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The Great Illusion:

A Study of the Relation of Military Power to National Advantage

PREFACE TO THE FOURTH AMERICAN EDITION

If this, the fourth American edition, is bulkier than its predecessors, it is chiefly because the events of the last two years throw an interesting light upon the bearing of the book's main thesis on actual world problems. I have, therefore, added an appendix dealing with certain criticisms based upon the nature of the first Balkan War, in the course of which I attempt to show just how the principles elaborated here have been working out in European politics.

That American interest in the problems here discussed is hardly less vital than that of Europe I am even more persuaded than when the first American edition of this book was issued in 1910. It is certain that opinion in America will not be equipped for dealing with her own problems arising out of her relations with the Spanish American states, with Japan, with the Philippines, unless it has some fair understanding of the principles with which this book deals. Its general interest even goes farther than this: no great community like that of modern America can remain indifferent to the drift of general opinion throughout the world on matters wrapped up with issues so important as those of war and peace.

That the tangible commercial and business interests[Pg iv] of America are involved in these European events is obvious from the very factors of financial and commercial interdependence which form the basis of the argument.

That the interests of Americans are inextricably, if indirectly, bound up with those of Europe, has become increasingly clear as can be proved by the barest investigation of the trend of political thought in this country.

The thesis on its economic side is discussed in terms of the gravest problem which now faces European statesmanship, but these terms are also the living symbols of a principle of universal application, as true with reference to American conditions as to European. If I have not "localized" the discussion by using illustrations drawn from purely American cases, it is because these problems have not at present, in the United States, reached the acute stage that they have in Europe, and illustrations drawn from the conditions of an actual and pressing problem give to any discussion a reality which to some extent it might lose if discussed on the basis of more supposititious cases.

It so happens, however, that in the more abstract section of the discussion embraced in the second part, which I have termed the "Human Nature of the Case," I have gone

mainly to American authors for the statement of cases based on those illusions with which the book deals.

For this edition I have thought it worth while thoroughly to revise the whole of the book and to [Pg v] re-write the chapter on the payment of the French Indemnity, in order to clear up a misunderstanding to which in its first form it gave rise. Part III has also been re-written, in order to meet the changed form of criticism which has resulted from the discussion of this subject during the last year or two.

It is with very great regret that I have seen this book grow in bulk; but as it constitutes the statement of a thesis still revolutionary, it has to cover the whole ground of the discussion, sometimes in great detail. I have, however, adopted an arrangement and method of presentation by which, I trust, the increase in bulk will not render it less clear. The general arrangement is as follows:

The Synopsis is a very brief indication of the scope of the whole argument, which is not that war is impossible, but that it is futile—useless, even when completely victorious, as a means of securing those moral or material ends which represent the needs of modern civilized peoples; and that on a general realization of this truth depends the solution of the problem of armaments and warfare.

The general economic argument is summarized in Chapter III., Part I.

The moral, psychological, and biological argument is summarized in Chapter II., Part II.

The practical outcome—what should be our policy with reference to defence, why progress depends upon the improvement of public opinion and the best general methods of securing that—is discussed in Part III. [Pg vi]

This method of treatment has involved some small repetition of fact and illustration, but the repetition is trifling in bulk—it does not amount in all to the value of more than three or four pages—and I have been more concerned to make the matter in hand clear to the reader than to observe all the literary canons. I may add that, apart from this, the process of condensation has been carried to its extreme limit for the character of data dealt with, and that those who desire to understand thoroughly the significance of the thesis with which the book deals—it is worth understanding—had really better read every line of it!

One personal word may perhaps be excused as explaining certain phraseology, which would seem to indicate that the author is of English nationality. He happens to be of English birth, but to have passed his youth and early manhood in the United States, having acquired American citizenship there. This I hope entitles him to use the collective "we" on both sides of the Atlantic. I may add that the last fifteen years have been passed mainly in Europe studying at first hand the problems here dealt with.

N.A.

LONDON, October, 1913.

