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Author: John Mavrogordato

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\*\*\* START OF THE PROJECT GUTENBERG EBOOK THE WORLD IN CHAINS: SOME ASPECTS OF WAR AND TRADE \*\*\*

# THE WORLD IN CHAINS

But should we stay to speak, noontide would come,  
And thwart Silenus find his goats undrawn,  
And grudge to sing those wise and lovely songs  
Of Fate, and Chance, and God, and Chaos old,  
And Love, and the Chained Titan's woeful doom,  
And how he shall be loosed, and make the earth  
One brotherhood....

**SOME ASPECTS OF WAR AND TRADE**

**BY**

**JOHN MAVROGORDATO M.A.**

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*First Published 1917*

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IN MEMORIAM AMICORUM  
*R. F. C. GELDERD SOMERVELL*  
*IVAR CAMPBELL: T. R. A. H.*  
*NOYES: J. W. BAILEY*  
QVI ANTE DIEM PERIERVNT

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## Note

*There may be some exaggeration in this book. I firmly believe that England and her Allies entered this War with the noblest intentions. If I have done less than justice to these, it is because my chief purpose in this essay has been to express my equally firm belief that all these fine emotions have been and are being exploited by the basest forms of Imperialism and Capitalism.*

J. M.

January 1st, 1917.

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# CHAPTER I

μῶρος δε θνητῶν οσσις εκπορθῶν πόλεις,  
ναοὺς τε τύμβους Θ', ιερά τῶν κεκμηκότων,  
ᾠλεθ' ὕστερον.

Euripides: Tro. 95.

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## §1

### The Massacre of Colleagues

The existence of war in the modern world is primarily a question for the moral philosopher. It may be of interest to the anthropologist to consider war as a gallant survival with an impressive ritual and a code of honour curiously detached from the social environment, like the Hindu suttee; or with a procedure euphemistically disguised, like some chthonic liturgy of ancient Athens. But it is a problem too broad for the anthropologist when we consider that we have reached a stage of civilisation which regards murder as the most detestable of crimes and deprives the murderer of all civil rights and often even of the natural right to live: while in the same community the organised massacre of our colleagues in civilisation is not only tolerated but assumed to be necessary by the principal expositors of law and religion, is the scientific occupation of the most honoured profession in the State, and constitutes the real sanction of all international intercourse.

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## §2

### The Widening Sphere of Morality

The existence of war stimulates the astonished watcher in the tower of ivory to examine the development, if any, of human morality; and to formulate some law of the process whereby political man has been differentiated from the savage.

Morality being a relation between two or more contracting parties, he will notice that the history of mankind is marked by a consistent tendency to extend this relation, to include in the system of relationships more numerous and more distant objects, so that the moral agent is surrounded by a continually widening sphere of obligations.

This system of relationship, which may be called the moral sphere, has grown up under a variety of influences, expediency, custom, religious emotion and political action; but the moral agents included in it at any given time are always bound to each other by a theoretical contract involving both rights and duties, and leading each to expect and to apply in all his dealings with the others a certain standard of conduct which is approximately fixed by the enlightened opinion of the majority for the benefit of the totality.

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The moral sphere then is a contractual unit of two or more persons who agree to moderate their individual conduct for their common good: and the State itself is only a stage in the growth of this moral unit from its emergence out of primitive savagery to its superannuation in ultimate anarchy, commonly called the Millennium. The State indeed is a moral sphere, a moral unit, which has long been outgrown by enlightened opinion; and the trouble is that we are now in a transition stage in which the boundaries of the State survive as a limitation instead of setting an ideal of moral conduct.<sup>[1]</sup>

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## §3

### The Receding God

I don't know that it is necessary to drag God into the argument. But if you like to regard God as the sanction and source of morality, or if you like to call the moral drift in human affairs God, it is possible to consider this "Sphere of Morality" from His point of view. His "point of view" is precisely what, in an instructive fable, we may present as the determining factor in morality. When He walked in the garden or lurked hardly distinguishable among the sticks and stones of the forest, morality was just an understanding between a man and his neighbour, a temporary agreement entered on by any two hunting savages whom He might happen to espy between the tree-trunks. When He dwelt among the peaks of Sinai or Olympus, the sphere of morality had extended to the whole tribe that occupied the subjacent valley. It came to include the nation, all the subjects of each sovereign state, by the time He had receded to some heavenly throne above the dark blue sky. And it is to be hoped that He may yet take a broader view, so that His survey

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will embrace the whole of mankind, if only we can banish Him to a remoter altitude in the frozen depths of space, whence He can contemplate human affairs without being near enough to interfere.

The moral of this little myth of the Receding God may be that the Sphere of Morality is extended in inverse proportion to the intensity of theological interference. Not that theology necessarily or always deliberately limits the domain of morality: but because the extension of moral relations and the relegation of anthropomorphic theology are co-ordinate steps in human advancement.

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## § 4

### **The Philosopher looks at Society**

The philosopher is apt to explain the growth and interrelation of ideas by tabulating them in an historical form, which may not be narrowly, chronologically, or "historically" true. The notion of the Social Contract may be philosophically true, though we are not to imagine the citizens of Rousseau's State coming together on a certain day to vote by show of hands, like the members of the Bognor Urban District Council. So we may illustrate a theory of moral or social evolution by a sort of historical pageant, which will not be journalistically exact, but will give a true picture of an ideal development, every scene of which can be paralleled by some actually known or inferred form of human life.

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## § 5

### **Homo Homini Lupus**

Our imagination, working subconsciously on a number of laboriously accumulated hints, a roomful of chipped or polished stones, the sifted debris of Swiss palafittes, a few pithecoïd jawbones, some painted rocks from Salamanca, produces a fairly definite picture of the earliest essentially human being on earth: and we recognise a man not unlike one of ourselves; with a similar industry interrupted from time to time by the arbitrary stirrings of a similar artistic impulse; so close to us indeed that some of his habits still survive among us. Some of us at least have made a recreation of his necessity, and still go hunting wild or hypothetically wild animals for food. But when this primeval hunter emerged from his lair in the forest or his valley-cave, he was prepared to attack at sight any man he happened to meet: and he thought himself a fine fellow if he succeeded in cracking the skull of a possible rival in love or venery. This was the age of preventive aggression with a vengeance. We still feel a certain satisfaction in a prompt and crushing blow, and in the simplicity of violence. But we no longer attack our neighbour in the street, as dogs fight over a bone or over nothing at all: though some of us reserve the right to snarl.

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## § 6

### **Tribe against Tribe**

But this fighter's paradise was too exciting to last long; and indeed it is hard to visualise steadily the feral solitary man who lived without any social organisation at all.<sup>[2]</sup> Consideration like an angel came and did not indeed drive the offending devil out of him but taught him to guide it into more profitable channels, by co-operating with his neighbour. When a man first made peace with the hunter in the next cave in order to go out with him against the bear at the head of the valley, or even to have his assistance in carrying off a couple of women from the family down by the lake, on that day the social and moral unit was constituted, the sphere of morality, destined, who knows how soon, to include the whole of mankind in one beneficent alliance, began with what Professor McDougal has called "the replacement of individual by collective pugnacity." The first clear stage in this progress is the tribe or clan, the smallest organised community, sometimes no larger than the self-contained village or camp, which can still be found in the wild parts of the earth. Tribe against tribe is the formula of this order of civilisation. Within the limits of the community man inhibits his natural impulses and settles his personal disputes according to the rules laid down by the headman or chief. But once outside the stockade he can kill and plunder at will, though owing to the similarly strong organisation of the next village he will usually reserve his predatory exploits for the official and collective raids of village against village and tribe against tribe.

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Of course the family is a step leading up to the tribal stage of morality, and it may be that the idea of incest marks the social stage in which the moral sphere was conterminous with the family, corresponding to the institution of exogamy in the moral system of the tribe.

It may be added that even in the modern family the feeling which unites the members often consists less, very much less, of affection than of a sort of obligation to hang together for mutual defence.

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## § 7

### **The City State**

The City State, self-contained, self-supporting, truly democratic, is marked by a similar pugnacity. Only full citizenship conferred full moral rights, and any ferocity could be justified in war against another city. Athens wore herself out in the long struggle with Sparta, and Greece was lured to destruction by the devil of Imperialism, whose stock argument is to suggest that a State can extend its rights without extending its obligations. But the limitation of the moral sphere by the boundaries of the city is less apparent in the Greek States, because in the historical period at least they were already in transition to a larger view, and enlightened opinion certainly believed in a moral system which should include all Greek States, to the exclusion of course of all "barbarians": but this larger view was even more definitely limited, and the demarcation of those within from those outside the moral sphere was never more sharply conceived, than in the difference commonly held to exist between Greeks and Barbarians. Yet even so Greece can maintain her pre-eminence in thought; for Plato and Euripides at least glimpsed the conception, by which we do not yet consent to be guided, of the moral equality of all mankind.<sup>[3]</sup>

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For all these reasons the City State as a limited moral sphere is better seen perhaps in Mediæval Italy, where, I imagine, a Florentine might kill a native of Pisa whenever he liked; whereas if he killed a fellow Florentine he risked at least the necessity of putting himself outside the moral sphere, of having that is to leave Florence and stay in Pisa till the incident was forgotten.<sup>[4]</sup>

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## § 8

### **The Nations of Europe *ferae naturae***

In the next and latest stage in the expansion of the moral system we find it again conterminous with the frontiers of the State. But it is now no longer the small city state of Ancient Greece and Mediæval Italy, but the large political unit, roughly and hypothetically national,<sup>[5]</sup> which constitutes the modern State, whether Kingdom, Republic, or Empire. I have called this the latest stage in the extension of the sphere of morality because it is the one which actually prevails and limits our national conduct. For the paradox of legal murder and massacre in the modern world is resolved as soon as we realise that war is a conflict between two or more isolated moral systems, each of which only regards violence as a crime to be suppressed within the limits of its own validity. International warfare in its crudest form is only a manifestation of the original wolfish state of man, the "state of nature" which exists between two moral agents who have no moral obligation to each other (but only to themselves). The fact that the primitive savage was an individual moral agent having no moral obligation to anyone but himself, while the modern fighting nation is a moral agent of who knows how many millions, does not alter the essential character of the conflict.

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## § 9

### **The Convenience of Diplomacy**

As a matter of fact this original wolfish attitude of nations is already obsolete, if it ever existed. The expansion and growth of political and moral relations is a gradual process, and the fact that for the sake of brevity and clearness we fix and describe certain arbitrary points in that process must not be taken to imply that it is discontinuous. Anyhow there is no doubt that the specifically wolfish attitude of one nation to another can hardly be found in its pure state, being already tempered and mitigated by the practice and custom of diplomacy: and this diplomatic mitigation, however superficial, does something to break down that windowless isolation which is the essential cause of violence between two independent moral entities. Pacificists of the democratic school sometimes present a fallacious view of international diplomacy, and almost imply that the present war was made inevitable by the fact that Viscount Grey was educated at Harrow, or that peace could have been preserved with Germany if only Sir Edward Goschen had begun life as a coal heaver, or had at least been elected by the National Union of Boilermakers. Their panacea they vaguely call the democratic control of Foreign Affairs, though it is not clear why we should expect twenty million still ignorant voters to be more enlightened than one educated representative who is, as a matter of fact, usually so much oppressed by a due sense of his responsibility that he is in danger of bungling only from excessive timidity. The experience of the

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Law Courts shows that twelve men, be they never so good and true, cannot *at present* be trusted to weigh and discriminate as nicely as one<sup>[6]</sup>; and the fact that the *Daily Mail* has the largest circulation of any morning paper is a sufficient mark of the present capacity and inclination of the majority to control public affairs more directly than they do. It is said that the secrecy of diplomatic affairs breeds an atmosphere of suspicion; and it might be said with equal truth that all secrecy of every kind is always and everywhere the most unnecessary thing in the world.<sup>[7]</sup> But the fundamental fallacy of all these arguments is that they treat diplomacy as an essential of international relations, whereas it is only an accident, a trapping, a convenience, or a common form. Its defects are the result and the reflection of national opinion. Diplomats are no more responsible for the defects of international relationship than seconds are responsible for the practice of duelling; and we may note incidentally that duels are if anything more frequent when the place of the seconds in estimating their necessity is taken by a democratic court of honour.

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## § 10

### A Note on Democracy

The outcry for "democratic" control demands, I think, a note, if not a volume,<sup>[8]</sup> on the limitations of democracy. We are all, I suppose, agreed nowadays that the government of the future must be democratic, in the sense that every adult has a *right* to full citizenship, and every citizen can claim a vote. But it is obviously impossible for a modern State to be governed directly by the voices of say fifty or a hundred million citizens: there must always be a small legislative and a still smaller executive body; and these bodies should obviously be composed of the finest and most capable citizens. If then Aristocracy means, as it does mean, a government of the whole by the best elements, it follows that we are all equally agreed that the government of the future must be aristocratic. The solution of this antinomy is of course that democracy is not an end in itself, but only a means for the selection and sanction of aristocracy.<sup>[9]</sup> The best elements in the population can only come to the top if every man has an opportunity of using his voice and his intelligence. We may note in passing that a common objection, raised by writers like Emile Faguet, to the effect that democracy puts a premium on incompetence by choosing its officials almost fortuitously from the mob, is the exact opposite of the truth. It is our present regime that leaves the selection of our rulers to the chances of birth or wealth or forensic success. Real democracy will stimulate the selection of the best, just as trade union standardisation of wages encourages the employment of the better workmen.<sup>[10]</sup>

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## § 11

### Diplomacy not bad in itself

The real importance of diplomacy, as I have said, is in the fact that it is a mitigation of primary ferocity, a symptom of readiness to negotiate, a recognition of the fact that disputes need not be settled by immediate violence: and as such it points to a time when war may be superseded, as personal combat has been superseded by litigation. The man who puts a quarrel with his neighbour into the hands of a legal representative is a stage higher in social civilisation than the man who fights it out at sight. Diplomats are the legal representatives of nations—only there is no supernational court before which they can state their case.

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Of course, it is perfectly true that the ultimate sanction of diplomacy is always force, that international negotiations may always be resolved into a series of polite threats, and that the envoy of the small and weak nation rarely has any influence. Indeed there are few less enviable situations than that of the minister of a very small State at the court of a very large one. But the mere fact that force is their sanction does not *ipso facto* dispose of diplomatic and arbitrational methods. We all know that the force at the disposal of the Sovereign is the ultimate sanction of Law. But that force never has to be fully exerted because there is a common consent to respect the Law and its officers.

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## § 12

### Manners no Substitute for Morals

The real difference between legal methods and the methods of diplomacy (in which I here include international conversations of every sort) is that the latter take place, as it were, in a vacuum. There is no Sovereign, no common denominator, no unifying system in which both parties are related by their common obligations. They exist and act in two separate moral spheres, and no real intercourse is possible between them. For all their ambassadors and diplomatic conferences



the nations of Europe are only wolves with good manners. And manners, as we all know, are no substitute for morals.

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## § 13

### War a Moral Anachronism

Thus we come back to our thesis that war is not only possible but inevitable so long as the extent of the moral sphere is conterminous with the frontiers of the State. But merely to explain laboriously that all this organised killing is not really a paradox but the natural accompaniment of a certain stage of moral development, and to leave it at that, would be rather to exaggerate our philosophic detachment. The point is that we are long past the stage of regarding any but our fellow-subjects as moral outlaws. For some years, to say the least, it has been generally received that the sphere of morality is co-extensive with mankind. In spite of certain lingering exceptions, it is to-day a commonplace of thought that every human being on the earth is our colleague in civilisation; is a member that is of the human race, which finding itself on this earth has got somehow to make the best of it; is a shareholder in the human asset of self-consciousness which we are called upon to exploit. It would certainly be hard to find a man of what we have called enlightened opinions who would not profess, whatever his private feelings, that it is as great a crime to kill a Hottentot or a Jew as to kill an Englishman. With certain lingering exceptions then we already regard the foreigner as a member of our own moral system. The moral sphere has already extended or is at least in course of extension to its ultimate limits: and war is a survival from the penultimate stage of morality. War, to put it mildly, is a moral anachronism. War between European nations is civil war. Logically all war should be recognised at once, at any rate by enlightened opinion, as the crime, the disaster, the ultimate disgrace that it obviously is. Why then do we cling to the implications of a system that we have grown out of? Why do we affect the limitation of boundaries that have been already extended? Or is our prison so lovely that though the walls fall down we refuse to walk out into the air?

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## CHAPTER II

A sociologist wrote to the Vali of Aleppo, asking: What are the imports of Aleppo? What is the nature of the water-supply? What is the birth-rate, and the death-rate?

The Vali replied: It is impossible for anyone to number the camels that kneel in the markets of Aleppo. The water is sufficient; no one ever dies of thirst in Aleppo. How many children shall be born in this great city is known only to Allah the compassionate, the merciful. And who would venture to inquire the tale of the dead? For it is revealed only to the Angels of death who shall be taken and who shall be left. O idle Frank, cease from your presumptuous questioning, and know that these things are not revealed to the children of men.

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*The Bustan of Mahmud Aga el-Arnauty*

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## § 1

### The Armament Ring

What, in short, are the forces that make for the anachronistic survival of war—apart of course from the defect that it is always with us, the habit of inertia, sometimes called Conservatism?

The obvious answer is not, I think, the correct one. At least it is correct as far as it goes, but leaves us very far from a complete explanation of this unpleasant survival. So scandalous is the interrelation of the armament firms<sup>[11]</sup> which has developed the world's trade in munitions and explosives into one obscene cartel; so cynical is the avidity with which their agents exchange their trade secrets, sell ships and guns, often by means of diplomatic blackmail, to friend or foe alike, and follow those pioneers of civilisation the missionary, the gin merchant and the procurer, <sup>[12]</sup> into the wildest part of the earth; so absurd on the face of it is the practice of allowing the manufacture of armaments to remain in the hands of private companies; that it is very tempting

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to see in the great Armament Firms the principal if not the only cause of modern war. Examiners of German militarism, most of them stupid enough to quote Nietzsche, may be pardoned for emphasising the political influence of Krupp; and since every great Power has a more or less efficiently organised Krupp of its own, it would be permissible to suggest that war would be already obsolete but for the intensive cultivation it receives for the benefit of Krupp, Creusot, Elswick and the rest. But it would be wrong; our syllogism would have a badly undistributed middle. It is true that Krupp in particular, who is the actual owner of more than one popular German newspaper, and other armament firms in a smaller degree, exercise an enormous influence on national opinion, create their own markets by the threat of war, and would go bankrupt if wars should cease. You may also say that their shareholders live by prostituting the patriotism of their fellow-citizens: in short, you may denounce them with the most expensive rhetoric to be had without doing them any injustice. But the fact remains that their position with regard to war is exactly analogous to that of the great breweries with regard to drunkenness. They live by taking advantage of human weakness. It is quite accurate, therefore, to describe their earnings as immoral, but they are no more the cause of the immorality they exploit and undoubtedly encourage, than makers of seismological instruments are responsible for the occurrence of earthquakes. The interests of one trade alone, however powerful in itself, would never be strong enough to plunge a nation into war. They are, of course, accessories to the crime; but the militarism they are guilty of fostering has other primary explanations.

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## § 2

### Eugenics?

In this brief investigation of the possible causes of war, it must be understood that what we want to find is what is called a "sufficient reason" for its continued existence. The armament trades may supply the means, the occasion, the stimulant, but their relation to it is not essentially causal. Many writers of another school have attempted to prove that the sufficient reason of war is a beneficent function of which they believe it to be capable. This imaginary function is none other than that of improving the race, and we may admit at once that, if there were the slightest scientific basis for such a belief, the bloodiest war would be morally justified, and it would be the religious duty of every individual to kill as many as possible of his fellows for the benefit of their descendants. But of course modern warfare so far from improving the race must sensibly exhaust it. In ancient Sparta, and generally whenever the conditions of warfare approximated to those of personal combat, courage and the allied characteristics of mental as well as of physical nobility must have had a survival value; whereas in modern warfare which makes for the indiscriminate extermination of all combatants, the result is exactly reversed. Our semi-scientific militarists forget that the "survival of the fittest"<sup>[13]</sup> is in nature essentially a process of selective elimination; and modern war is a process of inverted selection which eliminates the brave, the adventurous and the healthy; precisely those members of the community who are best fitted to survive, that is to propagate their kind, in the ordinary environment of political life. Conscription, indeed, spreading a wider net than the voluntary system, may be described as an institution for exposing the best citizens of a state to abnormal risks of annihilation. As a matter of historic fact we are told, though I don't know on what authority, that the Napoleonic wars, how much less deadly than our own, reduced by an inch the average height of the French nation.

