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The German Panic

BY

J. A. HOBSON

With an Introduction by
The Right Hon. the EARL LOREBURN



PUBLISHED BY THE COBDEN CLUB, BROADWAY COURT,
WESTMINSTER, S.W., AND

PRINTED BY CASSELL AND COMPANY, LTD
LA BELLE SAUVAGE, LUDGATE HILL, LONDON, E.C.

1913

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INTRODUCTION

THE Cobden Club desire me to write a preface to this interesting essay of Mr. Hobson. Some part of it seems to call in question the recent policy of the British Government, which indeed will be finally judged only when, in time to come, the facts are all known and motives both at home and abroad are fully disclosed. In any case, comment or criticism on this part of the subject would be obviously improper from one who has been a member of the Cabinet. I wish very heartily to acknowledge the fidelity with which Mr. Hobson has handled some of the permanent difficulties which must always beset any Administration in this country under the conditions of to-day. The zeal of the Naval and Military Services in all countries, whose duty it is to see that nations are not caught unprepared, the pressure of inventors and contractors for the engines and materials of war, of the Press which they control, and of the Press which neither they nor anyone else can control, are constant influences in producing international unrest.

But of themselves they do not account for the uneasy feeling which has existed for some time about our position with Germany.

To the average Englishman it is a puzzle. He knows little about Germany. He likes their Emperor, and has no ill-will against Germans. The last thing he wants is

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a quarrel with them. He does not understand why they think the British fleet is a menace to them, seeing that it has never done them any injury for generations when they had no fleet at all. But he is alarmed at the growth of the German Navy, coupled with the enormous military strength of that country. And many recall with some misgivings language used in high quarters at the time of the Jameson Raid, and the practical refusal in 1907 at the Hague of Sir H. Campbell-Bannerman's overtures for naval disarmament, together with other incidents, such as the dispatch of a warship to Agadir, of which the full history has still to be written.

This is no doubt a very short view, and very incomplete. We shall never take a sounder one till we realise what our kinsmen on the other side of the North Sea really feel and think. They have a history, not like ours, of long security in our own island, of vast expansion, of world-wide empire, of undisturbed development in the arts of peace, but a record of repeated conquest and devastation in their own fatherland, accompanied by scenes of misery and famine and humiliation such as few civilised countries have experienced. In those awful times they regarded France and Russia as the principal authors of their sufferings.

I do not say that the German Sovereigns of those times were blameless. Like other rulers, they have not refrained from conquest. But there have been no such scenes ever enacted by them in other countries, and the German people themselves have not been aggressive. What their forefathers went through has never been forgotten, and when they consolidated their Empire in 1871, though they found the path of colonisation largely closed to them by earlier occupation, yet they realised a comparative security against any repetition of the calamities they had endured

at home. It was a security only on condition of perpetual vigilance. France and Russia were still on their borders. Is it wonderful that the policy of Germany has been directed toward obtaining safety by alliances, by armaments, by understandings, and that they should be peculiarly sensitive in regard to anything which seems to threaten them with a coalition of unfriendly nations?

But, it will be said, why should these memories produce any ill-feeling among Germans against Great Britain? British power has never been used against them. We fought alongside of Prussia when she was in desperate straits under Frederic the Great. We fought for and with Germans in their deadly struggle against Napoleon. It is true the outcome of those wars was a great enlargement of the British Empire, as well as an immense national debt, by which we are burdened to this day, but we took nothing from Germany, and even down to the days of Bismarck Germans were averse to the acquisition of colonies for themselves. It is a sore point among educated Englishmen that there should be, as there has been for a couple of generations, a school in Germany who maintain that we take pleasure in seeing our neighbours engaged in war, and seek to make a profit out of it for ourselves. That is quite untrue historically, and is most untrue to-day. But that again is only a minor source of whatever ill-will there may be against us among Germans. The true source is that they believe there is some secret engagement or understanding between Great Britain and France, similar to the avowed alliance between France and Russia, which is supposed to involve our giving military and naval assistance in the event of a Franco-German war. Sir Edward Grey has categorically denied that there is anything of the kind, and the Prime Minister has repeated the assurance. The impolicy of any

act of aggression on our part against Germany is so glaring that the denial might well have been credited. The impolicy of any German aggression against us is so glaring that we might well believe their repeated repudiations of any such designs. Both suspicions are, I firmly believe, utterly without foundation, but the two taken together are mainly accountable for the feeling that has led to these inordinate naval armaments. No doubt there have been mischief makers here and elsewhere to inflame differences and misrepresent facts. They have tried to make things worse.

