colonies, and that such resistance would if necessary be backed by armed force? How then can it be argued that the economic



security of the colonies is not dependent on military power? Now let us apply the same reasoning to the case of Britain and Germany. If Germany possesses military power superior to that of Great Britain, what is there to prevent a German Government from levying taxes in Great Britain or passing Acts to strangle our commerce? How can any conceivable action or reaction of international finance affect this argument? What can by any possibility safeguard against such a contingency save the possession of military power ourselves? It may be said: If a power so superior in military strength as Great Britain is to her colonies considers that to attack them for the purpose of obtaining economic advantage is a game universally conceded to be not worth the candle, how can it be to the economic advantage of Germany, which is actually inferior in military strength to Great Britain, to make an attack on this power? But the two cases stand in entirely different categories. For Great Britain to attempt to coerce Canada would involve the certainty of complications with the United States, and, above all, the diversion of her fleet and army from Europe would gravely compromise her position at home. This latter factor similarly applies to the coercion of Australia, whilst, moreover, there is the question of comparative wealth and distance

to be considered. Great Britain, the wealthiest of the powers, lies close to Germany, whilst the latter country, once in command of the sea, could, without landing a man upon our shores, but by merely threatening a blockade of our coasts, hold us in perpetual bondage and levy taxes at her own sweet will. The economic security of Great Britain is thus, upon Mr. Angell's own reasoning, in the absence of an international policeman to prevent an appeal to physical force, directly dependent upon her own military power.

Leaving this argument for the nonce, let us pass on to consider the economic loss to Great Britain which would result from the loss of Canada. The only power which can be seriously conceived as effecting the conquest of Canada is of course the United States, and, bearing in mind the relative population, wealth, and military power of the two countries, the great superiority possessed by the Americans would render such a conquest, provided that the Dominion received no military aid from Great Britain, a matter of little difficulty. How would this affect British commerce? Our trade with Canada was in 1910 valued at £45,269,675, being British manufactured goods exported to Canada and Canadian food-stuffs imported in exchange, but Canada under American rule would become a mere economic

appendage of the United States, a protective tariff would bar out British goods, which at present receive preferential treatment, and the American manufacturer, at present shut out from the Canadian market by the tariff-line, would flood the Western market with manufactured goods, taking, of course, in exchange the Canadian food-stuffs. Result a dead loss to British trade.

Now let us conceive of a decisive defeat of the British fleet, and that Great Britain be humbled from her proud position as mistress of the seas. How long would it be ere Japanese armies landed in Australia or seized the Indian seaports? (India, be it remarked, has once been conquered from the sea, and may be so a second time.) How long would it be ere Russia came down on India from the north? How long before Germany landed troops at Cape Town and Port Elizabeth? And how long before our American cousins discovered that it was the manifest destinies of Canada and the West India isles to become parts of the American Union? From every quarter of the globe the rats would gather to devour the dying carcass, and how would this affect British Industry? The capture of our Australian trade by Japan, the capture of our Indian trade by Russia, the capture of our South African trade by Germany, the capture of

our Canadian trade by America, an enormous war-indemnity to pay off, and the markets in confusion. Ruined capitalists, silent factories and unemployed : that is the answer.

This illusion of Mr. Norman Angell that economic security has no relationship to military power is the most gross and dangerous illusion ever based on ignorance and preached to ignorance. It is an illusion which it is the duty of every sane, fair-minded man to combat with might and main, for it is an illusion which, if persisted in, will infallibly bring about the destruction of the British Empire. I, who write these lines, am no Imperialist, I have little sympathy with the self-satisfied gentlemen who are for ever raving and ranting about the glorious British flag, and calling upon us perpetually to admire their patriotism ; as little as I have for the reverse specimen of humanity who, ignoring the inevitable accompaniments of a path of conquest, is perpetually whining about the blood-stained Union Jack and lost in admiration of his own virtues ; if, however, as previously remarked, in a time which, according to the Liberal Press, is one of unprecedented prosperity we have millions among us living on the verge of starvation, I quite fail to see how the loss of our Indian and colonial markets is going to improve our position from an economic

standpoint ; and again, I quite fail to see how the conquest of England by a militarist Germany can help forward any conceivable project of economic re-organization or of Social reform. On the contrary, it appears to me, as I am sure it will appear to most fair-minded men, that such a conquest cannot fail to put back the clock of Social progress and Social reform by many centuries alike in this country and Germany, whilst being a disaster from the effects of which no man, whatever his political creed, can hope to escape. Again, even conceding the worst things said against our rule in India to be correct, can it in any conceivable fashion benefit the Indian peoples to pass from the enlightened selfishness of British rule to the stupidly selfish rule of Russia or Japan ? For these reasons I feel that the cause of National Defence is a cause to the support of which moderate-minded, conscientious men of all parties and all shades of political opinion, Liberal, Labour, Socialist and Conservative alike, should rally, forgetting all feuds and minor differences, for in the provision of adequate means of National Defence is indissolubly bound up the continued existence of our Empire and all future hopes for the welfare of the British race.

IX

ECONOMIC SECURITY AND MILITARY POWER

WE have now examined every one of Mr. Angell's economic arguments and discovered them to be based on fallacies.

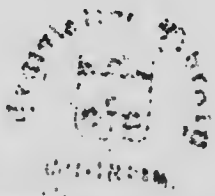
It now remains for us to consider how comes it that one of the most brilliant writers of our time should have been misled into so lamentable an illusion as that economic security has no relation to military power? And how comes it that his arguments should have been so readily accepted as irrefutable by the majority of our countrymen? The answer is simply that Mr. Angell does not himself understand the true relationship of armed strength to economic security, and that neither do the majority of our countrymen. One phrase in his work gives the clue to the whole basal illusion. He writes, "There were as many armed men in Europe in the days when the robber-baron carried on his occupation as there are in our day." This statement happens to be literally untrue. Without counting the

navies and their crews there are in the great armies of to-day upwards of 3,000,000 men permanently under arms without including the reserves which would triple their numbers. Will any one say that the mediæval Europe of the robber-baron could have shown so gigantic a muster? He must know very little of mediæval Europe who would reply in the affirmative. Again, the statement that Chile, Argentina, or Brazil had larger armies in the days when they repudiated their financial obligations than to-day is, to the soldier who knows anything about the armies in question, simply silly. No European power has, in proportion to its wealth and power, a larger or finer army than Chile of to-day, whilst that of Argentina is very little, if at all, inferior. To compare these fine, well-organized forces to the ragged hordes of former days is absurd.*

Passing this *à priori* fallacy, however, let us examine the argument more closely. Glancing back at our own history we find—those few of us who happen to know something about the subject—that during the thirteenth century this country attained a height of civilization exceeding by far that of a hundred years later; in 1286, in fact, England was wealthier and more prosperous

* And Chile, Brazil, and Argentina possess some of the largest and most powerful battleships in the world.

and better populated than in 1486. How are we to explain this phenomenon? The explanation is simple. Feudal England was divided among a number of barons, each of whom ruled his barony practically as an independent sovereign; and these barons were all continually brawling and fighting either among themselves or against the king, and this latter was merely a greater baron. Now, during the thirteenth century there came to the throne of England the most remarkable sovereign who has ever ruled this country, Edward I., and we have all read in our history-books how, ere he came to the throne, Edward, when but a young prince, had effectually crushed Simon de Montfort and the barons at the battle of Evesham. So effectually had he crushed the barons that on the death of Henry III. despite that Edward was away crusading no one ventured to pretend to the vacant crown. Now Edward, as this latter fact sufficiently indicates, was a remarkable man, a brilliant soldier and far-seeing administrator, and under his rule England for the first time since the days of Henry II. knew what a decent government was. The turbulent barons were disarmed and repressed, private war abolished, and for the first time there was an attempt to deal even-handed justice. As a result there was a tremendous development of our trade and



England attained a higher level of civilization than for two hundred years later. And all this was due to military power, to the fact that Edward was our first great soldier, and to the fact that he was also a great administrator. Here we see the true relationship between commerce and military power, trade thrives under the fostering care of armed strength ; destroy the armed strength which protects it and trade decays. Edward died and was succeeded by weaker sovereigns, the baronage regained their old power, private warfare and the anarchy it entails desolated the land. England was thrust back two hundred years in the scale of civilization,* and it was not until the Wars of the Roses gave us the despotism of the Tudors that England was able to make a fresh start. Here is a picture of the state of society when chivalry was in flower and knights were bold.

“The letters of the Paston family give us many instances of the state of society in Norfolk throughout this century and the general disregard for the king’s authority, not only in that county, but generally and throughout the whole kingdom. Early in the reign of Henry VI.—in 1424 or 1425—a certain John Grice, of Wighton, was

* The decline began before the “Black Death” and continued long after the effects of this had passed away.

entertaining a small number of friends, when his house was surrounded by a band of armed men, the doors were broken open and himself, his son, and his servant were carried off in open day to 'a payre of galwes to be hanged.' As the murderers were unable to procure ropes for this purpose, they killed their captives in some other way, and, as the letter from which this account is quoted tells us, 'in the most horrible-wise ever heard spoken of.' Their deaths seem to have remained unnoticed by the law for two or three years and the perpetrators grew bold at the silence of Justice; about this time Serjeant Paston, the son of Clement Paston . . . had a lucrative practice and was known as a successful barrister. He was living at the time in the city of Norwich, and had acted as counsel for the Prior of Norwich in a suit with a certain Walter Aslake about the advowson of a church, and had obtained a verdict in favour of his client. In revenge for the loss of his suit, and to intimidate Paston from giving his aid in a contemplated appeal for a new trial, Aslake posted bills, 'rhymed in part' and containing two words which, as they were in Latin, added additional terror to the threats of Aslake. These bills were set up upon the gates of the city, on the chief churches of Norwich, 'and in other places within the said city.' In these letters

or placards a threat was made that Aslake would murder Paston and dismember him, his clerks and servants, 'as John Grice had been murdered' (what a predicament for a luckless lawyer!), and hinting that there were worse things than even these deeds of violence in store for the lawyer. So likely was Aslake to carry out his threats that neither Paston nor 'his clerks and servants' durst venture to ride or walk beyond the gates of Norwich. In his terror the lawyer made no efforts to appeal to the law which he knew to be powerless to protect him, but endeavoured to enlist the support of the Duke of Norfolk whose steward he was and promised to serve him as his counsel without fee for the time to come if he might thus obtain his protection. In the end, however, Paston, having failed to secure the good offices of Sir Thomas Erpingham, 'a great and mighty supporter of the said Walter against the said William,' was forced to submit to the menaces of Aslake, and the matter was compromised, when Paston, his five clerks and servants were able again to extend their rambles beyond the gates of Norwich."

This extract is taken from "England in the Fifteenth Century," by W. Denton, and the same writer gives numerous other instances of the lawlessness which prevailed ere the Tudor

despotism had broken the power of the nobles. Judges and juries were unable to enforce their judgments, great nobles indulged in pitched battles, the luckless wights who endeavoured to serve writs were forced to swallow them, parchment, wax, and all, and violence and outrage reigned supreme. "The Countess of Shrewsbury's followers having got into the castle and confined Lord Berkeley, this lord's people went to a blind man's house, a tenant of the Countess, and robbed the blind man, and finding but little spoil, they took a brand-iron and set it on the fire until it was glowing hot, and then they took the blind man and would have set him upon it, but he told them where his goods were." * And this sort of thing continued a matter of daily occurrence throughout England until the Wars of the Roses had resulted in the final supremacy of the Tudors, and the establishment of a powerful monarchy jealous of its privileges and able and willing to avenge any infringement upon them. The Tudors were big barons who had beaten the little ones to their knees, the Tudors were big barons who were quite determined that if there was going to be any killing done or any misgovernment they and they alone should do it. And the supremacy of the Tudors as every one

* Smith's "Lives of the Berkeleys," p. 154.

knows marks the dawn of modern England. And it was not because they were specially good or specially clever, but because they were strong. Because they were strong they crushed private war and made order out of anarchy, and it was all because they were strong. And wealth and commerce grew as it always does grow under the shadow of armed strength. Thus there came about the Elizabethan Age and Modern England. And if we study the history of every other country always we observe the same phenomenon, that wealth and commerce grow under the shadow of armed strength. It was not until Richelieu had crushed the power of the French noblesse that France became a great trading nation, it was not until Bismarck had brought about German unity that German commerce began to rival our own, and finally if we turn to those South American Republics about which Mr. Angell makes such extraordinary statements, we shall always find some strong able President who, often by cruel unscrupulous methods, has reduced their turbulent peoples to order. The teaching of all history is that commerce grows under the shadow of armed strength. Did we not fight with Dutch and French to capture the Indian trade? Did we not beat Dutch and French because we happened to be the strongest? Could we have

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beaten either Dutch or French but for the fact that we had gained command of the sea? Is not our hold upon India to-day bound up with our command of the sea? Was not our whole great fabric of commerce built up mainly upon the Indian trade? With the command of the sea is bound up our whole national life. By sea-power we have carved out a great empire, by sea-power we have built up a mighty commerce, by sea-power we live or die.

Now what is the true relationship of commerce to war? What is war really? And how does it affect people?

