

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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Now, in *The Gathering Storm*, Winston Churchill called the Second World War “*The Unnecessary War*”, he then going on to refer 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.*” (*The Gathering Storm* 1948, Preface, xiv WC4)

So, as we approach the One Hundred Year Anniversary of the First World War, 1914-1918, we Australians like so many across the world may well ask could it too have easily been avoided? 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 utterly counter-productive and tragic for so many millions of people across the world? (MG1; MG2; AH)

You see, until 10,000 years ago, some 400 generations, the human species had evolved surviving as hunter-gathers for over 4 million years! Moreover, as well understood by Adam Smith and others, that long-term survival had depended critically on cooperative behaviour, such mutual-support way-of-life becoming firmly embedded in human nature.(AS_MS; AS_WN; JD; RW) Now, contrast those millions of years of cooperative behaviour with the mere 10,000 years since a few fortunate groups of humans occupying the Fertile Crescent encountered conditions that gave them, as on a plate, a self-sustaining agricultural way of life, – the key transformation which provided us humans with vastly wider choices for future living.(JD, RW) In many ways those expanded opportunities represented a great advance. Yet at the same time, such availability of seemingly unlimited choices has allowed a number of long-implemented ones to lead us down seriously disastrous cultural alleyways, some of which now threaten the very survival of the human species.

Just three examples. First, impending human-induced climate change with its dire threat to life-supporting agriculture and human security. Second, rampant human-induced species extinctions, just part of the truly destructive effect of our ever-expanding exploitative industrial operations on the world's remaining plants and animals. 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. (JaH, EOW, JSa, JSch, JKG2, RG_LS,)

Clearly sanity demands we pause, think hard, and pull back from our present ever growing production-driven way-of-life. Then put in place the sort of cooperative fair trading system that, as Adam Smith understood, could and therefore should be allowed to serve all across what could before too long become a justly-trading and thereby sustainable, peaceful world.(AS_WN; AS_MS; JSa)

From Adam Smith to WW1

But, as you may ask, 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 fully appreciated the great potential of both to produce a truly just and peaceful world.(AS_WN IV.3.38)** Yet at the same time, he saw and wrote at length about the way Europe's most-indulged manufacture/trade groups operated unfairly with regard to trade competition and how this behaviour had all sorts of colonial and other spin-offs, including the raising of international tensions that culminated in an unending series of 18th Century wars.(AS_WN, V.3. 1– 45) Indeed, that explains why at this most critical of times we need to look so closely at what Smith has to teach us.

Helping us 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. You see, assisted by their exclusive trade monopolies, their aim was in no way centred on satisfying the vital needs of community, but instead exclusively on self-centred 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.*" (AS_WN, IV.8.49)

Indeed that fundamental driving force across the upper echelons of business was again stressed in Smith's concluding remarks on the Mercantile System, where he writes, "*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.*"(AS_WN, IV.8.54)

****Footnote:** References to Smith's 'Wealth of Nations' are shown here as AS_WN, then Volume number, Chapter number, paragraph number, e.g., AS_WN IV.3.38 .

Now the importance of that still highly relevant comment for today should be obvious. For, given the availability of energy resources in the early stages of the Industrial Revolution, (coal, 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, as on a plate, the only key requirement at that stage would have been to recognise those free gifts of nature and clever design as 'unearned income' and then 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' Sermon on the Mount, then not only market logic but the principles of justice and sharing the good things of life would be taken for granted, acted on as a matter of course. Moreover, adding to what I'll call that 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. Now, on 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."* (AS_WN, I.8.35) So, what could have, and did go so wrong? Why was humane and sensible provision for the needs of the vast majority of industry's producers not set in train?

Well, 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, - i.e., fair. And so their clear intent was to circumvent the obvious solution. For that would have been to reward their employees, the producers at the coal face so to speak, with a fair share of the value of all end production (including their fair share of unearned income, including natural resources) so they too would be appropriately rewarded - and thus provided with the means to purchase and thereby play their absolutely key market role. Without that, an unhealthy unbalanced market liable to collapse.