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So much, in brief, for the "scientific" justification of war. It is evident that by the eugenic argument war could be defended only if we agreed to send into battle precisely those men whom our recruiting officers disqualify. A good deal might be said, from the sociologist's point of view, in favour of a system of cathartic conscription which would rejuvenate England with a watchword of "The Unfit to the Trenches."

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## § 3

### Patriotism

If again there were any evidence to show that war and war alone kept alive the spirit of true patriotism, it would be less easy to denounce its manifold wickedness. For true patriotism, although like all passionate emotion it involves a certain mental distortion, a slight disturbance of the rational orbit, is yet one of those happy diseases which relieve the colourlessness of strict normality. It is a magic, a glamour, of the nature of personal affection, which only great poetry can fully express, and volumes of bad poetry cannot quite destroy. It has besides a real political value, binding the State together, and giving it a stronger moral coherence than can be attained by any legal or constitutional authority; a fact that is illustrated by those distressful countries in which its limits are not conterminous with the political boundaries of the State. I am inclined to think that just because true patriotism is of the nature of a personal affection, it is an emotion that cannot be inspired by an empire, any more than personal affection can be inspired by a corporation or a joint-stock company.<sup>[14]</sup> Certainly Imperialism more often gives rise to a sentimental worship of force and a certain promiscuous lust for mere extension of territory which

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are quite alien to the steady devotion of the patriot to the land he knows.<sup>[15]</sup>

Unless one be a poet, it is difficult, as may perhaps be gathered from the preceding paragraph, sufficiently to praise genuine patriotism without falling into vague rhetoric. But I submit that there is nothing to show that this political emotion is created, stimulated, or even discovered by war. Actually it seems that the reverse is the case, if one may judge by the fact that war is invariably accompanied by an overwhelming outbreak of every spurious form of patriotism that was ever invented by the devil to make an honest man ashamed of his country. True patriotism is a calm and lovely orientation of the spirit towards the vital beauty of England. It has no noisy manifestations and consequently one may not be able to find it among the crowds who shout most loudly for war.

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One finds instead a sort of violent fever and calenture which not merely deflects, as any emotion may, but totally inhibits the rational operations of the mind. The newspapers supply a legion of witnesses.

Thus the *Evening Standard* perorates against some pacifist lecturer (who had attempted to clear his views from all sorts of misrepresentations) with the magnificent comment that he had not "repudiated his remarks as to the pleasure which the tune of the Austrian National Anthem gave him."<sup>[16]</sup> But I should weary you were I to transcribe a tithe of the stupid remarks made by persons in authority under the influence of war. The record, I believe, in England is held at present by Mr. Bodkin, K.C.

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It may be said of course that men, and newspapers, are equally stupid in time of peace; and I fear that fundamentally this is true. War does not change their nature, but only brings to the bubbling surface the dregs and vileness and scum. War does not change any one's nature; and that is why it is vain to expect that under its influence those crowds will love their country who never loved anything before. But if war cannot create it may at least be supposed to discover and test the existent patriotism of the nation. And this supposition is corroborated at first sight by the realisation that hundreds of thousands, that actually millions of previously ordinary young men have implied by enlisting their willingness to die for England. One might, of course, reason that no individual recruit really believes he is going to be killed, that each boy thinks he will be one of the lucky ones who escape all the bullets unhurt to enjoy an honoured return, that recruiting would have failed entirely if the barracks were explicitly a grave and enlistment the certainty of violent death or mutilation. But somehow I don't think that would be a fair argument. It is more pertinent if less easy to remember that a readiness to die for one's country is not the highest form of political virtue. If it be, as it is, a solemn and wonderful thing to be willing to die for the salvation (*ex hypothesi*) of England, it must be much more wonderful and solemn to be willing to die in order slightly to increase the income of one's family. And every schoolboy knows that the Chinaman of the old regime was willing to have his head cut off for the payment of a few dollars to his next of kin. Let no one ever deny our soldiers the honour of their courage and nobility; but the fact remains that the readiness to die for England is a less adequate test of patriotism than a readiness to live for England; and if the readiness to live for the State rather than for private interests had been for a hundred years a social virtue whose votaries could be numbered by the million, then indeed England would be to-day a nation worth dying for.

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## § 4

### The "Moral Test"

The theory that war is beneficial as a moral test, a furnace in which character is proved—*ut fulvum spectatur in ignibus aurum*—is that generally adopted by the Christian Churches, who may be said without disrespect to have taken every advantage of their founder's unique reference to the sword. I cannot help thinking that there is something fundamental in this ecclesiastical advocacy of war; that some psychological theory could be outlined to correlate this almost uniform advocacy with the facts that such religious men as Tennyson and Ruskin were among the loudest in their support of the Crimean War, that such a militarist as Rudyard Kipling in his best work (in *Kim*, in *Puck of Pook's Hill* and the intercalated poems, in the most successful of his short stories) shows himself to be at heart a deeply religious mystic; and that in France the very active Clerical party, one consequence of a disestablished Church, is always closely supported by the Chauvinists. In many cases, however, I have no doubt that the pious Christian, finding himself confronted with war, and not having the moral courage or the political detachment to condemn it, only applies automatically to its justification the arguments which he habitually uses to explain the existence of evil and pain. It is certain at least that the theories of war as a Moral Test or a School of Character bear a strong resemblance to the commonplaces of religious consolation which almost any good Christian will offer to the bereaved and afflicted. Any one who has seen an innocent friend slowly tortured to death by some vile disease will know the futility of the Christian defence (for these religious consolations amount theologically to a defence) that pain ennobles the character and "proves" the moral courage of the sufferer.<sup>[17]</sup> The leading fallacy of the defence that war, or pain, is valuable as a moral test is akin to the common misunderstanding of the word "prove" in the saying that "the exception proves the rule"; the truth being that a strong and noble character, one of whose corollary qualities is a capacity to bear pain, is not less strong and noble if it is never called upon to exercise that capacity. The San Francisco

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earthquake was not a blessing in disguise because it happened to "test" and "prove" the strength and flexibility of modern American architecture.

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## § 5

### Trade

I shall never forget the tones of hoarse satisfaction with which a vendor of the *Evening News* disturbed the twilight of a May evening in London, triumphantly proclaiming a "Great Troop Train Disaster." I had often noticed with what apparent joy the newspapers announced the sinking of a British cruiser; with what entirely neutral delight they welcomed or invented the report of Terrible Slaughter on either side. But somehow that hoarse and rufous man with the loose lip remained in my memory and became for me a type of one element in the population to which war was not unwelcome; the journalistic element that lives by exploiting the sadistic curiosity, the craving for mean excitements, and all the gladiatorial instinct of the modern world. [Pg 40]

[18] It soon became clear that the newspapers were not alone in the commercial exploitation of war. They were not even the worst offenders. The publishers were hurriedly producing volume after volume of faked memoirs badly written by imaginary governesses. The production of spurious memoirs and "autobiographies," even if they are skilfully composed, is always grossly immoral; and of the specimens occasioned by this war one may say that if they had been genuine it would have been possible to attribute the low morality of some Germanic princes to the literary style of the English governesses who had had a share in their education. The catchpenny manœuvres of publishers are really only a branch of journalism,<sup>[19]</sup> and such trivial offences were not, after all, unexpected, because the very profession of journalism is to take advantage. But the [Pg 41]

journalist is a man of straw who shows which way the wind blows, and his raucous exultation over disaster was the manifest symbol of a commercial exploitation of war by tradesmen and speculators which soon became sensible from one end of belligerent Europe to the other. Like the Vali of Aleppo, I am not good at statistics. It is well known however without the assistance of a mathematician that in England during the winter of 1915, when the cost of living had already risen by nearly 50 per cent, wholesale dealers often kept provisions of all sorts rotting in their stores rather than break the artificial scarcity they had created; farmers would not sell fresh eggs when the price was twopence-halfpenny, because they knew that in a week or two the price for the same eggs would have risen to threepence. Here is a cartoon from a Hungarian paper<sup>[20]</sup> showing the bloated profiteer of The Sugar Trust laughing at the women who feebly attack his barricade of sugar loaves. I mention it here because it is sufficiently remote from English affairs, and because it happens to come to hand, and because it is a good fragment of evidence, there being no reason why sugar should be scarce in Hungary as an immediate result of the war. And from every country between England and Hungary, from every country in Europe, can be heard the same complaint, unmistakable but how much too feeble, the cry of the people who discover that one of the horrors of war is Trade.<sup>[21]</sup> [Pg 42]

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## § 6

### Trade in Time of Peace

It would not however be correct to infer that the sacrifice of national welfare to commercial manœuvres is a condition peculiar to war. Modern commerce is essentially an art; the art of making people pay more than they are worth for things which they do not require. And it is with all the selfishness of the artist that it performs its usual operations. Among all the unpublished detail of modern life hardly any class of facts is more disquieting than that of commercial procedure and achievement. The subject is too large to be reviewed in less than a volume; and I can do no more here than suggest a few instances that might be acquired by anyone who devotes his time to not reading the daily papers. [Pg 43]

The distribution and exchange of commodities are necessary to the existence of the State; so necessary that it might be supposed that their regulation would be one of the primary functions of government. Proper systems of distribution and exchange correspond to the digestive processes of the body, on which depend the proper nutrition of all the parts and the real prosperity of the State as a whole; yet any comprehensive plan for their control is still regarded as the most unattainable dream of Utopia, and they are left to carry on as best they can in the interstices of private acquisitiveness. National well-being is not to be measured by mere volume of trade, which is the means and not the essence of prosperity;<sup>[22]</sup> and prosperity can certainly never exist when equitable distribution is hindered by a sort of fatty degeneration of capitalism. But trade in itself is a necessary aliment of the State, and its abuses ought not to be beyond remedy.

A few of these abuses are fairly obvious without a full inquiry, and may be illustrated here because their existence in time of peace may throw light on the operations of trade in belligerent states, and indirectly, by suggesting a few of the results of war, may lead us to some of its [Pg 44]

motives and occasions. Such abuses may be most easily identified in opposition to the national rights which they infringe.

## § 7

### Duties of Commerce to the State

The State has a primary right to be fairly served. Prices should not be arbitrarily raised by any wholesale merchant who happens to be in a position to do so, or by any cartel of dealers in league for that purpose. Prices should be regulated by the cost of production, and should not be an indication of demand; they should rise beyond the cost of production augmented by a fair profit only when the supply is insufficient (production not being artificially restrained) to meet some abnormal demand, and only as a means of checking and regulating the excessive demand. We find instead that any dealer or group of dealers will raise their prices almost absent-mindedly as soon as they are in a position to meet a demand which cannot be postponed. Thus it is that governments are habitually overcharged in all their contracts and purchases; because governments have neither the time nor the opportunity for casual dealings, and because they do not undertake such transactions at all unless their absolute necessity has already been decided.

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[23] So at the beginning of the war English warehouses were full of all sorts of commodities required by the governments of the Allies; but the urgency of war prevented any sort of bargaining; and the private merchants took advantage of the situation to the amount of about two hundred per cent. At present however I am dealing with trade in time of peace and I must not flavour the ordinary facts with any consideration of War Office contracts. It is enough to state the fact that in ordinary times the private tradesman regards a special demand as an opportunity for raising prices rather than as the stimulus of supply; a rule which is most easily detected in the experience of Government departments.

The State, through its individual citizens, has a primary right to obtain the particular commodity which it happens to prefer, without restrictions imposed for the benefit of any particular tradesman. We find instead that the ordinary purchaser no longer has any effective, or selective, demand. He has to buy what he is given. The informal organisation of the Trust system, primarily a financial operation, [24] has involved the whole market in a network of interdependent industries. The sale of the finished product is controlled and restricted by the vendors of the raw material. Corn is imported by shipbuilders; ships are built by iron merchants; iron furnaces are controlled by coal owners, and coal mines are secured by money-lenders.

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The system of the tied house, originally an indigenous corruption of the liquor trade, is being extended to every industry in the land. We can no longer buy the bread we like, but have to eat whatever by-product least interferes with the miller's profits.

The consumer's loss of any power of effective demand would not necessarily be of national importance, if at least there were any guarantee that the unique commodity offered by the average trust system were genuine and of good quality. One of the State's most elementary rights is that of ensuring to its citizens a pure supply of elementary commodities. Yet Commerce has taken no steps, even in its own interests, to suppress the horrid arts of adulteration, in which the motives of the thief usurp the methods of the poisoner, with results which may be inferred from the meagre chronicles of the analyst. [25]

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Education is the life of the State. [26] It is therefore of the gravest importance that Commerce should in no circumstances whatever be allowed to interfere with the education of the future citizens. Yet, before the war, in spite of the legislation of the last fifty years, [27] no less than a quarter of a million children of school age were exempted from school attendance for employment in various occupations. [28] Even apart from such improper exemptions the "School Age" fixed by law in itself gives quite insufficient protection. The brain of a girl hardly begins to wake up, or take any natural interest in the acquisition of general ideas, before she comes to puberty. But all over London girls of thirteen or fourteen leave school and are sent by their mothers to earn half a crown a week matching patterns or sewing on sequins.

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More generally, the State is entitled to demand from Commerce that it should co-operate sincerely with the other elements in the State in pursuing the real objects of civilisation, inspired by an altruistic regard for the whole of which it is a part, that is by what is really "enlightened self-interest"; by what Plato has called Temperance [29] and Mr. H. G. Wells "a sense of the State." [30] We find instead that the trader has "day and night held on indignantly" in his disastrous hunt for markets, destroying by accident or design whatever amenity in the world does not contribute to his "one aim, one business, one desire."

After all, in our present pre-occupation with the horrors of war, we must not exaggerate their extent. War at its maddest rivals but cannot, at present, surpass the mortality caused by tuberculosis, alcoholism and syphilis, which peaceful Commerce, hand in hand with Christianity, carries into the remotest parts of the earth. Some reader may have noticed by this time that I am not a collector of statistics, but gather my illustrations as I go from any scrap of paper that comes to hand. It is a lazy trick; but at any rate one escapes the fallacy of over-elaborated evidence, by

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calling as witness the man who happens to be in the street at the moment. So at this point I happen to notice in the *Manchester Guardian* an extract from the report of the Resident Commissioner in the Gilbert and Ellice Islands Protectorate. This is what it says of the natives:—

The cotton smock for women and the cotton trousers and shirts for men, which in the mind of the people seem now so indispensable to professed Christianity, while reducing the endurance of the skin, render it the more susceptible to the chills which wet clothing engenders. The result is colds, pneumonia, influenza—eventually tuberculosis.

We may notice a not unexpected coincidence which the Resident Commissioner apparently omits to mention. It is that "professed Christianity," by insisting on the propriety of cotton garments for the islanders hitherto well clad in a film of coco-nut oil and a "riri or kilt of finely worked leaves," is conferring a very appreciable benefit on the Manchester trade in "cotton goods." "Our colonial markets have steadily grown," says the Encyclopædia, "and will yearly become of greater value."

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...

On the same day as the issue of the *Manchester Guardian* just quoted there appeared in the *Times Literary Supplement* a review of Canon C. H. Robinson's *History of Christian Missions*, "a very sound introduction to a vast and fascinating study." From this I gather that

there are few stories more romantic than the founding of the Uganda Christian Church in British East Africa. At first progress was very slow, and ... in 1890 there were scarcely 200 baptized Christians in the country; yet by 1913 those associated with the Christian Churches were little short of half a million.

So before Europe has shown many signs of convalescence, Africa is already virulently infected. And "our markets will yearly become of greater value."

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## § 8

### **Restricted Sphere of Government corresponding to Restricted Sphere of Morality**

But to return to our sheep, or rather to those who fleece them,—there is one cardinal proof that trade, in so far as it depends on private enterprise, is a danger to the State, and is recognised as such. It is that as soon as war comes, the nation in danger instinctively adopts whatever measure of Socialism can be introduced during the temporary inhibition of capitalistic methods. The actual coming of war induces a brief panic in the marketplace, and during this momentary paralysis of private acquirers the State makes a desperate attempt to subdue their activities to its own needs. By the mere instinct of self-preservation it clutches at some rudiment of Socialism, and makes a diffident gesture in the direction of nationalisation—(of the railways, for instance). But the capitalists of England can point with pride to the fact that they very soon pulled themselves together. I hope to show in the following chapter that by the time the war was in full swing they had made it their own, and had banished every trace of socialism, with the relics of sanity and truth, to the confines of the Labour press.<sup>[31]</sup>

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But still the danger was for the moment realised, and the attempt was made, the desperate and unsuccessful attempt to pull and squeeze and bind the institutions of capitalism into an organised system of political obligations. It failed because the very abuses and intemperances of our commercial system are a sign that the sphere of government has not expanded with the growing complications of the modern community. Nevertheless the attempt was made: but no corresponding effort is being made to extend the system of moral obligations in which we live.

For it is just as the sphere of morality is unduly restricted and fails to correspond to the needs of humanity, that, on the political plane, the unduly restricted sphere of government has never been extended to include all the interrelations of industrial citizenship. Capitalism is a survival of the penultimate stage of political development, as war is a survival of the penultimate stage of morality.

The attempts both spasmodic and continuous to extend the sphere of government, which now begin to affect nearly all serious legislation, must remain incomplete without an analogous and indeed corollary expansion of the moral system which will involve the obsolescence of war.

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## CHAPTER III

Hinc usura uorax auidumque in tempora fenus et concussa fides et MULTIS UTILE  
BELLUM.

Individuals are constantly trying to decrease supply for their own advantage.  
—*Fabian Essays*, 1889, p. 17.

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## § 1

### Trade during the War

Trade during the war seems to have had a remarkably good time. In the first year of warfare I began to collect a few facts in support of what then seemed the paradoxical view that war was, in essence if not in origin, a very profitable capitalistic manoeuvre; a view deduced from the opinion I had formed *a priori* of the nature of all modern warfare.<sup>[32]</sup> Instead of a few corroborating voices I found testimony abundant in every paper I picked up, besides the live evidence received in private letters and conversations. This pamphlet being rather philosophic than statistical, I have taken the easy course of printing a selection of these testimonies, crude and undigested, in an appendix—a cold storage of facts and figures that allows me to repeat with a quiet conscience that trade is booming. The greater the war, apparently, the greater the profits. In the words of the *Manchester Guardian*:—

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The first full calendar year of war has been a period of unparalleled industrial activity and, generally speaking, prosperity in this country. Heavy losses and bad times have been encountered in a few important industries, but these are balanced by unprecedented profits made by a large variety of industries, whether directly or indirectly affected by the war.<sup>[33]</sup> ... But it would be a mistake to suppose that, while war manufactures prospered, all other

industry languished and decayed. To prove the contrary and show that only here and there were there heavy losses, we may quote some figures compiled by the *Economist*...

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And so forth.<sup>[34]</sup>

To this I will add only two typical paragraphs as a text for my subsequent remarks, as I believe they suggest the general economic process which enriches the particular industries to which they refer. The first is taken from *the Sunday Pictorial*, of all papers.<sup>[35]</sup>

Immense increases in the profits of two shipping companies are, as a result of the ceaseless rise in freights, disclosed in the reports of two Newcastle lines published yesterday. The high cost of freights is largely responsible for the dearness of food, coal, and other necessities of life. The gross profits of the Cairn Line of Steamships, Ltd., amounted to £292,108, and the net profits, after deducting the special war taxation and other items, were £162,689. A dividend of 10 per cent, with bonus of 4s. per share, is recommended. This makes a total of 30 per cent, free of income tax, as against 10 per cent last year, when the total profits amounted to £97,335. Less than half of this company's capital is paid up, the total authorised being £600,000; there are also debentures of about £150,000.

The next quotation is from the *New Statesman*:—<sup>[36]</sup>

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Glasgow is exceedingly prosperous, and iron and steel manufacturers tell me that the next three or four years, peace or war, must mean a period of prosperity for them. Government orders now absorb so large a proportion of output that outside requirements are simply not being met. Owing to the scarcity of shipping this deficiency is not being filled by imports from America (the only other possible source of supply), so that unfilled orders are accumulating. A waggon manufacturer told me he had sufficient work in sight to keep him going for five years. It must be remembered that part of the cost of the war is being met temporarily by depreciation—railway tracks, rolling stock, locomotives, etc., *to mention only one industry*,<sup>[37]</sup> not being replaced as they wear out, or being maintained to the minimum degree necessary. This means that, although less obvious than the reconstruction of ruined parts of Belgium, France, Poland, and Eastern Prussia, repairs and replacements aggregating many millions sterling in cost will have to be carried out after the war in countries that have not been invaded. A peace boom in the iron and steel and shipbuilding trades appears certain.

