
PRECURSORS

Commerce, Markets, and Peace

Richard Cobden's Enduring Lessons

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The progress of freedom depends more upon the maintenance of peace and the spread of commerce and the diffusion of education than upon the labour of Cabinets or Foreign Offices.

—Richard Cobden

In a 1944 review of F. A. Hayek's *Road to Serfdom*, George Orwell declared, "Capitalism leads to dole queues, the scramble for markets, and war" (1968, 119). Indeed, if we look at the past century, we see significant advances in markets, but we also see an era plagued by war. Do capitalism and conflicts go hand in hand? Are the military and markets complements? Indeed, many conservative advocates of markets also passionately support the military, and many people who oppose war also oppose markets. Nineteenth-century writer Richard Cobden, however, maintained that the military and markets were substitutes: more military entails less market. Although the ideas in *The Political Writings of Richard Cobden* (1903) are a century and a half old, Cobden considered many arguments for military intervention still

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made today. He discussed whether military spending was beneficial to the economy, to commerce, and to peace, and in all three cases he answered no. Both conservatives and left liberals can learn much from Cobden's discussion of commerce, markets, and peace. As he demonstrated, the advocate of markets must be an advocate of peace.

Costs of Military Spending

Cobden began his 1835 pamphlet *England, Ireland, and America* with a quote from George Washington's farewell address to the American people: "The great rule of conduct for us in regard to foreign nations is, in extending our commercial relations, to have with them as little political connection as possible" (1903, 3).¹ Whereas Washington made the political case for trade with all and entanglements with none, Cobden outlined an economic case.²

Cobden emphasized first the opportunity costs of military spending. Unlike later economists influenced by Keynes, he did not fall victim to the "broken window" fallacy (Hazlitt 1996). He recognized that each million the government spent was necessarily a million (or more) not spent by private parties. When the government devotes resources to armies and navies, those resources have an opportunity cost. He referred to military spending, "every farthing of which goes, in the shape of taxation, from the pockets of the public" (197).

Cobden did not view all government expenditures as promoting the public good. He regarded British military spending as a drain on the economy. As the government consumes more resources, fewer resources can be devoted to private wealth-generating activities.³ Government agents may gain from increased public spending, but the public loses. Cobden drew a distinction between the interests of the productive class and the interests of government. "Our history during the last century may be called the tragedy of 'British intervention in the politics of Europe'; in which princes, diplomatists, peers, and generals, have been the authors and the actors—the people the victims; and the moral will be exhibited to the latest posterity in 800 millions of debt" (196). When the state directs resources, its beneficiaries certainly gain, but unfortunately the public foots the bill.

Cobden maintained that the productive citizens did not profit from Britain's activities around the globe. He wanted to educate members of the business class that they had to pay for all of the government's projects.

1. Cobden 1903 hereafter cited parenthetically by page number only.

2. Although Cobden was not a pacifist on principle, he opposed military spending on economic grounds (Bresiger 1997, 48).

3. As Baumol (1990) has emphasized, in economies where too much entrepreneurial spirit is devoted to government rather than to the market, fewer beneficial innovations will occur.

[I]f it could be made manifest to the trading and industrious portions of this nation, who have no honours or interested ambition of any kind at stake in the matter, that whilst our dependencies are supported at an expense to them, in direct taxation, of more than five millions annually, they serve but as gorgeous and ponderous appendages to swell our ostensible grandeur, but in reality to complicate and magnify our government expenditure, without improving our balance of trade. (24–25)

When the government creates programs around the world, the bureaucracy can only grow. Although this activity may look good for government, the average person receives little benefit when government exerts its influence abroad.

Although the public's benefits are murky, its costs are crystal clear. Cobden recognized that taxes constitute a weight on the economy and that decreasing military spending abroad would result in significant savings: "[W]e know of nothing that would be so likely to conduce a diminution of our burdens, by reducing the charges of the army, navy, and ordnance (amounting to fourteen millions annually), as a proper understanding of our relative position with respect to our colonial possessions" (24). Although England's international affairs were conducted under the pretext of enhancing the public good, Cobden believed that much of public policy benefited only special interests: "The honours, the fame, the emoluments of war belong not to [the middle and industrious classes]; the battle-plain is the harvest-field of the aristocracy, watered with the blood of the people" (34).

At the time of Cobden's writings, Britain had more than ten times more ground soldiers than the United States maintained and a significantly larger navy as well (82–84). Cobden viewed Britain's military expenditures as wasted resources. Rather than encouraging commerce, the army and navy were a drain on the economy. As Robert Higgs (1992) has argued, the "prosperity" brought about by military spending is an illusion.