First of all the relation of war to commerce is that it builds up a nation and it fosters national commerce. However rich the natural resources, however energetic and industrious the people, if they are to build up a nation, and if they are to build up a commerce every man must have reasonable assurance that he will enjoy the fruits of his industry. If the farmer fears that his crops will be burnt or plundered, he will sow no more than barely sufficient to support himself and family, and do as little work as possible. The same thing applies to every other branch of industry, and thus without an organized society there ensues national stagnation. Now this organized society can, as we have seen, be only

secured by armed force. It is not until some strong man has made himself feared by his neighbours, and able to afford protection to those that pay him homage ; it is not in fact until the evolution of *monarchy* that the organization of society becomes possible. The power of the monarchy again depends upon physical force. And it is not until some one line of able monarchs gradually crushes the surrounding petty monarchies that the nation, as known to us, becomes possible. Politically the nation represents all people speaking the same tongue under the same king, and economically the nation represents this same people and the resources of the territory they inhabit. Now the rule of the monarch, when that ruler has become really supreme, enables the nation to develop its natural resources with freedom from internal disorder. And upon the courage, sagacity, and military skill of the monarch is dependent the protection of the nation against external enemies. Now, as the nation develops its economic resources under the shadow of the monarchy, there arises a mercantile class, and as this mercantile class develops, a conflict of power arises between it and the monarchy. The issue of this is decided by physical force, and this latter if so be as the mercantile class prove victorious passes into it

hands. But always it is armed strength which protects industry, and secures the execution of the laws. And this armed force is used in the future in the interests of the mercantile classes. Cromwell made war upon the Dutch to benefit English merchants, we conquered India to benefit English merchants, and every war which we have waged from the days of Cromwell to the present has been to protect British commerce. And how can war benefit commerce? By preventing our competitors from selling their wares. The Dutch wanted to sell their goods in India, so did we; we jumped on the Dutch, there was a fight, and we thrust them out of India. The French wanted to sell goods in India, we jumped on them in like manner and to-day we rule India. British commerce has grown under the fostering wing of military power, British commerce is to-day dependent upon military power, and when the day comes that the British Empire crumbles to ruins and the British commerce passes to other hands, it will be simply and solely because a foolish generation has been misled by a great illusion, and our military power has been suffered to decay.

IS A GREAT EUROPEAN CONFLICT INEVITABLE?

AND now we come squarely to the issue. What of the future? Is an armed conflict between the great European nations inevitable? What does the piling of armaments on armaments really mean? Are we upon the threshold of Armageddon? In considering this problem it is necessary to make a just appraisal of the forces that make for aggression. The crux of the whole matter, in fact, is, Can any European government of to-day hope to forward material interests by an armed triumph over another European power? More than one hundred years ago *à propos* of an attempt made to claim American support for Revolutionary France on the ground of gratitude due to the latter country for the aid rendered to the Americans in their struggle with Great Britain, and a presumed community of feeling between the French and American peoples, Washington wrote, "It is absurd to expect governments to act disinterestedly." The same phrase

applies as forcefully to present-day politics as to the conditions prevalent when it was written. No government has ever waged a war from purely disinterested motives: destroy then material motives for aggression and you destroy war—at least as concerns civilized nations. It proverbially takes two to make a quarrel: one side must be aggressive or both sides must be more or less aggressive: if then there is no motive for aggression there can obviously be no quarrel. But are there no material motives for a conflict between the European powers? Mr. Angell says that there are not, he says in effect that Europe is an economic whole, that no European nation can by an armed conflict over another gain any advantage comparable with the immense cost of such a struggle, that, therefore, all material motives for aggression having vanished, the time has come “to place him [the soldier] (or a good portion of him) gently on the poetic shelf with the Viking; or at least to find other fields for those activities which, however much we may be attracted by them, have in their present form little place in a world in which though, as Bacon has said, men like danger better than travail, travail is bound, alas!—despite ourselves, and whether we fight Germany or not, and whether we win or lose—to be our lot.” This, if true, would be a very

comforting state of affairs to discover but, alas!— as we have already seen in our previous chapters— Mr. Angell's main arguments proving this happy state of affairs to exist are based on fallacies. Europe to-day is *not* an economic whole, the financial solidarity of Europe, upon which Mr. Angell bases his argument, is not in reality existent. What are the facts? Whilst a relatively insignificant proportion of British capital is invested in German enterprises yet an overwhelmingly larger proportion of British capital is invested in Britain and British possessions. Again, whilst a small proportion of French capital is invested in Germany or in other foreign enterprises, yet the overwhelmingly large proportion of French capital is invested in France or in French possessions. And, again, if the interests of any Englishman or of any Frenchman be hurt by foreign competition, to whom shall he apply for redress but to his national government? Obviously then, the British and French nations form distinct economic units and their national governments must by pressure brought to bear upon them invariably represent the main economic interests of the respective nations. The same reasoning applies with even greater force to countries such as Germany, Austria or Russia, which have no surplus capital to invest in foreign states; thus, it

obviously follows, that the European nations are economic units. Now there follows the question: Are these nations conflicting economic units?

Let us consider this question. What is the real cause of the ill-will between the British and German peoples? Trade-rivalry. All over the world our merchants find German competitors cutting down prices and capturing trade or reducing profits to a vanishing point. All over the world the German merchant finds the Englishman first in the market and that to capture trade he must cut prices as only a firm fighting hard for trade will do. Hence there are low profits for British and German capitalists alike and, again, low wages alike for British and German working men. How, under such circumstances, can there be economic solidarity between Great Britain and Germany? How is it possible to resist the conclusion that German trade as a whole competes with British trade as a whole? What *can* result from such a state of affairs but an atmosphere of mutual suspicion accompanied by the piling of armaments on armaments? And there is the same feeling of suspicion between Great Britain and France, and Austria and Russia, in short between all important states in Europe. The *entente cordiale* is a mere passing phase of feeling, England and France have sunk mutual

differences for the nonce against a common foe : the common foe once disposed of, France would soon be once more "the enemy," and we would be "perfidious Albion." So we see mutual trade rivalry all round, the nations of the world are fighting desperately for trade, are struggling desperately for bread, and wages are falling and food prices are rising. What must be the inevitable outcome of this situation ? I write these lines with no feeling of animosity against the German people : nevertheless, Germany, already the hungriest of the powers, must feel the pinch of the coming strain first ; Germany now hungry must become desperately hungry ; how is it possible for any Englishman, however friendly to the German people, to ignore the danger from the economic forces thus in play ? Neither the German Government nor the ruling classes in Germany generally, accept the gospel as preached by Mr. Angell ; Germany is already the hungriest of the powers, Germany is the strongest of the military powers, Germany as we have seen can gain enormously from successful war ; Germany must become hungrier still. Germany is already one of the most heavily taxed countries in Europe, and the German Chancellor can barely make both ends meet ; Germany, as Mr. Angell tells us, is already forced to cut prices almost to a vanishing point to

capture a share in the world's trade, and the economic situation spells cut prices, increased cost of living and low wages. Again, I disclaim any desire to add fresh fuel to the smouldering fires of race hatred, but how is it possible for us to ignore the danger of the situation thus created?

The Continental statesmen are not trained in the English school of sentiment and high-flown platitudes, they are trained in the school of Bismarck; the school of "blood and iron," and whilst it may well be doubted whether the ethical standard of the English nation as a whole is really higher than that of the Continental peoples, it is an undoubted fact that the circumstance of the "silver streak" guarding us from the militarism of the Continent has resulted in a corresponding misunderstanding of the true relationship of physical force to commerce and civilization, which, reflected in our political writings, our ideals, and our diplomacy, imposes upon our governments a grave handicap when dealing with statesmen trained to rely not upon lofty ideals, but on naked force.

The foreign statesman is not the stage villain of suburban imagination, a conventional figure in shiny boots perpetually wrapped up in self-admiration and dark designs, who solemnly rants, "Gothia, my country, I still have thee!" but a

shrewd, capable business-man with the business-man's morals, the business-man's virtues, and the business-man's faults. In this he is very like unto ourselves, only he happens to be a business-man, who, in the absence of an international policeman, thoroughly realizes that upon his right-arm alone must he depend for the protection of his goods, and he happens to be a business-man trained to consider it perfectly legitimate, provided he be strong enough, to fall upon his trade-rivals with physical force and thrust them from his markets. In this he differs from the modern Englishman. *We* passed through that stage a long time ago; our school-histories are, with the exception perhaps of the American, the most utterly silly compositions the mind of man has ever perpetrated, a wearisome catalogue of dates, a mass of high-flown sentiment, a caricature of the actual facts of our history: here we have the mental pabulum upon which our future statesmen are nurtured. And so the Englishman waxes self-complacent in his ignorance; for a hundred years we have ruled supreme upon the seas, Spaniards, Portuguese, Dutch, and French have in turn been thrust roughly from our markets with the strong arm of physical force, and by physical force we have built up a mighty commerce. But the average

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Englishman of to-day fails to realize the share of physical force in the building up of our commerce, his history-books have been severely silent upon the subject, and so when Germany begins to build a fleet, which it is rumoured has dark designs against our commerce, it is not merely wrong of Germany, but *wicked*.

Leaving the question of ethics severely alone, we find that the economic situation is such that Germany can gain enormously by successful war with either France or Britain, and that the German Government will in the future be forced to choose between foreign war and internal revolt; can any one doubt that the situation thus created must be extremely dangerous to European peace? Did not Bismarck bring about the war of 1866 with Austria mainly to quell the Radical revolt? No one with any knowledge will assert that the Kaiser has in reality any Machiavelian designs against England or France; these are but the vapourings of the sensational novelist; it is, on the contrary, extremely probable that the German Emperor is a sincere well-wisher to both peoples and to the cause of international peace. Nevertheless, there are forces stronger than kings and kaisers, and the strongest motive-power in all history is the motive-power of an hungry people. The day must inevitably come when the German

people will clamour for bread, when the Socialist propaganda is sweeping all before it,* when there are angry mutterings against throne and kaiser. And what will be the outcome of this situation? What would a strong, able statesman do in such circumstances? What did Bismarck do in 1865? In the long run the German Government must choose between Socialism and war.

And if Socialism triumphs in Germany and the Kaiser becomes a fugitive, what then? Will not Robert Blatchford or Mr. Hyndman or any enlightened Socialist agree with me when I suggest that to reconstruct from top to bottom the whole structure of a society that has taken countless thousands of years to evolve is a somewhat large undertaking, an undertaking that must take, not one year, but at least ten? And in the meantime, with a starving people behind it, would not the Socialist Government be in a mood to discover that foreign capitalists were persecuting Socialists? And also is it not practically certain that Russian Czar and Austrian Kaiser would join forces to crush a movement which threatened to spread to their own territories? The French Revolution ushered in the bloodiest wars in history, it is extremely probable that

* These lines were originally written before the Socialist triumphs at the last German elections.

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the triumph of German Socialism would do likewise.

Leaving Socialism out of count, however, let us consider the case of our own country. It is sometimes said, "England has nothing to gain from war, no single Englishman would benefit by war, our policy is now to hold what we have gained rather than annex fresh territory."

How far are these statements truly accurate? Is our policy really peaceful? Do we consistently turn the other cheek? An examination into our policy for the last twenty years hardly bears out the illusion as to the peaceful unaggressive character of British policy. During this period we have waged more wars than any other power in the whole world, and equally we have annexed a larger area of territory and larger population of peoples than any other nation. What a curious commentary this is upon the peaceful unaggressive character of the British nation! During the same period we have been five times on the brink of war with a first-class power, once with the United States (1895), Germany (1896), France (1898), Russia (Weihei-wei), and again twice with Germany in July and August, 1910. Once more a curious commentary upon the alleged especial readiness of the English nation to turn the other cheek

and give the soft answer which turneth away wrath !

The real truth of course is that we are a virile people, aggressive and self-assertive, as are all strong virile peoples, and of all nations in the world the least likely to submit to real or fancied insult and wrong.

And, now, has Great Britain anything to gain by war to-day ? And, putting the matter into concrete form, can we gain anything by war with Germany ?

First as to the cost of such a war. This is in general absurdly exaggerated, it is of course impossible to make an exact estimate, nevertheless, since soldiers and sailors need to be fed and clothed in time of peace just the same as in war, and since the naval and military conditions of such a struggle can be forecasted with fair accuracy, it is possible to form a rough estimate which will be near the mark.

First of all the duration of an Anglo-German war would certainly not exceed three months and would probably, if fought between England and Germany alone and our fleet be supreme, be concluded within some four or five weeks. For the blockade of the German coast by our fleet must mean the total cessation of her manufacturing industry and export trade, and as we

have seen half the population of Germany are now more or less dependent upon sea-borne trade. With the population of her great cities unemployed and clamouring for bread, therefore, Germany could not for long hold out against British demands, but must give way, and in all probability pay a heavy war-indemnity into the bargain—always provided that our fleet had been kept at a due level of efficiency. There can thus be no true comparison such as is made by Mr. Angell between the cost of the war in South Africa and a purely Anglo-German conflict. The former conflict lasted three years and necessitated the gathering and despatch of upwards of 400,000 men over thousands of miles of sea to a prolonged arduous guerrilla warfare, during the latter stages of which we supported not only our own army but that of the enemy.

So as to err upon the safe side, however, we will assume the war to last for six months. Then, first the regular army and Territorials would be mobilized and embodied, say 600,000 men. Now the cost of maintaining 184,900 men on the permanent establishment of the army is in round numbers £24,000,000 per annum (effective vote); if, therefore, we quadruple this sum (£96,000,000) we get a fair estimate of the cost of 600,000 for one year, which divided by two gives us

£48,000,000. Now the peace-charge of the navy is roughly £45,000,000 per annum, double this figure and we get a rough estimate of the cost of the navy for six months on a war-footing (a very high estimate be it added), the totals together make £138,000,000, and if we add another £100,000,000 for the cost of a military expedition, ships sunk or destroyed and shot and shell used in action, we yet find that this total, which probably represents twice the actual cost, is still well below that of the South African War—£250,000,000. Mr. Angell assumes that it would be double this last figure.