Here, before passing on to more general considerations, we may notice incidentally—it is brought out in the first quotation—that the taxation of war profits reduces them proportionately but can never annul or quite overtake them. That is sufficiently obvious; but the fact must be preliminarily emphasised because it is quite commonly assumed that the mere imposition of a tax of 50 or 60 or 75 per cent automatically solves the problem of war profits. As a matter of fact, taxation so far from solving the problem leaves it essentially unchanged, and really connives at

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and recognises the practice. The problem remains, in spite of taxation, that one section of the nation is enriched by a process which necessitates the misery and death of other sections. We may therefore in a broad discussion of the problem leave out of account the proposed and adopted palliatives of taxation.

Secondly, we may notice—this is brought out in the second quotation—that profits directly produced by the war are not limited to the period of the war. This again is really axiomatic, being only another form of the platitude that it takes longer to construct than to destroy: but it means that even a short war of sufficient intensity will ensure a long period of profits, and therefore it noticeably aggravates the conclusions to which I hope to lead.

A fundamental point is that the profit on freights, excused immediately by the destruction of shipping,<sup>[38]</sup> leads indirectly to profits on such other commodities as food and coal, not only on account of the actual scarcity resulting, but also because any reason for increasing prices is made a pretext for increasing profits. [Pg 62]

But the scarcity of all general commodities is caused not only indirectly by the primary scarcity of ships, but also directly by the same conditions of warfare as those which affect shipping. That is to say, just as the intensified activity of the nation at war creates a livelier demand for ships, so it also creates a greater demand for all the ordinary commodities of living: and just as war by destroying ships reduces the available supply, so by its general destructiveness it reduces the supply of other commodities: and just as war by destroying ships makes extraordinary profits for shipowners, so by destroying tables and teacups it makes unusual profits for the makers of tables and teacups. In short, destruction creates demand, and demand gives occasion for profit. [Pg 63]

This is a disquieting statement; because though one might hesitate to deduce from it that any particular merchant must be in his commercial capacity a conscious advocate of war for the sake of gain, it certainly suggests that the body of trade must automatically and by a sort of instinct of self-preservation be an element in the nation that makes for war.

That is the kernel of my thesis,<sup>[39]</sup> and it is certainly a happy coincidence that the possibility of its truth seems at last to be dawning on another writer, and one more expert than myself in the handling of commercial theory. On the very morning after the last few sentences were written the following paragraph occurred in Mr. Emil Davies' "City" article in the *New Statesman*:—<sup>[40]</sup>

It is only as the reports and accounts for 1915 come out that a correct idea can be formed of the benefit this catastrophic war has been to the majority of our large industrial concerns. The following is a list of companies whose reports and accounts have appeared during the past few days. The difference between the profits for the two years shown is even greater than appears, for in practically every case the 1915 profit is stated after allowing for the excess profits tax, additional depreciation or extra reserves, most companies now adopting these and other devices to render less conspicuous their war-time prosperity. [Pg 64]

	1914	1915
	£	£
Smithfield and Argentine Meat Co.	25,732	142,055
Waring and Gillow	35,217	100,885
Projectile Co.	30,739	194,136
Lanarkshire Steel	28,144	45,985
Frederick Leyland Steamship	337,188	1,196,683
Sutherland Steamship	94,600	295,200

Waring and Gillow's sudden prosperity is not due to any better business in the ordinary furniture trade, but to war contracts. The Projectile Company figures are astonishing even for an armament company; after applying £47,500 in satisfying the balance of the prior claims of the Debentures, the Ordinary Shares receive their first dividend—one of 50 per cent. No sane man would accuse leaders of these great industrial concerns of doing anything to bring about an outbreak of war; many of them have, indeed, paid a heavy price for their prosperity in the shape of the loss of sons or near relatives; but when all is said and done, the fact that a war should put many half-bankrupt concerns on their legs, and make fairly prosperous companies three or four times more prosperous than before the war, is an influence in an undesirable direction.

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## § 2

### Trade lives on Increasing Demand

All war, whatever temporary dislocation of business it may involve, must ultimately, as a principal form of destruction, assist the intensive cultivation of demand which constitutes nearly the whole of modern trade. The industrial revolution of the nineteenth century with all its labour-saving



machines was originally an economy of necessary production; by the middle of the century it overshot its mark, and hastened the world to the brink of the opposite disaster of over-production. In the present commercial era we are still suspended over that dreadful brink. Nothing can stop the accelerated flux of mechanical production; and we are saved from falling into the abyss only by the unnatural increase of ordinary consumption. The consumption of the ordinary markets, even when stimulated by the most violent tonics of advertisement, is strictly limited, and the limits have long been overtaken. The accelerated consumption could only be maintained by the discovery of new markets, which was undertaken by means of the political catch-words of Imperialism and Colonial Expansion,<sup>[41]</sup> or else by the wholesale destruction of existing supplies. As the number of new markets and their capacity for consuming things they don't want is ultimately just as limited as the number and capacity of home markets (for obviously the time must come when all the Chinamen and Koutso-Vlachs and South Sea Islanders have already been supplied with ready-made brown boots and tinned salmon), only one method remained by which Commerce and Industry might escape, or at least postpone, the penalty of half a century of over-production. This was by the partial destruction of the world's existing supplies. If this could be arranged, there might be a genuine demand for them to be replaced.

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### § 3

#### **War a form of Destruction**

Now as a form of destruction war is easily first. Quite apart from the obvious destruction of commodities that takes place when a country is ravaged and invaded, as in the case of Belgium and Northern France, it should be remembered that the methods of supplying an army in the field involve the sheer waste or destruction of very nearly half the food and equipment provided.

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<sup>[42]</sup> This is not necessarily the result, as might be expected, of official incompetence. It may on the contrary be the result of official foresight, which must allow in warfare for all the changes and chances of communication, and knows that it is better to waste a million tons of beef than to risk the starvation of a single regiment. Such waste, in other words, is a condition of warfare. Add to this the preventive destruction of stores and baggage which takes place whenever troops are compelled to retreat: in this way about a million pounds' worth of stores were carefully burned before the evacuation of Gallipoli; and not a hundred yards of trench is ever abandoned without the jettison of about a hundred pounds' worth of equipment. Add to this the fact that every shot fired, from the mere rifle bullet to the largest shell, does a proportionate amount of material damage when it finds its billet: the bursting of a six-inch shell will do, I suppose, on an average, as much damage in half a second as an ordinary fire can do in twenty-four hours. Add to this again the fact that the very force which propels every bullet and every shell is released by destroying by instantaneous combustion a certain amount of valuable chemical products. Then, besides all this direct destruction of commodities which must ultimately be replaced, or which at least some kind contractor may plausibly offer to replace, consider for a moment the increased wear and tear of every sort of equipment both civil and military, from steam-rollers and rolling-stock to boots and bandages and walking-sticks, which a state of war must involve. Or consider again that the mere mobilisation of an army implies that several hundred thousand men, whose annual income before was less than £100 a year, are now living at the rate of £400 a year.<sup>[43]</sup>

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Anyone who cares to examine in detail all these forms of waste and destruction, and all these forms of unnatural and feverish consumption, will begin to understand to what an extent war stimulates the demand by which alone Trade can survive.

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### § 4

#### **War stands to benefit Neutral as well as Belligerent Nations but not to the same extent**

In Western Europe at least all markets are practically open markets. No tariff however scientifically graduated will really divert the natural flow of trade to any considerable extent.<sup>[44]</sup> Consequently it might appear that all nations stand to benefit in the same way, but in varying degrees, from the intense local demand set up in the nation at war. Thus British Trade was exhorted in a sincerely rapacious article by Captain Dixon-Johnson<sup>[45]</sup> to snatch the opportunity presented by the Balkan War; and the unparalleled boom in American trade during the present war is another obvious example. This suggests at once that the benefit occasioned by war is not a national benefit, diffused vertically through every class of the belligerent nation; but a class benefit diffused as it were horizontally through the commercial strata of all nations within supplying distance of the centre of disturbance. On the other hand, of course, the immediate local demand is stronger than the demand communicated to remoter markets and more easily supplied; in other words the commercial class of the belligerent nation are more immediately and more intensely benefited by the state of war than the same classes of neighbouring nations, although in war as in peace the commercial classes of every nation are one.<sup>[46]</sup> Also the outbreak

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of war, even if it does not entirely sever a country from foreign sources of supply, is bound to cause a certain dislocation; if communications are not altogether interrupted they are more difficult and uncertain than in normal times; so that the trade of the belligerent country is always given a greater impetus than that of its neutral neighbours, and in such cases a particular industry which has been threatened by the competition of foreign imports may be actually rescued from extinction. Even the temporary dislocation of trade is a benefit to trade in the nation at war; for it enables existing stocks to be sold at exaggerated prices.<sup>[47]</sup>

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## § 5

### **The greater the Capital, the greater the War Profit?**

The over-production in modern industrial states, from which Trade can only be saved by some such catastrophic remedy as war, may be attributed not only to the tyranny of machines, but also to the financial jugglery known as over-capitalisation. If it could be shown that over-capitalisation were a consequence of national wealth it would follow that the richer nations would enjoy a greater benefit from war than their poorer neighbours. But this will only be true if we do not measure national wealth by the average wealth of every citizen; if we speak in this case of national wealth quite apart from any question of its equitable distribution, and are careful to distinguish it from national welfare; a wealthy nation in this case would have to mean a nation blessed with a class of wealthy capitalists, or supporting a large parasitic colony of the persons described as financiers; and such a nation would have as a corollary to be blessed with a class of workers disproportionately large and disproportionately poor. For if industrial conditions are fair over-production is impossible.

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## § 6

### **The Blessings of Invasion**

If war is regarded primarily as a commercial stimulant, we might carry the argument farther and conclude that invasion and even ravage are actually beneficial to the trade of a country that suffers them; for ultimately they must make way for a direct demand on the spot for the primary commodities of life. Houses, fences, roads, factories will all have to be replaced. It is obvious that the war will have to be followed by a time of rebuilding.<sup>[48]</sup> It might be urged that such a phase of convalescence would be retarded or altogether prevented by the lack of private capital for such an enormous enterprise. But private capital, thanks to the credit system, is practically inexhaustible so long as it is required for a genuinely productive purpose: and even if it failed in this case to come forward, the money required would certainly be advanced out of the indemnity which will have to be provided for the invaded provinces, or would be guaranteed in some other way by the Government concerned. In which case Trade, even after the conclusion of peace, would rejoice in another period of Government contracts. If it be admitted, however, that we have not sufficient data to make this suggestion more than probable, we can at any rate be certain of the effect produced by the mere numbers of an invading army or a defensive garrison. The Jewish traders of Salonica enjoyed a time of unexampled prosperity in 1912 and 1913, owing to the mere presence of the Turkish, the Greek and the Bulgarian armies, to whom they sold out at their own prices.<sup>[49]</sup> They are now repeating the process with the English and French armies; and in the interval they were kept busy restocking the Macedonian villages depleted or destroyed during the campaign of 1912. As for the small shopkeepers of Flanders any member of the British Expeditionary Force will tell you that they are at present so prosperous that even a German bombardment will hardly drive them from their counters.

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## § 7

### **The Luxury Trades don't do so badly**

The most obvious if not the only exception to our tale of war profits is to be found in the case of the parasitic industries which specialise in the production of the unnecessary. It is not easy rigidly to define the luxury trade, for the luxury of one generation is the necessity of the next; but it is enough to suggest a broad idea of the industries that fall under this heading. "The income-tax assessments show," says *The Times*,<sup>[50]</sup> speaking of Berlin after nine months of war, "that among the trades which have suffered most are fruiterers, breweries, public-houses, bars, cafés, chemists and perfumers, goldsmiths and silversmiths, jewellers, milliners, furniture and piano dealers, and music and booksellers. Landowners, land speculators, builders and the carrying trade have also suffered." We may also notice that in the early months of the war Florence, the great market of the shoddy "souvenir" and the "tourist's delight," suffered a good deal more than

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London, although Italy still remained neutral. In London itself a good example of the parasitic industry are the firms which make ingeniously useless silver toys for rich people to give each other at Christmas.<sup>[51]</sup>

Many such industries may indeed have suffered in England, although many of the trades mentioned in the Berlin list have not been affected in London, and at least two of them have made conspicuous profits. But in any case it is probable that they suffered if at all only during the first period of the war, when the general feeling of strangeness and insecurity was strong enough to inhibit the shopping instinct of the wealthier classes. As soon as these became accustomed to the state of war they reverted with even greater energy to their old pastime of spending money: and meanwhile the luxury trades had acquired an entirely new set of customers, for a large part of the profits accumulated in other trades were now being spent by a newly enriched class who were unaccustomed to save, for the simple reason that they had never before been in a position to do so. Consequently the luxury trades after a year of war had not only recouped their temporary losses but were doing a bigger business than ever. The natural adaptability of the trades which pander to fashion must also be taken into account. A number of them after the first panic recaptured the failing demand by advertising very simple modifications of their ordinary supply. Some, for instance, turned to the manufacture of equally plausible superfluities of military equipment—such as silver and gold identity disks and watches with luminous dials and queer little hieroglyphs in place of the ordinary figures. Trades already so well organised for exploitation could easily defeat any general attempt at social economy. Thus for women of the upper middle class the most obvious form of war economy was to carry on with only a slight alteration of last year's dresses; and such was their declared intention when their hands were forced by the Dressmakers' revolutionary change in the fashion which substituted the full skirt for the tight skirt of 1913-14. The extraordinary ingenuity of this move was, not only that it thwarted any good intention of not buying a new dress this year, it being manifestly impossible to "alter" a tight skirt into a crinoline, but also that the extra cloth required for the unusually full skirts more than compensated the trade for the continued abstention of a few unfashionable obstinates, as well as for the extra cost of labour.<sup>[52]</sup>

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## § 8

### **Trade Profits in war not shared by the Nation but confined to Employers**

The trade profits which are thus directly stimulated by the conditions of war, do not imply the prosperity of the Trade as a whole, if a Trade is understood to mean a certain section of the nation including in a sort of guild or hierarchy representatives of every class engaged in a particular Trade. They do imply the prosperity of a particular class, for they are all employers' profits, profits on the capital involved. Unfortunately the profits of the Capitalists do not involve the profits of the Labourers, and cannot therefore be tested by statistics of unemployment. But of course the fluctuations of unemployment do very materially affect the opportunities of Trade, and it might reasonably be argued that the apparent profits created by War are really modified by the conditions of the Labour market or otherwise equitably distributed among the general population. Unfortunately it is quite easy to show that the one policy of employers during the present war has been to maintain their profits without any concern for the general population, and that the effect of war has been to increase the profits of Capital not only by increasing the demand but also by making the Employers increasingly independent of the labourers' claims.

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At the beginning of War the Employer, on the grounds of general insecurity and "not knowing what was going to happen next," cut down wages and raised the cry of "Business as Usual"; which meant that business was so much better than usual that he was afraid it could not possibly last. So he cut down wages, laughed at buyers who offered him the usual prices, and charged £48 a ton for hides and 6s. 10d. for a yard of cloth that usually cost half a crown. If the private buyer would not pay his prices the Government would. It was indeed too good to last, for such prosperity became impossible to conceal.<sup>[53]</sup> it also reduced the margin of unemployment on which he had always depended, and he soon found himself obliged to return to the normal rate of wages which he had paid before the war. He was disappointed to find that "Business as Usual" meant wages as usual, but he struggled on, imploring the assistance of the Government in order to "capture Germany's Trade." Worse was to follow: after nine months of war recruiting for the army had begun in earnest, and "there was on the whole less unemployment in Great Britain than at any previous moment in the present century."<sup>[54]</sup> But he was determined to "carry on," and for the sake of the Government introduced child labour into his workshops.<sup>[55]</sup> Meanwhile, however, the cost of living was steadily rising, and after a year of war, and of profits, the labourers' demand for an increase of wages could not be altogether ignored. The employer decided to carry the war into the enemy's country. The nation must hang together, he said, and all work was practically national work. So he boldly accused his workmen of lack of patriotism, and roundly declared that "but for the trade unions the war would probably have been over by this time, with a victory for the Allies.... Organised labour is the rotten limb of the body politic, which must be cut off if health is to be restored to the system."<sup>[56]</sup> It was hard work, but in spite of the shortage of labour and in spite of the rise in the cost of living, he managed to hold wages down by repeating that any demand for a rise in wages was unpatriotic.<sup>[57]</sup> One by one, on the plea of

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urgent Government work, he obtained the suspension of all Trade Union rules and thus deprived his workmen of even the natural rights of negotiation; and when after fifteen months of war they again ventured to raise their voices on the Clyde, he openly accused them of being paid by German agitators.<sup>[58]</sup> On the whole therefore he has been extraordinarily successful in keeping his profits to himself, and as the present demand is likely to continue for some time after the war, his chief anxiety at present is to maintain after the war the compulsory relaxation of Trade Union rules which nothing less than war could accomplish. The slight danger that a prolonged war may kill off a considerable part of his margin of unemployment is more than balanced by his successful introduction of women's labour: and he means that War, in addition to the actual profits of his Trade, shall give him the enormous potential advantage of having broken the Trade Unions.<sup>[59]</sup>

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## § 9

### Trade Profit and National Loss

It need not therefore be supposed that the War Profits, of which there is such abundant evidence, conflict at all with Mr. Norman Angell's contention<sup>[60]</sup> that all modern war, even if the military operations end in a military success, is futile and unprofitable from the national point of view. The general truth seems to be that War, whether it be apparently victorious or apparently unsuccessful, is always profitable for a small commercial class in each belligerent nation.<sup>[61]</sup> Unfortunately the profits thus earned by the economic effects of war are not diffused vertically throughout the whole nation from top to bottom, but rather horizontally along a shallow commercial stratum in every nation. In every nation war diminishes the national wealth, but concentrates the residue with greater inequality in one particular class. The representative of this class, commonly called the Capitalist, is the real cosmopolitan, because his interests in each belligerent nation are identical, and the war, successful or not, contributes to his financial advantage. It is an illuminating coincidence that the classes in every nation which most enthusiastically demand the violent prosecution of the war seem to be proportionately anxious to annul the hardly-won privileges of democracy. Thus the *Saturday Review*, in a passage already quoted, solemnly, openly and unforgettably declares the secret wishes of the militarists; and we may be surprised to consider how many safeguards of democracy, how many rights of free thought and free speech, how many of the precarious limitations of sweating and child-labour and wage-slavery have been quietly suppressed since the beginning of the war. But if war is ultimately unprofitable for the nation as a whole, it might be argued that Trade itself must ultimately be involved in the national loss. The answer is that even if the Trader's interests were identical with those of the nation and were ultimately bound to suffer with the nation as a whole, he would undoubtedly ignore the possibility of a loss so much remoter than his immediate and obvious profits; especially as he is certainly ignorant of the economic fact that in modern times military victory and military defeat are equally unprofitable, and if he ever did pause to consider the results for the whole nation he would certainly, perhaps in good faith, identify the national interest with his own, and assume, for psychological rather than economic reasons, that his own interests demanded a military victory; real ignorance and emotional excitement sufficing to explain his apparently hypocritical professions of patriotism. As a matter of fact however his private interests are not dependent on those of the whole nation; for commercial wealth is not the same as national wealth, and prosperous Trade is quite consistent with national unhappiness. The average citizen of Switzerland is more contented than the average citizen of any of the great commercial powers of the world; and some of the causes that make for commercial prosperity, causes of which War is not the least effective, actually decrease the civic efficiency of the greater number of the population, and reduce their chances of happiness. "If an expanding trade," writes Mr. R. B. Cunninghame Graham,<sup>[62]</sup> "is the sure sign of national happiness clearly the four countries, the figures of whose trade are tabulated (Chile, Peru, Brazil and Argentine) should be amongst the happiest in the world. Yet still a doubt creeps in whether expanding Trade is the sure test of happiness; for recently I have revisited some of the countries of the River Plate that I knew thirty years ago, and it appears to me that they were happier then. True, they were not so rich.... Wealth has increased, but so has poverty...."