But sadly the outcome was completely and disastrously different. So, no wonder Smith became such a trenchant critic of Europe's mercantile system with its chartered companies, exclusive companies of merchants etc., those self-serving

monopolists who rejected the solution of fair trade out of hand. For, having their monopoly status preserved in law, these leading manufacturers and merchants imagined that the problem could be solved through their monopoly-protected domestic and export trade, - along with their exploitative colonial enterprises and highly aggressive international trade competition. However, such competition was to have extremely serious consequences all round.

You see, as Smith expressed it, “... *nations have been taught that their interest consisted in begging 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 monopolizing 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 tranquillity of anybody but themselves.*” (AS_WN, IV.3 Part 1. 38)

Moreover, as Smith well realised, monopolies not only unfairly disadvantaged the consuming public, along with their domestic and international competitors, but their 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 writes, “*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.*” (AS_WN, IV.7.82; BC)

Indeed, similarly 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.*” (AS_WN, IV.7.166; see also BC)

And all the above shameful injustice stemming 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.*" (AS_WN, IV.7.15)

Further, we must ever bear in mind a further long-term extraordinarily evil effect of Europe's elite behaviour: the Trans-Atlantic Slave Trade. For, once Columbus had revealed America's seemingly limitless sources of gold and silver, the soon-to-be-decimated (by Europe's infections) American Native slaves Spain used to mine it, were replaced by transported Africans. Moreover, that trade soon became hugely expanded through Europe's ever-growing demands for lucrative plantation cash-crops: sugar, tobacco, rice, cotton, etc., - a trade which for over 300 years bankrolled Europe's economic development. You see, although initially Spain and Portugal had led the way, it was not long before Europe's other maritime powers, "*the English, French, Dutch, Danes and Swedes*" followed (AS_WN, IV.7.31), all 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 10 to 12 millions) as well as those aggressive confrontations with one another that lured them into repeated war.(UNESCO)

You see, besides the evil effects of government-sanctioned 'monopoly rights' on colonised and enslaved peoples, these 'rights' also had disastrous self-defeating consequences for the amity, sanity and well-being of the European nations themselves.(c.f., AS_WN, IV.3 Part 1. 38) 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. And that was because whenever government-sanctioned 'monopoly rights' were granted to privileged sectors of one nation (backed by its military force), they were contested by those of other nations (similarly backed), this very commonly leading to further tension and war. Hence the unending series of 18th century conflicts between Europe's contending powers.

Consequently, as documented by Smith, even aside from the human losses, 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_WN,V.3.35)

And, 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 inconveniency 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."(AS_WN,V.3.37)

Now, just a brief comment on the possible future utility of the above-documented behaviours of Europe's leadership of the 16th-18th century. Covering the Renaissance, a period marked by so much positive creation and innovation across the West, it appears a most unfortunate, a truly dismal legacy. For as it must again be stressed, such behaviour was completely at odds with that advocated by moral philosopher and pioneer economist, Adam Smith who, contrary to still-current popular belief, was in no way an advocate of business world greed, but rather altogether passionate about fair, mutually-advantageous business practices that would cement friendships and promote a peaceful world. But since the historical record cannot be denied, it is most important that we use it as a guide to future planning and, as such, ensure that it be fully recognized as a key aspect of our Western Heritage.