Now let us consider the indirect cost of the war. Gloomy pictures are often drawn by alarmist writers as to the awful state of affairs which would follow a declaration of war by this country against a naval power. We are told that food would rush up to famine prices and that swift commerce-destroyers would work havoc with our merchant shipping. First of all it may be conceded that without strong government action such a rise, not merely in foodstuffs but in all imported goods, would actually occur, the reason being that the alarm of war would force up insurance rates on shipping to such an extent that the greater number of cargo-steamers, which already work on narrow margins of profit, would

perforce be laid up. All this, however, can be easily avoided by a system of National Insurance for shipping. Such a scheme has, I believe, been already considered by the Government and would doubtless be adopted in event of war. Under such a scheme the insurance policies already held by ship-owners would be automatically taken over by the Government on the outbreak of war at the normal premiums, and thus the danger of a panic rise of insurance rates for shipping with its consequent reaction in the form of panic prices would be entirely obviated. As regards the actual losses likely to be inflicted upon our sea-borne trade in event of an Anglo-German war this would, provided of course the due provision of cruisers by our government, be *une quantité négligeable*. First it must be remembered that the policy of our fleet would be to stop the "earths" by a blockade of the German coasts whilst stationing swift cruisers along the trade-routes to meet any such commerce-destroyers as broke through the blockade. That some of these latter would prove successful in breaking out to sea is of course only to be expected; once at sea, however, the commerce-destroyer requires coal and can thus cruise only for a short period, whilst above all the very first captures she might make would mean cruisers on her track. Wireless

telegraphy has in this connection placed the "corsair" at a hopeless disadvantage as powerful signal stations would flash warnings of her presence along all the trade-routes. The vast bulk of our commerce would further help in its protection, *provided its effect in inflating insurance rates had been counteracted* the loss of even scores of ships would not raise prices by one penny. The only other indirect cost of an Anglo-German war would be the temporary loss of the German market which would, however, be of course counteracted by the temporary cessation of German trade, competition alike in our own home-market and in the colonial and neutral markets. The popular ideas as to the conditions of an Anglo-German war are in point of fact curiously wide of the mark. Great Britain could, provided that our fleet has been kept at a due level of efficiency and that a system of National Insurance for shipping be adopted to counteract the temporary inflation in shipping-rates which would certainly follow the outbreak of war, stand the strain of such a struggle infinitely better than could Germany.

But what could we gain by such a struggle? "What," writes Mr. Angell, "would be our position, on the morrow of a conflict in which we were successful? We talk glibly of exacting

a tremendous war-indemnity, but is it certain that we could possibly do it without creating a mischievous situation at home? What are the facts? In a time of profound peace when German commerce has been extremely prosperous, a very able German Chancellor has admitted himself unequal to the task of finding money for the ordinary peace expenditure of the country. If at such a time of profound peace there is that profound difficulty in meeting peace expenditure, what prospect would a foreign Government have of obtaining much larger sums for purposes in which no German is interested, for purposes indeed which every German resents—what chance would such a foreign administrator have of procuring the money should the Germans adopt the simple attitude of passive resistance? Assuming, however, that for the purpose of terminating the occupation of their country by foreign soldiery, Germans as a patriotic duty found the money, what would be the effect of withdrawing immense sums of money from a country like Germany? Paper, that is to say, Governmental bonds, exacted at the sword's point would be a particularly unstable form of security. What is to prevent something dangerously like repudiation of such a paper the moment the foreign soldiery is withdrawn? The only sure

and certain payment would be payment in gold. But what would be the financial effect throughout the world of draining Germany of say five hundred millions in gold? (The Boer War alone cost England half that sum, and it is doubtful if she could fight Germany for double the amount.) In the attempt to secure this gold widespread and ruthless borrowing would have to take place on the part of German financial institutions. The bank-rate would go up to such an extent that the recent Wall Street trouble would not be a circumstance to it. But a 7 or 8 per cent. bank-rate prolonged throughout Europe would involve many a British firm in absolute ruin, and a general loss enormously exceeding five hundred million pounds. Such would be the condition of things throughout the world that the leaders of finance in London, which is the financial centre of the universe, would, it is absolutely certain, throw all their influence against, not for, the exaction of a large indemnity from Germany." All this is based upon a misconception of the actual military situation as between Britain and Germany. Great Britain victorious at sea can, by influence of her sea-power, bring Germany to her knees without landing a single man upon her soil; more, she can after the cessation of hostilities

always bring effective pressure to bear upon the German Government. How could this Government venture to repudiate any financial obligations when to do so would entail the blockade of the German seaports with its inevitable consequence the cessation of German sea-borne trade? Mr. Angell's argument then that "the only sure and certain payment would be payment in gold," is thus based upon a fallacy, and since the British Government could safely accept German Government bonds what becomes of the "widespread and ruthless borrowing" by German financial institutions in the attempt to secure gold, which is to force up the bank-rate throughout the universe? The bank-rate as a matter of fact would remain unaltered, and the weird and wonderful reactions which are to create a financial situation to which the Wall Street trouble would not be a circumstance are merely figments of Mr. Angell's imagination.

Great Britain then victorious in war could exact a huge war-indemnity from defeated Germany, and the real reaction of this war-indemnity upon the German people would be analogous to the effects of a British occupation of Hamburg and Bremen pictured in a preceding chapter, the German people already over-burdened with taxation must either rebel against the

militarist policy of their own Government, or be heavily handicapped in their competitive trade with Great Britain, either of these alternatives being results redounding to the advantage of the British people and well worth the expenditure of the war.

In thus demonstrating the possibility of a gain to Great Britain from an Anglo-German war, I do not, however, wish to imply that Great Britain would ever, save in self-defence, go to war with Germany. My point is to prove the fallacy of Mr. Angell's argument that a successful war by whomsoever waged would prove an economic futility; that a decisive victory at sea would entail no benefits to German commerce if won by Germany, or to British commerce if won by Britain.

Mr. Angell is curious to know how *Dreadnoughts* can protect trade, and instances the "commercial aggression" of Switzerland as proving the fallacy of such protection. As we have seen, Switzerland is protected by special circumstances; taking the case of Germany, however, one feels interested to know how the German merchant is to sell his wares if a fleet of British *Dreadnoughts* closes the avenues of ocean-trade. All over the world, even in our home-market, German merchants are competing with our own, cutting

prices or capturing trade, how can these merchants receive their merchandise if British *Dreadnoughts* block the way? Can bales and casks take unto themselves wings and fly? Again, is it not obvious that if the German merchant be unable to sell his wares he must stand with folded arms and watch the Englishman, his keenest and most energetic rival, capturing his trade? Mr. Angell kindly informs we poor blind victims of "The Great Illusion" that markets are places where things are exchanged. Freely granted, but if two men go to the same market to sell the same wares, does not that make them competitors? And if one competitor be so base and unprincipled as to jump upon the other man and injure him so sorely as to leave him lying in the mud: is it not probable that this man, base and unprincipled though he be, will when he comes to market have a better chance of selling off his wares, and for a higher price than if his competitor had been present? Here you have nakedly expressed the part played by physical force—*Dreadnoughts*—in protecting or capturing trade.

Again, take the case of Germany in command of the sea. "To destroy the commerce of forty million people," writes Mr. Angell, "Germany would have to destroy our coal and iron mines,

to destroy the energy, character and resourcefulness of our population, to destroy, in short, the determination of forty million people to earn their living by the work of their hands." Fine phrases, but Germany need do none of these things, all she need do would be to blockade our coasts, then we must either buy peace with a huge war indemnity that will capitalize German industry and thus give her power to make that triple or quadruple increase in productive power the possibility of which Mr. Angell ridicules, or starve.

Again, "If one can imagine the representatives of an English and of a German firm in Argentina, or Brazil, or Bulgaria, or Finland, both of them selling cutlery, the German is not going to secure the order because he is able to show the Argentinian or the Brazilian or the Finn that Germany has twelve *Dreadnoughts* and England only eight." Probably not, but exactly how the British merchant is to get hold of the cutlery to sell if the German *Dreadnoughts* happen to be blockading our coasts Mr. Angell fails to explain, whilst the economic aftermath of German supremacy on the seas has been already dealt with. We have also similarly discussed the unfortunate position of the German merchant should Great Britain make vigorous use of her *Dreadnoughts*.

We have seen that the European nations are economic units, and also that they are units whose economic interests are, in many respects, conflicting ; we have also seen that the present economic situation must inevitably result in a general sharpening of trade-rivalry bringing with it an increased cost of living and a general lowering of the wage-standard ; this situation can develop but upon two lines : either producing a war between the rival Capitalist nations or a general war of Labour against Capital. Under our present system of Capitalist production the economic interests of the British and German nations are diametrically opposed ; this is the plain truth. German commerce, as a whole, competes with British commerce as a whole ; German competition means cut-prices for British and German manufacturers alike, cut-prices mean low wages for British and German working-men alike, low wages mean in both countries alike an intensified struggle for bread. How is it possible to get away from this position ? And how can this situation develop save into war or a general revolt of Labour against Capital ? The explosion will probably come from Germany which from her economic circumstances must feel the pinch ere that we do ; but are not wages falling in England whilst food-prices are rising ? There is, as I write these lines,

a temporary reduction in the price of wheat,* but has not the tendency of food-prices for the last seventeen years been to rise ever higher and higher? Is not the one cry of manufacturers of all branches that excessive competition is cutting prices? Do not the economics of the case conclusively prove that the situation must become worse instead of better? The great towns are increasing their population, manufacturing output is increasing, and agriculture and the production of all kinds of food-stuffs is falling behind. What *can* this situation develop into but war or an equally bloody revolution? Already we have had a fore-taste of what to expect in the great coal and railway strikes, and this is before we have begun to feel the pinch. The coal and railway strikes were a direct consequence of the increased cost of living, does any one imagine that either coal-miners or railway-men will rest content with the results gained by the recent industrial turmoil? We have to anticipate a whole series of strikes and lock-outs, in the aggregate more costly alike in blood, in human suffering, and in treasure than the costliest war. Already we have had a state dangerously akin to civil war in England; the time must come, and at no distant period, when

* This has already proved illusory and wheat has jumped from 5d. to 5½d. per quartern loaf.

we shall be menaced with the twin dangers of foreign war and industrial revolution.

As previously said, the explosion will probably come from Germany, not from England. Germany must feel the pinch of the economic situation before we do, and the rising tide of Socialism must either burst through the artificial barriers of feudalism, capitalism, and militarism to deluge all Europe in an ocean of blood or provoke the present ruling classes to a frantic effort at outward expansion. I write these lines with no desire to stir up racial animosities, but it were idle to deny there is looming before us a period of such strain and turmoil as never before in all our history has so severely taxed our moral and national resources. The triumph of Socialism in Germany, if there be such a triumph, cannot fail to react upon this country as upon all other countries, and result in a stirring up of class animosities which must result throughout Europe in a period of industrial and revolutionary turmoil compared with which the year of revolutions, 1848, will be child's play; and just as that period of unrest involved national governments and national wars, so in the future we shall see national governments resorting to severe repressive measures in their own territories whilst joining forces to crush the revolutionary fires in the seat of their activity. This will, of

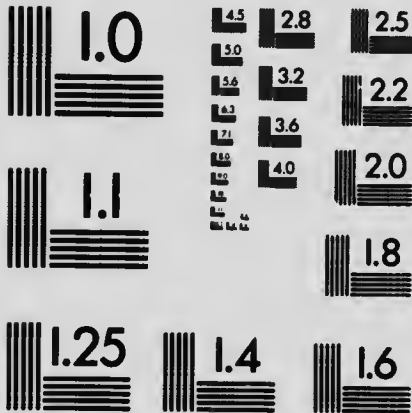
course, entail a general war of Capital against Labour, analogous to the general war made by the reactionary governments of the eighteenth century against the French Revolution, and it is only to be expected that the German people will develop a tremendous defensive energy that will result in a prolonged and desperate struggle. In such a conflict there is at least the, from the purely British standpoint, hopeful circumstance that we, being an island state, will be spared the worst features of the Continental struggle, whilst that this will equally entail a cessation of trade-rivalry likely to redound to the benefit of our commerce and result, as regards our people and provided that the elements of disorder in our midst be held in check, in a general rise in wages and reduction in the cost of living. It is to be earnestly hoped for then that, in face of the very great and very real dangers which menace the future prosperity of our Empire, our people will continue to preserve that calmness and genius for compromise which is a special characteristic of the British race. We have to guard against two dangers, first that the ruling classes in Germany be driven by economic forces to attempt the military conquest of these isles and second that the triumph of German Socialism will result in a civil war. The first danger can only be warded off by a powerful

Navy, the second can only be avoided by at once the firm administration of the Law and a policy of sane, enlightened Social reform. Repressive measures alone can never hold in check a people smarting under genuine economic grievances; leaving then the ethical standpoint entirely out of the question, it appears to me that, from a purely business standpoint, it would be cheaper to remedy, so far as be humanly possible, the great and genuine grievances of the working-classes than to have a state of civil war and iron repression. Equally I feel that Socialism, whatever its ethical merits and theoretical virtues, if gained at the cost of a civil war and desperate fighting could not, in this country at all events, have any other result than, from the utter disorganization entailed, of inflicting a degree of suffering and death upon the working-classes infinitely worse than anything under our present system of society. I am confident, therefore, that I shall have the feeling of every moderate-minded man with me when I indicate the maintenance of our fleet and army at due level of efficiency, the firm administration of the law, and a calm enlightened policy of Social reform as policies essential to the future welfare of our race.



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XI

ARE THE EUROPEAN PEOPLES TOO "SOFT" FOR WAR?

MR. ANGELL in the second part of "The Great Illusion" discusses at some considerable length the question of whether we are now too civilized for war, his conclusions as to this question are of course affected by the economic arguments in the first part of his work, the fallacy of which arguments have been already demonstrated. For this reason most of the arguments under the heading, "The Human Nature of the Case," are beside the point. Granting the justice of the premises they are clear, logical, admirably expressed, and written from an eminently practical, broad-minded standpoint. But the premises are false which vitiates the whole reasoning. For instance Mr. Angell argues that humanity will eventually rise superior to war just as we have risen superior to religious persecution, and to the duel, he further denies the militarist contention that war ensures the

survival of the fittest, and finally argues that since character is formed by environment the absence of warfare from the environment of the modern European must entail a decay in the military spirit. I will deal with these arguments briefly. First the real cause of the disappearance of religious persecution is of course to be found in the fact that we no longer believe in the same spirit as did our fathers ; it is education, not any real change in human nature which leads us to refrain from burning heretics or witches or penalizing Nonconformists. When there is earnest belief there cannot, so far as ordinary mortals are concerned, be tolerance. If, for instance, a man really believes that those people whose pastor fails to wear a white surplice are doomed to everlasting damnation it becomes his sacred duty to exhort the Nonconformist on the error of his ways, and not merely this, but to strive by every means to prevent the Nonconformist from spreading his pernicious heresy among the people at large. So, in the seventeenth century we had the persecution and penalization of Dissenters. To-day, however, no educated Englishman considers such questions worthy of discussion.