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War is an artificial process for accelerating that concentration of wealth in the hands of a small class which distinguishes the present unholy stage of political development.<sup>[63]</sup>

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## CHAPTER IV

Candide était étendu dans la rue et couvert de débris. Il disait à Pangloss: Hélas! procure-moi un pen de vin et d'huile; je me meurs. Ce tremblement de terre n'est pas une chose nouvelle, répondit Pangloss; la ville de Lima éprouva les mêmes

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secousses en Amérique l'année passée; mêmes causes, mêmes effets: il y a certainement une traînée de soufre sous terre depuis Lima jusqu'à Lisbonne. Rien n'est plus probable, dit Candide; mais, pour Dieu, un peu d'huile et de vin. Comment, probable? répliqua le philosophe; je soutiens que la chose est démontrée.

Candide perdit connaissance, ... et Pangloss lui apporta un peu d'eau d'une fontaine voisine.

VOLTAIRE, *Candide*.

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## § 1

### **Dialectics round the Death-bed**

Philosophical aloofness is all very well in its way, but while we argue about economic causes and attempt to induce a philosophy of earthquakes, our bright young democracy lies bleeding under the ruins. The urgent necessity is a little first aid, a little cessation of the killing. I don't know how many young men in different parts of the world have been deliberately and scientifically murdered during the writing of this protest. England alone, who has been criticised for her delay in exposing her youth to the slaughter, is having about half a million of her best citizens stabbed or pierced or crushed or mutilated or poisoned or torn to pieces in one year<sup>[64]</sup> of modern warfare. And life is not the only instrument of vital progress that is being thrown away. Britannia has beaten her trident into a shovel, and with it is shovelling gold; and not only gold, but youth and love and happiness into the deep sea. The belligerent nations are frantically engaged in destroying two thousand years of education and all the accumulated capital of humanity. Only the enemies of civilisation, the sellers of arms and the sowers of hatred, are growing rich on its ruins. It is impossible to deny that the longer the war continues the greater will be the subsequent sufferings, spiritual and material, of every nation engaged. It is impossible to maintain that any nation or class or individual will be any better in any respect for the Great War, with the single exception of that parasitic class who, as a class, and therefore perhaps not consciously, are chiefly responsible for its inception. We must have Peace first and congresses afterwards. The survivors of civilisation cannot discuss a lasting settlement while they are still under fire.

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## § 2

### **German Responsibility for the War**

Nor is it necessary to continue the slaughter while we argue about which belligerent must bear the chief responsibility for the outbreak. The dialectical exercises of the German Chancellor and Mr. Asquith are so futile that they remind us only of two naughty children who drag out their squabble with stubborn outcries of "He began it." The first consideration is to stop fighting. Such academic discussions are necessarily endless, for the simple reason that every nation has its faults, to which criminal motives can always be attached: every nation has its fools, whom its enemies can describe as typical representatives. The question of responsibility for the Great War must be left to the historians of the future. I am quite confident (though even Viscount Grey or Professor Gilbert Murray cannot prove) that they will hold Germany responsible: but I am equally confident that the blame they throw on the nation responsible for the war will be less pronounced than the praise they will reserve for the nation which first has the courage to speak of peace. My belief in Germany's responsibility is based largely on German apologetics and strengthened by the evidence of commercial conditions in Germany before the outbreak. Professor Milliod, for instance, has shown that "German industry was built up on a top-heavy system of credit, unable to keep solvent without expansion, and unable to expand sufficiently without war."<sup>[65]</sup> Or if a good working test of German responsibility were needed it would be sufficient to point out that no nation innocent of aggressive intentions would have drafted such an ultimatum as that which Austria, with German connivance, sent to Serbia; and that no nation anxious for war would have drafted such a conciliatory reply as that which Serbia returned to Austria by Russia's instructions. It is in fact clear that as long ago as 1913 Austria had determined to crush Serbia, and that in 1913 that determination was only postponed; and postponed not, as we thought at the time, by the tact of Lord Grey at the Conference of London, but only by Italy's refusal to join in the adventure, as we now know from the revelations of San Giuliano and Salandra. Similarly, knowing as we do that England is no exception to the rule that no imperial nation can be wholly compact of righteousness, we might hesitate to accept *The Times'* version of British innocence, and we might hesitate to accept Lord Bryce's report on the German atrocities in Belgium, knowing as we do that it is based almost entirely on the hearsay evidence of refugees who would be anxious to distinguish themselves as witnesses from the general ruck of destitution; but it happens that the general charges of German aggressiveness and German brutality are fully corroborated by German literature.<sup>[66]</sup> Unfortunately these distinctions between brutal and chevaleresque methods of warfare remain only questions of method; they concern manners

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rather than morals, and are as irrelevant to our hopes for the abolition of war as the questions of diplomatic method already mentioned.<sup>[67]</sup> Equally irrelevant, in any discussion of the possibility of substituting "compulsory arbitration" for war, is the attempt to distinguish between aggressive and defensive war, or to throw all the blame of aggression on either of the two belligerents; for the simple reason that each belligerent will perhaps never believe and will quite certainly never admit that his own intentions were anything but defensive or altruistic.<sup>[68]</sup> The *locus classicus* for such protestations of innocence occurs in the Italian Green Book, where Austrian diplomats may be found declaring, *with every appearance of sincerity*, that the invasion of Serbia was a purely defensive measure. And in a sense, in such a well-armed continent, every aggression is indeed a fore-arming against the future. It might also be suggested that the crime of aggression is an offence not against an individual but against the peace of the community: and until the European community is constituted the guilt of such a crime cannot be brought home to either of the belligerents.

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### § 3

#### The Value of German Culture

The question whether Germany is actually attempting or would be justified in attempting to impose her culture on the rest of Europe; or whether England has good reasons for the limitation or suppression of German culture, is another side-issue. German culture (in Matthew Arnold's correct use of the word, meaning, that is, the average of intellectual and social civilisation), has not on a general inspection much to be proud of. The modern literature of Germany is largely a transcription of Russian, French and English authors, and it is significant that among foreign authors the widest success is reserved for purveyors of *le faux bon*, writers whose work is distinguished by its spirited failure quite to attain the first-class.<sup>[69]</sup> The most promising of modern authors writing in the German language, Schnitzler, is an Austrian Jew. Hauptmann, the most distinguished and original of German dramatists, has for thirty years been writing plays which would pass for imitations of Mr. John Galsworthy's failures. Sudermann's style reminds one of a snail crawling over the Indian lilies which he describes.... Germany, it is true, has reason to be proud of her theatres, but that is a matter of State enterprise, rather than an indication of national culture. The German State has been efficient enough to perceive that good theatres are a fundamental necessity of national education, and that good theatres, owing to the excessive rents they have to pay, can never be kept going without a State subsidy. But these admirable theatres can hardly be called the vehicles of a high native culture. Their famous Reinhardts are more efficient only because more acquisitive than our own Jewish impresarios. The ideas they have acquired are chiefly Russian or English: and they have profited by the ideas of Granville Barker and Gordon Craig in order to produce the plays of Shakespeare and Shaw—(just as industrial Germany profited by the ideas of Bessemer<sup>[70]</sup> and Perkins). Germany's claim to artistic vitality, to genuinely original culture, can be supported only by a certain distinct excellence in sculpture and caricature, two arts which often seem to go hand in hand, perhaps because both are based on a precise simplification of form. But for the activity of a small band of sculptors and caricaturists centred for the most part in Munich,<sup>[71]</sup> we might be content to regard Germany not as a fount of culture but rather as one of the world's workshops, a well-organised *ergastulum* for dealing with the drudgery of modern civilisation, for manipulating secondary products and extracting derivatives, a large factory for the production of dictionaries, drugs and electrical machinery.<sup>[72]</sup>

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The extraordinary efficiency of Germany, *as a workshop*, is not due to any intellectual pre-eminence of the nation as a whole. It is most clearly and emphatically due to the fact that the German autocracy, whatever its political iniquity, has had the intelligence and the national solidarity to choose its business men from among the brains of the community. In Germany any man of conspicuous intellectual capacity may be picked out, roughly speaking, and assigned to the direction of a particular industry. In England we achieve inefficiency by the contrary process, and are only willing to regard a man as capable and revere him as an "expert" if he happens to have been occupied exclusively for a certain number of years in the narrow routine of a particular subject. This pernicious fallacy of the "Expert" is actually preached in England as a means to the very Efficiency which in fact it almost invariably excludes. It is commonly assumed that no man can write a good play unless he has been a bad actor, or that a retired admiral, quite incapable of grasping any general idea that was not popular in the Navy twenty years ago or in the smoking-room of his club, would be better able to direct the affairs of the Navy than Mr. Winston Churchill or Mr. Balfour.<sup>[73]</sup> There is a similar outcry for a government of "Business Men," although anyone who happens to have heard a couple of average business men discuss a problem of their own business in one of their own offices will hardly be able to deny that a capable poet and a capable painter would have settled the question in a quarter of the time. Instead of superstitiously believing that only "Business Men" can be efficient, Germany picks out her business men (and her bureaucrats) for their general efficiency. She has attained efficiency by abandoning the fallacy of the Expert in favour of the maxim of Confucius—"the Higher type of man is not like a vessel which is designed for some special use."<sup>[74]</sup>

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But from the fact that German industry and German theatres are better managed than our own it



does not follow that there is any natural or national antagonism between England and Germany. The real hatred of Germany if it exists in England at all should be found among what it is becoming the fashion to call "the intelligentsia." Such a purely intellectual hatred of the sentimental melodrama of *Faust* and of the semitic luxuriance of Wagner and Reinhardt is not likely to become a democratic motive in England. Here brains are always unpopular, and Park Lane will never be stormed by the mob until it is inhabited by the Bernard Shaws, the Lowes Dickinsons and the Bertrand Russells, instead of by German financiers.

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There is no national hatred between England and Germany. The two peoples are natural friends. Even the men in the trenches (or perhaps I should say particularly the men in the trenches), fraternise with their opponents whenever they get the chance.<sup>[75]</sup> Even now a press campaign of a few months would suffice to make Germany popular in England; and if that were ever to happen, which is not improbable, only the "intellectuals," who are most strongly opposed to this war, would still find much to dislike, but not to fight about, in the national culture produced by the German character.

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## § 4

### The Manufacture of Hatred

But if there is no natural hatred between the two belligerent protagonists, there is a feverish production of the artificial variety. Indeed this diligent manufacture of hatred is probably the most demoralising result of warfare, particularly disastrous in its ethical effect on the individual. It proceeds by the ordinary methods of deceit, suppression of the true and suggestion of the untrue, and by means of the newspapers this process of moral degeneration is sometimes actively directed, sometimes only permitted or encouraged by the Governments concerned. The London press is always ready to swallow the pathetic fabrications of unscrupulous refugees, and publishes with joy any Rotterdam rumour about German bestiality; but refuses to print any report however authentic which ventures to suggest that the Germans are as human as ourselves. There was, for instance, a Canadian woman, Dr. Scarlett-Synge, who under the aegis of her medical diploma, returned from Serbia through Germany, and discovered that some of the German internment camps are not as bad as they are commonly believed to be. Whatever her qualifications and opportunities for forming a correct opinion, and they happen to have been particularly good, there is no doubt that this woman's report was of the highest interest. Yet not a single daily paper in England would consider its publication, on the ground presumably that it might reduce the national inflammation and thereby "prejudice recruiting." As if true patriotism, sane and lovely, had anything to do with the pathological condition of hatred. "Recruiting be damned," says the patriotic philosopher, "*odium nunquam potest esse bonum.*"<sup>[76]</sup> The method of distortion is also abundantly used by journalists of both parties. German hatred of England has often been stoked up by isolated mistranslations of sentences from *The Times*, and English and French journalists have not been slow in following the German example. It is said that after the fall of Antwerp the *Koelnische Zeitung* announced that "as soon as the fall of Antwerp was known the church bells in Germany were rung," a harmless message which was successively distorted by the *Matin*, the *Daily Mail*, and the *Corriere della Sera*, until it finally reappeared in the *Matin* in the following form: "According to the information of the *Corriere della Sera* from London and Cologne it is confirmed that the barbaric conquerors of Antwerp punished the unfortunate Belgian priests for their heroic refusal to ring the church bells by hanging them as living clappers to the bells with their heads downwards."<sup>[77]</sup>

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The Manufacture of Hatred is unfortunately become a part of the Nationalist Movement in nearly all modern European States. The spurious Nationalism which is the result not of race but of education, depends for its existence almost entirely on so-called ethnological propaganda and continues to thrive by the cultivation of two propositions, neither of which is true: that all the members of one national group are racially different from all the members of the neighbouring group; and that this racial difference naturally and necessarily and properly implies the mutual hatred of the two nations. They proclaim, in fact, that certain nations are the "natural enemies" of certain others, by hating which they are only fulfilling the national function of self-realisation. By such arguments, which have no genuine ethnological foundation, the false prophets of nationalism are filling Europe with the racial prejudice of artificial Kelts, artificial Poles, and artificial Teutons. Of course race hatred between Slav and Teuton is no more "natural" than family hatred between Jones and Robinson; and even if it were, even that is if the cultures of two neighbouring races were mutually exclusive, it could still be argued—as it must in any case be argued—that no nation is racially pure. The last "Pole" I met proudly professed that the hatred of Russia was *in his blood*. Yet he was born in Bessarabia, and it was therefore not surprising that his facial type was distinctly Roumanian; he came, that is, if race means anything at all, of a Græco-Latin stock, and his hatred of Russia, which seemed to be the beginning and the end of his programme of "Polish nationalism," was the result of a few years of neglected education. Half the conflicting "Nationalisms" of Europe are programmes of artificial hatred, the propagandists of which may actually be of the same blood as their opponents; a single generation suffices for the manufacture of the racial enthusiast, which is often completed by a modification of the family name. Even Greeks and Bulgars are frequently of common descent. When a Macedonian village changes hands the Greek Karagiozes has been known to develop into the Bulgarian Karagiozoff;

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and a Mazarakis will boast a racial incompatibility with his second cousin Madjarieff. The same process for the manufacture of nationalism may be detected at the other end of Europe: at Mons of glorious memory there was a Walloon with the good old Walloon name of Le Grand, whose grandfather had been an equally enthusiastic Fleming with the good old Flemish name of De Groodt.

True nationalism may indeed be differentiated by the absence of this artificial element of ethnological hatred. True nationalism is simply the feeling for the small independent community, a movement for the autonomy of the local group. No true manifestation of the nationalist movement in Europe is ever opposed to other nationalisms; but all alike are involved in a desperate political conflict with their common enemy Imperialism.

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## § 5

### Imperialism the Enemy

Imperialism, on the other hand, is the feeling for large dominions and is very often only an unreasoning lust for the possession of territory.<sup>[78]</sup> surviving perhaps from the time when the land of the community was regarded as the reserved hunting-ground of the tribal chief, or at least as the private estate of the national monarch. But in so far as this passionate desire for extending the superficial territory under the central government is a reasoning desire, in so far that is as attempts have been made to justify by retrospective theories the almost instinctive achievements of painting the map red, it is fairly clear (although the issues have been confused by altruistic and Kiplingesque but not by any means unfounded views about the White Man's Burden) that Imperialism is based on the insatiable claims of over-productive commerce. Commerce at any rate is the *ex post facto* excuse for the foundation of the British Empire, and if it can no longer be pleaded as a reason for the maintenance of the British Empire, it is simply because the British Empire is no longer an empire, but for the most part a federation of autonomous states.<sup>[79]</sup> But Imperialism has only been scotched by the unconscious wisdom of English political development. It still unhappily survives not only in the intermittent demand for the acquisition of fresh colonial territory, but also, in its crudest form, without even the shadow of an excuse commercial or altruistic, in the continued subjection of Ireland to English rule. We must not be surprised if the imperialistic elements of the State receive after the war a new lease of life from the mutual encouragement of commerce and militarism.

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The commercial classes of course support Imperialism because, with an obtuseness permitted only to our "business men," they believe that the acquisition of more colonies still means the discovery of new markets.<sup>[80]</sup> They have not yet realised that nowadays all markets are practically open markets, and that no tariff can effectively exclude goods for which there is any demand, for the simple reason that an effective demand cheerfully pays an increased price. All nations in fact stand to share fairly the commercial advantage of each other's colonial markets: and it might even be shown by a little simple book-keeping that the particular balance any nation gains from trading with a colony of its own must be debited with the expense of governing that colony. In short, the commercial excuse for Imperialism is actually obsolete. Yet commerce continues to support Imperialism, and although the original reason for this support is no longer valid, it is still, unconsciously perhaps but very methodically, serving its own interests by this support, in so far as Imperialism involves militarism (or "navalism") and so leads to the probability of war. But even if the commercial reasons which constitute the only possible excuse for Imperialism were still valid, it would still remain equally valid and much more important that Imperialism is bad in itself, the enemy of liberty and the begetter of arrogance.

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Imperialism is bad on general grounds because it implies a centralisation of authority which violates the natural rights of nationalities. A nationality, as has already been suggested, means not necessarily a pure racial enclave, but simply a small local group, in the formation of which similarity of "race," religion, and culture will not be ignored but will naturally be considered as modifications of primarily geographical boundaries. The right of nationalities to local autonomy, to deal again only with the simplest general reason, is based on the idea of democracy, the exercise of a political voice being regarded as a natural and inalienable right of the free citizen. Democracy means representative government, and representative government simply does not work in a large and mixed community of more than twenty millions.<sup>[81]</sup> Hence the right of nationalities to local autonomy is fundamental, and is inconsistent with Imperialism as such.

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Imperialism is bad because it is based on conquest, implies a "subject race," and sooner or later will have to be maintained by war. It breeds a conquering and commercial spirit, which is never satisfied unless it is carrying some one else's burden (at a high freight). The imperialist plutocracy will then find itself so much occupied with other people's affairs that it will be neglecting domestic politics altogether: and this neglect will be the more disastrous in so far as poverty and servitude will have increased at the same rate as luxury. The citizens of an Imperialist state will be unable to control their commercial masters, and, as Rousseau said of the English, will soon find themselves a nation of slaves<sup>[82]</sup>; and that not only because a policy of conquest is incompatible with democracy; but also because the lust of conquest and the arrogance of

militarism acquire strength with each fresh licence until the community as a whole is quite unable to control its own baser passions—a condition which more than any other merits the name of servitude.<sup>[83]</sup> Imperialism is a form of political corruption in which a nation is consoled for its own slavery by the pride of enslaving its neighbours. The attainment of permanent peace connotes the abandonment of Imperialism.

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## § 6

### Possible Objects of War

If the nations are prepared to abandon the claims of Imperialism there will be very little else left to fight about. An examination of the documents connected with any war of the last century shows that the object of a belligerent in prolonging the agony is usually expressed in vague language that can be dissolved by a little analysis. Sometimes a government will propose, in the interests of peace and good government, to crush the enemy's aggressiveness by a purely defensive aggression, an excuse for bloodshed which only the most fanatical pacifist could confuse with Mr. Asquith's blunt watchword of "crushing German militarism." The logical fallacy of such an excuse which is almost invariably pleaded by powerful belligerents,<sup>[84]</sup> a fallacy of which no one could wish to accuse Mr. Asquith's solid intellect, lies (quite apart from any question of the priority of aggression) in the fact that any attempt to crush by force the Will to Conquer inevitably breeds more militarism. The tag about taking a lesson from the enemy, *fas est et ab hoste doceri*, is only one half of the unhappy truth that the fighter is fatally bound to acquire his enemy's worst characteristics. The object undertaken apparently in the interests of democracy can only be accomplished by the wholesale suppression of democratic rights, and involves an organised manufacture of imperialistic emotion which ends by delegating the authority of the State to a reactionary triumvirate of bureaucracy, jingoism and vulgarity (or Tory, Landowner and Journalist). The guarantees of democracy, the rights of free thought and free speech, every sort of civil liberty and every defence against the servile state, will all have to be suppressed in the interests of the nation at war. It is the old story of the conversion of Thais by Paphnutius: the preacher snatches lovely Thais from the burning, but himself is damned—"si hideux qu'en passant la main sur son visage, il sentit sa laideur." A is white and finds it necessary to whitewash B, who is black: after several years of hopeless grey, A finds that he has indeed put some very satisfactory daubs of whitewash all over B, but that his own coat has been blackened in the course of the struggle. It is as if a gardener, having heard of the cannibalistic habit of earwigs, proposed to exterminate the earwig in his rose-garden by importing a special army of five million earwigs collected at great expense from the surrounding country.