[Pg vii]

PREFACE

The present volume is the outcome of a large pamphlet published in Europe at the end of last year entitled *Europe's Optical Illusion*. The interest that the pamphlet created and the character of the discussion provoked throughout Europe persuaded me that its subject-matter was worth fuller and more detailed treatment than then given it. Herewith the result of that conviction. The thesis on its economic side is discussed in the terms of the gravest problem which now faces European statesmanship, but these terms are also the living symbols of a principle of universal application, as true with reference to American conditions as to European. If I have not "localized" the discussion by using illustrations drawn from purely American cases, it is because these problems have not at present in the United States reached the acute stage that they have in Europe, and illustrations drawn from the conditions of an actual and pressing problem give to any discussion a reality which to some extent it might lose if discussed on the basis of more suppositious cases.

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N.A.

PARIS, August, 1910.

[Pg ix]

SYNOPSIS

What are the fundamental motives that explain the present rivalry of armaments in Europe, notably the Anglo-German? Each nation pleads the need for defence; but this

implies that someone is likely to attack, and has therefore a presumed interest in so doing. What are the motives which each State thus fears its neighbors may obey?

They are based on the universal assumption that a nation, in order to find outlets for expanding population and increasing industry, or simply to ensure the best conditions possible for its people, is necessarily pushed to territorial expansion and the exercise of political force against others (German naval competition is assumed to be the expression of the growing need of an expanding population for a larger place in the world, a need which will find a realization in the conquest of English Colonies or trade, unless these are defended); it is assumed, therefore, that a nation's relative prosperity is broadly determined by its political power; that nations being competing units, advantage, in the last resort, goes to the possessor of preponderant military force, the weaker going to the wall, as in the other forms of the struggle for life.

The author challenges this whole doctrine. He [Pg x] attempts to show that it belongs to a stage of development out of which we have passed; that the commerce and industry of a people no longer depend upon the expansion of its political frontiers; that a nation's political and economic frontiers do not now necessarily coincide; that military power is socially and economically futile, and can have no relation to the prosperity of the people exercising it; that it is impossible for one nation to seize by force the wealth or trade of another—to enrich itself by subjugating, or imposing its will by force on another; that, in short, war, even when victorious, can no longer achieve those aims for which peoples strive.

He establishes this apparent paradox, in so far as the economic problem is concerned, by showing that wealth in the economically civilized world is founded upon credit and commercial contract (these being the outgrowth of an economic interdependence due to the increasing division of labor and greatly developed communication). If credit and commercial contract are tampered with in an attempt at confiscation, the credit-dependent wealth is undermined, and its collapse involves that of the conqueror; so that if conquest is not to be self-injurious it must respect the enemy's property, in which case it becomes economically futile. Thus the wealth of conquered territory remains in the hands of the population of such territory. When Germany annexed Alsatia, no individual German secured a single mark's worth of Alsatian property as the spoils of war. Conquest in the modern world is a process of multiplying by [Pg xi] x , and then obtaining the original figure by dividing by x . For a modern nation to add to its territory no more adds to the wealth of the people of such nation than it would add to the wealth of Londoners if the City of London were to annex the county of Hertford.

The author also shows that international finance has become so interdependent and so interwoven with trade and industry that the intangibility of an enemy's property extends to his trade. It results that political and military power can in reality do nothing for trade; the individual merchants and manufacturers of small nations, exercising no such power,

compete successfully with those of the great. Swiss and Belgian merchants drive English from the British Colonial market; Norway has, relatively to population, a greater mercantile marine than Great Britain; the public credit (as a rough-and-ready indication, among others, of security and wealth) of small States possessing no political power often stands higher than that of the Great Powers of Europe, Belgian Three per Cents. standing at 96, and German at 82; Norwegian Three and a Half per Cents. at 102, and Russian Three and a Half per Cents. at 81.