Again, let us consider the case of the duel. Mr. Angell writes, " The survival, where national

prestige is concerned, of the standards of the *code duello* is daily brought before us by the rhetoric of the patriots. Our Army and our Navy, not the good faith of our statesmen, are the 'guardians of our national honour.' Like the duellist, the patriot would have us believe that a dishonourable act is made honourable if the party suffering the dishonour be killed. The patriot is careful to withdraw from the operation of possible arbitration all questions which could affect the 'national honour.' An 'insult to the flag' must be 'wiped out in blood.' Small nations which in the nature of the case cannot so resent the insults of great empires, have apparently no right to such a possession as 'honour.' It is the peculiar prerogative of world-wide empires. The 'patriots' who would thus resent 'insults to the flag' may well be asked how they would condemn the conduct of the German lieutenant who kills the unarmed civilian in cold-blood, 'for the honour of the uniform.'" The duel is, of course, a survival from the period in which every man depended primarily upon his strong arm for the defence of his property and honour. So to-day are the European nations dependent upon their physical strength for the defence of property and honour; what then is there anachronistic in the fact that our international politics should be

conducted upon the principle of the *code duello*? During the age when the duel was a normal state of life the individual could not afford to be suspected of cowardice and unwillingness to fight, it would have meant material loss, a whole series of slights and insults, outrage for his wife and daughters, loss of property and all that makes life worth living. Can any one of the great European nations of to-day afford to have it felt throughout the world that under no circumstances will she fight? What would happen to England if this were the popularly received notion of our policy? There is no comparison here possible with the smaller states, *they* are secured by the equilibrium of force. The *code duello* whether applied to individuals or to nations is not in reality a question of right or wrong, or of honour or dishonour, but of *prestige*. The man who fights a duel does so ninety-nine times out of a hundred, because he cannot afford to be thought afraid and the same thing applies to the European nations. And even in highly-civilized England and America it is to be feared that the man who passively accepted a thrashing would not rise in the opinion of his fellows whatever the discrepancy in strength and stature between him and his assailant. But let us look into this question of the *code duello* more closely. According to Mr.

Angell the fact that Great Britain and America have abandoned the duel argues a higher standard of civilization for the Anglo-Saxon peoples than those of the Continent of Europe. But can we really claim a higher standard of civilization than France which has led the world with motor-cars, aeroplanes, radium and other brilliant scientific discoveries? Or than Italy which produced the original *Dreadnought* design.* One feels surprised to see Mr. Angell in the camp of those who prate of ANGLO-SAXON IDEALS! What was the real cause of the decay of the duel in England?—America, faithful slave to British social conventions, need not be considered in the matter. The true cause is to be found simply in the fact that we happen to be an island state. On the Continent owing to the perpetual danger of invasion great armies are kept afoot, the military caste consequently wields great social power, and through its connection with the aristocracy and wealthy families generally moulds social conventions. In Great Britain with only a small professional army and the naval officers, who of course with us stand from the standpoint of national security in the same relationship as the army officers of the Continent, forming also an

* This appeared in Jane's "All the World's Fighting Ships" for 1903, and was suggested by Col. Cuniberti.

insignificant factor in social life, it necessarily follows that our social conventions have been moulded by civilians. Hence a vast gulf between Continental social ideals and our own due not in reality to any higher standard of civilization on our part, our "sports" should effectually dispose of that view, but simply to the accident of our being an island and maritime people. On the Continent, moreover, as should be remembered by our self-satisfied critics, the law of libel is absurdly inadequate, and it is not only very difficult to obtain a satisfactory verdict, but under most favourable circumstances the damages awarded are from an English standpoint ridiculously low. A young Frenchman who had been foully insulted, and, moreover, as a result of libels suffered severe pecuniary loss, would be lucky if he received £20 or £30, where an English jury would add a couple of noughts to the figure. I am surprised that a writer, so generally well-informed and fair-minded as Mr. Angell, should have failed to consider this last factor. What is a high-spirited young Frenchman to do when a man has foully insulted him but fight? Moreover even in England there are horse-whips.

Again, let us consider the question, Does war secure the survival of the fittest? Mr. Angell

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writes, "What is the real process of war? You carefully select from the general population on both sides the healthiest, sturdiest, the physically and mentally soundest, those possessing precisely the virile and manly qualities which you desire to preserve, and having thus selected the *élite* of the two populations, you exterminate them by battle and disease, and leave the worst of both sides to amalgamate in the process of conquest or defeat—because, in as far as the final amalgamation is concerned, both processes have the same result—and from this amalgam of the worst of both sides you create the new nation or the new society which is to carry on the race. Even supposing the better nation wins, the fact of conquest results only in the absorption of the inferior qualities of the beaten nation—inferior presumably because beaten, and inferior because we have killed off their selected best and absorbed the rest, since we no longer exterminate the women, the children, the old men and those too weak or too feeble to go into the army." This is the most intellectual-sounding nonsense I have ever read in my whole life. Let us come to facts. First, I quote from memory as I have not the figures before me, the losses of the German Army during the war of 1870-1 did not exceed fifteen per cent. and those of the Japanese in the Russo-Japanese War for wounds and disease

amounted to not quite ten per cent. Mr. Angell calls this sort of thing "extermination"! Again, the beaten nation necessarily suffers more heavily in every respect than the victors, thus any degenerative effect of losses from war must obviously be greater with the beaten nation than with the victorious one, nor in this connection is it possible to ignore, that of which our author appears to have no glimmering, the inspiring effect of glorious traditions upon national character. In the sum total obviously the victorious nation becomes superior alike in *moral* and in physique to the nation which has been beaten. But again, military efficiency is not a quality which stands alone or which can be considered by itself: military efficiency is but a symptom of *national* efficiency. It is a fact, which few broad-minded men will deny, that the qualities which make for success in *all* walks of life are identical. True there is the specialization of industry, some men have a natural leaning to certain trades or professions, nevertheless energy, diligence and intelligence are demanded equally from the doctor, the architect and the soldier, and he would be but a shallow and superficial reasoner who would venture to assert that in mere brute courage the average doctor or architect is inferior to the average soldier. It is in accordance with this law then, that military

efficiency is but a symptom of national efficiency, that we find that every great ruling race which has strongly impressed the world's history has been equally prominent in the arts of war and peace. Greece which to this day moulds our ideals of beauty, which produced some of the most brilliant thinkers that the world has ever seen, also at the same time led the world in military science ; Rome carried into her legions the same qualities of discipline, stability and sound common sense which distinguished her social life and political institutions ; modern Germany, a nation of brilliant soldiers, is also a nation of profound thinkers and keen business men ; Great Britain has been as conspicuous in the arts of war as of peace. What conclusions are we then to draw from these data ? Simply that military efficiency is but a symptom of national efficiency and that the decay of one quality merely symptomizes the decay of others. China, as Sir Ian Hamilton tells us, became too civilized for war many centuries ago : to what has this led save to national stagnation ? And when the Spanish and Portuguese nations lost their military virtues how long was it before Great Britain, superior in all-round qualities and victorious in war, ousted both nations from the supremacy of the seas ? Had not the English been a fighting race how could they have beaten Spain from the

seas? And but for this, how could they have won an opportunity to display those "peaceful" "commercial" proclivities to which our author ascribes the building of our Empire? This gentleman, be it remarked, displays throughout his works a somewhat superficial knowledge of history; in his sermon upon the causes of Spanish and Portuguese degeneration he makes no mention of the wicked little *spirochaeta pallida* of Schudinn, generally conceded to have been first introduced into Europe by Christopher Columbus' pilot Pinzon. Spain and Portugal were, during the sixteenth century, ravaged by the most awful plague of syphilis which has ever cursed a country. All Europe suffered from the disease, but no countries so severely as those of the Iberian Peninsula, proof of this being afforded that among the Spaniards the disease assumed its endemic form long before it did so in the rest of Europe. The bearing of this upon Spanish national efficiency will be appreciated when it is remembered that the chiefest activity of syphilis lies in the form of racial degeneration. It is the only disease which is directly hereditary and permanently debases alike the physique, intellect and character of the offspring. To this day an experienced traveller in Spain and Portugal can readily note the signs of syphilitic degeneration among the populace. To

this is in reality due the startlingly rapid decay of Spain and Portugal.

Mr. Angell denies that warlike nations inherit the earth. In this his reasoning is very superficial. As we have seen military efficiency is but a symptom of national efficiency, thus it follows in logical sequence that the most nationally efficient nation is necessarily the most militarily efficient nation. Hence the warlike nation *does* inherit the earth. There are few nations which have waged more numerous or more successful wars than Great Britain! Again, the United States, a "peaceful" nation, during the great civil war raised the largest armies of the period, which armies fought the bloodiest battles in all history. Yet, according to Mr. Angell, the United States should, from the military standpoint, be *une quantité négligeable*! It was the fact that we, during the eighteenth century, possessed an *all-round* superiority over our rivals that won for us our Empire, we can hold our Empire only by maintaining an *all-round* superiority over our rivals, and when the day comes when we shall be beaten from the seas it will be only because, misled by a "Great Illusion," we have failed to maintain a just equilibrium between our military and commercial virtues. Does the meek, mild, inoffensive man make much of a success in *any* walk of life? Has there ever been

born any great genius without the element of combativeness strongly developed? Surely every broadminded man who looks into the question must realize that the same reasoning applies to nations: no nation has ever made any impression upon the world's history but by a close alliance between the arts of war and peace, and the failure in the arts of war has invariably been accompanied by a general decay in national character and a consequent decline in the arts of peace. Greece no longer produced her highest manifestations of art when Rome had ousted her from the world's supremacy; when the Roman armies failed in their mission Roman civilization collapsed like a house of cards: the European nations to-day lead the world in art and civilization, they also lead the world in military science, and when that they have lost this superiority in military science it will merely be the symptom of a general weakening of the Caucasian character and of the beginning of the end, when a flood of barbarian invasion will overwhelm our civilization as it did that of Rome.

Now let us examine Mr. Angell's argument that we are losing the psychological impulse for war. Our author writes: "How, indeed, could it be otherwise? How can modern life, with its overpowering proportion of industrial activities and its infinitesimal proportion of military, keep

alive the instincts associated with war as against those developed by peace? Not alone evolution, but common-sense and common observation, teach us that we develop most those qualities which we exercise most, which serve us best in the occupation in which we are most engaged. . . . Take the case of what is reputed (quite wrongly, incidentally) to be the most military nation in Europe—Germany. The immense majority of adult Germans—speaking practically, all who make up what we know as Germany—have never seen a battle, and in all human probability never will. So that the proportion of war-like activities as compared with peaceful activities works out at one as against hundreds of thousands." But has there ever, in the whole history of the world, been a period of more strenuous military activity than the present age? A period in which whole populations were more carefully or more systematically trained to arms, a period in which military expenditure formed a larger proportion of the national budget, a period in which the art of war was more strenuously or more scientifically studied? If all this does not produce a military spirit, what becomes of the anti-militarist argument that armaments produce wars? What becomes of Mr. Angell's own arguments that Anglo-German rivalry in

armaments must produce war? He makes, with a metaphorical pat on the back, the following quotation :

"Talk of war, however causeless, tends to beget war. Familiarize two nations with the daily thought of fighting and it will be a miracle if they fail to fight. Let them occupy themselves daily for two or three years with discussing, even when utterly denying the possibility of the thing, and that thing becomes more possible. Discuss causes of war, deny that they exist, and you provoke them. I mean to say that it is of no consequence that you are all the time protesting that war is impossible ; you are all the time talking of it. It does not matter what is said on a subject ; the matter is that the matter is kept constantly in mind. It becomes an obsession. A sub-conscious process is set up tending to a conclusion with which rational thought has nothing to do. Every incident takes on a special significance. Events are scrutinized with a purpose which, though unconscious, becomes fixed. Everybody is unconsciously on the look-out for an offence. . . . The national mind is prepared for an emotional crisis which any trivial incident may release, for a national 'brain-storm,' in the passion of which the murderous deed will be swiftly done. There is nothing far-fetched or

fanciful in this ; it is precisely what most often happens with nations. . . . At the Aldershot practice manœuvres this year the combatants referred to each other as 'the Germans.' 'Isn't that rather an ill-considered custom?' an officer was asked. 'Isn't it calculated to encourage hatred and bad-blood?' 'I don't know as to that,' he replied, 'but it certainly is calculated to get the keenest sort of work out of them. They're lazy beggars unless we set 'em on the Germans ; then you should see them.' *

But surely all this conclusively knocks Mr. Angell's own arguments on the head? For the last forty years Europe has been an armed camp, a greater proportion of the national energies have been devoted to preparation for war than at any other period of the world's history ; Europe has been persistently thinking of war, training for war, and discussing war. How then can we be losing the military spirit? Nay, on Mr. Angell's own showing, we should be tending rather to increased militarism than less. During the Mediæval Period wars were waged but by knights and nobles with their hangers-on, a small

* In reality, of course, this talk of "a brain-storm, in the passion of which the murderous deed will be swiftly done," is only partially correct, the war-fever comes *after* the outbreak of hostilities ; it is *governments* not *nations* which make war.

caste amid a multitude of serfs who viewed the struggle with indifference save that defeat might mean the ravaging of their lords' lands with all its attendant evils, or the imposition of extra taxes for ransoms. During the seventeenth and eighteenth centuries wars were waged by small professional armies to achieve the dynastic interests of the sovereign; the nation as a whole was little influenced and little affected by the struggle. But in the nineteenth and twentieth centuries we have the nation in arms, wars waged for economic interests must affect the whole body of the nation: thus we have the training of whole populations to arms with, on the reasoning shown above, an inevitable devolution of militarism to the populations as a whole. Thus, obviously the European nations are becoming *more*, not less, militaristic. As to the argument which Mr. Angell draws from "the wail of militarist writers at man's drift away from militancy," this is, of course, a clever debating point, but has there not in all ages been a perpetual wail over (alleged) national degeneration? If Mr. Angell were to turn back to the writers of the Elizabethan Age, I rather fancy he will find precisely the same "wail of militarist writers over man's drift away from militancy," alike in this country and on the Continent. There is always, in all ages, a phase

of thought which can find no good in the present age. As far back as the Roman times, our old friend Vegetius raises the same cry ! *

Again, let us consider Mr. Angell's conception of nationalism. He tells us in effect that it is utterly wrong for us to consider the state as an individual, and that we cannot impose upon the German people as a whole collective responsibility for the acts of a German Government. He makes the following quotation :

“There is no one German people, no single Germany. . . . There are more abrupt contrasts between Germans and Germans than between Germans and Indians. Nay, the contradistinctions within Germany are greater than those between Germans and units of any foreign nation whatever. It might be possible to make efforts to provide good understanding between Germans and Englishmen, between Germans and Frenchmen, to organize visits between nation and nation ; but it will be for ever impossible to set on foot any such efforts at an understanding between German Social Democrats and Prussian Junkers, between German Anti-Semites and German Jews.”