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Other belligerent governments will raise the plea of checking the spread of a hostile and dangerous culture; a plausible because apparently philosophical justification of war as the only means of extirpating a heresy that might pervert the whole future of European civilisation. Unfortunately such a moral effect, such a "conversion by shock," could only be accomplished by a very sudden, complete and shattering victory; and it is now beginning to be recognised that spectacular triumphs are not to be expected in modern warfare. But even if it were as possible by violence as it might conceivably be desirable to extirpate or even to limit the propagation of a particular form of mental culture, the achievement would certainly not be worth the cost to the unhappy survivors and their posterity. It would indeed be a crime against humanity to eliminate the better part of the younger generation, the flower of human brains, in the monstrous pedantry of attempting to correct an intellectual error. For the risks of modern warfare are not ordinary. It is not sufficiently realised that in six months of offensive tactics under modern conditions no man in the front line has more than one chance in a million of escaping death or mutilation.

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There may remain the plea that a prolonged campaign is necessary in order by exhaustion to compel the enemy to evacuate some territory that he may have wrongfully occupied. The inevitable answer to such a plea would be that if a war had arrived at a stage in which there was a clear possibility of coercing the enemy by a process of exhaustion, that possibility, if it were well-founded, would certainly not have escaped the intelligence of the enemy, who would consequently be prepared to save his face by coming to terms. The evacuation of the occupied territory, or whatever it is that was to be achieved by the coercive exhaustion of another year or two of battle, might then be obtained by negotiation at once, and at the cost of a certain amount of paper and ink, instead of being forced on a revengeful and embittered opponent by the expensive process of killing young men, a process which has the disadvantage of working both ways.

The conclusion of these general considerations seems to be that all the arguments that are likely to be put forward in the course of a war in order to excuse and ensure its continuation, are only excuses to gain time, put forward in hope that the chances of a further campaign may enable the government concerned to retrieve some apparent advantage out of the disastrous muddle through which they drifted into the first declaration of war. Having drawn the sword in a moment of embarrassment, they have now jolly well got to pretend that it was the right thing to do, and are not going to sheathe it till they see a chance of proving that they are glad they drew it. In short, there comes a point in all modern wars in which the belligerents are fighting for nothing at all, except for a more or less advantageous position from which to discuss a way to stop fighting.

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## § 7

### Physical Force in a Moral World

The explanation of all this seems to lie in the simple fact that it is for ever impossible to solve questions of moral or political principle by the expenditure of physical force. Anyone at all conversant with philosophical thought, if I may adopt a simile used by Mr. H. G. Wells, "would as soon think of trying to kill the square root of 2 with a rook rifle." Physical violence can only solve purely physical problems. But as man no longer exists, if he ever did exist, in the completely unsocial "state of nature,"<sup>[86]</sup> the relations of one individual with another are no longer purely physical: their position as members of one society has given them a moral relation, questions affecting which can only be settled by reference to the judgment of the society as a whole. Within the limits of the State this fact is already clearly recognised by the common voice of public opinion. If Smith quarrels with his neighbour Robinson, because Smith's old English sheep-dog is suspected of having scratched up Robinson's lawn, and Smith says the poor dog would never do such a thing, and anyhow Robinson had no business to leave his back gate open, while Robinson declares that that brute is becoming a damned nuisance, and so provokes Smith to express a hope that now perhaps that grass of Robinson's won't want so much godless mowing on Sunday morning: if two neighbours, in short, have a difference of opinion they both know perfectly well that the rights of the argument can never be decided by a free fight in the middle of the road, even if one of them happens to be a heavy-weight champion. Moreover, if they do come to blows it is perfectly certain that the opinion of the whole road will be against them, and that the Law, to which they might have appealed in the first instance, will intervene as the embodiment of that opinion. The street fight is clearly recognised as not only futile but immoral; it not only settles no questions of principle but it constitutes a breach of the moral relation between two members of one community; it is become merely a rather sordid exhibition of irrelevant physical facts. The average citizen of England or Germany would never think of encouraging a fight between two sides of a street: why does he not recognise with equal directness the futility and immorality of a fight between two sides of a continent?<sup>[87]</sup> It is only because public opinion has not yet effectively realised that the moral sphere includes not only the citizens of one city and the cities of one nation, but the nations of a continent and the continents of the world. But it is a fact that the moral sphere does include the whole of humanity, who are colleagues in the task of civilisation, inspired by the twentieth-century corollary of gloomy nineteenth-century religious agnosticism, the cheerful corollary that it is Man's duty rather than God's to improve the habitable earth. The truth of this fact is already recognised by the better thought of all the nations concerned, and there is no reason why it should be withheld any longer from the people who suffer most by its suppression. As soon as public opinion is allowed to grasp this truth—and it is only too willing to clutch at any generalisation that is emotionally encouraged by its governors—there need be no difficulty at all in embodying that opinion in some form of international government: for, as Rousseau might have said, where there's a General Will, there's a way. As a matter of fact the way has already been admirably mapped by several parties of surveyors.<sup>[88]</sup>

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On the constitution of an International Authority, even on the general aspiration of Europe towards some form of supernational judicature, war will cease to have any more attraction or justification than the street brawl. For war is actually in the community of nations what the street fight is between individual citizens. War is futile, because it can settle no questions of principle; it is immoral, because it is an offence against the membership of a moral community. There is abundant evidence in Blue Books and in the overt acts of Germany that war releases and encourages the elementary brutality of the individual which is normally inhibited by the consciousness of social relations. I have tried to show in a former chapter that war serves the lowest interests of a parasitic commercial class at the expense of the better part of the community. War fosters at the same time the basest elements in the individual, and the basest individuals in the community. War is a crime against the peace of the people.

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## § 8

### Imperialism and Capitalism through War and Trade the Enemies: Socialism to the Rescue

It is the most remarkable fact in political bibliography that all the Utopias worth mentioning have been written by Socialists. The fact is not surprising to anyone who has considered that the Socialists are the only political party in the State who ever attempt to look more than a dozen years ahead. The ordinary politician steers the ship by keeping a look-out for rocks and squalls, and does not trouble to make for any distant landmark. Only the Socialist looks ahead to a harbour attainable perhaps in a hundred years, from which a happier voyage may be begun. Only the Socialist seems to realise that in the world conceived, as modern thought must conceive it, as

a continuous process, Government rather than Trade, Science and Art rather than Industry are the chief activities of the citizen. Government is nothing less than the organisation of the State to take its place among the other States of the world. It includes of course education, being itself a form of education: for the State must be educated to fulfil its duty to other States, just as the citizen must be (and more or less is) educated in duty towards his neighbour. The first task of education is naturally to eliminate violence, to inhibit, by inducing in the young citizen the recognition of mutual rights, those acts of ferocity by which primitive man instinctively expresses his solipsistic passions.

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But where, it may well be asked, is the authority which is to begin the neglected education of the nations of Europe? Where is what Mr. Boon (or Mr. Bliss) would call "the Mind of the Race"? At present the only body of doctrine with any conception of the nature of government for the collective benefit of humanity is International Socialism. It is the International Socialists who must lead the attack on War, if only because the only instigators of war themselves form an international body in so far as the only occasions for war are contrived by the Imperialists and Capitalists who are to be found in every nation. To Socialism belongs the duty of educating Europe against Imperialism, as it has begun to educate the nation against Capitalism; for Imperialism is only an allotropic form of Capitalism, manifesting itself in the exploitation of fellow-nations instead of in the exploitation of fellow-citizens. The first step in that education must be the fight not only against "private" or profiteering Trade, but against "private" or profiteering War: and "private war" is every war that is not authorised by an International Authority and waged by an International army.

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I seem to have heard it said before that there is only one way to break the chains that bind us: and that Amalgamation is the mother of Liberty. The need for the education of Europe is a call to the Trade Unionists and Fabians and Collectivists and Guildsmen of every Nation:

## **SOCIALISTS OF THE WORLD UNITE.**

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## **APPENDIX TO CHAPTER III**

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### **SOME TYPICAL WAR PROFITS**

#### **I. *The Manchester Guardian*, January 3, 1916:**

##### **BRITISH INDUSTRY IN WAR**

The first full calendar year of war has been a period of unparalleled industrial activity and, generally speaking, prosperity in this country. Heavy losses and bad times have been encountered in a few important industries, but these are balanced by unprecedented profits made by a large variety of industries, whether directly or indirectly affected by the war. One frequently finds that the neutral visitor carries away with him an impression of industrial England as one great living arsenal. That is not surprising, as since July last the Munitions Ministry has erected (or improvised) and started a large number (it is not permissible to say how many) of State munitions works, and it has also mobilised the whole engineering resources of the nation to such an extent that in the first week of December no fewer than 2026 manufacturing establishments had been declared "controlled firms."

But it would be a mistake to suppose that, while war manufactures prospered, all other industry languished and decayed. To prove the contrary and show that only here and there were there heavy losses, we may quote some figures compiled by the *Economist*, which show that 720 industrial concerns publishing their reports during the first nine months of 1915, and having a capital of £531,678,701, made profits amounting to £52,881,300, or under 2-1/4 millions less than in the previous year (which in the case of almost all the reports was a year before the war).

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Dissecting these figures, we find that not only iron, coal, steel, and shipping companies report enormous profits, but that increased earnings were shown by breweries, gas, rubber, oil, and trust companies, and others. The large exceptions which depressed the total profits were textile companies (other than those engaged on war contracts), catering, and cement companies. Shipping leads the van of prosperity owing to phenomenal freight rates, while iron and steel and shipbuilding, as direct and established purveyors of armaments, are close behind. As showing the industrial tendency of the year, one may quote the remarks of a trust company chairman at a recent meeting. Of 150 home investments possessed by his company, he remarked that a hundred had since the war yielded the same as in the year before war, while thirty had paid less



and twenty more.

Into the circle of munition producers have been drawn cycle and motor, machinery, electrical, and many other branches of manufacture. Of other industries driven to fever heat by the war may be mentioned woollen and leather factories. Secondary effects of the war also produced a boom in several unexpected quarters. For instance, the high wages earned by war workers, and too generously spent in a vast number of cases, led to a strong demand for cheap furniture, pianos and many types of household goods which in normal times are usually out of reach of the purse of most wage-earners. But one trouble has beset all industries in common—a shortage of labour, which cannot but grow with every increase to the numbers of men drafted from the ranks of productive industry into the army or the munitions works. From all quarters comes the tale of orders, both from home and from abroad, that cannot be accepted. In the case of foreign orders that have to be refused, the labour shortage has what one fears may be lasting consequences. For custom once diverted to America or elsewhere is not easily regained.

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## 2. *The Manchester Guardian*, March 3, 1916:

### MORE GREAT PROFITS

#### HOLT LINE'S ENORMOUS SURPLUS

The China Mutual Steam Navigation Company (Holt Line) has had a greater year than ever. It has been supposed that regular liners were getting little benefit from the boom in freights, but a profit of £591,005, as against about £294,000 in 1914 and £386,418 in 1913, can only be explained by a very large participation in special war-time gains. The dividend and bonus on the ordinary shares make 106 per cent for the fourth year in succession, and a still larger sum is being kept in hand, £200,000 being put to the reserve, as against £50,000 for 1914 and £100,000 for each of two years before that, and the balance forward is raised from £81,014 to £201,367. Most of the Company's capital, however, only bears 6 per cent interest. The ordinary shares (which we believe are held privately) only amount to a little over £83,000.

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## 3. *Pall Mall Gazette*, September 24, 1915:

### WAR PROFITS

The other taxes are accepted by the public and traders alike as inevitable, but special interest is being taken in the excess war profits tax. That Mr. McKenna is likely to find his estimate of £30,000,000 largely exceeded is admitted. The *Daily Chronicle* publishes a table in which the City Editor compares the last profits announced by some of our greatest undertakings, covering a considerable portion of the war period in most and some portion of it in all cases, with the average of the previous three years. It will be seen that in every instance the war has brought greatly increased prosperity.

	Last Profit.	Average Previous 3 years.	Increase.
	£	£	£
ARMSTRONG WHITWORTH (Engineering, Shipb., etc.)	802,000	624,000	178,000
WM. BEARDMORE (Engineering, Shipb., etc.)	219,000	185,000	34,000
JOHN BROWN (Engineers, Shipbuilders, etc.)	586,000	347,000	239,000
BEYER PEACOCK (Locomotive Builders)	83,000	35,000	48,000
BRUNNER MOND (Alkali Manufacturers)	824,000	770,000	54,000
CAMMELL, LAIRD (Iron, Steel, and Shipb.)	238,000	147,000	91,000
HAWTHORN LESLIE (Sh'b. & Marine Engin'ring)	202,000	102,000	100,000
KYNOCH'S (Explosives)	153,000	114,000	39,000
LAMBERT BROS (Coal Exporters, etc.)	142,000	84,000	58,000
POWELL DUFFRYN (Collieries)	422,000	279,000	143,000
SAMUEL FOX (Engineers)	66,000	39,000	27,000
SPILLERS & BAKERS (Millers)	367,000	140,000	227,000



This table indicates that the Chancellor may expect to receive far more than the sum he estimated from the war profits tax.

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#### **4. *The Manchester Guardian*, Feb. 28, 1916:**

##### **COAL PROFITS NEARLY DOUBLED**

The tale of colliery war profits is continued by the report of North's Navigation Collieries (Glamorganshire). The output for 1915 was actually less by 87,810 tons (1,141,900 tons against 1,229,710), but the profit was nearly doubled—£130,071 against £65,578. With the £10,496 brought into the account the directors had their biggest total in recent years available for distribution. The ordinary shareholders get 10 per cent and a bonus of 2-1/2 per cent, which is the best payment since the 15 per cent paid for 1907. Advantage is taken of a prosperous year to place £35,000 to the reserve fund, which has been rather overlooked recently, only one allocation of £20,000 having been made in four years. It now stands at £155,000, against £650,000 of share capital. For depreciation, with regard to which item substantial provision is made each year, £15,000 is written off. This leaves £10,567 to be carried forward. The Company has the reputation of being well managed, and its coal properties are regarded as being very valuable. The recently opened St. John's pits are being developed satisfactorily, it appears, a further increase in output being shown.

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Despite a decrease in output of nearly 400,000 tons, the Powell Duffryn Steam Coal Company is enabled to show a profit for 1915 of £438,799, as compared with £422,204 for 1914 and £364,421 for 1913. The usual 20 per cent is distributed on the ordinary shares, free of income tax, and last year's allocation of £50,000 to the reserve fund is repeated. In addition, the reserve for income tax benefits to the extent of £50,052, and there remains £120,236 to carry forward. The decrease in output, it should be noted, is due to the enlistment of the miners, and its restoration to the normal and probable increase after the war should balance the decline in profit that may be expected to attend the decreased demand.

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#### **5. *The Times*, May 19, 1916:**

##### **SOAPMAKERS' "RECORD" PROFITS**

Presiding yesterday at the annual meeting of Joseph Watson and Sons (Limited), soapmakers, Leeds, Mr. Joseph Watson said that the company's profits for the year amounted to £122,000, or £19,000 in excess of any previous year's profits. Their turnover had largely increased because they were now supplying soap to France, Belgium, Scandinavia, and a small amount to Spain and Italy. It was not a question to-day of getting orders; it was a question of refusing them. They had at the present time three months' orders on the books.

#### **6. *The New Witness*:**

##### **THE SCANDAL OF WAR PROFITS**

It is a sinister and deplorable fact—one of the most ironical with which the continuance of the War has yet confronted us—that there has grown up in Great Britain a number of firms and businesses to whom a successful prosecution of the campaign would mean ruin, and who have an actual vested interest in the indecisive continuance of hostilities. This is due entirely to the lack of grip and resolution which the Government have displayed in dealing with the ugly phenomenon of War Profits. We know, of course, what happens to those profits at present. Half is taken by the State: half passes to the firms who are getting "rich quick" out of its necessities. In theory, it is an anomalous arrangement, indefensible in logic, and opposed to every canon alike of justice and of taxation. In practice it works out in the way we have indicated: that certain privileged firms and individuals are amassing huge fortunes out of the gravest crisis through which the nation has passed, and which will pinch us all before it is over.

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Let us give some examples of the mammoth profits that some of these concerns are making. There is first of all the famous old English firm of Levinstein—Messrs. Levinstein of Manchester—to be considered. This "all-British" concern has not done badly out of the terrible situation through which we are slowly toiling. While mere vulgar English Tommies have been dying in the trenches or have returned incapacitated to England—to find that their country cannot afford them a pension—Levinsteins have been pocketing several thousands of that country's cash. Levinsteins' are dye-makers, and in 1914-15 they made a profit of £80,000 *on a capital of* £90,000: a profit large enough to make the mouth of the deceased usurer Kirkwood dry with envy. But, while our legislature passed laws to restrain the usurer in his exactions, the "war profiteer" has no restriction placed on him. His workmen can, in certain cases, be fined or sent to prison if they absent themselves from work, and hundreds have been proceeded against under the Defence of the Realm Act. But the profiteer himself is immune! It is childish to say that the

State can recover half of the profit he has wrung from the country's necessity. What right has he to the other half? In the case of Levinstein, this £80,000 profit enables the company to pay 14-1/2 years' preference dividend, to distribute a dividend of 30 per cent on its ordinary shares, and to write off £21,000 for depreciation! It is merely fatuous to pretend, or to endeavour to pretend, that the appropriation of half these profits squares matters between the community and the British firm in question.

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As with Levinstein, so with other firms. Messrs. Cammell, Laird & Co. averaged profits of £146,000 for the three years before the war. Since last year those profits have risen to £237,000. Those profits, of course, are subject to war profits taxation. But most manifestly that taxation is utterly inadequate. So it is in the case of Messrs. W. Beardmore, whose profits rose from £184,000 (three years' pre-war average) to £219,000; of the British Westinghouse Co., which rose from £56,000 to £151,000; and of Beyer Peacock's, which increased from £57,000 to £109,000.

In all these cases the deduction of 50 per cent by the Government is entirely inadequate and utterly misleading. It is at once an admission that the firm in question has no right to amass huge profits out of the welter and tragedy of the European War, and that the State is content to stultify itself by surrendering the other half.

Many of these profits have been made by covering rises in raw material far in excess of the actual increases. Many have been wrung from the poor and the needy, who are now being enjoined by the Government to eat less meat. Messrs. Spillers & Baker, of South Wales, increased their profits from an average of £140,000 (three years' pre-war average) to £367,000 in 1914-15. We do not blame them. The rise in price was beyond their control. They could hardly help benefiting. But it is mere madness for the Government to leave them in possession of these vast accretions of wealth. Firms that paid 8 per cent before the war, now paying 22-1/2 per cent (such as Messrs. Richard Dickeson & Co., the Army contractors) are able to pocket tens of thousands that ought to go to strengthen the resources of the nation. Others, like the Mercantile Steamship Co., increase their dividend from 20 per cent to 35 per cent; and some are able to pay dividends actually larger than the capital of the company itself!

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It is ludicrous for the Government to allow this condition of affairs to continue. Their course is quite clear. They should limit profits to the average of three years before the war, and add at the most 5 per cent. Anything short of this is a betrayal of the national interests to private firms.

### **7. *The New Statesman*, March 25, 1916:**

An innocent person might think that when a manufacturing company is faced with an enormous rise in the cost of the principal commodity it consumes, its profits would be diminished. Some law must be in operation which has escaped the attention of economists, for so far from this being the case, what appears to happen is that the profits of manufacturers rise in a greater degree than the price of the raw material. Thus, so far from being hit by the enormous rise in the price of flour, Peek, Frean & Co., the well-known biscuit manufacturers, made a net profit of £107,478 last year, as compared with £99,578 in 1914, and £98,607 in 1913. After paying the usual 5 per cent on the £300,000 of preference shares no less than 25 per cent is paid on the £230,000 of ordinary share capital, which has been issued. This company raised its money very cheaply from the public, which paid 102 per cent for its 4 per cent debenture stock and par for the 5 per cent preference shares. The investing public does not benefit by the big dividend on the ordinary shares. These were never offered to the public, but are privately held.