With Smith's clear insights into the Christian civilised world of his day as background, we can proceed to outline what if anything may have since been learned and properly acted on. After all we know that in his time Smith's works were not only well received but that, like the Bible, they were and have ever since been pored over and used to support one or other 'special' or 'national interest' (as expressed at the top), - although all-too-frequently with all manner of misrepresentations, - and thus not in the way either Adam Smith or Jesus of Nazareth would have approved! (JSc, ATM)

Smith's Sound Counsel Long Ignored

As we've seen illustrated, and as emphasized by Jeffrey Sachs in his 2007 Reith Lectures, Adam Smith strongly believed that *fair* trade at home and across the world could indeed serve the needs of all in a most satisfactory way. Moreover, if it was allowed to (i.e., given honest treatment of the 'do unto others' kind) and not interfered with by get-rich-quick operators, - it could be largely self-regulating. And yet let us see what instead happened in European history, - from Smith's time to World War One and beyond, - even to the present day. And in this task let us 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.

You see, 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 each day long long hours in factories and mines, enduring miserable unhealthy lives in over-crowded slums, - as described in Dickens' *Great Expectations*, (CDi) and on *The Victorian Web*.(VW) (see 'Social History', e.g. at 'Public Health' and 'Child Labor'). Indeed, notwithstanding Britain's mounting industrial production, it was a societal trend that extended into the 20th century, - as Winston Churchill's impassioned Liberal Party speech of 1909, '*Spirit of the Budget*' in '*Liberalism and the Social Problem*' makes abundantly clear.(WC1)

Thus, from Churchill's speech: "*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.*

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.” (WC1,362, 363)

As you may agree, this assessment of the then Radical Liberal Churchill from 1909 rings true. After all, what contorted cultural transformations could have arisen to ‘justify’ the truly terrible conditions of the ‘working classes’ of the day?! Well, while there is no fully satisfying explanation, it’s revealing to see what outlandish ideas certain academics and leaders of the Western world came up with. For example the highly influential works of Herbert Spencer (1820-1903) and others misrepresenting the significance of Darwin's work, *The Origin of Species*, on species’ survival. (CDa; HS1; HS2)

You see, in Spencer's writing, the poor and sick individuals who did not survive their industrial employment were nature's weaklings, their deaths allegedly contributing to the improvement of humankind. For, as he wrote, “...*I am simply carrying out the views of Mr Darwin in their application to the human race....*”. (HS1, 418) 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.*” (HS2, Chap 28, Sect.4, para 3)

Now, in fact Darwin was in no way engaged in a study of the challenges to individuals struggling to survive an *intra-species* ‘war’ in which major sections of the community (children included) were subjected to highly adverse conditions of injury and disease ‘at the coal-face’, - since of course that undermined the survival chances of our human species. You see what Darwin had researched were those factors which favoured the survival of a species. For, as Darwin discovered, the survival of any species turned critically on the occurrence across that species of the very great *variability* of characteristics which, in the event of severely-altered environmental conditions, such as epidemic disease, climate change, starvation, etc. would maximise the survival of at least a *proportion* of it’s members.

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Notwithstanding the above so-called Social Darwinism, it had, as John Kenneth Galbraith pointed out come to represent a view greatly welcomed in certain quarters of the United States, as when Spencer's visit of 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.*” (JKG1, 123)

Indeed, from that line of thinking it may have seemed not 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 as in the process such inferior people would gain many advantages of Western culture, including its Christian beliefs. Thus as British mathematical statistician Karl Pearson wrote, “*History shows me one way, and one way only, in*

which a high state of civilization has been produced, namely, the struggle of race with race, and the survival of the physically and mentally fitter race." (KP, 21) Then again, *"My view - and I think it may be called the scientific view of a nation, is that of an organized whole, kept up to a high pitch of internal efficiency by insuring 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."* (KP, 46) And from such thoughts (many more quoted in Michael Howard's *'Empire, Race and War in pre-1914 Britain'* (chapter 4) in *'The Lessons of History'* (MH, 63-80), Barbara Tuchman's *'The Proud Tower'*, (BT1, 248-50) and Ian Hamilton's *Gallipoli Diary* (IH) it might seem no great leap to want to 'justify' the struggle between Europe's already economically-contending powers by advocating the ultimate 'necessity', even 'desirability', of extending that contest to the field of war.