The forces which have brought about the economic futility of military power have also rendered it futile as a means of enforcing a nation's moral ideals or imposing social institutions upon a conquered people. Germany could not turn Canada or Australia into German colonies—*i.e.*, stamp out[Pg xii] their language, law, literature, traditions, etc.—by "capturing" them. The necessary security in their material possessions enjoyed by the inhabitants of such conquered provinces, quick inter-communication by a cheap press, widely-read literature, enable even small communities to become articulate and effectively to defend their special social or moral possessions, even when military conquest has been complete. The fight for ideals can no longer take the form of fight between nations, because the lines of division on moral questions are within the nations themselves and intersect the political frontiers. There is no modern State which is completely Catholic or Protestant, or liberal or autocratic, or aristocratic or democratic, or socialist or individualist; the moral and spiritual struggles of the modern world go on between citizens of the same State in unconscious intellectual co-operation with corresponding groups in other States, not between the public powers of rival States.

This classification by strata involves necessarily a redirection of human pugnacity, based rather on the rivalry of classes and interests than on State divisions. War has no longer the justification that it makes for the survival of the fittest; it involves the survival of the less fit. The idea that the struggle between nations is a part of the evolutionary law of man's advance involves a profound misreading of the biological analogy.

The warlike nations do not inherit the earth; they represent the decaying human element. The diminishing[Pg xiii] rôle of physical force in all spheres of human activity carries with it profound psychological modifications.

These tendencies, mainly the outcome of purely modern conditions (*e.g.* rapidity of communication), have rendered the problems of modern international politics profoundly and essentially different from the ancient; yet our ideas are still dominated by the principles and axioms, images and terminology of the bygone days.

The author urges that these little-recognized facts may be utilized for the solution of the armament difficulty on at present untried lines—by such modification of opinion in Europe that much of the present motive to aggression will cease to be operative, and by thus diminishing the risk of attack, diminishing to the same extent the need for defence.

He shows how such a political reformation is within the scope of practical politics, and the methods which should be employed to bring it about.

CHAPTER III

THE GREAT ILLUSION

These views founded on a gross and dangerous misconception—What a German victory could and could not accomplish—What an English victory could and could not accomplish—The optical illusion of conquest—There can be no transfer of wealth—The prosperity of the little States in Europe—German Three per Cents. at 82 and Belgian at 96—Russian Three and a Half per Cents. at 81, Norwegian at 102—What this really means—If Germany annexed Holland, would any German benefit or any Hollander?—The "cash value" of Alsace-Lorraine.

I think it will be admitted that there is not much chance of misunderstanding the general idea embodied in the passage quoted at the end of the last chapter. Mr. Harrison is especially definite. At the risk of "damnable iteration" I would again recall the fact that he is merely expressing one of the universally accepted axioms of European politics, namely, that a nation's financial and industrial stability, its security in commercial activity—in short, its prosperity and well being depend, upon its being able to defend itself against the aggression of other nations, who will, if they are able, be tempted to commit such aggression because in so doing they will increase their power, prosperity and well-being, at the cost of the weaker and vanquished.

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

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

and to misdirect them to such degree that unless we liberate ourselves from this superstition civilization itself will be threatened.[Pg 30]

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

1. An extent of devastation, even approximating to that which Mr. Harrison foreshadows as the result of the conquest of Great Britain, could only be inflicted by an invader as a means of punishment costly to himself, or as the result of an unselfish and expensive desire to inflict misery for the mere joy of inflicting it. Since trade depends upon the existence of natural wealth and a population capable of working it, an invader cannot "utterly destroy it," except by destroying the population, which is not practicable. If he could destroy the population he would thereby destroy his own market, actual or potential, which would be commercially suicidal.^[6]

2. If an invasion of Great Britain by Germany did involve, as Mr. Harrison and those who think with him say it would, the "total collapse of the Empire, our trade, and the means of feeding forty [Pg 31]millions in these islands ... the disturbance of capital and destruction of credit," German capital would also be disturbed, because of the internationalization and delicate interdependence of our credit-built finance and industry, and German credit would also collapse, and the only means of restoring it would be for Germany to put an end to the chaos in England by putting an end to the condition which had produced it. Moreover, because of this delicate interdependence of our credit-built finance, the confiscation by an invader of private property, whether stocks, shares, ships, mines, or anything more valuable than jewellery or furniture—anything, in short, which is bound up with the economic life of the people—would so react upon the finance of the invader's country as to make the damage to the invader resulting from the confiscation exceed in value the property confiscated. So that Germany's success in conquest would be a demonstration of the complete economic futility of conquest.