* You find the same thing in Turner's “Pallas Armata” and Orrery's “Art of War,” military writings of the seventeenth century.

But how in the name of all the Gods is it possible for us in practice to make any distinction whatever between the actions of a German government and the attitude of the German people? If one fine morning a German fleet were to appear before a squadron of our *Dreadnoughts* and open fire, is our admiral to refrain from answering and permit his ships to be sunk on the off chance that there may be Social-Democrats friendly to Great Britain on the hostile ships, or from the vague impression that there are millions of Germans friendly to this country? So long as the German people, if friendly to Britain, lack the power to impose their will upon the German government, how is it possible for us, if we conceive the German government to cherish hostile designs against us, to avoid the impression of Germany as a hostile power? To use one of Mr. Angell's own phrases, this attempt to differentiate between the German government and the German people is "intellectual fustian of the most mischievous order."

Again, if in such a contest we were defeated how could any of those Englishmen friendly to Germany escape the economic reactions of a German victory as pictured elsewhere? Or how could any German hope to escape the consequences of a German disaster? The phrase,

“My country, right or wrong, my country!” expresses neither more nor less than the instinct of race-preservation.

Now what is really the “Human nature of the case?” Are we truly becoming too “soft” for war? Is the progress of civilization really likely to, at an early date, eliminate the element of physical force from our midst?

Have you ever seen two women fighting? Two young, highly civilized Christian Englishwomen fighting in a London slum with a crowd of highly civilized Christian Englishmen looking on. It was not a particularly attractive sight, those highly civilized products of a Christian land were hot for killing: mad for blood. They bit at one another with their teeth and clawed with their nails whilst their blouses had been torn from their backs, they were half-naked and streaked with blood and dirt. It took a man, a policeman and a couple of women all they knew to separate the highly-civilized products that were fighting whilst the other equally civilized products looked on and laughed at the fun.

Once upon a time there was a strike, and some soldiers were on strike-duty, and some strikers threw red-pepper into the eyes of the soldiers who were simply doing their duty; again, in the “busy social and industrial” life of America we have

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labour agitators resorting to dynamite and capitalists hiring Pinkerton's men to shoot strikers down.

Here are three instances of what the highly civilized products of our highly developed civilization are capable when their real or fancied interests are attacked; may one with all due humility suggest to Mr. Angell that human nature it would appear despite the Law of Acceleration changes very very slowly, and that if by some miracle the London police disappeared in one night and that fact became generally known, the general recognition of the fact that disorder and aggression renders trade impossible, would prove sadly inadequate to prevent a general rush for loot by the classes that have least to loose?

Now what is the real change made in human nature by the growth of civilization? Has the civilized man really become less efficient as a soldier? Has there been any real decline in the virile virtues of our race?

It is a favourite figure of speech with some of us to speak of the childhood growth and decay of nations, of luxurious vice, of the enfeebling influence of civilization, of ourselves as having become "soft" and gross with overliving. Lastly comes a wail over the "good old times," a sigh for the degenerate present and, lastly, a thump on

the back and vigorous exhortation to "wake up, John Bull!" Poor old John! among such a multitude of counsellors each with a radically different remedy the unfortunate gentleman must feel sorely perplexed at times!

Exactly how much of all this wailing and gnashing of teeth over the alleged degeneracy of the times comes from serious study, and how much is a mere parrot-like repetition of other people's metaphors is a somewhat difficult question to decide. One wonders, however, where the man who prates perpetually of our "softness" from over-living keeps his eyes when he passes through a London street, if he were to use them it might perhaps occur to him that, however "soft" *he* might be from over-living, the same can hardly be said of the majority of our countrymen. But does wealth and civilization really lead to enfeeblement of character? Does wealth really lead to "softness" and vice? Surely these are questions which must cause the broad-minded man to pause and think before he gives an answer. Our wealthy classes of to-day are not more immoral than the denizens of our slums, and he would be a bold man who asserted that they are less physically "fit." Again the England of to-day is scarcely more immoral than the England of Fielding's period. And can the most

insanitary of our modern slums compare with the villages and factory-towns of the period of the Napoleonic Wars? There is a perpetual wail about our alleged degenerate physique, nevertheless such statistics as are available on recruiting tend to show that during the whole of the last century the bulk of our recruits joined at much the same age as at present, and were certainly not superior in physique to those we take to-day. Again we are perpetually told that we are decaying in virile qualities and even Admiral Mahan has written, "The European peoples are becoming too 'soft' for war." But this statement like most of the others, when seriously examined, proves fallacious. There have been "Little Englanders" and a peace-at-any-price party throughout our history for the last two hundred years, and he would be a bold man to-day who would say that the real influence of these gentry upon national policy is greater now than at, say, the time of the Crimean War; on the contrary in no period in all our history did the English nation present a firmer or more united front than during the August crisis of 1911. And, again, have we degenerated in sheer power to taken punishment? Turn to the great industrial conflicts in Europe and America, remember the defence of Rorke's Drift, the last stand of the 66th at Maiwand, the

breaking of the square at Abu Klea, the Prussian Guard at St. Privat, and he would be a bold man who would assert that in mere brute courage the civilized man of to-day is inferior either to his predecessors, the Asiatic, or surrounding savage tribes. We have heard *ad nauseam* about the Japanese, and a high authority solemnly warns us that, "The Asiatic can endure." Perhaps. But have the Japanese ever stood up to losses such as occurred in the American Civil War, at Balacava or St. Privat, where Europeans (for the Americans are, ethnologically nothing more) met Europeans? Does not Sir Ian Hamilton, for all his admiration for the Japanese, himself remark that on one or two occasions, English troops could have gone "one better"? And yet we are highly civilized degenerates!

The Boer War is quoted everlastingly as an instance of simple farmers defeating highly-trained troops; but reverse the situation, imagine all the Boers who served against us, some 80,000 or 90,000, to have by some miracle landed in England, does any one imagine that, fighting under conditions as wholly opposed to his habits, training, and climatic conditions, as those our troops encountered in South Africa, the Boer would have been anywhere near as efficient a fighting-man as upon his native veldt? And

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does any one imagine that under such circumstances our army would have experienced any difficulty in disposing of the assailants? In less than three days the high-civilized degenerates would have driven the virile farmers into English prisons or the sea!

In drawing lessons from South Africa one must always bear in mind the terribly adverse circumstances under which our troops laboured, and when one remembers how our foes threw away chance after chance of dealing crushing blows at our army one does not feel any excessive admiration for these virile people as fighting men.

Now how far has modern civilization truly affected national character as regards its potentialities for war? Do you remember those two women I described to you as fighting? It was not a pretty sight, nevertheless it was, to the soldier who grasps present-day tendencies, a most instructive one. Those two women were for the time being stark staring mad; they were killing-mad; if left to fight it out they would have fought to a finish, till one or other had gone under, or both were utterly exhausted. To the soldier the sight was an instructive one, for the tendency of civilization has been to add one essentially feminine characteristic to our masculine equipment—hysteria. And what is hysteria? I

do not profess to give a medical explanation of the term, what *I* mean by the expression is an excitable emotional character quick to fly into an excess of passion, and deaf to all reason when thrown into a state of excitement. This is the national character that we in common with all other European people are acquiring. And what is causing this tendency? There are several causes, the concentration of population in cities, and increased means of communication being the chief. And how does this affect individual character? Every man is more or less swayed by the opinions of his companions, and the strongest intellects among these form the opinions of their fellows. Now in the old days, in the period say of Fielding, when the population was scattered in villages and small country towns, Public Opinion could only form itself very slowly, and it was thus the inhabitants of a few large towns which formed the opinion of the whole country. Nowadays, however, these few large towns have grown to huge cities, whilst the Press with its daily record of events is a means which disseminates intelligence with startling rapidity. Now we must consider for a moment the psychology of the crowd. In a crowd the number of men of strong character are few and these form the opinions of the rest. Again in a time of emergency

the average man is absolutely incapable of independent thought, and instinctively obeys the initiative of a crowd-leader. How does this affect national character in respect of war? First of all the modern nation is a crowd and subject to crowd-tendencies, second the average man is profoundly indifferent to questions of international policy, and thus has no strongly-held opinions to conflict with crowd-tendencies. Now in time of crisis the first thing this average man will see will be "scare" head-lines on the placards, and these are invariably pro-British and anti-foreign. This is a fact that should be remembered. During the "Dogger-Bank" incident the Algeciras crisis, and those of the past year the anti-militarist organs *Daily News* and *Morning Leader* for instance, were as strenuously anti-Russian and anti-German as the Toriest of the Tory Press.* Thus the average man instinctively acquires a feeling of enmity against the power which at the moment is believed to be opposing British interests, men talk, all the old

* The Press, of course, is not a philanthropic institution, and caters to the taste of its readers. There is also the psychological state described in the quotation given elsewhere in this chapter to consider. The great danger, however, is that a government which feels that it has to gain by a struggle will create a "crisis" for the purpose of declaring war. No government, howsoever Machiavelian, can declare war in time

prejudices and traditions are raked up again, the crisis develops, there are rumours of movements of troops and ships, the average man becomes excited, he talks with other average men and becomes more excited still, war is declared, and a great "thought-wave" sweeps the hysterical neurotic nation of to-day off its balance.

For the moment the war becomes of all absorbing interest, and the average man loses all power of independent thought, in short the "war-fever" develops, and it only requires an initial disaster or so to rouse this to absolute frenzy, and cause a feeling of absolute hatred to be felt for the foe. The Boer War and the present Turco-Italian trouble are instances of the manner in which a nation is carried off its feet, and it must be obvious that this war-fever must in a European war affect not only peoples, but the troops in the field, and for this reason I am doubtful as to whether our so-called degeneracy will affect our military qualities. During the South African War there was the long voyage to cool men's blood, in Tripoli the disparity of

of profound peace, but judicious manipulation of the Press can always work up a state of excitement. A modern government, in fact, acts as "crowd-leader," and is invariably backed up by the people, e.g., ourselves in South Africa and the Italians in Tripoli.

forces and absence of a sense of national danger, and above all the surprise must have unfavourably affected the Italian *moral*; * in the case of a Franco-German War, however, it appears to me that the armies would become "killing-mad," just as did the two women whose case I have mentioned. A tremendous "thought-wave" in both armies would crush all thought of danger from the individual, and the two armies would grapple with one another in perhaps the deadliest bloodiest fighting in all history. I do not believe that the civilization of the European peoples will make for "softness," on the contrary I feel that the reaction from a high state of civilization to man's most terrible passions will add an increased savagery to the contest. I do not believe that the next war will show the softening influence of civilization; I believe that no war in all history will have witnessed crueller sights.

In fact, I believe that it would be well before lightly speaking anent the progress of civilization and the triumph of ethical principles, to examine into the conditions of some of our past labour-wars, the future international warfare will be waged for economic ends, and all the ferocity and bitterness of labour-warfare will be imparted into the fray.

* I allude to the Tripoli "atrocities."

