Origins of War in the context of International Trade:
World War One as just one cost of rejecting Adam Smith’s wise counsel

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The development of large scale industry and international trade as the setting for international wars was long established when the disastrous Twentieth Century began. Approaching the one-hundred-year anniversary of the First World War, Australians of today, like so many others throughout the world, may wish to reflect on its economic context, its origins, its catastrophic outcomes, and to consider its relevance to our own times and to our globalised economy. How did that war come about? What really were its causes? Was it just one consequence of a more general long-standing failure in international relationships? ¹

Now, as you may know, when in The Gathering Storm Winston Churchill called the Second World War “The Unnecessary War”, he ended by referring also to World War One, where he added, “There never was a war more easy to stop than that which has just wrecked what was left of the world from the previous struggle.” ² So, might the First World War have been just as unnecessary? Could it also have been prevented? And other international wars, before and since? Logically we may wish to start by asking whether intra-species war is peculiar to humans anyway? Then, how did serious human conflicts first begin? Only then can we consider just why, despite its ever-expanding industrial wealth, Europe had for centuries engaged in one disastrous war after another. And, lastly, what circumstances made the scale of World War One so extremely destructive, so tragic, so utterly counter-productive for so many millions of people across the world?

Remember, until 10,000 years ago, that is to say about 400 generations, the human species had evolved as hunter-gathers for over 4 million years. And, as understood by the Eighteenth Century Scottish moral philosopher Adam Smith and others, that long-term survival had depended critically on cooperative behaviour. A mutual-support way of life was firmly embedded in human nature.³ Thus, contrasting with those millions of years of cooperative behaviour, are the mere 10,000 years since a few fortunate groups occupying the ‘fertile crescent’ encountered conditions that handed them, as on a plate, a self-sustaining agricultural way of life. This key transformation provided humans with vastly wider choices for future living.⁴ In many ways these expanded opportunities represented a great advance, but, at the same time, the availability of seemingly unlimited new choices has allowed a number, long-implemented, to lead us down seriously disastrous cultural alleyways. Some now threaten the very survival of the human species. Just three examples will serve to support this point. First is impending human-induced climate change with its dire threat to life-supporting agriculture and human security. Second is rampant human-induced species

(References, e.g. to Smith’s ‘Wealth of Nations’, are shown as page footnotes as AS_WN, then Volume number, Chapter number, paragraph number: AS_WN IV.3.38)

¹ MG1; MG2; AH
² The Gathering Storm 1948, Preface, xiv WC4
³ AS_MS; AS_WN; JD; RW
⁴ JD, RW
extinctions, just part of the truly destructive effect on the world’s remaining plants and animals of our ever-expanding exploitative industrial operations. Third, and most relevant to this enquiry, is our chaotic financial, trade and business system, ill-serving billions of people, generating international tensions and promoting wars which could end in nuclear catastrophes.  

Sanity demands we pause to think and pull back from our current, ever-growing, production-driven way of life. Sanity also demands we put in place the sort of cooperative fair trade system that, as Adam Smith proposed could, and therefore should be allowed to serve all of us in what, before too long, could become a justly-trading and thereby sustainable, peaceful world.  

**From Adam Smith to World War One**

Why focus on Adam Smith? Well, living at the beginning of the Industrial Revolution, and understanding Europe’s history of trade as he did, Smith appreciated the potential of both to produce a just and peaceful world. At the same time, he saw, and wrote at length about, the way Europe’s most-indulged manufacture and trade groups operated unfairly with regard to trade competition, and how this behaviour had all sorts of colonial and other spin-offs. These included the raising of international tensions that resulted in an unending series of Eighteenth Century wars. This is one sound reason why, at this most critical of times, we need to look so closely at what Smith has to teach us.

Helping us to appreciate the ways in which gross inequities arose, and how those 18th Century wars came about, Smith drew attention to the core motivations of the most influential manufacturers and merchants of his day. Assisted by their exclusive trade monopolies, their aim was in no way centred on satisfying the vital needs of community but instead, exclusively, on selfish needs and desires. As he explained, “Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident that it would be absurd to attempt to prove it. But in the mercantile system the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.”

That fundamental driving force across the upper echelons of business was again stressed in Smith’s concluding remarks on the mercantile system, where he wrote, “It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been entirely neglected, but the producers, whose interest has been so carefully attended to; and among this latter class our merchants and manufacturers have been by far the principal architects. In the mercantile regulations, which have been taken notice of in this chapter, the interest of our manufacturers has been most peculiarly attended to; and the interest, not so much of the consumers, as that of some other sets of producers, has been sacrificed to it.”

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5 JaH, EOW, JSa, JSch, JKG2, RG_LS  
6 AS_WN; AS_MS; JSa  
7 AS_WN IV.3.38  
8 AS_WN, V.3.1–45  
9 AS_WN, IV.8.49  
10 AS_WN, IV.8.54
The importance now of that still-highly-relevant comment should be obvious. Given the availability of energy resources in the early stages of the Industrial Revolution, coal and hydro, coupled to manufacturing machinery, it was logical to expect that production would continue to expand from that time on. Yet, for the market to work, to be able to respond to such expansion, there had to be a balanced healthy demand. And, since energy resources and machine production came largely free, the only key requirement at that stage would have been to recognise those free gifts of nature, and clever design equally, as unearned income, and then to use the fair exchange values involved in mining, manufacturing, marketing and the ultimate purchasing processes to make the logical decision to share such income across the entire producing community.

After all, from its outset the Industrial Revolution was a creation of Europe’s Christian states, and, if being ‘Christian’ was to follow the sound advice of Jesus’s Sermon on the Mount, then not only market logic but the principles of justice required that sharing the good things of life should be taken for granted and acted on as a matter of course. Moreover, adding to what I will call the ‘New Testament’ case, Europe’s ‘Christian’ leaders have over succeeding generations, enthusiastically promoted the wisdom of moral philosopher and pioneer economist Adam Smith as worthy of emulation. As regards Smith’s general attitude to wage justice, we have the following: "Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain. Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged."