On this point America's highly influential Captain (later Admiral) Mahan, author of *'The Moral Aspect of War'*, was totally enthusiastic, seeing *"honest collision"* between the nations as an *"heroic ideal"*, indeed, *"a law of progress"*, he further maintaining that, *"No greater misfortune could well happen than that civilized 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."* (ATM, 446 ; see also BT1, 248-50)

So it was that instead of embarking on international trade that was cooperative, sustainable, and mutually advantageous, as advocated by Smith, Europe's states had long continued to engage their trade rivals in profligate, mutually counter-productive wars – wars which were totally contrary to their claimed Christian ethic.(AS_WN, IV.3.38) 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 remaining Britain's chief enemy for over 300 years. But then through the Berlin Congress of 1878, Britain had joined with France, Russia and Bismarck's Germany to reduce war-provocations in Europe and the colonial world, the Congress granting imperial late-comers like Germany limited colonial intrusions into Africa and elsewhere. So on the surface the prospects for intra-European peace may have appeared hopeful.

And yet 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, penetrating more and more foreign lands to exploit resources and peoples 'in the service of Empire'. Moreover, stark signs of approaching tragedy remained in the form of the ever-mounting pile of Europe's armaments, arms that would not only guarantee the carnage but further increase the international tension threatening war, - by then a war likely to engulf the whole of Europe. (PK,244-248)

Indeed, that very prospect concerned the young Winston Churchill, - who had just seen the tragic results of the Boer War, - to the point that in his 1901 House of

Commons Maiden Speech he warned of the essential counter-productivity of Britain becoming involved in any war between Europe's industrial powers. For, as he said *"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."* (MG1, 51-2)

Moreover, there followed other clear warnings of what would emerge should aggressive European confrontations continue. Thus 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, - how Europe's governments were still allowing industry's 'special interest' trading groups all the benefits of foreign exploitation, while leaving their home populations, - not to mention the exploited 'natives' abroad, - to bear the high human and financial costs. That was bad enough, but worse, Hobson could clearly see the approaching 'blow-back' effects of these colonial and other trade-based struggles on Europe and beyond, he starkly warning that therein lay the root causes of a looming catastrophic World War. (JH,Intro Paras19-20;II.I.41-3; II.I.58-60)

For just like Adam Smith, Hobson well knew that Europe's industrial special interest groups were, as always, focused on maximizing production (of no matter what) regardless of the need to serve universal human needs. Consequently, across the resulting constrained markets of the world of the 1890s their aggressively competitive commercial behaviour continued to raise international tensions – strikingly reflected in Europe's fatalistic alliances and ever-growing pile of arms. And although heavy industry's search for markets was to some extent relieved by domestic and foreign government orders, such rapid expansion in arms production brought two kinds of responses. Understandably, popular civil responses sought urgent arms limitations and *arbitration* of crises (e.g., via the Hague Peace Conferences of 1899 and 1907), but despite that very strong public support, Europe's leaders were dismissive and tragically both Conferences were allowed to fail, - all wonderfully described in Barbara Tuchman's extraordinary account.(BT1, 229-288; IB3) That left only a single European response, - to go on accelerating the arms race in the belief that since it was 'well known' that war was coming, 'just a matter of time', then the only 'responsible thing' was to be 'ever better prepared'! And as we know, that was exactly the myopic course followed, the entirely predictable outcome being the utterly destructive highly-industrialised killing and horrible maiming of so many millions of the world's young people we know as World War One.(e.g., MG2)