XII

THE PROSPECTS OF UNIVERSAL PEACE

FROM our study of the economic structure of Europe we have seen that the presumed economic solidarity between the European peoples, upon which Mr. Angell bases his argument that no European nation can profit materially by an armed triumph over another European nation, does not in reality exist; the European nations are in the main economic units and in the main conflicting economic units: hence as trade-rivalry sharpens and the struggle for existence becomes more and more intense a situation cannot but develop fraught with extreme peril to the British Empire alike from internal and external causes. That the whole tendency of modern life is to become more and more strenuous is a commonplace; that some strange centripetal force creates a continual tendency on the part of the mass of inchoate organisms which form the fabric of our society to group themselves around centres of social life,

which centres gravitate and coalesce will hardly be denied ; the question is, by what process is, as concerns man, this coalescent process accomplished ? A glance alike at history and at the every day facts of life must force one to the conclusion that nature is rarely merciful in her modes ; that the coalescent process is rarely accomplished but by the strife of forces ; that just as it requires the heat of the furnace to fuse chemical elements into a compound so the coalescent processes of human society are conceived but in bloodshed, strife and human suffering. Glancing at the primitive peoples we note that they are welded into homogeneous nations, but by a "chemical process" of warfare and suffering. The strongest man in the primitive community, seizing to himself the fairest woman procreates a more vigorous offspring, which offspring in turn makes itself supreme over the surrounding peoples. Thus we get a monarchy, a royal caste, and the fusing of discordant elements into an homogeneous whole. But this process is going on simultaneously over a vast area, primitive kingdom fights with primitive kingdom, a perpetual process of "fusing" gives us the modern nation and we find ourselves in Europe of the sixteenth century ; there follows the strife of national monarchies, and these monarchies

being fairly equal in vigour and natural resources no definite victory follows the struggle. But in the shadow of the monarchy, as we have elsewhere seen, there develops a mercantile class, and this seizing the reins of power from the monarchy there follows the internal development of the nation, a closer fusing of the people into an homogeneous whole, our own country, for instance, spared by the circumstance of being an island-state and victorious at sea, from the danger of invasion and the various independent states Scotland, Ireland, and Wales fused into a single monarchy, was able to develop its resources more rapidly than the continental states, favourably situated for commerce, mistress of the seas, and possessed of wealthy natural resources Great Britain naturally forged ahead in the race for wealth and Empire, and thus the mid-Victorian period found us unquestionably supreme alike in wealth, in civilization, and in all that appertains to latent military power. But the same process which gave to Great Britain the unquestioned supremacy of the mid-Victorian period is now being repeated in the case of other nations. Germany unified by Bismarck's policy of "blood and iron" is now developing her resources under the shadow of the "mailed fist," inland Austria has felt the same impulse and is forging rapidly

to the front as a commercial power, and Russia equally is striding ahead ; by what process then, reading in the light of history, can we conceive of all these conflicting economic units fused into an homogeneous whole ? The processes of Nature are rarely merciful, she fuses her compounds by fiery heat ; again then by what process are we to conceive of all the conflicting economic units fused into an homogeneous whole ? Turning to the social life around us, do we not note the tendency of the great "combine" to crush the small trader from the market ? Now the great "combine" is viewed purely as an instrument for the production and distribution of wealth, a much more efficient instrument than the small traders whom it displaces. The great business, buying and selling on a larger scale, more efficiently managed and requiring a less space for storage and a reduced number of "hands," for a single American "store" can do the same trade as a whole street of London shops, can produce more cheaply than the small trader and sell at a rate which cuts the latter's profits to a vanishing point ; thus with the tendency of wealth to accumulate the great capitalist drives the small one from the markets and seizes his trade just as in the days of the Heptarchy, the small kingdoms ultimately succumbed to the

powerful Wessex monarchy. And in both cases the process is accompanied by suffering, in the one case by savage warfare with all its accompaniments of bloodshed, violence and rapine ; in the other by a no less savage competition with ruin for the small tradesman and the slavery of the factory or domestic service for his sons and daughters.

Now let us apply the same reasoning to the economically conflicting European states : again by what process will these be welded into an economic whole ? When in the United States the " trust " crushes the small trader from the market the latter cannot oppose physical force to the remorseless grinding pressure that is crushing him to the wall, he lives in an homogeneous social state : the Law, the police, and the army are all on the great capitalists' side : but when between two conflicting capitalist states there is trade-rivalry and the weaker feels that it is about to be pushed to the wall, what International Law, what International Police, what International Army are there to withhold the weaker from flying furiously at the stronger nation's throat ? Or contrariwise to prevent the stronger from sweeping the weaker one from its path if its competition be proving inconvenient ? To what then must the increased intensity of the struggle for

bread eventually lead us? How is it possible, until one nation has fought its way to supremacy over the rest, to abolish war from a competitive system of civilization? There are in reality no ethics in the case: it is a matter of self-preservation. The business-man cannot conduct his business on principles of philanthropy and brotherly love: Mr. Cadbury cannot refuse to buy cocoa from the Portuguese on the ground of the alleged system of slavery under which it is cultivated, he would find himself in the Bankruptcy Court if he did, and the same thing applies to nations. Every government feels itself in the long run dependent primarily upon its own physical strength for the defence of its rights, and its moral code is precisely that of the American "Trust" magnate, neither better nor worse.

Mr. Angell argues at length to prove that man's conflict is not with man but with the planet; that mankind is an organism struggling to adapt itself to its environment, and that such a struggle always involves greater complexity of organism, a closer co-ordination of parts. Granted, but has not every step made by man up the economic and social ladder been won but by the conquest and exploitation of his fellow-man? The survival of the fittest applies to man as to the other animals, but the "fittest" does not

imply superiority in mere brute strength, else man must have fallen a helpless prey to the mastodon, it implies "fittest" in all-round qualities. Thus a people dwelling in a peculiarly favourable physical and climatic environment must necessarily develop a superior civilization which again must necessarily render them the target for the assaults of their neighbours. Thus a continual strain of fresh blood from the most vigorous of the surrounding tribes becoming incorporated with the original stock must inevitably produce a race physically and morally superior to the surrounding peoples. Has not the British race benefited from the hardy Viking strain? This superior race developing its superior environment we have the genesis of a great civilization such as that for instance of Rome. Rome as we know conquered the surrounding peoples and made herself mistress of Italy. Then by means of the Italian peoples she made herself ultimately mistress of the then civilized world. Have we not here a clear case of the survival of the fittest? And do we not see in every day life how the most efficiently managed business beats its rivals out of the markets, extends its operations, and becomes a great company? Have we not here a survival of the fittest? Again when a capitalist founds a factory how does he obtain the capital to finance

his enterprise? Obviously either by inherited wealth in which case he inherits from some strong able forbear or by dint of his own energy and force of character; and whether his capital be inherited or self-acquired nothing is more certain than that so soon as his energy and force of character depart so soon will his capital fly away with it, for in the battle of life, "a fool and his money are soon parted." Here, again, it is surely a case of the survival of the fittest! Mr. Angell's argument then that the law of the survival of the fittest does not apply to man hardly bears the test of close analysis and, applying the same reasoning to nations as we have applied to business-firms, it follows in logical sequence that if a nation of capitalists is competing with another nation of capitalists the nation which is strongest in all-round qualities must inevitably push the weaker nation to the wall, and as there is no International police force to hold this trade-rivalry in bounds it follows as a logical certainty that this trade-rivalry will ultimately be decided by physical force.

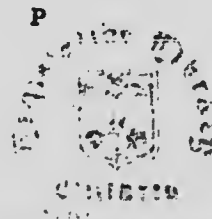
It is in logical sequence then that to abolish war from a competitive system of society, save by one national group of capitalists achieving military supremacy over the rest, is a sheer impossibility; were all the European nations to agree upon a universal disarmament to-morrow universal peace

would not be brought in any degree nearer thereby. Let us trace the effects of such a measure. The case against armaments is based upon two arguments : it is said that expenditure upon armaments is expenditure taken from productive industry and consequently a burden upon the national resources : it is also said that money spent upon armaments is money diverted from Social Reform. Taking the first argument and conceiving a general disarmament what would follow ? So that the money could be diverted to productive channels taxes would be lightened and everybody would have more money to spend ; part of this money would be spent on non-productive luxuries and part go to the development of productive power. But all the nations would be disarming simultaneously and consequently developing their productive power simultaneously ; result, first, an increased price of raw materials ; second, a fall in prices commensurate with the increased output in goods. But lower prices mean lower wages : How then would the worker benefit by disarmament ? Again let us take the second argument and conceive of the money spent on armaments diverted to social reform : How is all this going to alter the tendency of food-prices to rise and of wages to fall ? How is all this going to reduce the cost of living ? And

how can any amount of social reform reconcile the worker to low wages and high food-prices ?

All this is in reality mere futility ; disarmament will not abolish war ; you *cannot* abolish war from a competitive system of civilization ; competition is the root-basis of such a system of civilization, and competition *is* war. When a business-firm crushes a trade-rival from the markets by cut-prices there is exactly the same process at work as when a business-nation crushes a trade-rival by physical force : the means vary, but the end in view and the ethical principles in question are identical ; in both cases the weaker goes to the wall ; in both cases it is woe to the vanquished.

If an universal disarmament were agreed upon by the European nations to-morrow you would not have peace, you would but usher in some of the bitterest, bloodiest warfare in all history, an universal revolt of Labour against Capital, strikes and lock-outs, riots and bloodshed, famine and death. The armaments so recently discarded would spring up again in the form of a rifle-armed police, raised for the special purpose of breaking strikes ; Capital would fight fiercely for what it rightly or wrongly conceives to be its rights, and either Capital would triumph



and a system of iron repression, under which a "breach of contract" in the form of declining to work would be rendered an offence punishable by a heavy fine or imprisonment, and a "breach of the peace" in the form of calling a foreman names be punishable by similar penalties, crush the workers into a submission little removed from slavery, or else Socialism would triumph and Capital be crushed out of existence. There could be no half measures.

Taking the first alternative, in the Congo Free State of to-day, Portuguese Africa, the factories of the Southern States of the American Union (see Marie Van Vorst's "The Woman who Toils"), and the English factories before the passing of the Factory Acts (which, by the way, only became law through the influence of the much-abused landed aristocracy), we see what happens to Labour when Capital gains complete uncontrolled power. Everything is sacrificed to a merciless cut-throat competition, men and women are but machines out of whom must be screwed the last ounce of human effort; result for the workers—a crushing, grinding slavery, with wives and daughters at the mercy of foreman or overseer, the "truck system" causing perpetual debt and a life of unremitting toil amid bestial surroundings. And this is a state of affairs which

actually exists to-day in many a "prosperous" French or German town—people who wish to get an insight into Continental labour conditions would do well to read Zola's "Germinal." With the triumph of Capital in the coming struggle such a state of affairs would be not only perpetuated, but extended, the savage competition which is to-day forcing prices down must still further develop, and cut-prices inevitably spell low wages. But, again, with the tendency which we have noted for wealth to accumulate and for the big business to crush the small trader from the market, the rise of giant "Trusts" controlling every branch of industry would in England, as in all other countries, be only a matter of time; thus the whole wealth of the country would ultimately be concentrated into the hands of a small exclusive Capitalist caste. Even then, however, you would still be far from Universal Peace. Every now and then the workers would revolt, and there would be some quick killing done ere the revolt be suppressed. Again, the rival nationalist Capitalist groups competing savagely with one another, a series of wars would inevitably ensue, until the most efficient of the Capitalist states had triumphed over the rest. Not until this state of society had come about would you have anything resembling Universal

Peace, and then it would be the Universal Peace of a small Capitalist caste controlling a vast multitude of slaves, a life of luxury and perpetual fear of revolt, with iron discipline, scanty fare, and merciless punishment for the great bulk of mankind. The element of competition having disappeared from such a society, for all means of the production and distribution of wealth would be controlled by a single Capitalist group, prices would be raised until there remained for the workers but the barest living wage : a vast bureaucracy extending pyramidal fashion through varying grades of foreman, overseer, manager, etc., to Capitalist, would control the whole civilized world, and you would have a state of society with all the disadvantages of Socialism and none of the advantages offered by this creed ; competition having ceased, the creative effort of Capitalism in the way of finding fresh fields of industry and pushing on invention would cease also ; civilization would become stereotyped ; the grandiose would replace the grand in art ; the methods of production would repeat themselves without progress from generation to generation. Finally, there would come about a cataclysm as what are now barbarian peoples developed a young and vigorous civilization which would tear to pieces the decadent civilization of the great

Capitalist state as the Barbarians tore down the civilization of Rome—which, be it remarked, *en passant*, developed ultimately into a state of society not unlike that pictured above.

And what of the second alternative, Socialism? First of all it may be as well in view of current misconceptions on the subject to state that Socialism as an economic doctrine does not mean wife-beating, polyandry, polygamy, free love or Atheism, but the Socialization of all means of the production and distribution of wealth. There are individual Socialists who are Atheists or Agnostics just the same as there are individual Tariff Reformers or Free Traders who are Free Thinkers in matters of Religion, but all this has nothing to do either with Tariff Reform, Free Trade, or Socialism as economic doctrines. Viewed purely upon its own merits Socialism has much in its tenets that is attractive to a fair-minded man, eliminating as it does the element of competition it is practically the only logical basis upon which to found a dream of Universal Peace, its ideals moreover are lofty ones, the ideal of a man serving the community from pure disinterested zeal for mankind, if somewhat impracticable, strikes me as being at least higher than the gross materialism of the present age. Nor do I believe that it would be impossible, provided

such an ideal were inculcated from boyhood, to get really good men to fill responsible posts. Recalling the days of my own boyhood I remember the keen competition there existed, and no doubt still exists, for places in the School Eleven or Fifteen, nor was there ever any difficulty in obtaining reliable Prefects. Yet surely no one will suggest that any of these lads were actuated by material motives? Again, one remembers that when all the efforts of the American Capitalists to pierce the Panama Canal had proved a failure, the United States Government undertook the work and placed it in the hands of the United States Army Engineers who for the most part are in receipt of salaries which a Civil Engineer would reject with scorn. Yet these poorly-paid Army Engineers, animated by that invaluable motive-power *esprit de corps*, have succeeded where some of the best-paid engineers in the world have made a lamentable failure! Which rather knocks the Human Nature plea against Socialism on the head!

And when besides this one bears in mind the very considerable sums frequently spent by officers of the Army and Navy in the interests of the Service, amounts which sometimes exceed their pay, one feels that the man who is perpetually prating the Human Nature argument against

Socialism is too often judging other people's "Human Nature" by his own.