3. For allied reasons, in our day the exaction of tribute from a conquered people has become an economic impossibility; the exaction of a large indemnity so costly directly and indirectly as to be an extremely disadvantageous financial operation.

4. It is a physical and economic impossibility to capture the external or carrying trade of another nation by military conquest. Large navies are impotent to create trade for the nations owning them, and can do nothing to "confine the commercial rivalry" of other nations. Nor can a conqueror destroy the competition of a conquered nation by[Pg

32] annexation; his competitors would still compete with him—*i.e.*, if Germany conquered Holland, German merchants would still have to meet the competition of Dutch merchants, and on keener terms than originally, because the Dutch merchants would then be within the German's customs lines; the notion that the trade competition of rivals can be disposed of by conquering those rivals being one of the illustrations of the curious optical illusion which lies behind the misconception dominating this subject.

5. The wealth, prosperity, and well-being of a nation depend in no way upon its political power; otherwise we should find the commercial prosperity and social well-being of the smaller nations, which exercise no political power, manifestly below that of the great nations which control Europe, whereas this is not the case. The populations of States like Switzerland, Holland, Belgium, Denmark, Sweden, are in every way as prosperous as the citizens of States like Germany, Russia, Austria, and France. The wealth *per capita* of the small nations is in many cases in excess of that of the great nations. Not only the question of the security of small States, which, it might be urged, is due to treaties of neutrality, is here involved, but the question of whether political power can be turned in a positive sense to economic advantage.

6. No other nation could gain any advantage by the conquest of the British Colonies, and Great Britain could not suffer material damage by their loss, however much such loss would be regretted on [Pg 33] sentimental grounds, and as rendering less easy a certain useful social co-operation between kindred peoples. The use, indeed, of the word "loss" is misleading. Great Britain does not "own" her Colonies. They are, in fact, independent nations in alliance with the Mother Country, to whom they are no source of tribute or economic profit (except as foreign nations are a source of 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 British 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, realizing the facts, would attempt the desperately expensive business of the conquest of England for the purpose of making an experiment [Pg 34] which all colonial history shows to be doomed to failure.

The foregoing propositions traverse sufficiently the ground covered in the series of those typical statements of policy, both English and German, from which I have quoted. The

simple statement of these propositions, based as they are upon the self-evident facts of present-day European politics, sufficiently exposes the nature of those political axioms which I have quoted. But as men even of the calibre of Mr. Harrison normally disregard these self-evident facts, it is necessary to elaborate them at somewhat greater length.

