Like Strangers Trapped in a Dark Room: Planning Armageddon: British Economic Warfare and the First World War

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This work begins in the early twentieth century, when Great Britain stood at the center of the first modern global economy. The dream of British free-trade liberals was coming true; world trade was expanding, and economists, financiers, and business leaders in many nations were working to eliminate tariff barriers and expand international trade and finance.

Three things made this expansion possible. The large British steam-powered merchant marine, watched over by the Royal Navy, was making it possible for buyers and sellers of many goods to have confidence that products would be shipped on time. Second, as Nicholas Lambert observes in Planning Armageddon: British Economic Warfare and the First World War, the “huge explosion in international trade after 1870 was made possible largely by the development of the London credit market,” which allowed vendors to ship goods to purchasers on the guarantee that payment had been made and would find its way through London to the vendors’ banks. Third, the creation of reliable submarine cables allowed vendors, purchasers, and banks to communicate almost instantaneously across whole oceans, facilitating the various messages that in their turn made international commerce possible.

Lambert makes clear that it was the reliability of Britain’s merchant marine and the great utility of the undersea cable network, which Britain’s government had subsidized, along with “the vast...
majority of international commercial transactions conducted by means of credit drawn on a London bank,” that sustained the new global web of commerce. The key banking instrument was the bill of exchange, “an unconditional demand for payment of a specified sum on a specified date that has been drawn by one party on another and accepted by an acceptance house.” In effect, a bill of exchange allowed a vendor to ship goods even before the purchaser’s check cleared.

What allowed the bills of exchange to take place was the resources of the major London banks and the confidence of vendors and purchasers in the integrity of the London banks and in the resources of the Bank of England. This development of bills of exchange was the financial foundation of the rapid growth in international trade, which was the foundation of rising incomes in many nations. However, Lambert argues that some officers and civilians advising the British Admiralty realized around 1908 that this newfound prosperity could be selectively choked off if the British government blocked a belligerent’s use of British merchant ships and undersea telegraph cables and access to London’s acceptance houses. Blockade had traditionally meant intercepting ships trying to reach or leave a belligerent’s ports, but now it might mean the complete and rapid shutdown of a belligerent’s international trade.

As Lambert points out, this was a new and potentially devastating form of economic warfare that “entailed large-scale state intervention in the workings of both the domestic and international economy, starkly challenging traditional ideas about the role of government. In so doing, moreover, it far exceeded established boundaries of what constituted grand strategy and indeed the very nature of war. Economic warfare thus involved issues that were beyond the Admiralty’s competence.” After all, what would in fact happen if the British government waged such a “war” against its rival Germany? Would international trade collapse? Would international finance, which was centered in London, suffer a panic, destroying one of Britain’s primary sources of wealth? Financiers did not want a repeat of the American banking panic of 1907, which had shaken banks worldwide.

As Lambert reveals, there was no consensus within the British government regarding the use of this new form of economic warfare. The Admiralty advocated it. The offices in Britain’s government that represented business and finance opposed it. The British foreign ministry also opposed it, on the grounds that it might actually bring such nations as the United States into a war against Britain. Much of Lambert’s book describes this internal conflict in detail.

The British government had to decide what to do now that it was committed to assist France if Germany invaded. The author describes how the British army wanted to send a force to fight alongside the French. The Admiralty’s response was to argue that Britain’s strength lay in its navy and in its key roles in international trade and finance. But how best to use that strength? Again, we are shown
how difficult it was for Britain to answer this question. For example, if France and Britain were at war with Germany but Holland was not, how could the Royal Navy legally blockade the port of Rotterdam, which was the entrance and exit for many cargoes carried by neutral shipping going into and out of Germany? Could Norway and Sweden be legally blockaded by the Royal Navy if they remained neutral?

The virtue of an economic warfare strategy was that it would be quick, and ideally decisive, whereas a traditional naval blockade would be slow. But would all-out economic warfare hurt Britain as much as it would hurt Germany? What about the neutrals, especially the United States? As Lambert finds, at the outbreak of World War I “Great Britain implemented economic warfare through a series of already drafted royal proclamations. Within a fortnight, however, political commitment to economic warfare began to crumble under protests from civilian departments that resented Admiralty control of issues they regarded as their bailiwick, from bankers distraught at the havoc already wreaked, and from businessmen upset at government interference with their trade. Further objections were raised by neutrals, irritated by Royal Naval threats of interference with their commerce.”