Making an elementary institutional comparison of England and the United States, Cobden hypothesized that American enterprise had become so important in such a short time because it was relatively unburdened by heavy taxes: "[N]o person possessing sound reason will deny that we, who find it necessary to levy upwards of thirty millions annually upon the necessities of life, must be burdened with grievous disadvantages, when brought into commercial competition with the untaxed labour of the inhabitants of America" (81–82). The Americans had followed "a policy from which so much wealth, prosperity, and moral greatness have sprung. America . . . is a spectacle of the beneficent effects of that policy which may be comprised in the maxim—As little intercourse as possible betwixt Governments, as much connection as possible between the nations of the world" (215).

Cobden's hypothesis seems to be corroborated by recent empirical work by James Gwartney, Robert Lawson, and Walter Block (1996), which indicates that the

greater the government spending in an economy, the worse the economic performance. The panel data analyzed by Malcolm Knight, Norman Loayza, and Delano Villanueva also indicate that military spending retards economic growth. These analysts hypothesize that “military spending adversely affects growth; namely, through crowding out human capital investment and fostering the adoption of various types of trade restrictions” (1996, 27–28).

The key to a successful economy is not heavy military spending but heavy reliance on markets. Cobden argued: “It has been through the peaceful victories of mercantile traffic, and not by the force of arms, that modern States have yielded to the supremacy of more successful nations” (79). He upheld the Americans’ lesser military spending as a model to be followed: “The first, and, indeed, only step towards a diminution of our government expenditure, must be the adoption of that line of foreign policy which the Americans have clung to, with such wisdom and pertinacity, ever since they became a people” (103–4). Cutting back government spending is the easiest way to improve economic performance.

Commerce as a Justification for War?

Although all able economists recognize military spending as costly, these costs may be necessary for the existence of markets. If so, opposing military spending would amount to opposing markets, as many conservatives contend. This line of argument has a long history. For example, in the seventeenth century King William III declared, “The necessity of maintaining the maritime strength of the country, and of giving adequate protection to the extended commerce of my subjects, has occasioned some increase in the estimates for the navel branch of public service” (qtd. in Cobden 1903, 217). Cobden recognized that arguments in favor of military outlays were made in the name of business: “still more popular, pretence for wars and standing armaments, the protection of our commerce” (217).

Although commerce certainly has beneficent characteristics and war does not, perhaps society has to take the bad with the good. The only choice might be to accept both markets and militarism or to oppose both. Cobden recognized the popularity of this view: “[A] proposal to reduce our armaments will be opposed upon the plea of maintaining a proper attitude, as it is called, amongst the nations of Europe. British intervention in the state policy of the Continent has been usually excused under the two stock pretences of maintaining the balance of power in Europe, and of protecting our commerce” (196). To Cobden, however, this union was a false marriage: markets and military do not go hand in hand. He found the commercial justification for military spending to be spurious:

[W]e confess ourselves to be much more at a loss to understand what is here meant by the protection of commerce through an increase in the navy

estimates. Our commerce is, in other words, our manufactures; and the first inquiry which occurs necessarily is, Do we need an augmentation of the naval force, in order to guard our ingenious artisans and industrious laborers, or to protect those precious results of their mechanical genius, the manufactories of our capitalists? (217–18)

The success of an economy depends on the achievements of free enterprise, which do not depend on military spending.

We can see this reality by looking at where the government devotes military resources. Discussing how much trade occurred between England and the United States, Cobden asked, “Now, what precaution is taken by the Government of this country to guard and regulate this precious flood of traffic?” (223). Although the commerce certainly had great importance, the merchants who conducted it were for the most part on their own. With great passion, Cobden argued that commerce did not depend on the navy:

How many of those costly vessels of war, which are maintained at the expense to the nation of many millions of pounds annually, do our readers suppose, are stationed at the mouths of Mersey and Clyde, to welcome and convoy Liverpool and Glasgow the merchant ships of New York, Charleston, and New Orleans, all bearing the inestimable freight of cotton wool, upon which our commercial existence depends? Not one! (223–24)

Similarly, he asked about the army: “What portion of our standing army, costing seven millions a year, is occupied in defending this more than Pactolus—this golden stream of trade, on which floats not only the wealth, but the hopes and existence of a great community? Four invalids at the Perch Rock Battery hold the sinecure office of defending the port of Liverpool!” (224). The world is too big for any nation to police every mile of it, so merchants were left to themselves.