However keenly we may appreciate the difficulties of Germany, they ought not to blind any fair-minded man to those of France. It is no longer the Napoleonic nation against which our forefathers fought. The generation of Frenchmen now living have not been responsible for any interruption of peace in Europe. They, like the rest of us, suffer for the faults of their forefathers. And it has been a hard lot to live in fear of some renewed humiliation or of another great war such as overwhelmed them between forty and fifty years ago under the incompetent and unprincipled tyranny to which they were then subject. Since we came to an accommodation with France in 1904, and with Russia a few years later, much misunderstanding and not a few difficulties have been removed, owing to the simple fact that they have been approached with a desire for good relations upon both sides, instead of in a spirit of suppressed antagonism. The spirit is everything. Neither Germany nor any other nation can complain of our establishing good relations with other Powers except upon one of two grounds: either that they imply an unfriendly attitude to herself, or that we refuse to establish equally good relations with her should she desire it.

Now, I believe that in a little time, with patience and

good sense, it will become clear that neither of these two grounds has any existence. The steady influence of public opinion in this country will wear down the noisy and often interested clamour of those who seem almost to court a quarrel to-day, just as they courted other quarrels in past time. But at this moment Europe is making large additions to armaments already enormous. The French President, speaking in reference to the contingency of war, expressed confidence in the fidelity of alliances and friendships. And Germans think we are encouraging others against them.

Nothing is more to be desired than a clearing up of our own attitude. That any British Government would be so guilty toward our own country as to take up arms in a foreign quarrel is more than I can believe. To say so appears to me a duty, not less to ourselves than to Continental Powers. The present generation, both in France and in Germany, are heirs not only to the great patrimony of their ancestors, but also to unhappy memories. Most wars are soon forgotten and forgiven, but memories of their wars have not passed away. We had no part in the tragedy that led to them. We must have no part in any second tragedy to which they might possibly give rise. It would be a wrong to France if she were left to think otherwise, and the shallow policy of letting popular misapprehensions drift, which seems to be acceptable to some writers, ought to be condemned by every man. We have no right to allow expectations to be formed which public opinion will not permit to be realised.

Happily, we are on friendly terms with France, which can best be preserved by frankness. We are, I hope, also on friendly terms with Germany, which can best be maintained in the same way. A good deal of well-meant

ingenuity has been expended in devising forms of words to express our good will or to define our relations as if by treaty or exchange of notes, so as to banish these mutually mischievous suspicions. I do not believe confidence between nations is very much advanced by a verbal formula. It requires also a little time and experience. Quite lately we began, and are still continuing, a series of friendly negotiations in common with Germany with reference to the Balkan settlement. Let them go on and prosper. We have some points of difference about such things as the Bagdad Railway. It was by negotiations about particular subjects in difference that we began our good understanding with France and Russia. We can enter upon that path, which often leads a long way, with Germany also. When both nations have learned that they are dealing not with a tricky and selfish adversary, but with a straightforward and reasonable set of men who can see other points of view besides their own, and wish each other no harm, then a foundation of confidence is laid. And when, after a little time, we begin to find that Germany does not in fact act aggressively, and they begin to find that we also try not to make but to smooth difficulties, as I am sure would be the case on both sides if we once began, then the unnatural atmosphere of suspicion would be dissipated. Only do let public men in the meantime refrain from provocative speeches, and our friends in the Press realise their responsibility. Time will show that Germans have no aggressive designs against us, nor we against them; and then foolish people will cease to talk of a future war between us which will never take place.

LOREBURN.

THE GERMAN PANIC

FOR some time past a high tension of feeling, raised for short periods almost to the panic point, has prevailed in certain sections of our people regarding our relations with Germany. The existence of this feeling among the more excitable members of every class is easily intelligible. There is a persistent tendency of the patriotic sentiment to seek nourishment and self-expression in the real or feigned opposition of our country to some other country. This exclusive aspect of patriotism easily induces the acceptance of any strong suggestion that the interests of another nation are opposed to ours, that their disposition and policy are hostile to us, and that we ought to consider an attack by them upon some vital interest of our nation a probable and imminent event. History shows this to be a pretty constant state of mind in all nations endowed with "a proper sense of pride" and having "great possessions." The shelter of her insularity no doubt gave Great Britain for some centuries some immunity from the fiercest inroads of this military passion. Tolerably secure from fears of invasion and substantially self-supporting, she was enabled to direct a larger share of her thought, feeling and activity to those works of internal development which are the wholesome food of patriotism than was the case with Continental nations not so fortunately placed. The acquisition of a gigantic widely dispersed empire