So what went wrong? Why was humane and sensible provision for the needs of the vast majority of industry’s producers not set in train? We know from Smith’s description of the mind-set of the leading manufacturers and merchants of his day that these folk used their powerful influence over government to give their businesses monopoly status precisely because that was the way to avoid trade/services exchanges that were equitable and fair. Their clear intent was to circumvent rewarding their employees, the producers at the coal face, with a fair share of the value of all end production, including their fair share of unearned income. Appropriately rewarded, and provided with the means to purchase, employees could have played their absolutely key market role as consumers. Without that, an unhealthy, unbalanced market could develop, prone to collapse.

Sadly, that was the outcome. No wonder Smith became such a trenchant critic of Europe’s mercantile system with its chartered companies, exclusive companies of merchants and self-serving monopolists who rejected fair trade out of hand. Having their monopoly status preserved in law, these leading manufacturers and merchants imagined that the problem could be solved in some other way, despite their unfair, monopoly-protected domestic and export trade, through their exploitative colonial enterprises and through highly aggressive international trade competition. Such a solution was to have extremely serious consequences all round.

11 AS_WN, I.8.35
For, as Smith expressed it, “...nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers. The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy. But the mean rapacity, the monopolising spirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of mankind, though it cannot perhaps be corrected may very easily be prevented from disturbing the tranquility of anybody but themselves.”

Moreover, as Smith well realised, monopolies not only unfairly disadvantaged the consuming public, along with their domestic and international competitors, but unjust foreign exploitations had altogether tragic effects on the populations colonised. For example, on the early European colonisation of the newly-discovered American territories, Smith wrote, “Folly and injustice seem to have been the principles which presided over and directed the first project of establishing those colonies; the folly of hunting after gold and silver mines, and the injustice of coveting the possession of a country whose harmless natives, far from having ever injured the people of Europe, had received the first adventurers with every mark of kindness and hospitality.”

Likewise calamitous outcomes came with Europe’s wider colonisations. As Smith put it, “The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind... What benefits or what misfortunes to mankind may hereafter result from those great events, no human wisdom can foresee. By uniting, in some measure, the most distant parts of the world, by enabling them to relieve one another's wants, to increase one another's enjoyments, and to encourage one another's industry, their general tendency would seem to be beneficial. To the natives however, both of the East and West Indies, all the commercial benefits which can have resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned... At the particular time when these discoveries were made, the superiority of force happened to be so great on the side of the Europeans that they were enabled to commit with impunity every sort of injustice in those remote countries.”

And all that shameful injustice stemmed from one or other of Europe’s allegedly Christian states. For example, as Smith described the early Spanish conquests, “In consequence of the representations of Columbus, the council of Castile determined to take possession of countries of which the inhabitants were plainly incapable of defending themselves. The pious purpose of converting them to Christianity sanctified the injustice of the project. But the hope of finding treasures of gold there was the sole motive which prompted him to undertake it; and to give this motive the greater weight, it was proposed by Columbus that the half of all the gold and silver that should be found there should belong to the crown. This proposal was approved of by the council.”

12 AS_WN, IV.3 Part 1. 38
13 AS_WN, IV.7.82; BC
14 AS_WN, IV.7.166; see also BC
15 AS_WN, IV.7.15
Here we must also bear in mind a further long-term evil effect of Europe’s elite behaviour: the trans-Atlantic slave trade. You see, once Columbus had discovered America’s seemingly limitless sources of gold and silver, and the American native slaves Spain used to mine it had been decimated by European diseases, they were replaced by transported Africans. That trade soon expanded enormously through Europe’s ever-growing demands for lucrative plantation cash-crops – sugar, tobacco, rice, cotton, etc – which bankrolled Europe’s economic development for over three hundred years. For, although Spain and Portugal had led the way initially, it was not long before Europe’s other maritime powers, the English, French, Dutch, Danes and Swedes, followed. All were driven by the same greed of master-merchants and monarchs in the aggressively competitive spirit of the time that misled them into the slave-trading of men, women and children – eventually some ten to twelve million of them.

The ultra-competitive spirit of the time misled them in another equally inhuman way: into the aggressive confrontations with one another that lured them into repeated war. You see, as Smith well understood, beyond the evil effects of government-sanctioned monopoly rights on colonised and enslaved peoples, these ‘rights’ had disastrous, self-defeating consequences for the amity, sanity and well-being of relationships among the European nations themselves. For, although one might have imagined that the widespread colonisation and slavery of the 18th and 19th Centuries would have provided enough spoils to satisfy all of Europe’s would-be Empire-builders, that was anything but the case. Moreover, whenever government-sanctioned monopoly rights were granted to privileged sectors of one nation, and backed by its military force, they were contested by those of other nations, similarly backed, leading to rising tensions between nations, and very commonly to war. Hence the unending series of 18th century conflicts between Europe’s contending powers.

And, as noted by Smith, for Britain those wars caused an ever-mounting ‘perpetual debt’ which its elite citizens were more than happy to invest in. For example, from Book V: “In England, the seat of government being in the greatest mercantile city in the world, the merchants are generally the people who advance money to government. By advancing it they do not mean to diminish, but, on the contrary, to increase their mercantile capitals.” As he further explained, governments favoured such borrowing since, “By means of borrowing they are enabled, with a very moderate increase of taxes, to raise, from year to year, money sufficient for carrying on the war, and by the practice of perpetually funding they are enabled, with the smallest possible increase of taxes, to raise annually the largest possible sum of money. In great empires the people who live in the capital, and in the provinces remote from the scene of action, feel, many of them, scarce any inconvenience from the war, but enjoy, at their ease, the amusement of reading in the newspapers the exploits of their own fleets and armies. To them this amusement compensates the small difference between the taxes which they pay on account of the war, and those which they had been accustomed to pay in time of peace. They are commonly dissatisfied with the return of peace, which puts an end to their amusement, and to a thousand visionary hopes of conquest and national glory from a longer continuance of the war.”