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Another shipping company, sister to the Court Line, mentioned in these notes last week, has issued its report. This is the Cressington Steamship Company, which owns two modern tramp steamers of slightly over 7,000 tons each. The company was very fortunate in that one of these vessels was delivered in February, 1915, it having been contracted for at pre-war prices. The profits for the year amounted to £50,015, as compared with £6,861 in 1914 (when only one vessel was trading). The dividend for the year is 15 per cent, £7,072 is allocated to depreciation, £22,000 for special war profits and income-tax, whilst about £3,000 is being carried forward. The financial position of the company is such that if its ships were sold at £2 15s. per ton, shareholders would receive the return of their capital in full. On present prices, however, they would probably fetch over £15 per ton. The shares are now quoted at 28s.

The Bengal Iron and Steel Company, whose report has also been issued during the week, has had an interesting career; it works large iron ore and coalmining areas in Bengal. At first the company did well, but then it went in for an unfortunate steel venture and fell into arrears with its preference dividend. This was overcome, and during the past few years the company has done well, particularly from its coal business. The report for the year ended September 30th, 1915, shows a working profit of £144,913, as compared with £79,200 during the previous year. This considerable improvement enables the company, after writing off various old items, to place to a general reserve £20,000, and to declare a dividend payable quarterly of 24 per cent on the £224,850 of ordinary shares, which compares with 12 per cent a year ago. By way of a change, the report states that the trading results would have been even better had war conditions not prevailed.

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EMIL DAVIES.

### **8. *The New Statesman*, May 27, 1916:**

Markets have displayed unwonted cheerfulness during the past week, and all sorts of peace rumours are in circulation. It is more than likely, however, that it is the firmness of the market which is responsible for the rumours, and not *vice versa*. There is a steady stream of orders from the Midlands and the North, where people are making money, and these have the effect of putting up prices in several of the markets. The Brazilian Funding Loan, which was recommended here on the 29th April at 74, has been noticeably firm, and is now 77-1/4. It still appears to be the cheapest Government Loan. Brazilian securities are attracting more attention, and Brazil Traction Common, which a year ago was below 50, now stands at 64. There has been a large business in Castner Kellner on the working agreement between that chemical company and Brunner, Mond & Co., the shares having jumped four or five shillings to their present price of 69s. 6d. Precisely a year ago they were recommended in these notes at 66s. 10-1/2d. Shipping shares have been exceptionally firm; Court Lines have risen another few shillings to 34s., the large business in them being probably due to the fact that they are one of the few shipping shares which can be obtained. Rubber shares are equally firm. Nobel's Explosive Company has just issued its report for last year, showing a profit of £529,738 *after* providing for excess profits duty. The dividend is 15 per cent, free of income-tax, or 5 per cent more than last year. This increase in the dividend came as a surprise to the market, and the price of the shares (which are a favourite investment in Glasgow) jumped from 31s. to 38s. 3d.

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The profits of the Oceanic Steam Navigation Company (the White Star Line) for last year have attracted a good deal of attention. They were stated as being £1,968,285, as compared with £887,548 in 1914 and £1,121,268 in 1913, which was the Company's record year; but the figure given for 1915 does not indicate the full profit, for it is arrived at "after providing for excess profits taxation and contingent liabilities." Replying to a question asked in the House of Commons by Mr. W. C. Anderson, Captain Pretzman stated that the Company informed him that the profit mentioned was before deduction of debenture interest and depreciation. Captain Pretzman added that the sum divided as dividend was £487,500, the same amount as in the year 1913 before the war. Where people are protesting against large war profits it may, at first sight, appear an adequate answer to point out that a Company is not paying out more in dividends than it did in the year preceding the war. As a statement of fact it is perfectly correct, but it has no bearing upon the amount of profit that has been made, as the following calculation will show. We now know that the 1915 profit shown in the accounts is *after* allowing for excess profits taxation, deferred repairs, contingent liabilities, debenture interest and depreciation. Since 1913 the Company has increased its debenture issue, and last year had to pay in debenture interest £109,536, as compared with £65,211 in 1914. How much has been placed on one side for depreciation before showing the profits can only be known to very few people, but the amount the Company must have put on one side for excess profits taxation must be at least half a million, and possibly a great deal more. The actual profits for last year were therefore probably in the neighbourhood of three millions, if not more. As indicated above, out of the £1,968,285 shown as profit, only £487,500 is paid out in dividends, the remainder going to various reserves. The dividend works out at 65 per cent, but all goes to the International Mercantile Marine Company, the much-talked-of American shipping trust associated with the name of the late J. Pierpont Morgan, which holds all the Ordinary Shares. The trust was in a bankrupt condition prior to the war, but the present state of affairs is radically altering its position. It must be annoying to the American holders that a large slice of the profits of an American-owned concern has to go to the British Government in the shape of war taxation.

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### **9. *The New Statesman*, June 24, 1916:**

Another firm which has apparently benefited by the war is Ruston, Proctor & Co., the well-known Lincoln manufacturers of agricultural implements. A final dividend of 5-1/2 per cent is declared, plus a bonus of 2 per cent, making 10 per cent for the year, which still allows the Company to place £45,000 to reserve and to carry over £16,300. This dividend is 3 per cent more than was paid last year, and is the highest in the twenty-six years' history of the Company. Shipping shares remain firm, and it is almost impossible to purchase any of the best shares. As an illustration of the profits that are being made, the Nitrate Producers' Steamship Company's accounts for the year ended April 30th last show a gross profit of £404,022, as compared with £151,905 and £135,986 in 1914 and 1913 respectively. The dividend is 25 per cent, free of income tax, £100,000 is placed to reserve, £200,000 to a special fund for excess profits tax, income tax, etc., £30,000 is added to the insurance fund, and the carry forward is increased by some £7000. The Company owned a fleet of ten steamers, which has, however, been reduced to five by the sinking of one last September by an enemy submarine and by the sale of four vessels. A new vessel is under construction, and should be ready for delivery in August. The capital of the Company consists of £200,000 in Ordinary Shares and £200,000 in 5 per cent Cumulative Preference Shares.

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### **10. *The New Witness*, June 15, 1916:**

## **WAR PROFITS AND THE GOVERNMENT**

It is essential that a determined effort should be made to rouse the nation to a sense of the gross and scandalous injustice of the huge profits that are at present being "earned" by certain firms piling up wealth which is really amazing to contemplate. This is not mere empty rhetoric; the figures support the description up to the hilt. Let us take the case of five well-known companies,

all engaged in "war work," and see to what account they have turned our soldiers' sacrifices:—

Firms.	Profits.		
	1913	1914	1915
	£	£	£
Cammell, Laird	171,700	235,500	301,500
Curtis & Harvey	48,100	77,800	143,800
Projectile	14,000	40,400	192,700
Webley & Scott	9,500	16,400	61,300
Thornycroft	13,000	107,640	267,333 (6 mos.)

These figures can only be described as staggering—staggering, that is, to anyone who cherishes a faint, lingering belief that "equality of sacrifice" is to be a reality and not merely a bitter jest. Look for a moment at the tale that these profits show! The Projectile Company has multiplied its 1913 profit *thirteen times over!* Five or six years ago its affairs were in so parlous a state that 19s. had to be written off as lost from each 20s. share. Now, as Mr. Charles Duguid reminds us, "it is paying a first dividend of 50 per cent and is returning to the shareholders 3s. 6d. out of the 19s. they regarded as lost." The return on the shares, according to the same financial authority, is 400 per cent!!!

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Look at the case of Thornycrofts. The profits for the first half of 1915 are twenty times as big as the profit for the whole of 1913—an increase, as Mr. Duguid reminds us, *of 3800 per cent upon the year*; a year that will spell blank financial ruin, impoverishment and destitution to the families of thousands and tens of thousands of our fighting men!

Thornycrofts are by no means peculiarly fortunate; Nobels, for instance, have managed to earn quite a tidy little profit. Their net profit for 1915 comes out, we learn, at over half a million sterling (£529,800), exclusive of £213,900 brought forward out of the large profit of the preceding year, and this makes the total amount available for distribution as much as £743,700. Even after paying a dividend of 10 per cent and a bonus of 5 per cent, making 15 per cent, all free of income tax, the Company has still £424,700 unallocated. In its most prosperous year, 1913-1914, the net profit of the Nobel Dynamite Trust did not amount to more than £381,300. We have, we need hardly say, no feeling against Nobels or Thornycrofts or the Projectile Company. We only want fair play in this matter. If this aggregation of profits is not stopped the wealth of England will be in the hands of men who will regard the triumphant conclusion of the War as spelling ruin to themselves and who will see in victory only the cessation of profits that in normal times they have never dared to contemplate.

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The remedy for this is simple. The Government have refused to the workman the right to extort unearned increment out of the country in its dire necessity. The workman may not strike or cease work or even change employment without the permission of the State. Assuredly the State has the right to exact that obedience from him. But it is essential that it should, and at no distant date, lay its restraining hands also upon the employers who are earning these huge dividends, otherwise we shall have enacted in England the tragedy that we have seen in Ireland. We shall have a Government without moral authority, a Government which will, therefore, be perpetually embarrassed in the conduct of war.

### 11. *The New Witness*, June 15, 1916:

#### WILLIAM CORY & SON

This famous coal company has taken every advantage of the demand for coal, and can show a record profit. After providing for excess profits, the balance of profit is £453,136, or £237,808 more than last year. As I have again and again pointed out, I do not think the Government should allow such huge profits to be made in war time. The coal trade is in a few hands, and firms like Corys may be said to control it. The directors content themselves with raising the dividend 5 per cent to 15 per cent; but they place £100,000 to reserves, making them £500,000; £30,000 goes to staff pensions and £25,000 to a war fund for employees. The carry forward is raised £30,740 to £88,969. The steamers, tugs and barges are now to be formed as separate companies; and the French business is also to be transferred to a subsidiary. The balance-sheet shows creditors up £204,971, presumably to meet the excess profits liability. Debit balances have increased £509,840, and now include Treasury bills. War loans have been increased £280,652, and the total assets are up £451,183, at £4,541,601, and have earned 10 per cent. When all creditors have been paid the quick assets amount to £930,654, and amply protect the debentures, £900,000 which are an admirable security. I do not suppose the present Ministry will do anything to control the profits made out of the War by those who run the coal trade; and, therefore, we may expect that 1916-17 will be as good a year as that just ended. But I am not in agreement with a policy of *laissez-faire* in war time unless the policy is carried out stringently.

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Apparently the sauce trade has not been seriously injured by the War, for Holbrooks have increased their trading profit £4,694 to £35,170; but income tax is higher, and £5,000 has been used as a special reserve for investments, so the available profit is only £23,046, as against £25,055 in the previous year. The dividend remains at 20 per cent, but £3,072 more is carried forward than was brought in, and the Board say that the unsettled state of the world justifies them in doing this. I suspect that they are building up a reserve for the purpose of attacking the Yankee trade which for so many years has been in the hands of Lea & Perrins. The business is well managed by the two managing directors, who have been in the firm since it was promoted. The alterations in the balance-sheet are not of any moment. Quick assets total £151,557 when liabilities have been met, and the assets have earned 7-1/2 per cent on their book value—not a very splendid profit for a sauce.

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## **JAMES HINKS & SON**

This famous firm of lamp makers should benefit largely by the complete absence of German competition all over the world, and the eleven months show the satisfactory profit of £13,595. The dividend for the previous thirteen months was only 6 per cent, but the report now issued declares 10 per cent and a bonus of 1s. 6d., or 17-1/2 per cent—a record distribution. Also £2,250 is placed to reserve and the carry forward is raised from £3,603 to £6,399. As long as the War lasts we may expect this remarkable prosperity to continue. The reserves are now in excess of the capital. The company has earned 7-1/2 per cent on the book value of its assets, which, in spite of goodwill and patents having been written off, looks as though they were fully valued at £179,765. The shares are a fair industrial speculation.

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### **12. *The Manchester Guardian*, June 19, 1916:**

While everybody knows that the immense disbursements on the War have led to a greater demand for labour than it is possible to meet at present and that employers have done well, in spite of their difficulties, it is perhaps not generally known how greatly the profits of nearly all the public companies have increased during the last year. They have had to pay higher wages in many cases, though not in all, their materials have been much more costly, and their foreign trade has been hampered by restrictions, in furtherance of the policy of preventing the enemy from getting goods which he requires and which it is in our power to control. Many, however, have done a large business for Allied Governments as well as our own, especially in army equipment, and the demand for coal has been greater than our power of supplying it. All our production has commanded high prices, and profit margins have in most cases been very large. It is a way that chairmen of companies have to take big profits as being in the natural order of things, and dwell mostly on the difficulties which have prevented them from showing even better results. If this has obscured the real state of affairs it is desirable that the other side of the picture should be clearly presented, for it is impossible to understand the economic side of the War without a thorough comprehension of its industrial effects.

We give below a tabular statement of profits which have been declared this year, with the figures for two preceding years added so as to show their true significance. Some are gross and others net profits, but in this we have simply followed the methods adopted by the directors in their reports, that being in practice the only way of showing how the comparison stands. In some cases the capital has been increased during the three years, but the extent to which that has occurred does not affect the tables if they are regarded comprehensively. Some did very badly in the first few months of the war, and the profits they declared in 1915 look very small in comparison with those in the first column of the tables. In those cases the third column will act as a corrective, for in the main it shows the companies' normal earnings. It will be noticed that some of these were very small. Here and there the company was in the development stage, but as a rule it may be taken that the concern was not a very profitable one in peace times. Possibly it was over-capitalised, or over-weighted with debentures, or its plant was out of date, or it could not get sufficient business to make full use of its productive capacity. We shall not attempt the invidious task of singling out which come in these categories, but we call attention to the cases in which small pre-war profits have been converted into large ones since because they are really the most instructive of the whole series.

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For very large increases upon profits which were already good the most notable are the shipping companies. Our list is typical rather than exhaustive. Some of the small concerns, with only one ship, or up to half a dozen, have done better relatively than several of the big lines, as they were more at liberty to take advantage of the big freight-rates which were going. We have not set these out, however, because it does not appear to be necessary. The dividends in virtually all cases have been substantial, and in some cases very large indeed. It would be useless, however, to show these in tables, as some of the leading companies use reserves greatly exceeding their nominal capital, and quite a number have devoted a larger proportion of their profits to strengthening their position than to the payment of dividends. In the case of the Moor line we are unable to give the amount of the profit reported last year, as the balance-sheets are not issued publicly, although we have been favoured with them occasionally.

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Coal, iron, engineering companies and shipbuilding companies are bracketed together because so many of them are concerned in at least two of those fields of industry. As our table shows, they have had a great revival, many having been used by the Government, while all have felt the effect of the great demand for munitions. The miscellaneous list offers an interesting field of study, and



the rubber and tea companies' results are in some respects more striking still. We have only given a selection of these, but they suffice to show that rubber and tea have been very profitable since the War began. An appeal was made some time ago with a view to the "young" rubber companies being relieved of the excess profits tax, but our list shows how unnecessary it was to make any special concession to the industry they represent. In the last two months a great many of the companies have indicated that they were setting some thousands of pounds aside for the tax.

Among the other concerns which have announced their appropriations to meet the excess profits tax the most notable one that we recall is the British Oil and Cake Mills Company, which expected to have to pay £225,000. The Nitrate Producers' Steamship Company is putting £200,000 to a reserve for the excess profits duty and income tax. Most of the big companies have provided for the tax before striking the profit balance, and as this is strictly correct it would hardly be fair to say that they have concealed part of their profits. The figures would have been more striking, however, if the gross sums had been given. As we read the White Star line's figures they indicate that the company has had to pay much more than the British Oil and Cake Mills Company, but the Cunard line has probably had to pay much less. [Pg 150]

The amount payable in any given case is the excess over the pre-war standard, which is fixed by taking the best two of the three immediately preceding years. Speaking generally, the companies do not appear to have hurried in their payment of the tax. For the year ended March last the total yield was estimated at £6,000,000, but the actual sum received was only £140,000, and the £6,000,000 has not been got yet, the yield from April 1 to June 10 being only £3,556,000. A sharp increase is bound to come, however, in the course of the financial year. The Chancellor of the Exchequer expects to get £86,000,000 in excess profits tax and munitions levies by the end of March next, and he cannot possibly have made so enormous a mistake as the receipts to date would suggest if we did not know that thousands of firms have still to pay very considerable sums.

In the tables appended the years at the tops of columns are those in which the profits mentioned were announced. A large proportion of the results shown in the 1916 columns are for the year ended December last. Some, however, are for years which have ended since then, while a few, relating to companies which carry on business abroad, are for years which began soon after the outbreak of the War:— [Pg 151]

#### SHIPPING

	1916	1915	1914
	£	£	£
British and African	94,388	64,464	41,357
Booth Line	328,127	225,267	154,828
China Mutual	591,005	286,725	381,729
Court	137,446	25,034	23,890
Cunard	1,579,170	1,286,948	1,187,831
Cairn	152,152	85,988	102,318
Elder, Dempster	349,444	326,122	307,605
Eagle Oil Transport	325,928	302,897	92,866
Elder	66,266	55,305	38,975
Field	71,393	11,881	—
France, Fenwick	179,100	64,900	76,800
Gulf	188,093	39,436	65,014
Houlder Bros	118,802	95,587	102,893
Indo-China	109,089	16,020	45,364
India Gen	65,738	41,974	118,379
King	102,319	17,426	90,392
Leyland (Fredk.)	1,441,690	620,839	589,810
Lamport & Holt	332,897	149,108	200,691
London & Northern	586,299	118,419	135,541
Mercantile	259,159	93,391	129,946
Moor	335,349	—	254,000
Neptune	146,718	73,310	112,563
Nitrate Producers	381,599	134,826	125,990
Pool	601,338	118,000	—
Pyman	165,078	72,504	62,413
Royal Mail	808,731	98,232	436,470
Redcroft	117,953	13,125	21,396
Sutherland	295,220	74,841	41,779
White Star	1,968,285	887,548	1,121,268

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#### COAL, IRON AND ENGINEERING

Albion Steam Coal	44,536	36,820	24,094
Arrol (Sir W.) & Co	119,060	49,756	51,096
Brown, Bayley's Steel	32,017	1,578	29,758
Barrow Hematite	119,377	51,518	104,664
British Aluminium	180,057	156,066	154,488
Beyer, Peacock	54,177	109,783	87,843
British Westinghouse	176,752	151,627	106,494
Brit.Ins. & Helsby	295,131	277,428	247,351
Bell Bros	145,360	45,969	128,736
Bessemer (Hy.)	55,348	35,826	23,308
Cammell, Laird	303,841	237,899	174,126
Cory (W.) and Son	453,136	215,328	313,906
Cargo Fleet	162,276	131,142	124,219
Callender's Cable	113,266	98,692	91,861
Carlton M. Colliery	188,545	128,413	177,025
Clayton & Shuttleworth	72,787	44,643	53,496
Consolidated Cambrian	185,139	140,097	147,648
Crossley Bros	65,337	15,347	42,517
D. Davis	200,127	215,744	217,970
Dorman, Long	404,524	237,579	257,863
Edinburgh Collier's	64,807	17,420	63,969
Fife Coal	224,058	89,866	—
Gt. West. Colliery	137,008	111,821	158,420
Hadfields	265,403	139,301	109,513
Henley's Tel	153,224	112,898	106,380
Howard & Bullough	136,152	32,766	163,066
Jessop (W) & Sons	103,726	60,354	87,343
Knowles (A.) & Sons	47,199	18,329	29,140
Leyland Motors	252,107	85,037	—
Lysaght (John)	414,764	313,707	330,576
Locket's Merthyr Collieries	45,635	6,229	22,238
Met'n Carriage	372,140	321,091	365,739
Newton, Chambers	60,669	4,182	89,523
N. B. Locomotive	174,241	160,644	140,889
North's Nav. Coal	130,071	65,578	100,144
Parkgate Iron	107,344	66,643	85,169
Projectile	194,136	30,739	18,880
Powell Duffryn	438,799	422,204	364,421
Pease & Partners	435,772	248,216	385,975
Rhymney Iron	127,733	52,488	131,901
S. Durham Steel	239,868	150,257	302,955
Shelton	109,554	63,465	81,185
Stewarts & Lloyds	256,308	233,420	246,065
Swan, Hunter, etc	305,083	217,498	264,124
United Collieries	216,065	57,600	100,503
Wigan Coal, etc	143,288	44,829	138,118

#### MISCELLANEOUS

Angus (Geo.) & Co	54,461	43,574	32,123
Burmah Oil	1,413,170	1,411,279	1,363,389
Bradford Dyers	568,623	387,923	430,081
Bleachers' Association	416,394	197,835	423,416
Bryant and May	115,159	101,616	90,158
Broxburn Oil	46,729	22,252	57,046
British Cotton and Wool Dyers	93,524	42,297	9,290
Brunner, Mond	1,011,590	799,322	769,343
Bovril	168,796	137,584	119,813
Buttons	63,297	38,880	32,834
Borax Consolidated	205,825	195,449	235,285
Barlow & Jones	46,798	38,936	33,584
British Oil, etc., Mills	243,110	111,203	116,541
British and Argentine Meat	651,289	67,288	—
Curtis's & Harvey	143,830	77,754	48,117
Courtaulds	741,668	520,349	474,154 <sup>[89]</sup>
Calico Prin. (half yr.)	176,521	—	55,495

E. Velvet, etc., Dyers	70,833	61,161	72,467
Fore St. Warehouse	48,957	28,597	—
Forestral Land	900,947	234,065	383,362
Fine Spinners	535,854	391,057	613,415
Gas Light & Coke	604,314	449,510	522,710
Hollins (W.) & Co	105,639	65,786	65,986
Henry (A. and S.)	249,713	104,098	122,528
Imperial Tobacco	3,699,891	3,533,360	3,354,476
Lever Bros	1,265,933	1,152,107	988,238
Linen Thread	257,418	188,773	189,142
Lennards	41,300	34,457	30,377
Lister and Co	133,874	94,403	151,458
Lyons (J.) & Co	278,293	276,403	353,303
Maypole Dairy	528,274	488,026	489,643
Mandleberg (J.)	74,506	52,049	57,964
Pumpherstons Oil	134,927	74,010	140,025
Rylands & Sons (half yr.)	120,032	55,179	—
Rotherham (Jer.)	104,925	74,638	59,692
Salt Union	140,524	89,443	82,791
Sears (J.) & Co	82,070	65,032	57,061
Stead & Simpson	59,898	32,762	30,357
Samnuggur Jute	299,829	44,307	86,574
Spillers & Bakers	217,416	367,866	89,351
United Alkali	341,986	217,081	193,604
Winterbottom Book Cloth	171,191	119,795	165,213
Webley & Scott	61,277	16,376	9,511
Whiteaway, Laidlaw	131,577	107,952	129,790
Watson (Joseph)	122,001	89,290	103,999
Young's Paraffin	47,953	24,139	80,152

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#### RUBBER, &c.