and the increasing dependence of our nation upon foreign commerce have, however, in recent generations immersed us ever more deeply in the sea of international politics, with its difficult and shifting currents and its tempestuous alarms. Whatever views we may hold of the gains, material or moral, which accrue to us or to "the cause of civilisation" from the acquisition and maintenance of "Greater Britain," we must recognise in this imperial career a natural source of hostility of feelings between us and other nations whose interests or ambitions are limited or thwarted by our success. This assertion is not designed to beg the question whether our great empire, as indeed our great development of foreign trade and economic enterprise, may not be conferring great benefits upon those other nations through participation in the enlarged security, accessibility and wealth which our imperial mission has procured. What is alone germane to my present argument is to insist that, given the ideas and sentiments predominantly active in all nations, our modern position as a world power tends to feed us with constantly recurring fears of impending hostility on the part of nations conceived by themselves and by us as our political or economic rivals. To the irrationality of this sentiment of rivalry I shall revert later. At present I refer to it as an actual factor evoking in our "patriots" a fairly constant feeling of suspicion directed now towards this, now towards that, foreign nation conceived in the light of a hostile competitor likely to attack or injure us. Accepting, then, the general or widely prevalent belief in our people that our nation is in possession of large valuable "properties," in the shape of overseas territories and markets, of which other "competing" nations would naturally be impelled to dispossess us, if they thought they saw a good opportunity of doing so, we easily understand the continual

existence of a state of feeling favourable to a war panic when some particular direction and substance is injected into it.

Now the history of the nineteenth century furnishes plain instances of such particular directions. France, our "traditional foe," the outstripped rival in our race for empire, was commonly considered to be harbouring in the background of her mind secret designs for our overthrow. In his famous pamphlet, "The Three Panics," Cobden set out in illuminating detail the story of this recurrent madness in the middle of the century. Alike in personal agency and in modes of fictitious agitation, it furnishes an interesting analogy to our present panic. In the earliest of the three fits it was the veteran Duke of Wellington who, in 1847, roused the passion of the nation by his letter upon our "National Defences," setting forth the menace of a French invasion of our southern shore, and staking his authority upon the statement that "there is not a spot upon the coast on which infantry might not be thrown on shore at any time of tide, with any wind and in any weather." In vain all protests from naval men as to the absurdity of the prediction. "The greatest military authority," the more than Lord Roberts of that day, "had proclaimed the country in danger." Ministers then, as now, bowed to the storm. Lord John Russell proposed to raise the income tax from sevenpence to one shilling in order to provide the money for further increased expenditure on armaments.* Needless to say, France neither made nor contemplated any move: her expenditure on naval preparations, as Cobden shows, had been actually reduced in the year when the alarm was fabricated. But the panic spirit inhibits memory, and the proved vacuity of the invasion scare of 1847-48 did not prevent its renewal three

* Opposition in the House of Commons led to the dropping of the scheme.

years later after the *coup d'état* of Louis Napoleon. Fed by the military authorities and an inflammatory Press, in which the *Times* distinguished itself by violent denunciation of the French ruler, the flame of panic was kept ablaze through 1852 and 1853. Statesmen then, as now, easily yielded to the passion instead of bringing their superior knowledge and judgment to its control. Lord Palmerston openly proclaimed his belief that 50,000 or 60,000 men could be transported from Cherbourg to our shores in a single night. "Men of the highest political and social rank resigned themselves to the excitement. Two Cabinet Ministers who had gone to their constituents for re-election, on taking office in Lord Aberdeen's Government, were afterwards called on by their opponents in the House to explain the violent language uttered by them at the hustings in allusion to the ruler and people of France." It is significant that the classes who best kept their heads were the bankers and merchants of London, who not only convened a meeting of protest in the City, but took the unusual step of dispatching a deputation to assure the Emperor of the French of their pacific sentiments.

✓ Nothing happened except a large increase of our expenditure on the army and the navy. Nay, within two years a sudden shift in the current of hostile suspicions converted us into the enthusiastic ally of our "natural foe" in the wicked and wasteful war with Russia, the new Power which was henceforth to compete with and for a while to displace France as the object of our national animosity and fear. But suspicion of France was so inveterate a habit that the common enterprise against Russia had no power to stay its early recurrence, and within three years after the Treaty of Paris the third and fiercest of the panics began to spread. Here Sir Charles Napier, a veteran seaman, but with no claim to statesmanship,