Just a brief comment here on the possible future utility of this history of the above-documented behaviour of Europe’s leadership from the 16th-18th century: Covering the

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16 AS_WN, IV.7.31
17 AS_WN, IV.3 Part 1.38
18 AS_WN, V.3.35
19 AS_WN, V.3.37
Renaissance, a period marked by so much positive creation and innovation across the West, that behaviour represents an appallingly dismal legacy. That is especially since it stood in total contrast to the positive practical alternatives advocated by Smith, who had made clear to all how fair-exchange via mutually advantageous business practices could cement friendships and promote sustainable societies for an altogether just and peaceful world. 20 However, given the historical record, it is most important that that unfortunate legacy be fully recognized as a key element of our Western Heritage, so that it be used as a warning and guide to all future planning and healing.

**Smith’s Sound Counsel Long Ignored**

With Smith’s clear insights into the ‘Christian’ civilised world of his day as background, we can now ask if anything has since been learned and properly acted on. After all, we know that Smith’s works were not only well received in his own time but, like the Bible, have ever since been pored over and used to support one or other special or ‘national’ interest, as expressed at the top, though all too frequently with all manner of misrepresentations, and thus not in the way either Adam Smith, or Jesus of Nazareth, would have approved. 21

As illustrated above, and also emphasized by Jeffrey Sachs in his 2007 Reith Lectures, Adam Smith strongly believed that fair trade at home and across the world could serve the needs of all in a most satisfactory way. Moreover, if given honest treatment of the do-unto-others kind, and not interfered with by get-rich-quick operators, it could be largely self-regulating.

Let us now consider what happened instead in European history, from Smith’s time to World War One and beyond, and even to the present day. In this task I will focus not only on the events themselves, but also on those mind-sets used to justify the ongoing exploitations of home and foreign citizens, and the all-too-frequent resort to war as the means of ‘resolving’, i.e. forcing the outcomes of international disputes in one’s own favour.

Notwithstanding the good fortune of the emerging ‘winners’ from the ever-growing industrial production pie, the vast majority of Europe’s populations remained desperately poor, destined to serve long hours of each day in factories and mines, enduring miserable, unhealthy lives in over-crowded slums, as described in Dickens’ *Great Expectations*, 22 and on The Victorian Web. 23 Despite Britain’s mounting industrial production, these conditions continued into the 20th Century, as Winston Churchill’s impassioned Liberal Party speech of 1909, *Spirit of the Budget*, in his book, *Liberalism and the Social Problem*, makes abundantly clear. For example, “The social conditions of the British people in the early years of the Twentieth Century cannot be contemplated without deep anxiety... What is the destiny of our country to be?... We are at the cross-ways. If we stand on in the old happy-go-lucky way, the richer classes ever growing in wealth and in number, and ever declining in responsibility, the very poor remaining plunged or plunging even deeper into helpless, hopeless misery, then I think there is nothing before us but savage strife between class and class, with an increasing disorganisation, with an increasing destruction of human strength and human virtue – nothing, in fact, but that dual degeneration which comes from the simultaneous waste of extreme wealth and of extreme want.

20 AS_WN, AS_MS, AS, JSa, JSc, IB4
21 JSc, ATM
22 CDI
23 VW See 'Social History', e.g. at 'Public Health' and 'Child Labor'
"Now we have had over here lately colonial editors from all the colonies of the British Empire, and what is the opinion which they expressed as to the worst thing they saw in the old country? The representatives of every colony have expressed the opinion that the worst they saw here, was the extreme of poverty side by side with the extreme of luxury. Do not you think it is very impressive to find an opinion like that, expressed in all friendship and sincerity, by men of our own race who have come from lands which are so widely scattered over the surface of the earth, and are the product of such varied conditions? Is it not impressive to find that they are all agreed, coming as they do from Australia, or Canada, or South Africa, or New Zealand, that the greatest danger to the British Empire and to the British people is not to be found among the enormous fleets and armies of the European continent, nor in the solemn problems of Hindustan; it is not the ‘yellow peril’ nor the ‘black peril’ nor any danger in the wide circuit of colonial and foreign affairs. No, it is here in our midst, close at home, close at hand in the vast growing cities of England and Scotland, and in the dwindling and cramped villages of our denuded countryside. It is there you will find the seeds of imperial ruin and national decay: the unnatural gap between rich and poor, the divorce of the people from the land, the want of proper discipline and training in our youth, the exploitation of boy labour, the physical degeneration which seems to follow so swiftly on civilised poverty, the awful jumbles of an obsolete Poor Law, the horrid havoc of the liquor traffic, the constant insecurity in the means of subsistence and employment which breaks the heart of many a sober, hard-working man, the absence of any established minimum standard of life and comfort among the workers, and, at the other end, the swift increase of vulgar, joyless luxury: here are the enemies of Britain. Beware lest they shatter the foundations of her power.”

As you may agree, this assessment of the then Liberal Radical Churchill from 1909 rings true. What contorted cultural transformations could have arisen to justify the truly terrible conditions of the working classes of the day? While there is no fully satisfying explanation, it is revealing to see what outlandish ideas certain academics and leaders of the Western world came up with. The highly influential works of Herbert Spencer (1820-1903) and others in Britain, for example, misrepresented the significance of Darwin's The Origin of Species in this regard. In Spencer's writing, the poor and sick individuals who did not survive their industrial employment were ‘Nature’s weaklings’, and their deaths allegedly contributed to the improvement of humankind. Spencer wrote, “...I am simply carrying out the views of Mr Darwin in their application to the human race...” Moreover, insisting that nothing should be done to stop this ‘improvement’, he explained, “Partly by weeding out those of lowest development, and partly by subjecting those who remain to the never-ceasing discipline of experience, Nature secures the growth of a race who shall both understand the conditions of existence, and be able to act up to them. It is impossible in any degree to suspend this discipline by stepping in between ignorance and its consequences, without, to a corresponding degree, suspending the progress.”