By the last two weeks of July 1914 the “new” global economy had been gripped by panic, as Europe slid toward war. That set off a running battle between the British Board of Trade and the Admiralty, the latter trying to strangle German commerce and the former actually facilitating it. Lambert shows how pressure from the U.S. government against economic warfare was a major factor in weakening the economic campaign against Germany prior to congressional elections in the fall of 1914.

The new global economy was a two-edged sword. On the one hand, it made the more modern economies of Europe and the United States more vulnerable to economic warfare, while on the other hand, it facilitated trade from neutrals through other neutrals, trade that worked against the Royal Navy’s blockade and weakened the effects of the British economic warfare campaign against Germany. Lambert writes, “In 1914, no means or mechanism, municipal or international, existed anywhere to verify the ownership or destination of merchant ship cargoes. . . . [T]he immutable rights of neutrals under international law to maintain their legitimate trade had become fundamentally irreconcilable with the equally immutable rights of belligerents to prevent illegitimate contraband from reaching their enemies.” This situation produced what can only be termed absurdities, the greatest of which was probably “the degree to which contraband trade [with Germany] through neutral countries was financed by the City of London and carried across the Atlantic in British ships.”

One of the concerns of today’s diplomat, political leader, and military planner has been the lack of a useful historical analogue to today’s global economy
—something they can study, something from which to gain insight. Lambert has provided such a source in Planning Armageddon. The parallels are striking. In the run-up to World War I, few business, financial, or political leaders understood what “economic warfare” could mean for them. These executives and political leaders were part of the new global economy, but few really understood it in a strategic sense, and even fewer could assess what embarking on real economic warfare would do to Britain’s economy even if at the same time it severely hurt the German economy. The cost of the new form of warfare seemed very high and the benefits unclear. The pressure to back away from all-out economic warfare began well before World War I and mounted through the first two months of the war. The results were a half-hearted effort and a British commitment to a war of attrition in northern France.

One of Lambert’s criticisms of the historiography of World War I is that most historians have not looked carefully at British efforts to develop a concept of economic warfare and then sketch out its implications for the global economy of 1914. Lambert’s point is that the debate over economic warfare within the British government was important yet often not well understood even by those who so energetically participated in it. The surviving archival records often lend themselves to different interpretations, though I believe that Lambert has it right—many British leaders believed that tampering with the new economy of international trade and finance was extremely risky. Economic warfare also ran against their faith that free trade was an absolute necessity for economic prosperity, especially a prosperity that would allow Britain to prevail in a long war.

A key point in Planning Armageddon applies now: the global economy is based on the confidence that springs from the effective working of institutions like banking and from the rapid and accurate movement of both capital and cargo. When this confidence slips, major economies cease to grow and the welfare of billions of people around the globe is affected. Does this mean—as some commentators in the first decade of the twentieth century suggested—that a major war is impossible? Could China and the United States go to war, knowing that doing so would have negative effects on the existing global economy? If they did go to war, could they contain their conflict? Could their economies endure a conflict?

We have two case studies that can help answer these questions. The first is the recent great recession and the related euro-zone crisis. The second is Lambert’s. National security officials need to study and think about both cases. I am not sure that the recent great recession and the euro-zone crisis are completely understood, even by those whose responsibility it is to understand them, but having noneconomists study them is essential. Lambert, to his great credit, provides extensive and detailed evidence to support his generalizations, but a careful reading
of all that evidence (504 pages of text and 134 pages of notes) is probably too great a stretch for active-service military professionals.

It is important, however, for those professionals to realize that as in the beginning of the last century, changes in the world's economy offer opportunities and challenges to governments that are economically, politically, and militarily powerful. As Lambert's research shows, the British government and leading British financial and business leaders often could not decide what to do with their economic weapons. They were like strangers trapped in a pitch-dark room with no flashlight, needing to work closely together to find a means to escape but with no idea who is best qualified to organize them. The first step toward escape in such a case is coordination among those trapped. The second step is to understand the environment. Lambert shows that in 1914 too many influential individuals in Britain could not take those two steps. We are today watching governments trying—and perhaps not succeeding—to do fundamentally the same thing.

Nicholas Lambert has written a powerful book. If you can read it, do so. At least read the introduction. It may change your idea about what happened to the British from August 1914 through 1915, and it should get you thinking about the similarities and differences between 1912 and 2012.

We are fortunate to have this book. It has come just in time.