And yet, realising that prevention was possible, Hobson in his 1902 study had warned that Europe's ever-rising risks of war were all about trade competition and

how that might be handled. For while many powers publicly lauded the ideal of 'open competition', few were true believers ready to accept the result, - unless *they* were winning that race. And since it was the same in the colonial sphere, the threatening world war was essentially about the failure of top nations to accept the decline of power and status that sooner or later was bound to result from colonial and trade competition. Indeed, in the final analysis it was simply this bellicose response to impending competition failure, - coupled to the tangle of their so-called security Alliances, - which literally entrapped Europe's powers into a war through which *all* original combatant states ended up the losers, - as subsequently attested to by both Churchill (WC3, 30-31, see below) and Australia's Governor-General, Lord Gowrie, at the opening of the Australian War Memorial in 1941.(LG)

With such an outcome in prospect, one might have thought that Britain would have done all in its power to avoid any involvement in a war between Europe's industrial powers. Especially so, as at the turn of the century it was not only still predominant in the world of trade and finance but already in control of the largest Empire the world had ever seen. As the official figures revealed, 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.(JH, I.I.8)

However, one has to realise that by the outset of the 20th century the higher echelons of British society were not only aware of, but greatly preoccupied over their country's declining position. Especially so because that trend, which had begun by the mid 1880s, appeared to be accelerating, - since in industrial and trade matters, both the United States and Germany were fast overtaking it. Indeed, it was that very situation which had by 1900 convinced Britain to discard its long-held policy of 'splendid isolation' and begin to negotiate. First with Japan, that resulting in the *Anglo-Japanese Alliance* of 1902; then Germany (not pursued); and finally, notwithstanding their 300-year plus adversarial history and near-war clash in 1898 over Fashoda, France! (WC2, 21)

The outcome of that negotiation 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. (WC2, 22; KW1, 165-6) For Britain, France and the world it was indeed a truly tragic compact for two fateful reasons. First, 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.(WW1Docs) 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 across a precipice, ready to be tipped into war by any, even minor, military 'border incident', - as later occurred following the terrorist assassination of Austria's Franz Ferdinand.(GeK, 238-58). And secondly, for Britain (with its Empire) that 1904 compact with France greatly compounded the chances of its participation in any European war as here outlined, - further detail in 'A

Case History: Britain, Empire Decline and the Origins of WWI'. (IB2)

Indeed, it was not long after Britain's 1904 Entente Cordiale deal with France that in 1905, contrary to the 1880 Treaty of Madrid through which Europe's States agreed on equal access to Moroccan trade, a French military mission intruded into Morocco. Germany's response, to call for an international conference, triggered an acute war-threatening crisis. The Conference assembled at Algeciras in January 1906, the very month that by a landslide Britain's Conservative Party lost government to the Liberals. Notwithstanding that, the crisis continued and although finally war was avoided, during that conference the incoming Liberal government had backed France and subsequently entered into secret 'military conversations' between their General Staffs "...with a view to concerted action in the event of war." And although Churchill admitted that, "*France had not a good case*", he later noted that this conference had been a "... a milestone on the road to Armageddon." (WC2, 32-3)

Interestingly, at this early time Churchill was firmly in the camp of the Liberal Radicals, the Party's majority faction which, intent on overdue social justice measures at home, was utterly opposed to military adventures abroad. For, as already mentioned, at that stage Winston's insights on both social policy and foreign affairs were quite remarkable (see 1909 speech, '*The Spirit of the Budget*' in '*Liberalism and the Social Problem*').(WC1, 362-63) Notwithstanding that, from 1906 the incoming Liberal government was dominated by the more influential Liberal Imperialists who, although a small minority among the Liberal Radicals, 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.(KW2)

Then in 1911 when a second Moroccan crisis (Agadir, also triggered by a French military expedition occupying Fez, Morocco's capital) arose, Europe again went extremely close to war. At that stage Churchill, by then First Lord of the Admiralty and linked to the Liberal Imperialists, undertook to prepare the Royal Navy for the struggle which many in Europe and all in the 'Imperial camp' believed was coming, - simply a matter of time. And yet, within the Liberal Cabinet of the day there remained still that majority of Liberal Radicals, led by seasoned veteran Lord John Morley, who were strongly opposed to Britain's involvement in any European war. Indeed, as Churchill admits, they represented a very strong majority, 15 to 5. Notwithstanding that, however, the key Cabinet positions remained firmly in the hands of Liberal Imperialists: 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 war if and whenever France was at war with Germany.