took the part of leading professional fanatic. "On his return to the House of Commons," says Cobden, "after being superseded in the command of the Baltic fleet during the Crimean War, he became possessed by a morbid apprehension, amounting almost to a state of monomania, respecting the threatened attitude of France and our insufficient means of defence." The life of the professional fighting man, with its immense habitual activity, tends, perhaps naturally, to some intolerance of temper and an instability of judgment in old age or retirement. The phantom fleet at Cherbourg, French boats taking soundings along our shores, the early preparations for an invasion, were all revived with the requisite minutiae of fictitious "evidences." The Ministry were once more completely captured. As early as 1858 Sir John Pakington, First Lord of the Admiralty, began the tricky process of counting English and French ships, so as to show our dangerous inferiority. Though all the familiar dodges of omissions of subsidiary lines of ships, doctoring of dates, no allowances for superior size and speed, with corresponding mis-statements of French vessels, capacities and intentions, were exposed by political critics, the open espousal of the scare spirit by the Government carried all before it. For there was one personal factor in that panic, fortunately without exact parallel in the present case. Lord Palmerston apparently had never dropped his earlier suspicions of French perfidy, and now, as Prime Minister, he threw his full personal force into the panic. The language used by him in the House of Commons in 1860, indeed, bears so striking a resemblance to that recently employed by gentlemen, fortunately not so highly placed, as to deserve particular attention by students of the psychology of panics. "The French make no secret of their preparations; but when some well-intentioned gentle-

man asks them if they really mean to invade this country, if they really have any hostile intentions towards us, of course they say, 'Not the least in the world; their feeling is one of perfect sympathy and friendship with us, and that all their preparations are for their own self-advancement.' "

Again: "Really, sir, it is shutting one's eyes to notorious facts to go on contending that the policy of France—of which I certainly do not complain—has not for a great length of time been to get up a navy which shall be equal, if not superior, to our own." When such circumstantial statements were clinched by a practical policy of enhanced taxation and increased expenditure on armaments, how could the popular panic fail to spread? How conclusive is Cobden's commentary on the result, and how closely relevant to our case to-day! "And did not successive Governments make enormous additions to our Navy Estimates? *They were in a position to command exclusive information; and was it likely unless they had positive proofs of impending danger that they would have imposed such unnecessary expense on the country?* The last appeal was quite irresistible; for the good British public defers with a faith amounting to a superstition to the authority of official men." *

The language I here italicise is of crucial significance. Lord Palmerston and his Government were in a position to command exclusive information, and the supposition that they possessed it and were acting on it was the single reasonable factor in the panic. But they did not possess such information; they held no "positive proofs of impending danger"; they were the light-headed dupes, not so much of misinformation as of false hypotheses and groundless imputation of motives. So soon as true information of the actual facts had time to emerge and

* "Political Writings of Richard Cobden," vol. ii. p. 631.

circulate, so soon as the actual tenor of events belied plainly the fictitious preparations and intentions imputed to France, the panic evaporated. But the spirit of suspicion, fear and jealousy, though allayed, still continued to furnish the raw material of future scares. The Franco-German War, indeed, definitely broke the spell which assigned France as our proper and exclusive enemy. The supposed ambitions and plans of Russia began increasingly to absorb our attention. For a quarter of a century Russia was the enemy; each of her movements in the Balkans or in Afghanistan was part of a scheme of conquest in which India was the goal. The name and certain accessories of "Jingoism" date from the organised propaganda of the later seventies against Russia. The secret machinations of Russia, her growing military power, the avowal of her "destiny," her intrigues with frontier states, her cynical disregard of treaty obligations, were all convincing testimonies to her rooted hostility towards the British Empire. But while Russia continued formally to occupy the rôle of leading "villain" in our great patriotic drama until the late nineties, there were various premonitory signs of her displacement, first by France, and then by Germany. The active part taken by both these Powers in the great competitive partition of African "spheres of influence" in the middle eighties, and later in the premature allotment of areas in "dissolving" China, gave several anxious moments to our empire builders. The sudden swift emergence of "the Fashoda incident" in 1895, and the German assertion of territorial claims on Kiao-Chau in 1896, following close upon the famous "Krüger telegram," broke the monopoly of the Russian menace. Though the peril of the Venezuelan affair with the United States passed too quickly for full realisation in the popular mind, it also served to remind us that a

new nation had ranged herself among the "Great Powers," with political and commercial interests and ambitions no longer confined to her hemisphere, but pressing rapidly into the Pacific, where the rivalry of Western nations threatened to become most embittered.