The great defect of Socialism viewed purely as an economic doctrine appears to me to be its lack of creative effort : under a system of Socialism all stimulus to progress and invention ceases. I will explain. I quite agree with Socialists that the average inventor invents from love of science and not mainly for pecuniary motives ; and, again, I quite agree that under our present system the average inventor dies in the gutter whilst other people reap the results accruing from his invention ; the point is, however, that under our present system it is to *someone's* interest to push forward a really valuable invention, and thus civilization as a whole gains ; under Socialism, however, with a bureaucracy controlling all means of production it would be to *no* one's interest to push forward any invention, with the result that stagnation must inevitably occur. We have only to bear in mind the attitude of the Admiralty towards inventions in times past to recognize the justice of this view. Now the Admiralty is a bureaucracy, and the great object in life of the bureaucrat is to save himself as much trouble as possible ; inventors are regarded but as mischievous pests to be avoided like a plague. Thus we find that the Admiralty opposed the

introduction of steam, they opposed the introduction of iron ships, they opposed the introduction of rifled guns ; in fact, they have steadily opposed every step of progress in Naval Science and, but for the action of external forces pressing reforms upon this body ; the competition of foreign navies and the progress made by the merchant shipping and private enterprises generally, we should still to-day be building the wooden sailing three-deckers of Nelson's day ! Now imagine every branch of industry controlled by a bureaucracy similar to the Admiralty, and it at once becomes obvious that a total stagnation in all industries must inevitably occur, all forms of production would become stereotyped and creative effort would disappear. The importance of this will be realized when we remember the tendency of ground to become exhausted from bearing crops, and the tendency of population to overlap the supporting power of the soil ; under our present system of Capitalistic production fresh sources of productive power are being perpetually discovered, but under Socialism all creative effort having disappeared the struggle of the whole community for bread must become *more* not *less* intense.

Passing this argument, however, the basis of the case against Socialism is to be found in the

fact that the Socialist ideal of society demands that the world be re-made over again ere this ideal can get into working order. Now to reconstruct a house from foundations to gable-ends one must first pull the existing structure down, and if one happens to be inside the house whilst it is coming down, one is rather likely to suffer considerably in the fall. Again, if while dazed and bleeding, you gather yourself together it should come on to freeze, what are you going to do while the new house is being built? Now our present system of civilization is a house which with all its imperfections has taken thousands of years to build, and we are inside that house and cannot escape the consequences of its fall, what then is likely to happen if we pull it down?

One is struck by a certain intellectual cowardice among Socialists generally when they are asked squarely how they are to achieve their ideals, I have never yet met the Socialist who clearly realizes that Capital if seriously menaced will meet argument with force; they appear to imagine that the strongholds of Capitalism will fall like the walls of Jericho to a chorus of shouting; if Socialism ever triumphs as a creed it will be by bullets not by ballot-boxes that the triumph will be won.

Again, the man who possesses any practical experience of the organization of industrial effort

is struck by the magnitude of the task about which Socialists speak so glibly. "The Socialization of Industry!" How simple it sounds and how vast and complex are the problems involved in the phrase so lightly uttered! Let us take the mightiest manifestation of intellect the world has ever witnessed—the German army of to-day. No industrial enterprise, it will be conceded, can compete with the wonderful organization which is prepared to summon 1,500,000 men from their homes, marshal them into great armies, feed and clothe them under the circumstances of war, battle, sudden death and changes of direction which no man can foresee, and finally combine their energies in homogeneous concentrated military effort. Now here is a simple problem in rule of three. If it took a government possessed of practically autocratic power, 156 years (1714-1870), a terrible national disaster to bring home the dire results of inefficiency, and a succession of the ablest organizers who have ever created an army, to evolve an organization capable of efficiently directing and controlling the military effort of one million men, how long will it take a popularly elected Socialist government to evolve an organization capable of efficiently controlling the industrial effort of forty million people? It is rather a big business when one comes to look into the matter,

and one wonders what is going to happen to the people while the Socialist government is learning its work. In fact the practical soldier who studies Socialism is struck by the family likeness between these fine theories and the equally glib schemes of Army Reform continually thrust upon us by the theorists. Many of these schemes are in themselves admirable ; unfortunately to put them into practice means tearing our existing organization to pieces. And once we have accomplished this beautiful result, what is going to happen if a war breaks out? One feels that after all, the old scheme which we all understood would be preferable to a hotch-potch of half understood arrangements.*

Again, would Socialism, after all, give us Universal Peace? One feels doubtful. Notice the gentle courtesy with which the "Socialist Standard" admonishes "Justice" upon the error of its ways, and the equally courteous manner in which "Justice" rebukes the "Labour Leader," and the "Labour Leader" the "Clarion," and finally note the lordly disdain of the "New Age" for the whole crew. One feels that when the Socialists come to build their new house the master-builders will wrangle sorely over the design,

* *Evolution* not *revolution* should be the watchword in all genuine schemes of reform.

and that it will not be long ere words are exchanged for blows : in fact there is a strong resemblance between all these little sects and those of the Protestants. The gulf which yawns between Rome and the Protestant Alliance is not greater than that between the "New Age" and the "Labour Leader," and just as one little Protestant sect no sooner won freedom of conscience for itself than it began to persecute all who happened to differ from its own special doctrines, so the different brands of Socialism would infallibly lead to wars, bickerings and persecution.

The dream of Universal Peace, one feels, is but a dream when all is said and done, and, as Von Moltke said, it is not a pleasant dream.

XIII

THE FUTURE

IT cannot be denied that the skies of the British Empire are overcast with black ominous clouds which bode ill for the future welfare of our race.

In the Far East the menace of the Japanese Navy and from revived China cannot be ignored ; from the West comes a more and more strenuous competition from the United States of America ; in Europe we have an economic situation the outset of which must be Revolution or Armageddon. Of all illusions it is the most gross and dangerous for us to delude ourselves into the belief that there is peace where there is no peace ; the plain fact is that we are in the grip of economic forces which it passes the wit of man to guide, and whither we are tending no man can foresee.

One feels, however, that the upshot of it all will be war ; the Capitalist nations of the world are fighting desperately for trade, are

struggling desperately for bread, and there is no International policeman to hold this trade-rivalry in check. We are sailing "full steam ahead!" to one of the most tremendous conflicts in history, and if we are to survive in this struggle it behoves us to study well the chinks in our armour and gird up our loins for the fray.

Alike from external and internal causes the British Empire is menaced by dangers which threaten its very existence, alike in military power and industrial effort a more strenuous competition is threatening our supremacy than ever before in our history; great efforts and great sacrifices will have to be made if we are to maintain our position as Mistress of the Seas, and these will ultimately culminate in an armed conflict. It is useless to burk the issue: it is our whole system of savage, cut-throat competition that is in fault, and to abolish war you must abolish competition. No amount of tinkering with Social Reform or Tariff Reform either will reduce the cost of living whilst our export trade upon which is dependent our whole national life is pressed by a remorseless competition. One feels then that it behoves us to set seriously to the task of developing alike our Industrial Efficiency and our Military Power. We triumphed over our rivals in days gone by but by a superiority in all-round qualities,

and we shall retain our supremacy only so long as we retain such superiority in all-round qualities.

Military efficiency is but a symptom of national efficiency; it is a trite saying, but nevertheless true, that a nation gets the army or government it deserves, the shortcomings of our army in South Africa but reflected and were the logical sequence of the shortcomings of our government and of the British nation; to create a genuinely efficient army or navy, therefore, we must first have a genuinely efficient nation, and we must set as the basis of our national policy, not an undue development of militarism at the expense of industrialism, nor yet the undue development of industrialism, at the expense of militarism, but an even development of both these qualities, for both are equally essential to success amongst nations. The loss or weakening of our industrial efficiency would ultimately be no less a disaster to these isles than the decline of our military power, and we must recognize the basal truth that, whilst a military triumph can materially help forward the industries of a young, vigorous, energetic power, no momentary spectacular triumph by arms can permanently rescue a people whose industrial efficiency is declining, from the path of decadence.

Again, not only is the power to maintain

armaments dependent upon successful industry, but armaments in themselves do not give military power, it is *men*, not ships, who win battles, and men but reflect the moral tone of their surroundings.

The basis of our national policy, therefore, should be the all-round development of our national efficiency: we must grapple with the housing problem, we must grapple with the education problem, we must grapple with the problem of national physique, and in solving these problems we shall have incidentally made a very big stride towards military efficiency. As regards armaments our policy should be the *minimum* expenditure compatible with national safety, always bearing in mind that this minimum should always leave a substantial margin on the safe side; it is not well to spoil a ship for a ha'porth of tar. For the rest we must strive to develop the moral side of the national life equally with the physical; we must strive to inculcate a sane, healthy patriotism, an intelligent interest in public affairs; a comprehension of the broad principles of National Defence among our people as a whole for only by the inculcation of such a spirit of broad-minded, healthy patriotism, free from Jingoistic rant or class-hatred, will it be possible for the British Empire to weather the grave

dangers which menace its existence. It is idle to prate of "peace, perfect peace," the economics of the case spell war and war at no distant date. And in this war we may be in the right and we may be in the wrong, but if we are victorious it will not be because we are in the right, but because we are strong, and if we are defeated it will not be because we are in the wrong, but because we are weak. And in reality abstract right and abstract wrong will have nothing to do with the case, for it will be economic forces that will be the basal cause of the struggle. Then in God's name let us be strong ; let us be strong in all that truly makes for strength ; strong in a healthy patriotism ; strong in a united people ; strong in a calm, reasoned preparation for the inevitable conflict. We *must* be strong.

APPENDIX

SOME PROPOSED REMEDIES FOR INDUSTRIAL UNREST

THE recent turmoils in the Labour world have had the natural effect of focussing public opinion upon Labour problems ; there is an uneasy feeling in the air that these turmoils are but a symptom of a grave disorder in the body politic and a foretaste of yet more dangerous troubles to come. There consequently exists among all branches of society an earnest desire to get at the underlying causes of the Labour upheavals and, so far as is possible, to remedy the grievances of the working-classes ; we have seen in the forefront of this work the primary cause of the Labour unrest ; the growing intensity of the struggle for bread ; the fact that food prices are rising whilst that, owing to increased competition, wages are tending to fall ; the question, then, that we have to consider is, Can these tendencies be counteracted ? Or, is it possible for us to remedy the grievances of the working-classes

without a grave upheaval of our existing system of Society ?

In considering the great mass of correspondence and Labour articles which have appeared alike in the popular press and leading reviews, one is struck principally by the absence of any appreciation of the true cause of the present industrial movement and of any clear and practical suggestion for its remedy. Bearing in mind the difficulty of making any such suggestion which can survive the test of clear, reasoned criticism, this latter is not perhaps so surprising, it would, however, at least be a step in advance if we were to start by frankly admitting the impossibility of any real and lasting compromise between Capital and Labour ; or that the relationship between Capital and Labour can under any conceivable development of our present system of Society, which yet retains such elements of Capital and Labour, ever be decided save by the element of the physical force at the disposal of the two orders of Society.

It were well to clear our minds of cant and false sentiment upon this subject. Taking the case of a boot factory, for instance, if this factory is to be worked at the maximum efficiency of production *all* expenses of manufacture, including the wage bill must be cut down to the irreducible minimum. And the difference between the costs of

manufacture and the selling price of the article produced is the Capitalist's profit. Now, surely it must be obvious to anyone possessed of average common sense that the wage bill of the worker can only be increased, which means increased cost of production, by taking from the profits of the Capitalist? And as the Capitalist is no philanthropist, is it to be conceived that he will ever voluntarily relinquish his share of the profits of industry?

Two proposals have of late been put before the public, which we are told will harmonize the conflicting claims of Capital and Labour, one is co-partnership in industry, recently much in favour with the Unionist Press, and the other is attributed by the "New Age," a Socialist weekly, to a mysterious secret society which seeks to enslave Labour by gilding its chains and profiting by the increased productive efficiency attributed to high wages and good conditions of livelihood. The "New Age" solemnly warns its readers against these nefarious designs.

Examining the first proposal it is obvious that co-partnership can only be attained by (a) giving shares to the workers, or (b) by selling the same shares to them. If (a) be the method adopted, this in practice would amount merely to an increase of a few shillings per annum to the workman's wages.

It would, in fact, be merely a surrender by the existing shareholders, of, in all probability, a smaller proportion of their profits than would follow a direct increase in the workman's wages, and to speak of the grant of a few shares as a remedy for industrial unrest, argues a singular lack of knowledge of the real conditions of working-class life. If (b) be the method adopted, it would be the same thing over again only worse.

The proposal for Co-partnership in fact is a curious instance of ignorance of fundamental principles : the share capital must necessarily be enlarged to provide the fresh issue of shares, in which case either the dividends paid upon the ordinary shares must be reduced, which of course is tantamount to an increased wage fund, or else wages and other cost of production must be reduced proportionately, a sad case of robbing Peter to pay Paul. It is somewhat significant in this connection that the few financial magnates who advocate Co-partnership are all large holders of preference shares in their various undertakings, which shares, of course, would not be affected by "watered stock." In any case, however, the root principle that you can only increase the share derived by labour from the profits of industry by taking from the profit of the Capitalist remains unaffected.

Again, considering the suggestion put forward by the "New Age," that the Capitalist class is meditating a grand scheme of further exploiting Labour in the form of paying higher wages to secure increased efficiency of output, of which increased efficiency Capital will secure the ultimate benefit, one is struck by the failure of the writer to correctly appreciate the true cause of the fall in wages : increased competition. Now if we imagine an universal rise in wages followed by an universal increase in productive efficiency it necessarily follows that with the increased output of any particular commodity there will follow a proportionate decrease in its sale value, *i.e.*, if three pairs of boots be produced where previously two had been the output, the demand remaining constant, the sale value of boots will be depreciated by $33\frac{1}{3}$ per cent. Thus there will inevitably ensue a fall in prices proportionate to the fall in real values, and this fall in prices must inevitably entail a fall in wages, for any man who understands the ABC of Political Economy must realize that under a Capitalist system of production the costs of production *must* be inferior to the sale price of the commodity produced. And this applies to all branches of industry alike, therefore the purchasing power of the wage fund of any one branch of industry *must* fall more

rapidly than the profits of production. For example, the operatives of a boot factory purchase bread, clothes, etc., etc., if, therefore, the value of boots falls, bringing with it a fall in the wage fund the power of these operatives to purchase goods and support other industries falls also ; if then we conceive the same process at work in *all* branches of industry, falling values and falling wages, it becomes obvious that the power of the working-classes to purchase goods must fall more rapidly than the fall in prices for the simple reason that the Capitalist cannot sell his goods at a loss, and there follows either a development of foreign trade or an artificial restriction in output caused by the determination of the capitalist to keep prices at a level which affords him a margin of profit. Thus the actual effect of the increased efficiency of production is merely to impoverish the working-classes.*

* To put the matter more simply : the Capitalist is determined to keep *his* share of the profits whatever betides, in the case of a fall in values therefore he cuts down the cost of production so as to maintain his profits at their former level ; thus, either men are discharged or wages are cut down : in any case it is the working-class which feels the pinch.