But our exports to the United States will reach . . . more than ten millions sterling, and nearly one half of this amount goes to New York:—what portion of the Royal navy is stationed off that port to protect our merchants cargoes? The appearance of a King’s ship at New York is an occurrence of such rarity as to attract the especial notice of the public journals; whilst, all along the entire Atlantic coast of the United States—extending, as it does, more than 3,000 miles, to which we send a quarter of our whole yearly exports—there are stationed two British ships only, and these two have also their stations at the West Indies. No! this commerce, unparalleled in magnitude, between two remote nations, demands no armament as its guide or safeguard. (224)

The trade between the nations was immense, but British merchants simply could not depend on their navy to defend their every journey. The British military, although significant, was not devoting its resources to protecting merchants.

Why then are so many arguments for the military made in the name of commerce? One reason is the legacy of mercantilism, under which the government played an active role attempting to manage the economy. This intervention included the establishment of foreign trading monopolies by law. Because the government maintained these commercial monopolies with armed forces, the discussion of commerce and the military went hand in hand. Cobden explained:

Whilst our trade rested upon our foreign dependencies, as was the case in the middle of the last century—whilst, in other words, force and violence were necessary to command our customers for our manufacturers—it was natural and consistent that almost every king’s speech should allude to the importance of protecting commerce of the country, by means of a powerful navy. (222)

To Cobden, however, mercantilist policies conflict with free trade. The military should not be used to enforce monopolies.

Cobden favored abandoning military conquest for the benefit of “commerce” and adopting instead a system of free trade. The entire military involvement with commerce was unnecessary, so superfluous spending could be cut without harming the market. He asked, “But will any one who understands the subject pretend to tell us that our trade will suffer by such a change?” (86).

[W]e are to infer that it is the principle of the government that the extension of our trade with foreign countries demands for its protection a corresponding augmentation of the royal navy. This, we are aware, was the policy of the last century, during the greater part of which the motto, “Ships, Colonies, and Commerce,” was borne upon the national escutcheon, became the watchword of statesmen, and was the favourable sentiment of public writers; but this, which meant, in other words—“Men of war to conquer colonies, to yield us a monopoly of their trade,” must now be dismissed, like many other equally glittering but false adages of our forefathers, and in its place we must substitute the more homely, but enduring maxim—Cheapness, which will command commerce; and whatever else is needed will follow in its train. (221)

The simple solution is to implement policies friendly to business. Triumph in the world market hinges on successful private enterprise, which depends not on military superiority but on lower costs. By cutting the military drastically, the savings can be passed on to productive enterprise. “By this course of policy, and by this alone, we

shall be enabled to reduce our army and navy more nearly to a level with the corresponding burdens of our American rivals” (104).

Not only does free trade require little military backing, but, moreover, markets should substitute for the military. Replacing military relations with commercial relations would lead to significant tax savings, as well as to more peace. “[B]esides dictating the disuse of warlike establishments, free trade (for of that beneficent doctrine we are speaking) arms its votaries by its own pacific nature, in that eternal truth—*the more any nation traffics abroad upon free and honest principles, the less it will be in danger of wars*” (222, emphasis in original). Thus, rather than creating antagonistic relationships, trade encourages peaceful relations between nations. Nothing encourages cooperation so much as a mutually advantageous enterprise. The key then is the promotion of commerce, especially at the expense of the military. Cobden kept returning to the theme: “Where, then, shall we seek for a solution of the difficulty, or how account for the necessity which called for the increase of our naval strength? The commerce of this country, we repeat, is in other words its manufactures” (218). Manufacturing, not naval strength, is the key to prosperity.

Cobden believed that trade would flourish as long as manufacturers lowered their costs. Like economists who focus on the principle of comparative advantage, he argued: “In a word, our national existence is involved in the well-doing of our manufacturers. . . . Are we asked, How is this trade protected, and by what means can it be enlarged? The reply still is, By the cheapness of our manufacturers” (219). When trading partners specialize according to their comparative advantage, they produce increased output and consumption for all traders.

Liberty as Justification for War?

The dilemma concerning international trade is that it requires more than one party. If one country adopts policies inimical to markets, it reduces others’ opportunities for trade. Can liberating such a country benefit both its citizens and its liberators? Citizens would have their government overthrown, and the liberators would have newfound trading partners, so might the outcome be a win-win situation? Cobden considered such justifications for military involvement abroad, recognizing that appeals for military involvement were made in the name of promoting good: “We shall here be encountered with a very general prepossession in favour of our maintaining what is termed a rank amongst the states of the Continent—which means . . . that England shall be consulted before any other nations presume to quarrel or fight; and that she shall be ready, and shall be called upon, to take a part in every contention, either as mediator, second, or principle” (194). Cobden favored the preservation of peace, but he disputed that military involvement was an effective means to that end. In his view, military intervention served the interest of neither the intervening nation nor the distant country.