✓ This brief recital of events is necessary in order that we may confront the question, How has it come about that within these last years Germany has more and more absorbed the rôle of England's "natural enemy"? Now, beginning with the assumption that traditional patriotism desiderates an opponent, it is not difficult to understand the process of selection which has assigned this rôle to Germany. The growing political and economic strength of Germany has been the most conspicuous and constant feature in European history since 1870. France, with her stationary population, her limited colonial aspirations, her comparatively slight competition with our manufactures and commerce; France, always visibly on the defensive against Germany, ceased to occupy the central place in our suspicions. The Russo-Turkish War showed Russia less powerful as an aggressive force than we expected; her discomfiture in the conflict with Japan, accompanied by many signs of internal weakness and incapacity, contributed to relieve the apprehension with which we had formerly regarded the early moves in her career as an Asiatic Power. Germany, on the other hand, since 1870, has achieved a political solidarity, a military strength, a development of population, internal industry and foreign commerce, which have enabled her to play a part of increasing importance in the world of politics and business. In two ways it is suggested that the enlarging career of Germany may, or must, bring her into hostile competition with our interests and aims. Germany, we are told, recognises her need of territorial expansion, first in Europe by

the absorption of Holland and Belgium, so as to command the mouths of the Rhine, Meuse and Scheldt, for the protection and furtherance of her commerce, and by the peaceable or forcible annexation of the German portions of Austria; secondly, by the acquisition of overseas countries for colonisation and for markets. Now this expansion of Germany, so runs the contention, must of necessity involve encroachments upon British territory and British commercial interests. Her Continental expansion would involve a European hegemony that would form a basis for acquisitions and compensations in Asia and Africa and a certain absorption of the Dutch colonies. Elsewhere, as in Asia Minor, she would be crossing our communications or pressing on our frontiers. A possibly successful war with France would place her in the position of an intolerably powerful neighbour. It is not surprising that those who fashion for themselves with so much confidence the process of German *Real Politik* should go farther and impute to her the more secret design of invading England, destroying our sea power and capturing our overseas possessions. What otherwise, they ask, can be the meaning of the great efforts at shipbuilding during recent years?

And so we are led on to a state of mind which we recognise as a close replica of the French panic of 1860. The veteran General, posing as political prophet, the inflammatory Press, the "services" infecting "society" with the virus of anti-Teutonism, the Foreign Office presumed to possess "positive proofs of impending danger," as in the days of Palmerston, a succession of First Lords of the Admiralty, eager to magnify their office and engaged in continual counting of ships and gesticulating across the seas! The same extravagant expenditure on armaments, the same failure to purchase security, each fresh Dreadnought a fresh feeder of panic.

The most curious feature of the psychology of such a panic consists in the fact that while its victims confidently claim a power to read the thoughts and intentions of "the enemy," detecting his most secret machinations, they betray a complete inability to understand how that "enemy" must read our thoughts and intentions. Were they not thus restricted in their understanding, they would recognise that the panic-monger in Germany could use his imagination to construct a far more specious case for British hostility and British warlike intentions against Germany than our panic-mongers have at their disposal. Let the British panic-monger project his credulous, inflamed imagination into a German personality. How would the policy of Britain then appear to him? He would then see Britain watching with suspicious eyes the growing power and economic strength of Germany, resenting as an impertinent encroachment upon "our" world markets that increase of her foreign trade which seems to him a necessary provision for her expanding population, thwarting every attempt to secure a share of the few places in "the sun" which remain as yet unclaimed, conspiring with her great hereditary enemies to hem her in, openly menacing the sea-power which has become an unavoidable expense to a nation which is becoming every year increasingly dependent upon oversea trade for supplies of foods and materials and for the disposal of her surplus manufactures. To the German panic-monger, conscious of the perfect innocence of German intentions, how wantonly and brutally aggressive must our recent policy appear. In the *entente* with France he was convinced that he detected a pledge of military support, and the agreement with Russia—so sharply criticised by many English Liberals—meant in his eyes a malicious determination to break the military and naval power of Germany when a

favourable opportunity for joint action should present itself. Our intervention in the Morocco settlement, in contravention of our free-trading interests, the menacing tone of some of our Ministerial speeches, the impatient, somewhat masterful attitude of our diplomacy, accompanied by constant comparisons of British and German naval strength, could only appear intelligible on the supposition that an early attack was contemplated in the event of Germany attempting to build faster than Great Britain thinks she ought to build. "But what a complete falsification of the actual motives and intentions of our policy!" exclaims our Teutophobe. It does not occur to him that he may be guilty of a tissue of misinterpretation corresponding closely to that which he detects so clearly in the German Anglophobe; nay, that there is a strong inherent likelihood that a two-sided "panic" may be fashioned out of no more substantial material than such mutual misreading of motives.