The orthodox view is, of course, that a fall in values due to increased industrial efficiency will be compensated for by a proportionate increase in the number of sales ; if, for instance, owing to labour-saving machinery the capitalist can produce three times as many boots for the same expenditure of labour

The idea, then, that there exists a scheme among Capitalists to raise wages all round and as previously, the fall in the absolute value of boots will be compensated for by the capitalist selling three times as many boots ; thus the capitalist will retain his profits, there will be no displacement of labour, and the community generally will benefit by the fall in prices. The fallacy upon which all this is based can, however, be easily demonstrated. The first result of increased industrial efficiency is the displacement of labour. If, for instance, a machine is invented which will enable one man to do the work of three, two-thirds of the men employed in that industry are "sacked" to make way for the new machines, for until these machines are in actual operation output and prices remain unaffected, and in practice no manufacturer can afford to suddenly double or triple his output unless he knows that there will be a demand for the increased supplies. Two-thirds of the labour employed is then by hypothesis displaced, even the orthodox school agree on this point ; they say, however, that this displacement of industry is a temporary phenomenon ere that increased output shall have created an increased demand. But it must be remembered these working-men who are displaced are not only producers, but consumers ; the operatives of one factory are the customers of another ; if, then, we assume a sudden general threefold increase of industrial efficiency with its concomitant, a displacement of two-thirds of the working-classes, it logically follows that these unemployed men and women, being in receipt of no wages, can have no purchasing power, and that thus at one fell swoop you destroy two-thirds of your market ! How, then, can there possibly follow that general increase in demand which, according to our pundits of Political Economy, compensates for the displacement of labour by labour-saving machinery ? And, again, if two-thirds of the working-classes be unemployed, how can this

improve conditions of life among the working-classes, in order to profit by the increased

have any other effect than of depreciating the sale-value of labour owing to keen competition for employment? The value of labour, like that of all other commodities, is dependent on the factors of supply and demand. Obviously, then, where there are no *external* influences at work the influence of labour-saving machinery and increased productive efficiency generally can only be to impoverish the working-classes; to force down wages to a bare subsistence level. That there has been an actual rise of wages in Great Britain during the nineteenth century is not because of labour-saving machinery, but in spite of it; it has been caused by an influence which not only Marx, but every other Economist after him, has failed to realize—the opening up of great foreign markets to Britain consequent upon our naval and military triumphs during the Napoleonic wars; not even labour-saving machinery could force down wages when a population of ten millions had the teeming millions of India and China, our great Colonial Empire, and the Continent of Europe alike thrown open to its manufacturers; this factor and the opening up of “new” lands, such as the United States, our Colonies, and South America, could not fail to lead to a high general level of prosperity among the British working-classes. Unfortunately, however, this influence can only be a temporary one, the world’s surface is limited; those countries which were formerly amongst our richest markets are developing their own resources, whilst that the number of countries open to our manufactures is waxing fewer and fewer. Under such circumstances it is inevitable that with a fierce strenuous competition and an absence of new markets the true influence of labour-saving machinery will make itself felt and a general fall bring down wages to a bare subsistence level. I hope to deal with this subject more thoroughly in a later work.

efficiency of output must be dismissed as absurd, because such a scheme would not benefit the Capitalists, whilst as applied to the working-classes it would defeat its own ends. The increased competition and fall in prices resulting from the increased output would cut down the capitalist's profits, and inevitably entail a fall in wages which would intensify the "Struggle for Bread" among the working-classes, and bring in its train a whole series of strikes, lock-outs, and all the customary accompaniments of industrial turmoil. One feels that he must be but a shallow thinker and arm-chair critic who seriously suggests such a scheme.

In the situation as thus portrayed we have in fact the key to the economic situation of to-day. The invention of labour-saving machinery led as we know to a tremendous increase in Industrial Efficiency, which again led to an enormous increase in output of manufactured goods. It so happened, however, that this increased output coincided with the acquisition by Great Britain of vast foreign markets in India, our colonies, and on the Continent of Europe. Despite, therefore, the enormous fall in the *real* values of manufactured articles, wages and prices ruled high in Great Britain for the simple reason that during the early years of the last century we had

practically a monopoly in the production of manufactured goods, and down to the mid-Victorian period this monopoly was not seriously contested. The last quarter of the nineteenth century, however, has witnessed the growth of formidable trade-rivals. Germany, France, United States are serious competitors alike in our home-market, and for our overseas trade, whilst Holland, Belgium, Sweden, Austria-Hungary, and numerous other states formerly customers for our wares, have developed manufacturing industries of their own which compete with ours. Result a general fall in prices and consequently in wages. And the decline in the purchasing-power of wages, for the reasons we have seen *must* proceed more rapidly than the fall in prices. It is then that very increase of Industrial Efficiency which, according to the "New Age," Capitalists are seeking to still further develop, which is primarily responsible for the present industrial turmoil. How then can any development of efficiency of output have any other effect, but of sharpening competition and cutting down prices and wages? And it is the fact that such a development of efficiency is actually in progress which constitutes one of the most hopeless features of the present Industrial problem. Every day fresh labour-saving appliances are patented,

whilst before our eyes the process of the rise of great Trusts can be discerned in every branch of industry : all this means a steady depreciation in prices and consequently in the value of Labour. The tendency of the Trust is not to force prices up but to cut prices *down*, for it is by cut-prices that the Trust beats its rivals from the markets ; the rise of great stores such as "Lipton's" or the "Home and Colonial," for instance, has cut down the profits of the small grocer to a vanishing point. Any one who doubts the truth of this assertion has only to make a few personal inquiries among the small tradesmen of his district, to have the point made clear with a good deal of unnecessary force. The true reason why the Trust displaces the small tradesman is simply and solely because it is a more efficient instrument of production ; it follows, then, in natural process of evolution that the small Capitalist in every branch of industry must be crushed out of existence by his more vigorous rivals ; and, again, with the concentration of all means of the production and distribution of wealth into a comparatively few great industrial organizations, the number of operatives employed by these organizations must tend to steadily decrease proportionately to the increased efficiency attained. For instance, repeating a former analogy : an American

"store" does under a single roof the same trade as a whole street of London shops with obviously an immense saving in *personnel* and wage-bill. Now applying the same process to *all* branches of industry it follows that with the growth of giant organizations there must necessarily follow a steady decrease in the number of operatives employed, and in the wage-bill which again means a steady increase in the number of unemployed. There may be temporary fluctuations such as the present year, but that the process is actually at work, and must intensify is undeniable; unemployment is purely a product of the present epoch: of the development of industrial efficiency and of competition, and the present "boom" year will inevitably be followed by a "slump" and "short" times.

It follows then that with the growth of great organizations fighting desperately for trade, and with the continual development of labour-saving machinery, the productive-efficiency of the Capitalistic system must continue to develop in greater ratio than the increase in population, and that in consequence prices and wages must continue to fall, whilst that the same growth of giant industrial organizations must result in an ever-increasing volume of unemployed; it is when we consider these forces actually at work that we

realize the hopeless futility of most of what has been written about industrial unrest. Mr. H. G. Wells, for instance, sees the root of our labour-maladies in our Public School system! One really feels that the philosopher who writes with such lofty contempt of our "lawyer-politicians" should rise superior to the inanities of the *Daily Mail* articles. I am no admirer of the Public School system, but to attribute caste-feeling to these institutions is merely absurd. It is caste-feeling which produces Public Schools, not Public Schools which produce caste-feeling, and as it is our economic system which produces caste, you must first uproot our whole system of society before you can uproot this feeling. Mr. Norman's Angell's articles are disappointing, one feels that the clear forceful reasoner of "The Great Illusion" should be superior to vague commonplace. Again "Truth" suggested as a golden solution of the Coal Strike difficulty, that the coal should be converted into electric power at the pit-head and conveyed to the centres of industry by long cables. Only wicked "vested interests," we were assured, stayed this happy suggestion from being translated into practice. One would imagine that it is natural enough for a man to oppose a proposal which if carried out would ruin him, be it remarked *en passant*; but, of course,

Radical philanthropists are superior to mere mundane considerations. The suggestion itself, however, considered as a cure for industrial unrest is a curious specimen of short-sighted reasoning. If such a proposal were actually carried out how long would it be before United States, Germany, France, etc., copied our example? And how could this have any other result, but an all-round increase in productive efficiency with its inevitable accompaniment, a fall in prices and wages, increase in unemployed, and a general sharpening of trade-rivalry? It never seems to be realized by our Radical theorists that we live under a system of savage merciless competition, which seizes every development of productive efficiency as a means to undersell trade-rivals, and beat them from the markets.

The Labour situation, then, bad at present, must inevitably become worse, and Tariff Reform can only slightly benefit our industrial position. As is generally known, our population has increased far beyond supporting power of the soil, and consequently the bulk of our people subsist upon the profits of our overseas trade. If, then, as is the case, we meet increased competition in our overseas trade, upon which is dependent our national life, how is any system of Tariff Reform going to alter the tendency of prices and wages to

fall? As concerns that relatively small proportion of our populace which subsists by selling in our home-market, Tariff Reform would be of undoubted benefit, but as it is upon our export trade that our national existence depends, and as no system of protective tariffs at home can materially affect our overseas markets, it follows that Tariff Reform is a policy of but secondary importance.

It remains for us now to consider Socialism. In the body of this work I have already expressed my opinion that Socialism cannot be gained by peaceful means; such a tremendous amount of sheer nonsense, however, is written upon this subject by Socialists that it may be well to make the position clear.

Socialism, meaning the acquisition by the State of all means of the supply and distribution of wealth, can be gained by either of two means: the peaceful purchase of the property in the possession of Capitalists or its forcible seizure. Taking the first alternative, at a moderate computation the capitalized value of the land, mines, railways, industrial organizations, and shipping of Great Britain is well over £5,000,000,000 sterling. How on earth is any government going to get hold of so vast a sum? To borrow it would be obviously impossible; the only conceivable

method of purchase would be to issue government scrip to the value of the property acquired ; and will anyone who knows anything about the credit-system suggest that the credit of any government could survive the issue of scrip to the value of £5,000,000,000 ? Obviously such scrip would be mere waste-paper, and the Capitalist who accepted it in payment for his factory or ships, or whatever it was he possessed, would require to be almost as ignorant of Political Economy as the people who suggest such a measure.

But it may be said, Why not acquire the property gradually by a series of payments out of revenue ? Unfortunately, such a suggestion ignores the fact that governments live for the present not the future, and after paying the expenses of the current year no government has ever a sufficient surplus, on the present basis of taxation, to enable it to make any progress towards the Nationalization of Industry. How far, for instance, would Mr. Lloyd George's surplus of £6,500,000 go towards the Nationalization of the Railways, capital value £1,300,000,000 ? Not even by doubling or tripling taxation would any appreciable progress be made. Moreover, such a policy would be much on a par with Penelope's unravelling by night the work she had

spun during the day; obviously, as fast as one set of Capitalists were bought out they would turn the purchase-price received into other fields of speculation, and thus a fresh series of capitalistic enterprises would rise as fast as one had been acquired by the State.

The idea, then, that a state of Socialism can be achieved by peaceful means can only be dismissed as childish.

We have now considered the various remedies suggested for industrial unrest, and their futility is readily apparent to the careful observer: the plain fact is that there is no Royal Road to industrial peace and that the search for the panacea which is to suddenly cure all the ills of our body-politic is as futile as the search for the Elixir of Life or the Universal Solvent. The history of mankind is a history of slow, painful climbing up the path of progress, with many a stumble and throw-back, and with blood marking every step of the way. The Spirit of Life is conceived in Death and born amid the strife of forces: the decay and death of living organisms rejuvenates the soil, and higher forms of life are born amid the action and reaction of chemical agents. So it is with man, human blood and human tears, the strife of savage passions, brutal lusts, and economic forces are required for the



development of the higher forms of the human race. The underlying truth of the present situation is that we are now at the close of an epoch, and that a tremendous world-shaking strife of forces is about to evolve newer and higher forms of the human race. There must inevitably ensue a life and death struggle between Capital and Labour, a struggle waged not by ballot-boxes and argument, but by bullets and physical force. Labour will "strike" against low wages, the employers will use "blacklegs," and from this will come civil war. Physical force and desperate street fighting will decide the issue, and either Labour will be smashed or else our whole system of Society will go crashing down in bloody ruin, to be rebuilt anew by such handful of Socialists as survive the disaster. One thing is certain: the Gordian knot of excessive competition can only be cut by the sword; only by smashing our trade-rivals abroad is it possible for us to have industrial peace at home, and the same applies to our most formidable trade-rivals. Excessive competition between Great Britain, Germany, France, and United States means cut-prices; cut-prices mean low wages, low wages mean internal revolt. The issue, then, is clear; for every great state in the world it is ultimately a question of war abroad or war at home, and the feeling of most men, be

they English, German, French, or American, will be that it is better to fight against a foreign foe than to fight against one's own countrymen. The idea, then, that under a Capitalistic system of production war can be eliminated by any other means than the triumph of the most militarily (which means most nationally) efficient nation, must be dismissed as a "gross and dangerous illusion."

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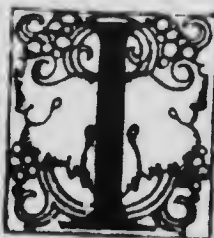
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FINIS



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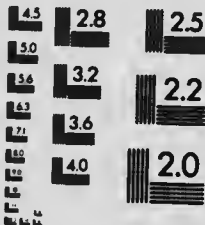
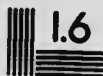
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