Yet Darwin had not provided a study of the challenges to individuals struggling to survive an intra-species ‘war’, in fact, in which major sections of the community, including children, were subjected to highly adverse conditions of injury and disease ‘at the coal-face’ This actually undermines the survival chances of our human species. What Darwin had researched were those factors which favoured the survival of a whole species, rather than individual

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24 WC1, 362, 363  
25 CDo; HS1; HS2  
26 HS1, 418  
27 HS2, Chap 28, Sect.4, para 3
members per se, and postulated that species’ survival turns critically on the occurrence across the species of a great variablity of characteristics, maximising the survival of at least a proportion of its members in the event of severely-altered environmental conditions, such as epidemic disease, climate change, or scarcity of food.

Nevertheless, so-called ‘social Darwinism’, as John Kenneth Galbraith pointed out more recently, came to represent a view greatly welcomed in certain quarters of the United States as well. Spencer’s visit in 1882 stimulated William Sumner to note that “…the millionaires are a product of natural selection … They get high wages and live in luxury, but the bargain is a good one for society.”

Given that line of thinking it may not have been too difficult to believe that the colonisation of foreign lands and exploitation of their peoples in the cause of one's own wealth-creation was similarly justified, even ordained from on high, especially since such inferior people would gain many advantages of Western culture in the process, including its ‘Christian’ belief system. British mathematical statistician Karl Pearson wrote, “History shows me one way, and one way only, in which a high state of civilisation has been produced, namely through the struggle of race with race, and the survival of the physically and mentally fitter race.” Then again, “My view of a nation – and I think it may be called the scientific view – is that of an organised whole, kept up to a high pitch of internal efficiency by ensuring that its numbers are substantially recruited from the better stocks, and kept up to a high pitch of external efficiency by contest, chiefly by way of war with inferior races.”

And from such ideas, many more of which are quoted in Chapter Four: Empire, Race and War in Pre-1914 Britain in Michael Howard's The Lessons of History, in Barbara Tuchman's The Proud Tower, and in Ian Hamilton’s Gallipoli Diary, it might seem no great leap to justify between Europe's already economically-contending powers the ultimate necessity, even desirability, of extending that contest to the field of war between nations. America’s highly influential Captain Mahan, later Admiral Mahan, author of The Moral Aspect of War, was totally enthusiastic on this point, seeing 'honest collision’ between the nations as an heroic ideal, ‘a law of progress’, further maintaining that, “No greater misfortune could well happen than that civilised nations should abandon their preparations for war and take to arbitration. The outside barbarians are many. They will readily assimilate our material advance, but how long will it take them to reach the spirit which it has taken Christianity two thousand years.”

So it was that instead of embarking on international trade that was cooperative, sustainable, and mutually advantageous, as advocated by Smith, Europe’s states continued to engage their trade rivals in profligate, mutually counter-productive wars – wars which were totally contrary to their claimed Christian ethic. In the case of Britain, especially so with France simply because that country’s expanding economic and political power might allow it to dominate Europe. France remained Britain’s chief enemy for over 300 years to the very end.

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28 JKG1, 123
29 KP, 21
30 KP, 46
31 MH, 63-80
32 BT1, 248-50
33 IH
34 ATM, 446) (see also BT1, 248-50
35 AS_WN, IV.3.38
of the 19th Century. Then, through the Berlin Congress of 1878, Britain joined with France, Russia and Bismarck’s Germany to reduce war-provocations in Europe and the colonial world, and on the surface the prospects for intra-European peace may have appeared hopeful. The awful reality was that, far from having become truly pacific, the fast-industrialising states of Europe continued to compete with one another both in international trade and their imperial affairs, and penetrating more and more foreign lands to exploit resources and peoples in the service of Empire. Stark signs of approaching tragedy might be seen in an accompanying ever-mounting pile of Europe’s armaments that would not only guarantee the carnage but would further increase the international tension threatening war – a war by then likely to engulf the whole of Europe.  

That very prospect concerned the young Winston Churchill, who had just seen the tragic results of the Boer War. In his ‘maiden speech’ in the House of Commons in 1901 he warned of the essential counter-productivity of Britain’s becoming involved in any war between Europe’s industrial powers, saying, “We must not regard war with a modern power as a kind of game in which we may take a hand, and with good luck may come safe home with our winnings... I have frequently been astonished since I have been in this House to hear with what composure and how glibly members, and even ministers, talk of a European war... But now, when mighty populations are impelled on each other... when the resources of science and civilisation sweep away everything that might mitigate their fury, a European war can only end in the ruin of the vanquished and the scarcely less fatal commercial dislocation of the conquerors... We do not know what war is. We have had a glimpse of it in South Africa. Even in miniature it is hideous and appalling.”

Other clear warnings followed of what would emerge if aggressive European confrontations continued. In his 1902 Imperialism: A Study English economist John A Hobson indicated just how Smith’s ‘exclusive companies of merchants’ world of the 18th Century was being extended through the 19th, and how Europe’s governments were still allowing industry’s ‘special interest’ trading groups all the benefits of foreign exploitation, while leaving both home populations and exploited ‘natives’ abroad to bear the high human and financial costs. Worse, Hobson could see the approaching ‘blow-back’ effects of these colonial and other trade-based struggles on Europe and beyond. He warned starkly that therein lay root causes of a looming catastrophic world war. Like Adam Smith, Hobson well knew that Europe’s industrial ‘special interest’ groups were focused, as always, on maximising production of no matter what, regardless of the opportunity to serve universal human needs. Across the resulting constrained markets of the world their aggressively competitive commercial behaviour continued to raise international tensions reflected in Europe’s ever-growing pile of armaments. Heavy industry’s search for markets was to some extent relieved by domestic and foreign government orders, but the rapid expansion in arms production brought two kinds of responses. Popular civil response sought urgent arms limitations and arbitration of crises, as through the Hague Peace Conferences of 1899 and 1907, while the response of Europe’s leaders was dismissive of arbitration. Despite strong public support, both Conferences were allowed to fail, as wonderfully described in Barbara Tuchman’s extraordinary account.