But, it may be objected, is it not a fantastic hypothesis to suppose that the responsible governors of two great educated civilised nations should so coincide in misrepresenting facts and in falsifying motives as to enter on a course of policy so costly and so perilous to the existence of the nations committed to their charge? Is it reasonable to regard the immense financial sacrifices Germany is now undergoing for her naval programme as motivated purely by defensive considerations and aiming merely at the possession of a fleet strong enough to protect her growing commerce against the possible aggression of our more numerous and powerful navy? Confident as we are that no idea of such aggressive action could ever enter the mind of any British statesman, it is doubtless difficult for us to conceive that Germans may believe genuinely in its possibility. And yet it ought not to be so difficult,

when it seems so easy for us to impute a precisely similar intention as a clear possibility of German policy. Here we are back once more in the paralysing grip of the psychological fallacy.

But, once more it will be urged upon us, are there no facts and avowals of hostile intention to justify the imputations of aggressive policy? We freely admit there are, but it is upon the dimensions and the character of these definitely Jingo ingredients in both nations that we rely for the essential accuracy of our diagnosis of the panic. Although the general bonds of common interest, commercial, financial, moral and intellectual, between the populations of every great civilised State are growing stronger and more numerous all the time, there exists within the body of each nation certain nuclei of thought, sentiment and economic interest in conflict with these harmonising tendencies. Some of these are the poisonous by-products of an imperfectly evolving modern industrialism, others are survivors of an obsolescent age of militarism and national isolation. The professions of arms, with the industries subsidiary to their purposes, naturally, though perhaps insensibly, incline to a policy of force. The military and naval services, with their close associations with the aristocratic and the moneyed classes of society, are influences unfavourable to disarmament, both in the influential circles of politics and diplomacy with which they have close personal relations, and by a certain power which sentimental traditions enable them to exercise upon the mind of the multitude. The services naturally crave activity and are restive under a career of futile preparation. But considerably more important, as a direct promoter of discordant feelings between nations, are those businesses engaged in supplying instruments of war to Governments.

In each of the "great nations" the amount and the proportion of the national expenditure upon armaments have been rapidly increasing within the last generation, and especially within the last decade. Great Britain stands first in the amount of this expenditure, followed closely by Germany and Russia. The recent growth of this expenditure has absorbed an increasing share of the aggregate income of our nation, and the proportion of our industrial population engaged in industries dependent upon this expenditure is continually growing. The annual expenditure of a sum considerably over seventy millions,* an increasing proportion of which passes through the hands of a few great shipbuilding and arms manufacturing firms in large and highly lucrative contracts, involves the recognition of a group of well organised business firms consciously dependent for profitable business upon the maintenance of strained relations in foreign affairs. Concentrated in a few centres of industry, large bodies of workmen find themselves dependent for employment and wages upon the continuation or frequent recurrence of "scares," which maintain their trades. These workmen, as political units, organise in not a few constituencies to bring pressure upon Parliament to maintain the industries which are their livelihood, and help to undermine the sounder principles of public economy among their comrades in the Trade Union movement and the Labour Party. This danger grows incessantly with the growing magnitude of the expenditure, the profits, and the number of workers employed in making armaments. Though from the business standpoint it is a matter of indifference whether our national apprehensions and suspicions are directed against Germany or some other Power, it is

* The cost of the Indian army must be added to the sums that figure in our British estimates.

evident that these business pressures will continually tend to maintain and aggravate whatever national animosity happens at the time to be keenest. The increasing millions of money which pass each year through the British and the German treasuries into the accounts of influential and closely organised contracting firms, whose able, well-informed directors can bring powerful influence to bear upon politicians and the press, cannot be considered a negligible factor in the maintenance of the strained situation between England and Germany. Nor can it be considered an unreasonable ground of comment that more than one high official of the Government departments have on retirement from the service passed over to the directorates of the great contracting firms.

But the play of these particular professional and commercial interests could not suffice to inflame the passions of two great peoples unless they were provided with widespread material in the shape of popular misconceptions regarding the political and economic relations between nations. Recorded history has always falsely over-emphasised the wars and oppositions between nations, ignoring or disparaging the growing contacts which commerce, travel and mutual aid in all the higher arts of civilisation have been establishing and strengthening for so many centuries. States and nations are still regarded as naturally opposed alike in their political and economic activities. A false philosophy of history, claiming support from misapplied biology, has imposed on a large semi-educated public the belief that a military and commercial struggle for existence and for predominance is a wholesome necessity in national life, that the limits of the area of human co-operation are set by the conception of the modern State or Empire, that a peaceful federation or