Yet, significantly the majority within both the Liberal Cabinet and across the Parliament remained not just pacific but entirely ignorant of the detailed contingency preparations for the 'more than likely' war.(KW2, 234) No doubt that sounds astonishing, yet according to Churchill, it was a situation which persisted into the very week leading to the outbreak of WW1 (August 4, 1914). For, as he recorded in

'The World Crisis' (referring to the crucial meeting of Monday July 27, 1914) *"The Cabinet was overwhelmingly pacific. At least three-quarters of its members were determined not to be drawn into a European quarrel, unless Great Britain were herself attacked, which was not likely."*(WC2, 199) And a little further on, *"Suppose again, that now after the Austrian ultimatum to Serbia, (i.e., 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."* ... and, emphasizing the like 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."* (WC2, 204)

Altogether differently based from that of his conservative colleagues, Morley's insights told him that the compulsion to war within the Cabinet leadership was all about Britain's declining position in international trade and power. In relative terms, nations would rise, - but for a time, - then decline. Implicit in this Adam Smith conception of Europe's competitive market economy, that was to be expected. So Morley was critical of his nation's failure to come to terms with this reality, for 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, e.g. Japan and the United States"* - his chief objection to Eyre Crowe's Foreign Office advice being that *"... it makes too much of German Imperialism and too little of British Imperialism."*(JM, at xvii)

Unfortunately, however, not only did the imperialists within both the Government and Opposition recognise the above reality, but they were as one in calling for its reversal, - via the ultimate national response. Indeed it seems clear that these imperialists were determined *not* to accept the decline of their Empire resulting from economic competition, but instead to attempt a turnabout through military action, as soon occurred.(JMK, Ch3, 30-3; see also JK, 1-6 re. Billy Hughes & Lloyd George) Now, while Morley recognised their point of view, he could not understand how they could fail to see the inevitable end result of a war between *highly-industrialised* states which, as Churchill in 1901 had warned would inevitably end up in one vast mutual catastrophe, - regardless of which side was said to have 'won'. (MG1, 51), And Morley did not want his country to be drawn into such a tragic quagmire, - not only losing economically, but all combatant states engulfed in the most awful human sacrifice.

But blind to Morley's highly insightful case, the imperialists (both Liberal and Opposition) blundered on in the vain hope that the war would not only be short (troops 'home by Christmas') but that 'of course' it would be victorious, the German economy 'brought to its knees', never to rise again. Indeed, on that very point let's remember how Keynes in his *'The Economic Consequences of the Peace'* (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."* (JMK, Ch4, 102)

And sadly, on Britain's crucial decision for war, Churchill was more than a little enthusiastic about its prospects and the role he would play. Indeed, as time passed he became more and more excited to the point that in a letter to his wife on war's eve (recorded by son Randolph Churchill his official biographer) 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 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!"* (RaC, 1989)

As an aside, Churchill's reference here, not just to madness but to 'Christendom', is highly significant. For as we know, all of the European countries initially engaged in the First World War were self-proclaimed Christian States. Moreover, in each their 'Christianity' not only permitted that conflict with other Christian States to begin, but allowed it to go on, - and 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..."*. (BT2,487-8) Indeed, over the four years of that war, Europe's 'Christian' leaders not only held onto their determination to continue the slaughter 'until victory was theirs', but each maintained the totally absurd claim that their Christian God fully supported them in both aims and methods. It's all very hard to get ones head around, but at the very least it's a salutary lesson as to how all of us must treat leaders' claims to ethical, or even sane, decision-making when it comes to war.