This left a single European course of action: to go on accelerating the arms race in the belief that, since it was ‘well known’ that war was coming and ‘just a matter of time’, the only ‘responsible thing’ was to be ‘ever better prepared’.

36 PK,244-248
37 MG, 51-2
38 JH, Intro, paras19-20; II.I.41-3; II.I.58-60
39 BT1, 229-288; IB3
As we know, that was the tragic course followed. The entirely predictable outcome was the utterly-destructive, highly-industrialised killing and horrible maiming of millions of young people, now known as World War One.

And yet, realising that prevention was possible, Hobson had warned in his 1902 study that Europe’s rising risk of war was a product of aggressive trade competition and had advised how that might be handled. While many powers publicly lauded the ideal of ‘open competition’, however, few were true enough believers in it to accept the result if they were not winning the race. The threatening world war derived essentially from that failure of ‘top nations’ to accept the decline of power and status that sooner or later was bound to occur in open competition. In the final analysis, in fact, it was simply this bellicose response to impending competition failure, coupled to a tangle of so-called ‘security’ alliances, which literally trapped Europe's powers into an armed conflict in which all combatant states ended up losers, as Churchill subsequently proclaimed ⁴⁰, and Lord Gowrie, Australia’s Governor-General, re-iterated at the opening of the Australian War Memorial in 1941. ⁴¹

With such an outcome in prospect, one might have thought that Britain would do all it could to avoid involvement, especially since it was not only still predominant in the world of trade and finance at the turn of the century but also already in control of the largest empire the world had ever seen. As the official figures reveal, by 1900 this small island state was in command of 13,000,000 square miles of foreign territories along with the lives of their 400,000,000 inhabitants. ⁴² One has to realise, however, that at the beginning of the 20th Century the higher echelons of British society were aware and greatly preoccupied with their country's declining world position, especially since that trend, begun by the mid 1880s, appeared to be accelerating. In industrial and trade matters both the United States and Germany were fast overtaking it. This situation had by 1900 convinced Britain to discard its long-held policy of ‘splendid isolation’ and begin to negotiate, first with Japan, resulting in the Anglo-Japanese Alliance of 1902, then with Germany, though this was not pursued, and finally with France, notwithstanding their 300-year-plus adversarial history and near-war clash in 1898 over France’s Fashoda intrusion on the Upper Nile. ⁴³

The outcome of these negotiations with France was the Entente Cordiale of 1904, an imperial compact whereby, providing France would back Britain's ‘position’ and claims over Egypt, Britain would support France's colonial ‘aspirations’ in Morocco. ⁴⁴ For Britain, France and the world it was a truly tragic compact for two fateful reasons. Firstly, ever since 1892 France had been committed via its Franco-Russian Alliance Military Convention to go to war against Germany should Germany, or any of its allies, be at war with either Russia or France. ⁴⁵ As George F. Kennan, former US diplomat and historian pointed out in The Fateful Alliance: France, Russia, and the Coming of the First World War, that alliance alone created an extremely precarious situation through which already heavily-armed continental Europe became suspended over a precipice, ready to be tipped into war by any, even minor, military border ‘incident’. This later occurred with the terrorist assassination of Austria's Franz Ferdinand. ⁴⁶ Secondly, for Britain and its Empire the 1904 Entente with France increased

⁴⁰ WC3, 30-31, see below
⁴¹ LG
⁴² JH, I.I.8
⁴³ WC2, 21
⁴⁴ WC1, 22; KW1, 165-6
⁴⁵ WW1Docs
⁴⁶ GeK, 238-58
greatly the chance of its participation in any European war, as detailed in my *A Case History: Britain, Empire Decline and the Origins of WW1*[^47] and summarised here:

In 1905, soon after Britain’s 1904 deal with France, a French military mission intruded into Morocco, contrary to the 1880 *Treaty of Madrid* in which Europe’s states agreed on equal access to Moroccan trade. Germany’s response in calling for an international conference triggered an acute war-threatening crisis. The conference assembled at Algeciras in January 1906, the same month that Britain’s Conservative Party lost government by a landslide to the Liberals. The crisis continued, and during the conference, though war was finally avoided, the incoming British Liberal government backed France, and subsequently entered into secret ‘military conversations’ between their general staffs “*...with a view to concerted action in the event of war,*” as Churchill wrote later, though he admitted that “*France had not a good case*” and later noted that this conference had been “*...a milestone on the road to Armageddon.*”[^48]

Interestingly, at this early time Churchill was firmly in the camp of the Liberal Radicals, the Liberal Party’s majority faction which, intent on overdue social justice measures at home, utterly opposed military adventures abroad. His insights on both social policy and foreign affairs were at that stage quite remarkable – see his 1909 speech, *The Spirit of the Budget in Liberalism and the Social Problem.*[^49] From 1906, however, the Liberal government was dominated by the more influential Liberal Conservatives who, although a small minority in the Party, continued over succeeding years to implement secret contingency planning arrangements with France – in particular, to back France if at any time it came to be at war with Germany.[^50]

In 1911, when a second Moroccan crisis, Agadir, arose, also triggered by a French military expedition occupying Morocco’s capital, Fez, Europe again drew close to war. At that stage Churchill, by then First Lord of the Admiralty and linked to the Liberal Conservatives, undertook to prepare the Royal Navy for the struggle which many in Europe, and all in the Liberal Conservative camp, believed was coming, and to be ‘simply a matter of time’. Yet, within the cabinet, a majority of Liberal Radicals, led by seasoned veteran Lord John Morley, remained strongly opposed to Britain’s involvement in any European war and represented a strong majority, fifteen to five, as Churchill admits. Key Cabinet positions were firmly in the hands of Liberal Conservatives, however – Prime Minister, Herbert Asquith, Foreign Secretary, Edward Grey, Minister for War, Richard Haldane, and First Lord of the Admiralty, Winston Churchill – all determined to join the fray if and whenever France went to war with Germany.