society of civilised nations is an impracticable ideal, and that in any case a nation like Germany, proudly conscious of her rising power, will not consent to forgo the realisation of her large dreams of empire and hegemony in order to take part in any such pacific union. The existence of this disbelief in the possibility or desirability of stable friendly relations between nations is a constant source of danger. It pervades and dominates the aristocratic and traditionally fighting classes in each nation, from which not only the military, but, a still more important consideration, the diplomatic services are recruited. The arts of national diplomacy are poisoned with this disbelief in the possibility of honest continuous friendship between States, and with the suspicions and apprehensions which an atmosphere of such disbelief engenders. The embassies of Europe appear to live in an atmosphere of interacting suspicion and prejudice which, in those very quarters from which Governments seek expert advice, impairs the faculty of reasonable judgment. The irrational anti-Teutonism, which has succeeded an equally irrational anti-Gallicism and anti-Russicism in our Continental embassies, has notoriously played a dangerous part in influencing our recent foreign policy. The prejudices, interests, the recklessness, or the sheer stupidity of men upon the spot falsely accredited with the possession of expert knowledge, have on many past occasions led this country into disastrous courses. They still carry dangerous weight in determining our foreign policy, as a careful perusal of the documents relating to the recent "Agadir" crisis will indicate.

In these various ways it has come to pass that, though nobody can point to any concrete ground of quarrel between Great Britain and Germany, a notion prevails that Germany has ambitions and plans which involve danger

to the British Empire and require us to maintain an attitude of watchful hostility towards her.

But the number of persons in any class who concern themselves with the distinctly political or imperial considerations of their own and other nations is comparatively few. The present German panic finds its chief popular support in a belief that the commercial interests of the two nations are antagonistic, and that the conspicuous advance made by German manufacturers and merchants in the markets of the world inflicts an injury upon our national trade. This notion has been sedulously fostered by the Protectionist party in this country. The revival of Protectionism was, indeed, closely coincident with the rise of Germany as a great manufacturing and exporting country. But the wider realisation of Germany as our commercial enemy dates from the time of the Boer War. It was in effect a sequela of the war. For the harsh criticisms to which our conduct in that war subjected us from Continental nations left in the breasts of "patriotic" Britons a bitter legacy of anti-foreign feeling, which Mr. Chamberlain found it easy to direct into economic channels when he floated his Protectionist proposals. As the Protectionist campaign proceeded, Germany came to figure more and more as our dreaded rival, the chief of "dumpers," plotting incessantly to "steal" our home markets or to "oust" us from the neutral markets of the world. In glowing colours were portrayed her scientific and technical efficiency, the industry, thrift, and prosperity of her manufacturing classes, the highly organised, up-to-date quality of her mills, the full employment of her industrial population. The superior efficiency of Germany under the new conditions of the world-struggle for markets was everywhere contrasted with the slackness and neglect of science among our employers, the idleness and lack of

discipline among our wage-earners. British supremacy in commerce was doomed to fall before the attack of this vigorous German rival, unless we were prepared to fight her with her own weapons, the chief of which was a protective tariff designed to exclude her goods from competition in the markets of the British Empire. This incessant parade of Germany as our commercial enemy, maliciously engaged in plots to undermine our industry and commerce, undoubtedly produced a state of feeling prepared to accept the hostile political and military suggestions of the last few years. The panics of the last two years would have been impossible except for the anti-German sentiment fostered by the long Protectionist campaign. It is, therefore, of supreme importance to designate quite clearly the nature of the delusion by which a hostile significance has been imparted to the innocent proceedings of international commerce in which Englishmen and Germans have engaged. The delusion has two main roots. The first is that foolish confusion of political and economic entities which treats nations as commercial units. The stress laid by both parties to the fiscal controversy upon tables of import and export trade, in which nations are represented as if they were trading firms buying from and selling to one another, has lent support to this most injurious fallacy. This setting has served first to give false severance and false prominence to a section—and that the smaller section of most trades in each country, viz. the export trade; and, secondly, to suggest that Great Britain, France, Germany, America, etc., are competing trading firms. Now this is a complete perversion of the facts. Great Britain is not competing with Germany for the sale of machinery in Canada, or with the United States for the sale of cotton goods in China. Some private English firms are competing with some

private German or American firms in these lines of commerce. But a far closer, more constant, and more "cut-throat" rivalry is maintained between the several English firms competing with one another for this business than between the English and the German or American firms. For, normally, the competition must be keener between firms well acquainted with each other and doing their work under closely similar conditions by closely similar methods. The treatment, therefore, of England and Germany, or any other nations, as hostile trade competitors is a complete falsification of the facts. If complete Free Trade existed throughout the world the fallacy would be too evident to deceive anyone. It only receives a semblance of support from the interference which Governments make with the full freedom of commercial relations between their citizens and those of other countries by imposing tariffs or conferring bounties, or by other restrictions of a similar kind. But injurious as such Governmental restrictions are, they cannot reasonably afford the least support to the view which represents the participation of German and British subjects in world commerce as a relation of international hostility. Such interferences are, after all, minor barriers and detractions in the great process of co-operation which underlies all processes of commerce, whether conducted within a single political area or across the border of two political areas.