But going back to what finally set off this tragic conflict, - what 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 then the downstream Alliance-triggered events which tipped Europe into the catastrophe. (BT2, 77-136) For, as generally recognised - (yet only after the war) - of itself that original incident, although 'serious', could in no way have made sense of the universally disastrous outcome, - the wholesale slaughter that ensued, all original combatant states (Britain and Australia included) being left vastly worse off than before.

As to the war's counter-productive outcomes, we might agree, but because in its lead up Churchill had been such an enthusiastic proponent, I will quote from his *'The Aftermath - being a sequel to The World Crisis'*.(WC3) For, by war's end, although Churchill began his account by assuring us that, *"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."(WC3,17) Yet by the end of this chapter (titled *The Broken Spell*), we learn that when that spell was broken, "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?" (WC3, 30-31; see also MG2, AH, BT2, IB1, DD)

Churchill goes on, - "A cruel disillusionment was at hand..... 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;" he all-too-significantly adding, "...the contrast between the victors and the vanquished tended continually to diminish.", then concluding, - "Through all its five acts the drama has run 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." (WC3, 31) All very true, yet still an understatement which together with other assessments from Churchill, Lord Robert Cecil and others, amounts to the admission of failure to attain what had been intended for the British Empire, and of course the generation of a whole lot more that was hugely destructive for everyone caught up in it.

Another highly significant judgement on this point comes from Australia's Governor-General, Lord Gowrie (VC winner from 1899 and WW1 veteran of Gallipoli and France - severely wounded at Gallipoli) when he opened the Australian War Memorial on November 11, 1941. Beginning 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, Lord Gowrie went on to say, "Now 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."(LG)

Of course, one can only agree with Lord Gowrie's utterly honest summing up of the First World War, except to add WW1's bizarrely irresponsible man-made sequelae which all too soon culminated in the Second World War, - much of this travesty of the 'Peace' well described in Lord Robert Cecil's *'All the Way'* (RoC) and Churchill's *'The Gathering Storm'*, (WC4) - but that would take another essay. (IB1, see Ch. 7&8)

Given its Ever-growing Potential, Why does the West Continue thus?

Looking back to Adam Smith's crucially insightful economic analyses, we see 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 resultant market weaknesses and collapses by promoting foreign trade and colonial/neocolonial exploitations of various kinds. But, as we have seen these aggressively competitive activities have always caused economic instability and international frictions that led to highly destructive wars, eventually WW2 and subsequent 'neocolonial' wars. Thus, still today we have both world-wide economic crises and extremely dangerous international confrontations over the world's fast-diminishing mineral reserves, especially fossil fuels. (e.g, JES&LB)

In two key papers, Michael Klare outlines the 20th century background to these confrontations, then clearly explains the basis for the still growing tensions between the US, Europe, Australia etc vs. the world of Islam, China, India etc over diminishing energy and other mineral resources, - together with the very real threat of endless counter-productive wars. He then provides the commonsense sane alternative:- i.e., agreement by both 'sides' to pull back from confrontation to allow proper consideration of the all-too-real problems of getting both their economies and production-assaulted environments (on which viable economies must depend!) into sustainable condition before it is too late! (MK1, MK2)

To conclude, some comments on how Adam Smith's ideas, so many relevant to our current human economic and environmental predicament could, if properly applied get humankind out of the very deep hole it has dug itself into. For Smith's clear ideas about justice and sustainability would work if only given an honest trial - nothing magical, simply the basis for mutual trust and fair dealing across the board, - the kind of fair dealing that is the very key to the sustainability essential for a viable market system, our life-supporting environment, and a truly peaceful world. (AS_WN; AS_MS; JSa, IB4)

In principle there may be little we don't already know about this, for critically one 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 since, 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 our 'modern' economy has existed on the false premise that its elite sectors can continue to increase their control as new opportunities arise, 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. (RG_LS, 212-215; cf. also JKG2,186-209) And yet, as seen since 2008, still-dominating world elite influences have sought to do just that, apparently expecting the present seriously

corrupted unworkable system to 'recover' alone, unaided and unreformed.