Anglo-Malay	121,224	76,931	104,583
Assam-Dooars	51,674	22,269	—
Amalgamated Tea	157,818	98,176	78,787
Batu Tiga	56,293	22,315	24,762
Bukit Sembawang	33,989	14,344	6,090
Consolidated Tea	479,815	289,262	247,633
Chersonese	59,602	35,019	29,081
Ceylon Tea	163,899	108,300	93,900
Damansara	48,680	30,580	29,081
Eastern Produce	126,406	71,724	69,004
Grand Central	248,201	132,019	87,554
Highlands & Lowlands	108,343	75,425	79,079
Jorehaut Tea,	64,508	43,204	34,088
Jhanzie Tea	35,881	17,286	15,113
Klanang	37,918	20,458	24,257
Kuala Selangor	47,748	42,013	32,798
Kanan Devan	208,612	120,119	106,909
Linggi	125,739	78,899	83,746
Lunuva	32,994	12,599	12,602
Malacca	252,006	144,224	131,156
Nuwara Eliya	49,915	21,921	—
Nordanal	39,658	36,686	49,344
Panawatte Tea	38,167	23,833	—
Rub. Est., Johore	42,703	22,541	10,931
Rani Travancore	63,791	35,349	32,259
Singlo Tea	68,857	36,166	31,449
Sungei Way	38,532	36,533	25,624
Straits	157,678	164,750	185,426
Sungei Kapar	59,966	39,426	42,364
Selangor	55,457	58,007	41,940
Seremban	43,410	24,198	22,471
Sunnygama	63,688	43,142	31,931

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### **13. *The New Witness*, June 22, 1916:**

The Tenth Ordinary General Meeting of the Forestal Land, Timber, and Railways Co. (Ltd.) was held on Friday last, at Winchester House, E.C., Baron Emile B. d'Erlanger (chairman of the company), presiding.

The chairman said that the share capital remained unaltered, and the debenture debt had only been decreased by the yearly amortisation. No less than £143,600 had been added to the depreciation account, making it £634,170. Credit balances had swollen by the sum of £175,589. The profit on the year was £900,947, as against £234,064 last year. On the credit side, properties stood at £4,405,917, and had increased by the new properties acquired. The live stock stood at £34,000 less than last year, due to a smaller stock of "Invernada" cattle. The stocks of extract and felled timber had risen by £115,000, principally owing to a larger stock of felled timber. Debit balances had risen to £156,000. In the profit and loss account the trading profit was £1,281,299, as compared with £614,879 last year, and, after deducting London charges, debenture interest, depreciation, and legal reserve, there was left a profit of £900,947.

### **14. *The Westminster Gazette*, July 15, 1916:**

The accounts of the W. and C. T. Jones Steamship Company, Limited, of Cardiff, for the year ended June 30, show that, with a fleet of thirteen steamers, £524,855 profit has been earned, representing 187 per cent on the capital of £280,000.

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The previous year's earnings were £87,105.

A dividend of 15 per cent, making, with 10 per cent interim dividend, 25 per cent for the year, free of income tax, is declared.

### **15. *The New Statesman*, July 1, 1916:**

The prolonged debate in the House of Commons on the Excess Profits Tax ended on Monday in a vote which found Mr. McKenna's critics in a small though substantial minority. The point actually at issue was not very simple, and in spite of repeated explanations several of the most persistent speakers never grasped it. The demand was that all "controlled establishments" should be exempt from the excess profits tax in consideration of the patriotic services they were rendering to their country and of the "bargain" alleged to have been concluded with the Ministry of Munitions whereby any profits they may make in excess of 20 per cent above their normal profits are in any event taken by the State. This meant, of course, that a controlled firm which made a profit of £50,000 in 1914, and of £60,000 (due to war contracts) in 1916, would retain the whole of their excess profits without reduction. Mr. McKenna argued that such firms, having the advantages of practically compulsory labour and freedom from Trade Union restrictions, ought, at any rate, not to be let off more lightly than uncontrolled firms. It is amazing that such a proposition should have to be stated at all.

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The point of view of the ordinary member of the public undoubtedly is that excess profits on the making of munitions simply ought not to exist. If engineering firms are permitted to maintain their old standard of profit and dividend (with fair arrangements, of course, for new capital and depreciation), they ought to be more than satisfied. Great heat was developed on the debate by the representatives of various capitalist interests, notably Sir Arthur Markham, Mr. J. M. Henderson, Sir Croydon Marks, and Sir Alfred Mond; and some of them were not even ashamed to hint that if their demands were not agreed to there might be a diminution of output. At a moment when tens of thousands of men are giving up their whole incomes as well as their savings, in order to fight for their country, it is impossible to imagine any spectacle more unedifying for the wage-earning class than that of these malcontent capitalist legislators angrily fighting for their extra war-profits. When one remembers that it was these same gentlemen who were so enthusiastic for compelling younger and poorer men to sacrifice everything they possess, it is hard to find words to say what ought to be said of them. We hope, at all events, that the names of those who voted against the Government on the division will not be allowed to be forgotten in the constituencies.

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### **16. *Pall Mall Gazette*, January 31, 1916:**

*From Our Own Correspondent.*  
PARIS, Saturday.

The trouble that has been brewing for months past at the Central Markets has now come to a head. A well-known dealer was suspended by the Prefect of Police; the Home Office thought this insufficient and revoked his licence; and there is now talk of a prosecution.

The Central Markets are not a place which the habitual Parisian cares to venture into. Apart from its own peculiar and particularly pungent odours, the markets are peopled with a class of stallkeeper who do not exactly keep their tongue in their pocket, as the French say. They have, in fact, a flow of language, and it requires a brave man to make a stand against it—and all the brave men are at the front just now.

But the Central Markets not only have a language of their own; they have ways and methods of

dealing that require long years of acquaintance to fathom, so only experts venture to make head or tail of them.

All this means that between the Central Markets, at the depository, and most of all that Paris wants to eat, and the actual consumer as represented by the ordinary housewife starting out on her daily round of shopping, there move and live a host of intermediaries. Large as their number is, they cannot compare with the middlemen who squeeze in between the Central Markets and the actual grower, breeder, or producer.

With so many hands for produce to pass through, each one eager to grab all that it can for itself before it passes the stuff along, it is small wonder that prices grow, not taking into account the burden of taxes and other charges the goods have to bear on their journey from the farm to the household.

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### **ARMY OF INSPECTORS**

The police have an army of inspectors for watching and superintending the work of the markets. The rules drawn up for their regulation would more than fill an old-fashioned three-volume novel, and each one provides for penalties severer and stricter than the other. Yet the profitable game of rigging the market and everything connected with it is in full swing, and no one is more fooled than the police, unless it be the public.

Since the war broke out, the State, the city, and the public alike, backed up by the small retail trader, have done their best to get even with the Central Markets. The more they try to put things right the worse they seem to get. Prices appear to ease for a brief space, but they soon become inflated once more. Or, if they do not, the particular commodity concerned simply disappears in some mysterious fashion until the "powers that be" submit to the inevitable, and shut their eyes to scheming they are helpless to prevent.

### **AS MUCH FOOD AS USUAL**

The worst of it is that statistics can always be produced to show that the rise in prices is purely and simply the outcome of a falling off in supplies. Arrivals of fruits, vegetables, and fish in the last quarter of the past year were exactly half the average supply of an ordinary year; eggs were two-thirds below the proper figures, meat some 4,000 tons short, butter six tons, cheeses only a ton.

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Of course, the population of the city has diminished also to a certain extent, but not so much as might be expected considering that there is practically no single family that has not one or more members at the front.

They have been replaced by refugees, sick and wounded soldiers, huge war administrations of one kind and another. Paris consequently wants almost as much feeding as in ordinary times, not taking any account of the fact that portions of both the British and French Armies still buy provisions on the Paris markets.

Notwithstanding the legitimate reasons that can be put forward to explain the upward trend of prices, the authorities know well enough that all is not so innocent and above board as it appears. One or two more glaring instances than usual of manipulation have put them on the right track at last. Other steps may also be expected, for public opinion has got to the point that either the "inside ring" must be broken up or popular resentment will take a form that no Government can afford to overlook or affect to ignore.

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## **17. *The Daily News*, August 16, 1915:**

### **A YEAR OF ECONOMIC WAR**

The *Vorwaerts*, without boasting, as Dr. Helfferich has been doing, of Germany's financial invincibility, yet sees cause for satisfaction in the economic condition of the Empire after twelve months of war.

The upheaval of the first week of war was indeed serious, and the grim spectre of unemployment was in the air. But it was soon laid.

The best results were obtained in the sphere of unemployment. At the beginning of the war it was about 22-1/2 per cent, in October only 10·9 per cent, and in May it had further sunk to 2·9 per cent. The figures for June were 2·6 per cent as against 2·5 per cent in the previous June.... Similarly the daily output of coal of the Rhenish Westphalian Coal Syndicate, which in July, 1914, reached 327,974 tons, sank in August to 170,816 tons, in September rose again to 211,995, and in October to 223,760, the figures for that month being 60 per cent of those of the previous October.... In later months, in spite of the calling up of more and more workers, it has only been 25 to 27 per cent below the normal.

The writer tells the same story of the iron and textile industries, and traces the good results to the fact that the supplies of raw materials were far greater than had been thought. For instance, there were about 700,000 bales of cotton more than are needed in a normal year. Besides which the stores of conquered countries were at the disposal of the conquerors. The only trades which

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really suffered were those in luxuries.

The article concludes thus:

The German trade has survived the shocks of the first year of war better than the most convinced optimist could have hoped, and better than the organisation of other belligerents. All fears of immediate inevitable industrial collapse which haunted us at the beginning of the war have been dissipated. Instead of this we meet in all industrial circles with the consciousness [often much exaggerated] that "We can endure."

The words in brackets are significant.

### **18. *Pall Mall Gazette*, November 10, 1916:**

#### **LIVING ON WAR**

##### **KRUPPS' PROFIT JUMPS FROM 1-1/2 MILLIONS TO 4-1/2**

AMSTERDAM, *Tuesday Night*.

An Essen telegram states that the clear profit last year of Krupps amounted to 86,400,000 marks (£4,320,000), as compared with a profit of 33,900,000 marks (£1,695,000) in the preceding year. A dividend of 12 per cent has been distributed. —Reuter.

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### **19. *Pall Mall Gazette*:**

#### **GERMAN DIVIDENDS**

##### **ECONOMIC POSITION OF SOME OF HER COMPANIES**

The 1914 dividends of over sixty limited companies, nearly all German, and the remainder Austrian, show that in the case of sixteen companies the dividends amounted to 20 per cent or over, the average being 25-3/16 per cent. These companies (says the *Morning Post*) are mainly engaged in the production of leather, dynamite, explosives, india-rubber, arms, ammunition, and powder. In one case, that of an explosives company in Hamburg, the dividend attained 40 per cent.

Germany is still barring the Swiss frontier, and for the last five days the German post arrived at Berne very late or not at all, thus pointing to great activity in military matters beyond the German-Swiss frontier.

As further proof, if proof were needed, of the sufficiency of Germany's food supplies, it is pointed out that she now offers to send to Switzerland large quantities of potatoes.

### **20. *The Times*, July 5, 1916:**

#### **WAR PROFIT-MONGERS IN RUSSIA**

*From our Correspondent.*

PETROGRAD, *July 2.*

The clergy will to-morrow publicly anathematise the "freebooters of the rear," who are amassing huge fortunes at the expense of the public.

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### **21. *The Westminster Gazette*, Aug. 28, 1916:**

#### **GERMAN WAR SCANDALS**

##### **700 PER CENT PROFIT FOR EAST PRUSSIAN LANDOWNERS**

ZURICH, *Sunday.*

Details of several recent corrupt affairs which have come to light in Germany have reached Switzerland.

At Mainz a timber merchant was arrested for bribing army officers to secure contracts for his firm. The official investigation revealed that he had paid a total of £50,000 in bribes to army officers. Some of the individual bribes were as high as £2,500. This timber merchant, who was almost a poor man before the war, has accumulated in two years a fortune which compelled him to pay income-tax on an income of £25,000 per annum.

Another scandalous affair was discovered in Herr von Batocki's new Imperial Food Department. One of his officials, Bernot by name, was bribed by numerous East

Prussian landowners to have the crops from their estates bought by the Government at exorbitant prices. Bernot pocketed some £15,000, and the landowners in question sold their wheat at a profit of 700 per cent.—Wireless Press.

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## FOOTNOTES:

- [1] This conception of the gradually extending and still to be extended sphere of morality, or from another aspect of law, was implied, I think, by Lord Haldane in his Address on Higher Nationality. (*The Conduct of Life, and Other Addresses*, p. 99.)

In this address Lord Haldane distinguished in the State three sanctions of conduct.

1. Law.
2. The Moral Sanction, Kant's Categorical Imperative "that rules the private and individual conscience, but that alone."
3. The force of social habit or *sittlichkeit*, "less than legal and more than merely moral, and sufficient in the vast majority of the events of daily life, to secure observance of general standards of conduct without any question of resort to force." The Lord Chancellor adds, "If this is so within a nation, can it be so as between nations?"

But although Lord Haldane distinguishes three sanctions of conduct, the resultant line of conduct is one. And it seems to me unimportant to analyse the sanctions if we can only estimate the sum of their obligations. It is this totality of obligations, the whole systematisation of conduct in human life, that in my adumbrated analysis I call the moral sphere.

Curiously enough Lord Haldane was hounded from the Government on the paradoxical

ground that he knew too much about the enemy against whom we are fighting. It is certainly true that he has a better understanding than any other statesman of the Prussian perversion of aristocracy and of the true function of science in the State. But it is too much to hope that philosophers should remain Ministers of a State in which journalists are become dictators.

- [2] Cf. Plato's myth of Protagoras (*Prot.* 322 B ff.).
- [3] Even Aristotle probably had some suspicion of it; so in his anxiety to justify the institution of slavery he had to make out that slaves were not men at all but only machines.
- [4] Duelling might be classified theoretically as a survival of the wolfish condition sketched in § 5. But the persistent institution of single combat should not be regarded as in itself a survival, but rather as an outlet for the surviving instinct, a concession justified by political or social considerations that vary from age to age. Even Plato in his *Republic* (465 A) agreed that the citizen might in certain circumstances take the law into his own hands, probably regarding such action as a sort of equity, what Aristotle calls επανόρθωμα νόμου ἢ ἐλλείπει δια τοῦ καθόλου, a rectification of certain special cases not covered by law.

In modern states again, e.g. in Austria and Germany, duelling is not so much a survival as a corollary of militarism, which involves a fetichistic veneration of the military uniform or of military "honour."

- [5] See below, Chapter IV, § 4. *Nationalism True and False*.
- [6] The duties of a jury are, of course, very carefully limited by law. But even in this reduced sphere they are remarkable chiefly for their incompetence, prejudice, inattention, and stupidity. See particularly André Gide's *Souvenirs de la Cour d'Assises*, all the implied criticisms in which apply, *mutatis quibusdam mutandis*, with equal force to English and indeed to all juries.
- [7] It is possible to argue, though of course impossible to prove, that if every diplomatic document of recent years had been immediately made public, the relations between the Powers would have remained very much what they are with "secret diplomacy"; that "public diplomacy" would if anything have intensified the existing jealousy and distrust. As a matter of fact anyone who takes the trouble can approximately discover the diplomatic situation existing at a particular moment between any two Powers, even if he cannot know the verbal text of a particular treaty. And if the supporters of "public diplomacy" reasonably point out that "publicity" is desired only as a means to ensure the democratic control of Foreign policy, the answer is that the only way to ensure the democratic control of diplomats or any other public servants is to educate the people.
- [8] Such a volume or something very much like it has actually made its appearance, since these lines were written, in Professor Robert Michels' *Political Parties* (Jarrold, 1916).
- [9] Cf. Bernard Shaw, in Pease, *History of the Fabian Society*, p. 268: "Sooner or later, unless democracy is to be discarded in a reaction of disgust such as killed it in ancient Athens, democracy itself will demand that only such men should be presented to its choice as have proved themselves qualified for more serious and disinterested work than 'stoking up' election meetings to momentary and foolish excitement. Without qualified rulers a Socialist State is impossible."
- [10] Cf. Webb, *Industrial Democracy*, p. 718.
- [11] Several books have been published giving details of the Armament Ring and international "Kruppism." I don't think that the language here used does any injustice to the facts.
- [12] See below, § 7.
- [13] They usually add to their mental confusion the elementary blunder of using the word "fittest" in a moral instead of in its biological sense.
- [14] If anyone were to suggest that this is disproved by the unparalleled nobility of Australians, New Zealanders, Canadians and Indians in the present campaign, I should reply that they are actuated by devotion not to the Empire but to England, not to the Company but to the Chairman of the Company. This may be a quibble, but I think the distinction is real. Anyhow, I leave it at that, as the point has no primary relevance.
- [15] See below, Chapter IV, § 5.
- [16] The paragraph is worth preserving in its entirety: "Mr. W. N. Ewer, who lectured at Finchley for the Union of Democratic Control, has explained that the report which we published of his speech is unfair, and that he is really in substantial agreement with Mr. Asquith. This is disingenuous, and Mr. Ewer knows it is. He has not repudiated the correctness of the report, which stated that he dilated on the danger of British navalism, and declared that we must give up singing 'Rule Britannia!' nor has he repudiated his remarks as to the pleasure which the tune of the Austrian National Anthem gave him. Does he think that Mr. Asquith would substantially agree with that? Or the country?"—*The Evening Standard*, July 26, 1915.
- [17] I cannot help reproducing here a letter which originally appeared in the *Manchester Guardian* at the time of the Boer War, and is quoted by Mr. Norman Angell in *The Great Illusion*, p. 281.