Yet, significantly, the majority both in the Cabinet and across the parliament, remained not only against war but entirely ignorant of detailed contingency preparations.[^51] This sounds astonishing yet this situation persisted into the very week leading to the outbreak of World War One on August 4, 1914, according to Churchill. In *The World Crisis*, referring to the crucial meeting of Monday July 27, 1914, he recorded, “*The Cabinet was overwhelmingly pacific. At least three-quarters of its members were determined not to be drawn into a*”

[^47]: IB2
[^48]: WC2, 32-3
[^49]: WC1, 362-63
[^50]: KW2
[^51]: KW2, 234
European quarrel unless Great Britain were herself attacked, which was not likely.” 52

Further on he writes, “Suppose again, that after the Austrian ultimatum to Serbia, (on July 23, 1914) the Foreign Secretary had proposed to the Cabinet that if ... Germany attacked France or violated Belgian territory, Great Britain would declare war on her, would the Cabinet have assented to such a communication? I cannot believe it.” Confirming the same stand across the Commons, Churchill adds, “I am certain that if Sir Edward Grey had sent the kind of ultimatum suggested, the Cabinet would have broken up, and it is also my belief that up till Wednesday or Thursday at least, (i.e. July 29, 30) the House of Commons would have repudiated his action. Nothing less than the deeds of Germany would have converted the British nation to war.” 53

Differently based from his Liberal Conservative colleagues, Liberal Radical Morley saw the compulsion to war in the cabinet leaders as being all about Britain’s declining position in international trade and power. Implicit in Adam Smith’s conception of Europe's competitive market economy nations would rise but for a time then decline, in relative terms, and that was to be expected. Morley was critical of his nation's failure to come to terms with this reality. As he put it, “...the great vice of diplomacy is that it does not allow for new planets, or world powers, swimming into the skies, such as Japan and the United States.” His chief objection to Eyre Crowe's Foreign Office advice was that “...it makes too much of German imperialism and too little of British imperialism.” 54

Unfortunately, not only did the imperialists within both the government and opposition recognise the reality of Britain’s relative decline, they were as one in calling for its reversal via the ultimate national response. Determined not to accept the effects of economic competition on their empire, they wished to attempt a turnabout through military action. This soon occurred. 55 Morley understood their point of view but could not understand how they failed to see that a war between highly industrialised states would inevitably end up in mutual catastrophe, regardless of which side was said to have ‘won’ – as Churchill in 1901 had warned. 56 Morley did not want to see his country drawn into such a tragic quagmire, with all combatant states losing not only economically but in the most awful human sacrifice. Blind to Morley’s case, the imperialists in both the government and in the opposition blundered on in the vain hope that the war would not only be short, with the troops home by Christmas, but that it would be victorious for Britain, with the German economy brought to its knees, never to rise again. Later, on that very point, Keynes in his The Economic Consequences of the Peace’ in 1919 summed up the intent of the victors’ Versailles’ Treaty provisions: “Thus the economic clauses of the treaty are comprehensive, and little has been overlooked which might impoverish Germany now or obstruct her development in future.” 57

Sadly, on Britain's crucial decision for war, Churchill was more than a little enthusiastic about its prospects and the role he would play. As time passed he became more and more excited to the point that in a letter to his wife on war's eve, as recorded by his official biographer, his son Randolph Churchill, he wrote: “Everything tends towards catastrophe and collapse. I'm interested, geared up & happy. Is it not horrible to be built like that? The preparations have a hideous fascination for me. I pray to God to forgive me for such fearful

52 WC2, 199
53 WC2, 204
54 JM, at xvii
55 JMK, Ch3, 30-3; see also JK, 1-6 re. Billy Hughes & Lloyd George
56 MG, 51
57 JMK, Ch 4,102
moods of levity. Yet I wd do my best for peace, and nothing wd induce me wrongfully to strike the blow. I cannot feel that we in this island are in any serious degree responsible for this wave of madness which has swept the mind of Christendom. No one can measure the consequences. I wondered whether those stupid Kings & Emperors cd not assemble together & revivify kingship by saving the nations from hell but we all drift on in a kind of dull cataleptic trance. As if it was somebody else's operation!”

Churchill's reference not just to madness but to ‘Christendom’ is highly significant. All the European countries engaged in the First World War were self-proclaimed ‘Christian’ states. In each, their ‘Christianity’ not only permitted that conflict with other ‘Christian’ states to begin, but allowed it to go on, even when it had long stale-mated, having early degenerated into what Barbara Tuchman described as “...that brutal, mud-filled, murderous insanity known as the Western Front that was to last for four more years... sucking up lives at the rate of 5,000 and sometimes 50,000 a day...”

Over the four years of that war Europe's ‘Christian’ leaders not only held onto their determination to continue the slaughter ‘until victory is ours’, but each maintained the totally absurd claim that their Christian God fully supported them in both aims and methods. Hard to get ones head around, this is, at the very least, a salutary lesson in how all of us should treat leaders' claims to ethical, or even sane, decision-making when it comes to war.

Regarding what finally set off this tragic conflict, that for long so many in high places were expecting, it is enlightening to follow Barbara Tuchman's account of the precipitating ‘Balkans incident’, the assassination of Archduke Franz-Ferdinand by Serbian terrorists, and the downstream alliance-triggered events which then tipped Europe into the catastrophe.

As generally acknowledged, though only after the war, consideration of that original incident, ‘serious’ as it was, cannot in itself make sense of the universally disastrous outcome – the wholesale slaughter that ensued, all original combatant states, including Britain and Australia, being left vastly worse off than before.