For the purpose of presenting a due parallel to the statement of policy embodied in the quotations made from the London *Times* and Mr. Harrison and others, I have divided the propositions which I desire to demonstrate into seven clauses, but such a division is quite arbitrary, and made only in order to bring about the parallel in question. The whole seven can be put into one, as follows: That as the only possible policy in our day for a conqueror to pursue is to leave the wealth of a territory in the complete possession of the individuals inhabiting that territory, it is a logical fallacy and an optical illusion to regard a nation as increasing its wealth when it increases its territory; because when a province or State is annexed, the population, who are the real and only owners of the wealth therein, are also annexed, and the conqueror gets nothing. The facts of modern history abundantly demonstrate this. When Germany[Pg 35] annexed Schleswig-Holstein and Alsatia not a single ordinary German citizen was one *pfennig* the richer. Although England "owns" Canada, the English merchant is driven out of the Canadian markets by the merchant of Switzerland, who does not "own" Canada. Even where territory is not formally annexed, the conqueror is unable to take the wealth of a conquered territory, owing to the delicate interdependence of the financial world (an outcome of our credit and banking systems), which makes the financial and industrial security of the victor dependent upon financial and industrial security in all considerable civilized centres; so that widespread confiscation or destruction of trade and commerce in a conquered territory would react disastrously upon the conqueror. The conqueror is thus reduced to economic impotence, which means that political and military power is economically futile—that is to say, can do nothing for the trade and well-being of the individuals exercising such power. Conversely, armies and navies cannot destroy the trade of rivals, nor can they capture it. The great nations of Europe do not destroy the trade of the small nations for their own 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, as a rough-and-ready though incomplete indication of the[Pg 36]relative wealth and security of the respective States, the Three per Cents. of powerless Belgium are quoted at 96, and the Three per Cents. of powerful Germany at 82; the Three and a Half per Cents. of the Russian Empire, with its hundred and twenty million souls and its four million army, are quoted at 81, while the Three and a Half per Cents. of Norway, which has not an army at all (or any that need be considered in this discussion), are quoted at 102. All of which carries with it the paradox that the more a nation's wealth is militarily protected the less secure does it become.^[2]

The late Lord Salisbury, speaking to a delegation of business men, made this notable observation: The conduct of men of affairs acting individually in their business capacity differs radically in its principles and application from the conduct of the same men when they act collectively in political affairs. And one of the most astonishing things in politics is the little trouble business men take to bring their political creed into keeping with their daily behavior;[Pg 37] how little, indeed, they realize the political implication of their daily work. It is a case, indeed, of the forest and the trees.

But for some such phenomenon we certainly should not see the contradiction between the daily practice of the business world and the prevailing political philosophy, which the security of property in, and the high prosperity of, the smaller States involves. We are told by all the political experts that great navies and great armies are necessary to protect our wealth against the aggression of powerful neighbors, whose cupidity and voracity can be controlled by force alone; that treaties avail nothing, and that in international politics might makes right, that military and commercial security are identical, that armaments are justified by the necessity of commercial security; that our navy is an "insurance," and that a country without military power with which their diplomats can "bargain" in the Council of Europe is at a hopeless disadvantage economically. Yet when the investor, studying the question in its purely financial and material aspect, has to decide between the great States, with all their imposing paraphernalia of colossal armies and fabulously costly navies, and the little States, possessing relatively no military power whatever, he plumps solidly, and with what is in the circumstances a tremendous difference, in favor of the small and helpless. For a difference of twenty points, which we find as between Norwegian and Russian, and fourteen as between Belgian and German securities, is the difference[Pg 38] between a safe and a speculative one—the difference between an American railroad bond in time of profound security and in time of widespread panic. And what is true of the Government funds is true, in an only slightly less degree, of the industrial securities in the national comparison just drawn.

Is it a sort of altruism or 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 neighbors) are 10 to 20 per cent. safer than those of 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 his knowledge as a financier, which, of course, he exercises without reference to the political implication of his decision, that modern wealth requires no defence, because it cannot be confiscated?

If Mr. Harrison is right; if, as he implies, a nation's commerce, its very industrial existence, would disappear if it allowed neighbors who envied it that commerce to

become its superiors in armaments, and to exercise political weight in the world, how does he explain the fact that the great Powers of the Continent are flanked by little nations far weaker than themselves having nearly always a commercial development equal to, and in most cases greater than[Pg 39]theirs? If the common doctrines be true, the financiers would not invest a dollar in the territories of the undefended nations, and yet, far from that being the case, they consider that a Swiss or a Dutch investment is more secure than a German one; that industrial undertakings in a country like Switzerland defended by an army of a few thousand men, are preferable in point of security to enterprises backed by two millions of the most perfectly trained soldiers in the world. The attitude of European finance in this matter is the absolute condemnation of the view commonly taken by the statesman. If a country's trade were really at the mercy of the first successful invader; if armies and navies were really necessary for the protection and promotion of trade, the small countries would be in a hopelessly inferior position, and could only exist on the sufferance of what we are told are unscrupulous aggressors. And yet Norway has relatively to population a greater carrying trade than Great Britain,^[8] and Dutch, Swiss, and Belgian merchants compete in all the markets of the world successfully with those of Germany and France.