But associated with this first fallacy is the even deeper rooted one which assumes that the progress of German manufacturers and traders in industrial and commercial development has been, is, and will be, detrimental to the interests of British manufacturers and traders. The basis of this delusion is, of course, the conviction that there is not enough world market for all the sellers of all nations

to sell their wares, and that, therefore, a wise Government will reserve the home market for its own traders, while its foreign policy will be directed to securing for them as large a share as possible of colonial and foreign markets. Now, since all commerce consists essentially in the exchange of one sort of goods for another, the notion that the number of sellers and the quantity of supply can in general exceed the number of buyers and the quantity of demand implies a misunderstanding of the elementary logic of commerce. The delusion receives, no doubt, a fictitious support from the miscalculations of certain groups of traders, and from the rush of excessive quantities of capital and labour into certain employments, which thus turn out a rate of output larger than can secure a profitable market. But the belief that the aggregate trade of this or any other country can be enhanced or made more profitable, either by a protective governmental policy or by the expensive and hazardous employment of public force in securing exclusive or preferential markets in foreign countries, has no foundations in reason or experience.

Because some of the statesmen and commercial classes in other nations, less experienced than ourselves in the delicate and complex conditions of foreign trade, have succumbed to this delusion, and have thereby inured their minds to regard foreign commerce as a rivalry of nations instead of an international co-operation of individual producers and consumers, it is not wise or necessary that we, having adopted and practised a more enlightened policy, should allow ourselves to be sucked into so injurious a vortex of fallacious thought and feeling. Until we can substitute for the false conception of England and Germany as rival merchants the true conception of Englishmen and Germans as common participators in

every improvement of technique, every development of a new territory, every opening up of a new market in which any one of them may be engaged, we shall not secure that sense of amity and fellowship which is the proper spiritual counterpart of international commerce. So long as we remain shortsighted enough to resent the proposals of Germany to develop territory in Asia Minor, or to get her share of the business of road-making in China, as detrimental to the economic interests of our countrymen, we shall be called upon to undergo from time to time the expense, the anxiety of mind and the moral degradation of these anti-German scares, worked up to an inflammatory point by the activities, interests and fears of particular professional, political and commercial groups within the nation, which stand in perpetual conflict with the welfare and the safety of the nation as a whole.

In conclusion, I would say that the use of the term "panic" here in its application to the feelings of our people towards Germany is liable to misapprehension. There has been no popular panic. The irrational excitement of feeling that deserves that name has always been confined to certain grades of temper and intelligence in the various classes of which our nation is composed. Even among those who profess to believe that Germany has definite intentions of breaking the European peace as soon as she feels strong enough, and that a British-German war is inevitable, there is a large factor of make-believe. The idea is entertained more as a stimulating possibility useful for "waking up" England, or even for the agreeable sensational reading it affords, than as a clear conviction which must dominate the mind and mould the entire activities of the nation thus devoted to the supreme task of self-defence. Those sincerely panic-stricken are few in number, though those who talk of the early likeli-

hood of such a débâcle are numerous enough. In the general mind infected more weakly with the poison of this anti-Teutonism a good deal of quiet scepticism remains. The incitements even of the foremost party politicians, the stimulative Jingoism of the press, the "territorial" activities, the propaganda of the various service leagues, are not taken in dead earnest. There is, no doubt, among certain classes in this country an unfriendly feeling towards Germany conceived as a political, and still more as a commercial, nation, but in no section of our commercial and industrial classes does there lurk as yet any definite hostility of purpose or any clear belief in the "inevitability" of conflict. Indeed, among our intelligent business classes, never more prosperous than at the present time, a growing feeling of impatience is exhibited with the political manufacturers of ill-will who disturb the confidence which is so good for trade. The organised portion of the working classes, again, sees in the German scare nothing but a familiar move in the high game of politics, by which the employing and possessing classes endeavour to divert the force of popular demands for drastic social reforms by thrusting to the front of the political stage one of the sensational issues of foreign policy kept for that purpose.

But, though the panic is thus confined in area and is set in an atmosphere of half-belief or actual scepticism, history shows it to contain real elements of peril. For the hostility of feeling prevalent in certain confined influential circles may be raised at any time to the true panic point by some chance incident, and this inflammatory state of mind may kindle a wider sentiment of popular excitement, which, once kindled, spreads almost automatically over the lighter-minded masses. Much, however, could be done to prevent these panics if those

exposed to their inroads could be instructed in their origins and methods, and if they could learn enough of history to understand upon what slender evidences political and military authorities have in the past based the fears and suspicions which have formed the material of panics.

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