"SIR,—I see that 'The Church's Duty in Regard to War' is to be discussed at the Church Congress. This is right. For a year the heads of our Church have been telling us what war is and does—that it is a school of character; that it sobers men, cleans them,



strengthens them, knits their hearts; makes them brave, patient, humble, tender, prone to self-sacrifice. Watered by 'war's red rain,' one Bishop tells us, virtue grows; a cannonade, he points out, is an 'oratorio'—almost a form of worship. True; and to the Church men look for help to save their souls from starving for lack of this good school, this kindly rain, this sacred music. Congresses are apt to lose themselves in wastes of words. This one must not, surely cannot, so straight is the way to the goal. It has simply to draft and submit a new Collect for war in our time, and to call for the reverent but firm emendation, in the spirit of the best modern thought, of those passages in Bible and Prayer Book by which even the truest of Christians and the best of men have at times been blinded to the duty of seeking war and ensuing it. Still, man's moral nature cannot, I admit, live by war alone; nor do I say with some that peace is wholly bad. Even amid the horrors of peace you will find little shoots of character fed by the gentle and timely rains of plague and famine, tempest and fire; simple lessons of patience and courage conned in the schools of typhus, gout, and stone; not oratorios, perhaps, but homely anthems and rude hymns played on knife and probe in the long winter nights. Far from me to 'sin our mercies,' or to call mere twilight dark. Yet dark it may become; for remember that even these poor makeshift schools of character, these second-bests, these halting substitutes for war—remember that the efficiency of every one of them, be it hunger, accident, ignorance, sickness, or pain, is menaced by the intolerable strain of its struggles with secular doctors, plumbers, inventors, schoolmasters, and policemen. Every year thousands who would once have been braced and steeled by manly tussles with small-pox or diphtheria are robbed of that blessing by the great changes made in our drains. Every year thousands of women and children must go their way bereft of the rich spiritual experience of the widow and the orphan."

[18] Cf. the present writer's introduction to Whyte-Melville's *Gladiators* in *Everyman's Library*, 1911.

[19] It was certainly, for example, the Headline Instinct which caused Mr. John Lane, a publisher of some repute, to impose on Mr. Ford Madox Hueffer's novel *The Saddest Story*, one of the most remarkable novels of the century, such an absurdly irrelevant title as *The Good Soldier*. *The Good Soldier* was published in April, 1915. The evidence that the publisher must have changed the title just before publication is that an instalment of it had appeared serially as *The Saddest Story* in the summer of 1914, and that as *The Saddest Story* it actually figured in Mr. John Lane's catalogue at the end of the book.

[20] *Matyas Diak* of Budapest.

[21] So in Germany the fixing of maximum prices for pigs and potatoes was immediately followed by an almost complete withdrawal from the market of potatoes and pigs—the German farmers refused to sell except at their own inflated prices. Cf. quotations from the German Press in *The New Statesman* of January 29, 1916.

[22] "Ces choses sont plutôt des moyens que l'on emploie pour travailler à faire prospérer l'Etat qu'ils ne sont l'essence de sa prospérité."—Rousseau, *Political Writings*, I, 345 (C. E. Vaughan's edition).

[23] See, for instance, the Report of the Committee of Public Accounts (commenting on the extravagance of Admiralty and War Contracts), summarised in *The Times* of August 19, 1916.

[24] See Orage, *National Guilds*, p. 170 ff.

[25] Unfortunately I can find no authority for the amusing report that the annual export of "wine" from Paris is *greater* than the annual import.

[26] That is, of course, of the modern or democratic state. Democracy and education are interdependent.

[27] As a matter of fact, no serious attempt to protect children was made before the Factory and Workshops Act of 1878.

[28] Since the war there have been the most determined attempts to destroy all the social legislation so painfully acquired. See G. D. H. Cole, *Labour in War Time*, pp. 254-274.

[29] *Republic*; 432 A. αρμονία τιμι ή σωφροσύνη ωμοίωται, κ.τ.λ.

[30] See *The Future in America*, and *New Worlds for Old*, *passim*.

[31] This seems to apply to all belligerent states. Certainly very little sanity finds its way into Germany except through the pages of *Vorwaerts*. It is therefore humiliating to be told that *Vorwaerts* has a much larger circulation than any socialist paper in England.

[32] See, for instance, my article "A Footnote to the Balkan War," published in the *Asiatic Review* for July 1, 1914. This opinion is there expressed in the following words which I still think substantially true, though one or two phrases are rhetorically exaggerated.

"England and the rest of Western Europe have outgrown by about three hundred years the time in the development of nations when fighting is natural and even necessary. England, of course, continues to contemplate war, and to be bluffed by the threat of war in the circumlocutions of diplomacy. But her national welfare no longer requires war; and, if she ever undertakes it, it will be at the bidding of merchants and usurers, who do not represent even the baser instincts of the specifically national spirit, but are wholly foreign and parasitic. On that occasion the *Daily Mail* and the Foreign Office will no doubt assure the British people that the war in question involves the whole honour and welfare of the State; and the people will believe it. But it will not be true. For England is happily not, or not yet, a nation of shopkeepers; and it will be only the shopkeepers whose welfare is concerned."

[33] Moreover, as I hope to suggest later, even these losses to a few individual *industries* do

not necessarily imply losses to the *capital* involved, which in some cases has been diverted or adapted to other industries more appropriate to the times. For a review of Trade profits in 1916 see the *Manchester Guardian*, January 1, 1917.

- [34] See Appendix I.
- [35] Quoted in the *New Age*, March 16, 1916.
- [36] April 8, 1916, from the "City" article by Emil Davies.
- [37] My italics.
- [38] The rise in freights is a good example of the way in which abnormal profits are extorted from the public as soon as any scarcity puts them at the mercy of the trader. (See above, p. 45.) The rise in freights is unalloyed profit, for the shipping companies have no increased risk, since the Insurance Companies are guaranteed by the State.
- [39] Which was first drafted in a letter to *The Garton Foundation* more than a year ago.
- [40] April 29, 1916. One might also mention for its verisimilitude the situation described at the end of Mr. F. Brett Young's novel *The Iron Age* (Secker, 1916), in which the insolvent ironworks of Mawne are saved in the nick of time by the declaration of war.
- [41] Also, of course, by the campaign for Preferential Tariffs, which, it was hoped, would have increased consumption by excluding a few foreign competitors from colonial markets.
- [42] Cf. the many stories of beef and other rations being supplied to troops in such quantities that the units responsible for their consumption were obliged to bury them. These stories come mostly from Flanders. At home the same superabundance may have been the undoing of many a Quartermaster-Sergeant, who, not knowing what to do with such a plethora of beef, and having a proper superstition against throwing away good food, was tempted to sell it for about a penny a pound to the local butcher.
- [43] And the fact that they are doing so at the public expense is, of course, only an additional advantage to the traders who supply their needs; as they do not risk losing any of their money through bad debts.
- [44] From this it follows incidentally that a high tariff is of no advantage to the community as a whole, but only to a particular section of the community. For the idea that it will benefit the whole community is based on the assumption that it is possible to divert a particular sort of foreign import; actually the tariff will not exclude the import if there is a natural demand for it, but it will provide an excuse for every dealer wholesale or retail to increase his profit on the article taxed by about double the amount of the tax; i.e. if an imported article pays a duty of sixpence, the price to the consumer of all such articles whether imported or home-made will be raised a shilling.
- [45] In the July, 1914, issue of the *Asiatic Review*, to which I have already referred.
- [46] I need hardly say that in speaking of the commercial class I do not include its instrument the workers. The international Socialist movement has not yet succeeded in uniting *them*; but the exhortation addressed to them by Marx has been obeyed instead by the capitalists.
- [47] Here, for instance, is an illuminating sentence from a private report on Greek trade during the Balkan Wars: "I commercianti Greci hanno guadagnato molto durante la guerra, perchè hanno venduto tutte le merci che avevano in deposito a prezzi molto piu alti, che la gente era obbligata di comperare a cagione che non potevano importare merci straniere."
- [48] Since this chapter was written I have seen a pamphlet with the following title: "The Chance for British Firms in the Rebuilding of Belgium, by a Belgian Contractor. London, Technical Journals, Limited, 27-29 Tothill Street, Westminster."
- [49] One Jewish contractor supplied corn and fodder to all three armies. As soon as his Turkish customers had capitulated, he tendered for the supply of the victorious Greeks, and he still had enough to spare for the Bulgarians when they entered the town.
- [50] May 17, 1915.
- [51] Such "labour-saving devices," for instance, as "poached egg servers."
- [52] As a matter of fact, nearly all the luxury trades cut down their scale of wages during the first year of the war; and many of these ostentatiously gave to some War Charity a fraction of the sum thus extracted from their employees. I suppose it would be libellous to give examples.
- [53] Though frantic attempts to conceal it have been made since the Tax on War Profits was introduced.
- [54] The *New Statesman*, May 22, 1915.
- [55] See above, p. 47, note 4. Some illuminating details are given in the *Nation*, May 22, 1915, concerning the unscrupulous plea of Government work in order to excuse the employment of children.
- [56] The *Saturday Review*, September 18, 1915.
- [57] "The shortage" too was a permanent excuse just as good for holding prices up as for holding wages down. Cf. a correspondent in *The Times*, May 17, 1916: "This position of affairs makes one doubt if the shortage in these articles (bottles, jars, tins, boxes, etc.) is as stated, or that the shortage pays better and the various trades do not wish the tension to be in any way relieved."

- [58] I hope it will not soon be forgotten that *Punch* was not ashamed to endorse this charge.
- [59] Cf. Mr. Emil Davies in the *New Statesman*, April 8, 1916: "My impression is that the annoyance of Clyde manufacturers at the present labour troubles is not wholly free from a certain grim satisfaction. They are not anxious to see carried out the pledge that shop conditions should go back to the pre-war basis, and, they argue, if the men are discredited with the public, it will be all to the good of the employers in the big industrial struggle they look upon as inevitable after the war. They regard this struggle without anxiety and are accumulating funds; some of them talk of special funds being created for the purpose by the employers in association. These are the impressions gained from conversations with prominent members of the Glasgow business world."
- [60] *The Great Illusion, passim.*
- [61] This is not necessarily inconsistent with H. N. Brailsford's similar remark (*The War of Steel and Gold*, p. 163): "War is a folly from the standpoint of national self-interest; it may none the less be perfectly rational from the standpoint of a small but powerful governing class."
- [62] Reviewing a work on South America in *The Nation*, November 6, 1915.
- [63] This process is further accelerated by the fact that the War is being paid for very largely by means of Loans, subscribed naturally by the richer classes; in future the richer classes will be receiving the interest on these loans. But in order to pay this interest the State will have to resort to taxation, some part of which will fall presumably on the poor. See Professor Pigou's *Economy and Finance of the War*.
- [64] The total British casualties from the beginning of the war till July 18, 1915, were given as 321,889, of whom 61,384 were killed.
- [65] *The Ruling Caste and Frenzied Trade in Germany*, by Maurice Millioud, Professor of Sociology in the University of Lausanne. (1915.) Reviewed in the *Manchester Guardian* by R. C. K. E.
- [66] All that we need know, for instance, of German military conduct in Belgium is contained in the following communication made to the *Kölnische Zeitung* by Captain Walter Brum, adjutant to the Governor-General of Belgium, who may be presumed to know the inner history of these appalling transactions:—

"The principle according to which the whole community must be punished for the fault of a single individual is justified by the theory of *terrorisation*. The innocent must suffer with the guilty; if the latter are unknown the innocent must even be punished in their place, and note that the punishment is applied not *because* a misdeed has been committed, but *in order that* no more shall be committed. To burn a neighbourhood, shoot hostages, decimate a population which has taken up arms against the army—all this is far less a reprisal than the sounding of a *note of warning* for the territory not yet occupied. Do not doubt it; it was as a note of warning that Baitin, Herve, Louvain, and Dinant were burned. The burnings and bloodshed at the opening of the war showed the great cities of Belgium how perilous it was for them ..." etc.

- [67] Chapter I, §§ 9-11.
- [68] See below, note on p. 113; and compare Brailsford, *The War of Steel and Gold*, p. 22, on "preparations which are always supposed to be defensive," and p. 264, on the methods used to support the plea that large navies are purely "defensive."
- [69] E.g. Oscar Wilde and Artzibashev.
- [70] "The whole industrial expansion of Germany dates from the introduction of the Bessemer process in 1879, by which its supplies of iron became possible to work at a profit."—*Bertrand Russell*.
- [71] It is unnecessary to refer at length to the world-famous caricaturists of *Simplicissimus*, although it may be noted that the best of them, Gulbrannson, is a Norwegian, while his chief rival, Heine, is a Jew. Munich sculptors whose names might be mentioned are Hildebrand, Taschner, Hahn, and Wrba.
- [72] Even such scientific achievements as those of Ehrlich and Ostwald should be regarded as results of regulated industry and diligent experiment.
- [73] Another instance of the fallacy is the quite unjustified prejudice in the Army in favour of "Regular" officers.
- [74] The foundation of German business efficiency not on the practical science of the specialist but on theoretic and general mental exercise is further illustrated by the great and increasing prevalence of Latin and Greek in German education ... while again our own "Business Experts" are reversing the process. The passages that follow are quoted from a letter of Dr. Rice Holmes in *The Times* of August 11, 1916.

"In German schools not only are classics taught more systematically and more thoroughly than in all but a few of our own, but they are learned by a greater proportion of the population; and, moreover, the hours devoted to natural science in those schools in which it is taught are fewer than in our public schools.... Since 1903 the number of German boys receiving a classical education has steadily increased. In 1904 there were 196,175 pupils in schools (*Gymnasien* and *Realgymnasien*) where Latin is compulsory, of whom 153,680 belonged to the classical schools (*Gymnasien*), and therefore learned Greek as well (W. Lexis, *Unterrichtswesen im Deutschen Reich*, ii. 218); in 1911, as Mr. R. W. Livingstone has shown (*The Times Educational Supplement*, April 4, p. 49, col. 2), the corresponding figures were 240,000 and 170,000; and in 1908, 'out of a total of 31,622 students entering 18 out of 21 German universities (Munich, Erlangen, and

Wurzburg not reporting), ... only 7-1/2 per cent entered without Latin or Greek' (Professor Francis W. Kelsey, *Latin and Greek in American Education*, 1911, p. 43). "Möge das Studium der griechischen und römischen Literatur immerfort die Basis der höheren Bildung bleiben." So wrote the greatest of the Germans; and the countrymen of Goethe, whose genius was scientific as well as poetical, have not forgotten his words. On the other hand, in the modern schools (*Realgymnasien* and *Oberrealschulen*) only a small fraction of the time-table—from two hours a week (out of twenty-five) to six (out of thirty-one)—is devoted to natural science. To anyone who has read Matthew Arnold's *Higher Schools and Universities in Germany*, or Dr. M. E. Sadler's *The Realschulen in Berlin*, or who is acquainted with the opinions expressed by Helmholtz, A. W. Hofmann, Bauer, and other 'eminent scientific professors,' it will not appear paradoxical that the object of thus restricting the hours devoted to the teaching of natural science in schools is to promote the scientific efficiency of the German nation. It was with this object that by the regulations published in 1901 the time devoted to Latin in the *Realgymnasien* was increased. And those who do not learn natural science learn what for the nation is equally important—the value of scientific method."

[75] The Daily News, October 20, 1915:—

"A pathetic story is told in the *Vorwärts* by Herr Adolf Köster (who acts as war correspondent for the German Socialist Press) in connection with the recent fighting at Hooge. A German soldier told him of a young Scotsman whom he had killed with a hand-grenade in whose pocket he had found a little pocket-book:—

"We looked through the booklet. It contained postcards from the front, from home, from a sister and from a sweetheart—photographs from the battlefields of brave soldiers and from home. There was also a small amateur photograph, rather badly made, of a young girl sitting at a typewriter. She had blonde hair and on the back of the photo she had written: "Look at the waves of my hair and note also how very diligent I am" (English in the original). One of us asked the soldier to give him this photograph. But he replied: "You can take the whole book, photos, postcards, etc. But this picture I will keep in memory of my friend." By "his friend" he meant the Scotsman whom he had killed by his hand-grenade."

[76] Spinoza, *Ethica*, IV, 45.

[77] *Labour Leader*, March 30, 1916, quoting an address by Mr. Arthur Ponsonby, M.P.—I have not been able to verify these references, so I give the story only as an example of the method of progressive distortion, and not as one that actually occurred, though it may have done so.

[78] H. N. Brailsford (*The War of Steel and Gold*, p. 125) speaks of an "indifferent democracy." Unhappily our democracy is not indifferent to Imperialism, for it is misled to believe that mere expansion is somehow grand and good; the only geography it learns at school is miscalled "patriotic" because it is designed to encourage this belief.

[79] I.e. as a real "Empire," the British Empire was a failure, as all Empires must be. It has been a success since it ceased to be an Empire about a hundred years ago. Cf. Professor H. E. Egerton's remark:—

"The British Colonial Empire of to-day is not the Empire which was the outcome of seventeenth-century methods. So far as the colonists themselves were concerned, English colonisation (in the seventeenth and eighteenth centuries) was a complete success, but from the point of view of the mother country it was a failure, and the rock on which it foundered was the same rock which lost America to Spain and caused Canada to acquiesce in separation from France."

[80] I am ashamed to say that when I wrote these chapters I had not read Mr. H. N. Brailsford's *War of Steel and Gold*. But Mr. Brailsford's brilliant examination of the connection between War and Finance is quite consistent with my supplementary theory of War and Trade. "Trade supplies no explanation of Imperialism," says Mr. Brailsford (p. 75). It does, in so far as Traders support Imperialism because they think it is good for Trade: while financiers, as Mr. Brailsford shows, support Imperialism because they know it is good for investments.

[81] "What is vital to any real Democracy in a densely-peopled, economically-complicated modern State, is that the Government should not be one. The very concentration of authority which is essential in war is, in peace, fatally destructive not of freedom alone, but also of that maximum individual development which is the very end and purpose for which society exists."—Sidney Webb, *Towards Social Democracy?*, 1916.

[82] "Les Anglais veulent être conquérants; donc ils ne tarderont pas d'être esclaves."—*Political Writings*, C. E. Vaughan, I, 373.

[83] Spinoza, *Ethica*, IV, *praefat. ad init.* Humanam impotentiam in moderandis et coercendis affectibus servitutem voco.

[84] See above, § 2, on "defensive" war, and compare a passage from Mr. C. Grant Robertson's letter in *The Times* of August 15, 1916:—

"Bismarck repeatedly and explicitly in the Reichstag justified the wars of 1864, 1866, and 1870 as 'defensive'—i.e. as not 'willed' by Prussia. On the contrary, they were wars 'forced' on a peace-loving State denied its 'rights' by Denmark, Austria, and France. The argument, briefly, on Bismarckian principles is this. Prussia's policy is an '*Interessenpolitik*'—a policy of 'interests.' An 'interest' confers a 'right.' The satisfaction of 'national interest' is therefore the achievement of 'national rights.' If these 'rights' can be achieved by a compromise—i.e. by the complete surrender of Prussia's opponents to the demands based on these 'rights'—that is a proof of her peace-loving nature. But if



her opponents refuse, then the war by which the 'rights' are secured is a war 'forced' on Prussia. She has not 'willed' it. It is a 'defensive' war to prevent the robbery of her 'rights' by others; Bismarck, not without difficulty, converted his Sovereign to this argument. In each case—1864, 1866, 1870—William I was ultimately convinced that Denmark, Austria, and France were resisting the 'rights' of Prussia, and that war to secure them was 'defensive,' 'forced' on the King, and just. The successful issues confirmed William's conscience and proved that Bismarckian principles had the Divine sanction."

[85] This attitude is well illustrated by the history of the Crimean War. In January, 1855, "peace seemed impossible until some of the disgrace was wiped away, and the pacifists, Cobden and Bright, were burned in effigy.... The prolongation of the war called out no protest from the public." Yet "the popular war produced an unpopular peace." When after another year of fighting our French allies finally insisted on peace, "there was no indication," said a Frenchman, 'as to which was the victor and which the vanquished.' Reviews and illuminations could not obscure the truth; Britain had sacrificed lives and treasure and obtained little in return."—Alice Green's Epilogue to J. R. Green's *Short History of the English People*.

[86] *Supra*, I, § 5.

[87] Mr. Gilbert Cannan has noted somewhere that "a 'straight' fight between Great Britain and Germany will be like a fight between two drunken women in a slum."

[88] See, for example, the quite definite and complete report on *International Government*, published by the Fabian Society (1916): and compare Mr. J. A. Hobson's book *Towards International Government*, and Mr. H. G. Wells' *The World Set Free*.

[89] Net loss of £276,560 in first half 1914-15.

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