The prosperity of the small States is thus a fact which proves a good deal more than that wealth can be secure without armaments. We have seen that the exponents of the orthodox statecraft—notably such authorities as Admiral Mahan—plead that armaments are a necessary part of the industrial[Pg 40] struggle, that they are used as a means of exacting economic advantage for a nation which would be impossible without them. "The logical sequence," we are told, is "markets, control, navy, bases." The nation without political and military power is, we are assured, at a hopeless disadvantage economically and industrially.^[9]

Well, the relative economic situation of the small States gives the lie to this profound philosophy. It is seen to be just learned nonsense when we realize that all the might of Russia or Germany cannot secure for the individual citizen better general economic conditions than those prevalent in the little States. The citizens of Switzerland, Belgium, or Holland, countries without "control," or navy, or bases, or "weight in the councils of Europe," or the "prestige of a great Power," are just as well off as Germans, and a great deal better off than Austrians or Russians.

Thus, even if it could be argued that the security of the small States is due to the various treaties guaranteeing their neutrality, it cannot be argued that those treaties give them the political power and "control" and "weight in the councils of the nations" which Admiral Mahan and the other exponents of the orthodox statecraft assure us are such necessary factors in national prosperity.

I want, with all possible emphasis, to indicate the limits of the argument that I am trying to enforce. That argument is not that the facts just cited show armaments or the absence

of them to be the sole or[Pg 41] even the determining factor in national wealth. It does show that the security of wealth is due to other things than armaments; that absence of political and military power is on the one hand no obstacle to, and on the other hand no guarantee of, prosperity; that the mere size of the administrative area has no relation to the wealth of those inhabiting it.

Those who argue that the security of the small States is due to the international treaties protecting their neutrality are precisely those who argue that treaty rights are things that can never give security! Thus one British military writer says:

The principle practically acted on by statesmen, though, of course, not openly admitted, is that frankly enunciated by Machiavelli: "A prudent ruler ought not to keep faith when by so doing it would be against his interests, and when the reasons which made him bind himself no longer exist." Prince Bismarck said practically the same thing, only not quite so nakedly. The European waste-paper basket is the place to which all treaties eventually find their way, and a thing which can any day be placed in a waste-paper basket is a poor thing on which to hang our national safety. Yet there are plenty of people in this country who quote treaties to us as if we could depend on their never being torn up. Very plausible and very dangerous people they are—idealists too good and innocent for a hard, cruel world, where force is the chief law. Yet there are some such innocent people in Parliament even at present. It is to be hoped that we shall see none of them there in future.^[10]

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Major Murray is right to this extent: the militarist view, the view of those who "believe in war," and defend it even on moral grounds as a thing without which men would be "sordid," supports this philosophy of force, which flourishes in the atmosphere which the militarist regimen engenders.

But the militarist view involves a serious dilemma. If the security of a nation's wealth can only be assured by force, and treaty rights are mere waste paper, how can we explain the evident security of the wealth of States possessing relatively no force? By the mutual jealousies of those guaranteeing their neutrality? Then that mutual jealousy could equally well guarantee the security of any one of the larger States against the rest. Another Englishman, Mr. Farrer, has put the case thus:

If that recent agreement between England, Germany, France, Denmark, and Holland can so effectively relieve Denmark and Holland from the fear of invasion that Denmark can seriously consider the actual abolition of her army and navy, it seems only one further step to go, for all the Powers collectively, great and small, to guarantee the territorial independence of each one of them severally.

In either case, the plea of the militarist stands condemned: national safety can be secured by means other than military force.