And because, in the war’s lead-up, Churchill had been such an enthusiastic proponent, I will quote from his The Aftermath – Being a Sequel to The World Crisis. He began his account by assuring us, “The conclusion of the Great War raised England to the highest position she has yet attained. For the fourth time in four successive centuries she has headed and sustained the resistance of Europe to a military tyranny; and for the fourth time the war had ended leaving the group of small states of the Low Countries, for whose protection England had declared war, in full independence.” Yet by the end of this chapter, titled The Broken Spell, we learn, “Every victorious country subsided to its old levels and previous arrangements... The boundless hopes that had cheered the soldiers and the peoples... died swiftly away. The vision of a sunlit world redeemed by valour... where Justice and Freedom reigned... was soon replaced by cold, grey reality. How could it have been otherwise? By what process could the slaughter of ten million men and the destruction of one-third of the entire savings of the greatest nations of the world have ushered in a Golden Age?”

“...A cruel disillusionment was at hand...” he continues. “All were looking forward to some great expansion, and there lay before them but a sharp contraction; a contraction in the material conditions for the masses... the contrast between the victors and the vanquished tended continually to diminish,” he adds and concludes: “Through all its five acts the drama has run

58 RaC, 1989
59 BT2,487-8
60 (BT2, 77-136)
61 WC3
62 WC3,17
63 WC3, 30-31
its course; the light of history is switched off, the world stage dims, the actors shrivel, the chorus sinks. The war of the giants has ended; the quarrels of the pygmies have begun."64 Yet this remains an understatement. Together with other assessments from Churchill, Lord Robert Cecil and others, it amounts to an admission not only of the failure to attain what had been intended for the British Empire, but also of the generation of a whole lot more that was hugely destructive for everyone caught up in it.

A similar judgment on this point came from Australia's Governor-General, Lord Gowrie, a Victoria Cross winner from 1899 and a later veteran of Gallipoli and France, who had been severely wounded at Gallipoli. Opening the Australian War Memorial on November 11, 1941, he began by praising the heroic efforts of Australia's soldiers with whom he had the greatest sympathy, including their willingness to sacrifice their lives in a cause they believed would advance the freedom and welfare of mankind, then went on to say of World War One, "The war had lasted for four years. It was responsible for the death of over eight million able-bodied men. It was responsible for the wounding and maiming of many, many millions more. It caused universal destruction, desolation and distress without bringing any compensating advantage to any one of the belligerents. It was a war which settled nothing; it was a war in which all concerned came out losers."65

One can only add to Lord Gowrie’s utterly honest summing up of the First World War a further condemnation of its bizarrely irresponsible man-made sequelae, which all too soon culminated in the Second World War. Much of this travesty of the ‘peace’ is well described in Lord Robert Cecil’s All the Way (RoC) and Churchill's The Gathering Storm66 and is the subject of another essay of mine.67

How Did the West Get it so Wrong?

Looking back to Adam Smith’s crucially insightful economic analyses, we may agree that Western elites have long been on the wrong business track, greatly undervaluing the contributions of society’s lower echelons, then aggravating that error by hoping to compensate for the resultant market weaknesses and collapses by promoting foreign trade and colonial/neocolonial exploitations of various kinds. As we have seen, these aggressively competitive activities have generally caused further economic instability. They have also caused international frictions leading to highly destructive wars, eventually to World Wars One and Two and hen to subsequent ‘neocolonial’ wars. Still today we have both worldwide economic crises and dangerous international confrontations over the world’s fast-diminishing mineral reserves, including fossil fuels in particular.68

In two key papers, Michael Klare outlines the 20th century background to these modern confrontations and explains the basis for the still-growing tensions between the United States, Europe, Australia, etc and the world of Islam, China, India, etc over diminishing energy and other mineral resources, and the continuing threat of further counter-productive wars. He also provides a commonsense, sane alternative: agreement by both 'sides' to pull back from confrontation to allow proper consideration of the real problem of getting economies and

64 WC3, 31
65 LG
66 WC4
67 IB1, Ch. 7&8
68 e.g. JES&LB
production-assaulted environments, on which viable economies depend, into sustainable relationship before it is too late.\textsuperscript{69}

In the final section of this essay, I wish to make some comments on how Adam Smith's ideas, many of which remain relevant to our current economic and environmental predicament, could get humankind out of the very deep hole it has dug itself into, if properly applied. For Smith's clear ideas about justice and sustainability would work if only given an honest trial. Nothing magical is required, simply establishing the basis for mutual trust and fair dealing across the board – the kind of fair dealing that is the key to a viable market system, as well as to the preservation of our life-supporting environment, and a peaceful world.\textsuperscript{70}

In principle there may be little we do not already know about this. We must consider the conditions needed to satisfy both social justice and long-term sustainability, since these two aspects of the problem are so intimately linked. Obviously there is much to be done here. Notwithstanding the 'end of history' celebrations pervading the financial world at the turn into the 21st Century, our long-revered, yet increasingly unstable world economy remains in extremely serious trouble. For we see how for far too long this ‘modern’ economy has existed on the false premise that its elite sectors can continue to increase their control, then go on and on prospering ever more outrageously by sucking up wealth from the lower sectors, those increasingly excluded from their rightful market role. Clearly that situation was, and remains, not just unfair, but unsustainable, the very situation that has landed us in the dire plight we are in. Accordingly, as pointed out by Ross Garnaut and David Llewellyn-Smith in ‘The Great Crash of 2008’, it would be a great mistake to want to have the old model settled back on the road unchanged, as the Finance Bubble’s architects would like agreed to.\textsuperscript{71} And yet, since 2008, still-dominating world elite influences have sought to do just that, apparently expecting the seriously corrupted and unworkable system to ‘recover’ alone, unaided and unreformed.