Notwithstanding that, there may be considerable hope, if instead, our ailing West follows the advice of current highly-informed economists who have described the way in which fair-exchange trading has been corrupted in the lead up to the United States' economy's failures and collapse. For these illuminating accounts allow us to appreciate just how similar in intent those corruptions match Adam Smith's descriptions of the economic system's corruptions adopted by elites within the countries of Western Europe in his time. You see, in both periods, central to the undermining of honest, equal-value trade exchanges (as seen 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, - along with a legion of other rent-seeking scams that their legislative accomplices have 'blessed' into law.

In other words, as made clear by what Joseph E. Stiglitz, James K. Galbraith and other insightful economists have revealed, due to the far greater extent of contemporary forms of corruption, today's elite financial and trading groups have been 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 devices so clearly described by Smith, the most extreme examples always in collusion with government, such unhealthy alliances being the most powerful drivers of the resultant extreme inequality, injustice, poverty, economic inefficiency, instability and the corrupted economic system's ultimate self-defeat through economic collapse. Accordingly, it can be concluded that our economic salvation via sustainability depends crucially on a reconstituted economy that fully encompasses the 'common welfare' since, as Joseph Stiglitz puts it, that is an exact "...*precondition for one's ultimate well-being.*" (JES, 52-82, 288, 397; JaKG)

A brief comment on the immorality of profit-taking through the financing of war. You see, as made clear in these recent US reports, we still face the reality that just as Europe's elites profited by financing their war debts throughout the 18th Century (AS_WN, V.3.35; V.3.37, p.4 above), yet 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_WN; JES, 101, 340; JES&LB, 114-131)

But, returning to healing the economy, for it to work properly today a comprehensive world-wide goods and services trade economy must not only be cleared of all its shadow-banking deceits and scams, but it must function as an imbalance two-way 'partnership' based on terms of fair (*equal value*) exchange in both goods and services. For if the rewards flow too heavily one way without correction, as they have, then that balance fails and the system collapses. Obviously this is where justice comes in as a key measure of the essential balance so essential for sustainability, and hence why the spirit of Adam Smith's wise counsel needs to be understood and implemented. Accordingly, only a very well thought out remodeling of the world's economic features can remedy our present predicament. Now, while

any attempt even to outline such modifications is beyond the scope of this essay, one can mention three aspects.

First, a prime requirement of major significance. 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 able also to trade any surpluses. Without that they are destined for the most miserable of existences. Fully deserving urgent priority, this humane justice measure could also *begin* their integration as actively trading participants in a just world economy. (See Jeffrey Sachs'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)

Secondly, in very broad terms the world's trading/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, free trading *without* undermining interference from 'get-rich-quick' sectors gaining special advantages via governmental, legal, and other contrived 'positions of strength'. For example, via monopolies, oligopolies and a wide variety of unfair treaties/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, via all practices which have long subverted the still urgently-needed level playing field advocated by Smith.

And thirdly, to restore our alarmingly undermined environment on which we and the rest of the biosphere depend for our/their survival and well-being, ways have to be found to include in all economic reckoning and future planning, the true value of all so-called economic 'externalities' (weather, air, water, oceans, soils, minerals, forests - see for example, James Hansen's '*Storms of My Grandchildren*'. (JaH)

In summing up I can do no better than quote the concluding remarks from Jeffrey Sachs' 2007 Reith Lectures' with their challenge to us all as to what today's world needs to make all its citizens secure by following Adam Smith's long-ignored wise counsel. For as Sachs said, "*... 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, in the 18th century, globalization 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."*

"Globalization, 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 globalization for Britain - 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 globalization 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 globalization 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?" (JSa, L5, 2-3) Could anyone have stated it clearer, put it better?!

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