But the real truth involves a distinction which is essential to the right understanding of this phenomenon: the political security of the small States is [Pg 43] *not* assured; no man would take heavy odds on Holland being able to maintain complete political independence if Germany cared seriously to threaten it. But Holland's economic security *is* assured. Every financier in Europe knows that if Germany conquered Holland or Belgium to-morrow, she would have to leave their wealth untouched; there could be no confiscation. And that is why the stocks of the lesser States, not in reality threatened by confiscation, yet relieved in part at least of the charge of armaments, stand fifteen to twenty points higher than those of the military States. Belgium, politically, might disappear to-morrow; her wealth would remain practically unchanged.

Yet, by one of those curious contradictions we are frequently meeting in the development of ideas, while a fact like this is at least subconsciously recognized by those whom it concerns, the necessary corollary of it—the positive form of the merely negative truth that a community's wealth cannot be stolen—is not recognized. We admit that a people's wealth must remain unaffected by conquest, and yet we are quite prepared to urge that we can enrich ourselves by conquering them! But if we must leave their wealth alone, how can we take it?

I do not speak merely of "loot." It is evident, even on cursory examination, that no real advantage of any kind is achieved for the mass of one people by the conquest of another. Yet that end is set up in European politics as desirable beyond all others. Here, for instance, are the Pan-Germanists of Germany. [Pg 44] This party has set before itself the object of grouping into one great Power all the peoples of the Germanic race or language in Europe. Were this aim achieved, Germany would become the dominating Power of the Continent, and might become the dominating Power of the world. And according to the commonly accepted view, such an achievement would, from the point of view of Germany, be worth any sacrifice that Germans could make. It would be an object so great, so desirable, that German citizens should not hesitate for an instant to give everything, life itself, in its accomplishment. Very good. Let us assume that at the cost of great sacrifice, the greatest sacrifice which it is possible to imagine a modern civilized nation making, this has been accomplished, and that Belgium and Holland and Germany, Switzerland and Austria, have all become part of the great German hegemony: *is there one ordinary German citizen who would be able to say that his well-being had been increased by such a change?* Germany would then "own" Holland. *But would a single German citizen be the richer for the ownership?* The Hollander, from having been the citizen of a small and insignificant State, would become the citizen of a very great one. *Would the individual Hollander be any the richer or any the better?* We know that, as a matter of fact, neither the German nor the Hollander would be one whit the better; and we know also, as a matter of fact, that in all probability they

would be a great deal the worse. We may, indeed, say that the Hollander would be certainly the worse, in that he would have[Pg 45] exchanged the relatively light taxation and light military service of Holland for the much heavier taxation and the much longer military service of the "great" German Empire.

The following, which appeared in the London *Daily Mail* in reply to an article in that paper, throws some further light on the points elaborated in this chapter. The *Daily Mail* critic had placed Alsace-Lorraine as an asset in the German conquest worth \$330,000,000 "cash value," and added: "If Alsace-Lorraine had remained French, it would have yielded, at the present rate of French taxation, a revenue of \$40,000,000 a year to the State. That revenue is lost to France, and is placed at the disposal of Germany."

To which I replied:

Thus, if we take the interest of the "cash value" at the present price of money in Germany, Alsace-Lorraine should be worth to the Germans about \$15,000,000 a year. If we take the other figure, \$40,000,000. Suppose we split the difference, and take, say, 20. Now, if the Germans are enriched by 20 millions a year—if Alsace-Lorraine is really worth that income to the German people—how much should the English people draw from their "possessions"? On the basis of population, somewhere in the region of \$5,000,000,000; on the basis of area, still more—enough not only to pay all English taxes, wipe out the National Debt, support the army and navy, but give every family in the land a fat income into the bargain. There is evidently something wrong.