However, notwithstanding such false expectations there may be considerable hope if, instead, our ailing West follows the advice of those current highly-informed economists who have described the many ways in which fair-exchange trading was corrupted in the lead up to the United States’ economy’s failures and near collapse. For these illuminating accounts allow us to appreciate just how similarly the expectations of such corruption match those which, as described by Adam Smith, drove elites within the countries of 18th century Western Europe. For, in both periods, central to the undermining of honest, equal-value trade exchanges, as frequently occur between ordinary citizens, the West’s elite trading groups today, just like Smith’s ‘exclusive companies of merchants’, have continued to systematically engineer domestic and foreign trade monopolies, together with a legion of other rent-seeking scams that their legislative accomplices have ‘blessed’ into law.

In addition, as Joseph E. Stiglitz, James K. Galbraith and other like-minded economists made clear, the extent of contemporary forms of corruption has meant that today’s elite financial and trading groups are able to siphon wealth upwards from the middle and lower orders of their own, and other countries, on an absolutely unprecedented scale And that using the same general means clearly described by Smith, the most extreme examples always in collusion with government, such unhealthy alliances being the most powerful drivers of the resultant

\textsuperscript{69} MK1, MK2
\textsuperscript{70} AS_WN; AS_MS; JSa; IB4
\textsuperscript{71} RG_LS, 212-215; cf. also JKG2,186-209
extreme inequality, injustice, poverty, economic inefficiency, instability, and the corrupted economic system’s ultimate self-defeat through economic collapse. As for profit-taking through the financing of war, we still face the reality that, just as Europe’s elites profited by financing their war debts throughout the 18th Century, and in spite of Adam Smith’s clear warnings, today’s business elites likewise continue to profit by effectively debt-financing the equally unnecessary and hugely brutal rent-seeking wars of today, as made clear in these recent US reports.

Our economic salvation and sustainability depend crucially on a reconstituted economy that fully encompasses the ‘common welfare’. As Joseph Stiglitz puts it, such welfare is an exact “precondition for one’s ultimate well-being.” For it to work properly, a comprehensive, worldwide, goods-and-services-trade economy must not only be cleared of all its shadow-banking deceits and scams, but must function as an in-balance, two-way ‘partnership’ based on terms of fair equal value exchange in these goods and services. If the rewards flow too heavily one way without correction, as they have, that balance fails and the system collapses. Justice comes in as a key measure of the balance essential for sustainability. The spirit of Adam Smith’s wise counsel needs to be understood and implemented. Only a well-thought-out remodeling of the world’s economic features along these lines can remedy our present predicament. To outline this remodeling in detail is beyond the scope of this essay, but three general aspects deserve a mention.

First is a prime requirement that the vast majority of the world’s poor, the dispossessed who presently lack even a secure means of subsistence, urgently require fair access to land, water, seed and microfinance, sufficient for their families to become stably self-supporting and thus also able to trade any surpluses. Without that they are destined for the most miserable of existences. This humane and just measure could also begin their integration as active participants in a just world economy. Secondly, in very broad terms, the world's trading and finance systems urgently need far-reaching reforms to enable Adam Smith's concept of fair trading to become effectively self-regulating. That is to say, we need free trading without the undermining interference of ‘get-rich-quick’ sectors gaining special advantages via governmental, legal, and other contrived positions of strength, via monopolies, for example, oligopolies and a wide variety of unfair treaties and contracts, as well as all forms of shadow-bank, un-backed credit finance practices that allow grossly unfair gain through unsustainable investment bubbles. In short, we need free trade without all the practices which have long subverted the still-needed level playing field advocated by Smith. Thirdly, we need ways to restore the alarmingly-underrated environment on which we, and all other species, depend for survival and well-being. This means including in all economic reckoning and future planning, the true value of all so-called economic ‘externalities’ including weather, air, water, oceans, soils, and forests.

In conclusion I can do no better than quote the final remarks from Jeffrey Sachs' 2007 Reith Lectures with their challenge to us all: “... none gazed so wisely and so humanely on the world as David Hume and Adam Smith... It is therefore fitting, some might say the work of an invisible hand, that we conclude the Reith Lectures here in Edinburgh. For here in Scotland,

72 AS_WN, V.3.35; V.3.37, p.4 above
73 AS_WN; JES, 101, 340; JES&LB, 114-131
74 JES, 52-82, 288, 397; JaKG)
75 Jeffrey Sach’s 2007 Reith Lectures Bursting at the Seams (JSa, L1-5); also Muhammad Yunis and Karl Weber’s Creating a World Without Poverty. (MY; KW)
76 James Hansen’s Storms of My Grandchildren.
in the 18th century, globalisation was first perceived for all its transformative potential, and also for its potential dangers. Here lived the most brilliant exponents of the radical idea that an interlinked world could produce unprecedented material wellbeing and rights for all... Smith looked forward to a day when an ‘equality of courage and force’ would lead all nations into a ‘respect for the rights of one another’.

“Globalisation, in short, would empower the weak and protect their rights. Smith's genius and decency inspire us two-hundred and thirty-one years later. Rather than glorying in the benefits of globalisation for Britain – in a kind of self-help book for early empire – Smith took a global view and looked forward to the day when free trade and the spread of ideas would eventually produce an equality of courage and force around the world, so that the benefits of globalisation would be shared by all.

“Our challenges today are the same as in Smith's day, though even greater in range, scale and intensity. The world is bursting at the seams in population, environmental stress, cultural clashes and the gaps between rich and poor. How can globalisation be made to work for all?

“In a much more interconnected world than Smith's, we will need much more than an equality of force to see us through. We need active cooperation on three fronts: to curb our destructive effects on the environment; to prevent war; and to address the needs of the poor, and especially the poorest of the poor. What politics can accomplish all of this?”

Could anyone have stated it more clearly?

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Acknowledgement:

It is with pleasure that I thank Dr Peter Wigg for his willing and most valuable editorial assistance.