Does not my critic really see that this whole notion of national possessions benefiting the individual is founded[Pg 46] on mystification, upon an illusion? Germany conquered France and annexed Alsace-Lorraine. The "Germans" consequently "own" it, and enrich themselves with this newly acquired wealth. That is my critic's view, as it is the view of most European statesmen; and it is all false. Alsace-Lorraine is owned by its inhabitants, and nobody else; and Germany, with all her ruthlessness, has not been able to dispossess them, as is proved by the fact that the matricular contribution (*matrikularbeitrag*) of the newly acquired State to the Imperial treasury (which incidentally is neither 15 millions nor 40, but just over five) is fixed on exactly the same scale as that of the other States of the Empire. Prussia, the conqueror, pays *per capita* just as much as and no less than Alsace, the conquered, who, if she were not paying this \$5,600,000 to Germany, would be paying it—or, according to my critic, a much larger sum—to France; and if Germany did not "own" Alsace-Lorraine, she would be relieved of charges that amount not to five but many more millions. The change of "ownership" does not therefore of itself change the money position (which is what we are now discussing) of either owner or owned.

In examining, in the last article on this matter, my critic's balance-sheet, I remarked that were his figures as complete as they are absurdly incomplete and misleading, I should

still have been unimpressed. We all know that very marvellous results are possible with figures; but one can generally find some simple fact which puts them to the supreme test without undue mathematics. I do not know whether it has ever happened to my critic, as it has happened to me, while watching the gambling in the casino of a Continental watering resort, to have a financial genius present weird columns of figures, which demonstrate conclusively, irrefragably, that by the system[Pg 47] which they embody one can break the bank and win a million. I have never examined these figures, and never shall, for this reason: the genius in question is prepared to sell his wonderful secret for twenty francs. Now, in the face of that fact I am not interested in his figures. If they were worth examination they would not be for sale.

And so in this matter there are certain test facts which upset the adroitest statistical legerdemain. Though, really, the fallacy which regards an addition of territory as an addition of wealth to the "owning" nation is a very much simpler matter than the fallacies lying behind gambling systems, which are bound up with the laws of chance and the law of averages and much else that philosophers will quarrel about till the end of time. It requires an exceptional mathematical brain to refute those fallacies, whereas the one we are dealing with is due simply to the difficulty experienced by most of us in carrying in our heads two facts at the same time. It is so much easier to seize on one fact and forget the other. Thus we realize that when Germany has conquered Alsace-Lorraine she has "captured" a province worth, "cash value," in my critic's phrase, \$330,000,000. What we overlook is that Germany has also captured the people who own the property and who continue to own it. We have multiplied by x , it is true, but we have overlooked the fact that we have had to divide by x , and that the result is consequently, so far as the individual is concerned, exactly what it was before. My critic remembered the multiplication all right, but he forgot the division. Let us apply the test fact. If a great country benefits every time it annexes a province, and her people are the richer for the widened territory, the small nations ought to be immeasurably poorer than the great, instead[Pg 48] of which, by every test which you like to apply—public credit, amounts in savings banks, standard of living, social progress, general well-being—citizens of small States are, other things being equal, as well off as, or better off than, the citizens of great States. The citizens of countries like Holland, Belgium, Denmark, Sweden, Norway are, by every possible test, just as well off as the citizens of countries like Germany, Austria, or Russia. These are the facts which are so much more potent than any theory. If it is true that a country benefits by the acquisition of territory, and widened territory means general well-being, why do the facts so eternally deny it? There is something wrong with the theory.

In every civilized State, revenues which are drawn from a territory are expended on that territory, and there is no process known to modern government by which wealth may first be drawn from a territory into the treasury and then be redistributed with a profit to the individuals who have contributed it, or to others. It would be just as reasonable to

say that the citizens of London are richer than the citizens of Birmingham because London has a richer treasury; or that Londoners would become richer if the London County Council were to annex the county of Hertford; as to say that people's wealth varies according to the size of the administrative area which they inhabit. The whole thing is, as I have called it, an optical illusion, due to the hypnotism of an obsolete terminology. Just as poverty may be greater in the large city than in the small one, and taxation heavier, so the citizens of a great State may be poorer than the citizens of a small one, as they very often are. Modern government is mainly, and tends to become entirely, a matter of administration. A mere jugglery[Pg 49] with the administrative entities, the absorption of small States into large ones, or the breaking up of large States into small, is not of itself going to affect the matter one way or the other.