Cobden made a case first by appealing to the self-interest of his fellow citizens. He argued that a country embroiled itself in other ‘people’s affairs only at its peril.

“Our sole object is to persuade the public that the wisest policy for England, is to take no part in these remote quarrels. . . . We shall claim the right of putting the question upon a footing of self-interest. We do not, for a moment, imagine that it is necessary for us to show that we are not called upon to preserve the peace and good order of the entire world” (127). Although many problems exist in the world, becoming involved in each one would be futile. “Upon what *principle*, commercial, social, or political—in short, upon what ground, consistent with common sense—does the foreign secretary involve Great Britain in the barbarian politics of the Ottoman Government, to the manifest risk of future wars, and the present pecuniary sacrifice attending standing armaments?” (211, emphasis in original). Moreover, not only are such endeavours costly, but they risk full-fledged war. Why should a country be surprised when it is attacked after its government has involved itself in far-off concerns? Cobden believed countries that do not maintain an international military presence would be less at risk.

Even though other governments may well be in the wrong, why chance the further muddying of already roiled waters? Viewing British involvement with foreign nations as a problem, Cobden argued that the British had no business interfering in overseas politics. “If we go back through the Parliamentary debates of the last few reigns,” he observed, “we shall find this singular feature in our national character—the passion for meddling in the affairs of foreigners” (195). With sufficient problems at home, why worry about the entire world’s problems? “Public opinion must undergo a change; our ministers must no longer be held responsible for the every-day political quarrels all over Europe” (33). Intervention struck Cobden as counterproductive: “Again we say (and let us be excused the repetition of this advice, for we write with no other object but to enforce it), England cannot survive its financial embarrassment, except by renouncing that policy of intervention with the affairs of other States which has been the fruitful source of nearly all our wars” (104).

A second type of argument for military involvement abroad is humanitarian. Yes, military intervention entails costs, but when a country is blessed with more liberty, compassion requires helping others to attain such liberty. Cobden recognized this line of argument:

England . . . sounded like filling the office of Justice herself to one of the globe. Of course such a post of honour could not be maintained, or its dignity asserted, without a proper attendance of guards and officers, and we consequently find that at about this period of our history large standing armies began to be called for . . . [and] supplies solicited by the government from time to time under the plea of preserving the liberties of Europe. (196–97)

Although Cobden favored liberty throughout Europe, he did not believe that British military action could establish it.

Cobden also questioned whether war can advance markets. As Robert Higgs (1987) has demonstrated with regard to U.S. history, war always leads to an increase in government power. Although arguments for militarism are often made under the pretext of promoting liberty, wars actually diminish freedom. Simply deposing and replacing a country's leaders will not lead to more liberty. Cobden wrote: "[L]et it never be forgotten, that it is not by means of war that states are rendered fit for the enjoyment of constitutional freedom; on the contrary, whilst terror and bloodshed reign in the land, involving men's minds in the extremities of hopes and fears, there can be no process of thought, no education going on, by which alone can a people be prepared for the enjoyment of rational liberty" (35–36). Liberty requires enlightenment, which can come about only by means of education and persuasion, not military force.

Public opinion must undergo a change toward respecting private-property rights; otherwise, a market economy cannot function. Cobden described how the French were having so many difficulties precisely because of war: "[A]fter a struggle of twenty years, begun in behalf of freedom, no sooner had the wars of the French revolution terminated, than all the nations of the continent fell back into their previous state of political servitude, and from which they have, ever since the peace, been qualifying to rescue themselves, by the gradual process of intellectual advancement" (36). Cobden viewed the transition to liberty as a learning process that cannot be imposed by brute force. As Ludwig von Mises observed, "It [liberty] cannot be accomplished by a despotic regime that instead of enlightening the masses beats them into submission. In the long run the ideas of the majority, however detrimental they may be, will carry on" (1962, 93). If we want markets, the public has to be convinced, not forced, to support them.

Because war does not advance liberty, foreign nations must be left to sort out their own affairs, no matter how difficult their problems. A desire to step in and control the situation is a natural feeling, but Cobden opposed such intervention. Rather than trying to fix every problem using might, England should stay out:

With France, still in the throes of her last revolution, containing a generation of young and ardent spirits, without resources of commerce, and therefore burning for the excitement and employment of war; with Germany, Prussia, Hungary, Austria, and Italy, all dependent for tranquility upon the fragile bond of attachment of their subjects to a couple of aged paternal monarchs; with Holland and Belgium, each sword in hand; and with Turkey, not so much yielding to the pressure of Russia, as sinking beneath an inevitable religious and political destiny—surely, with such elements of discord as these fermenting all over Europe, it becomes more than ever our duty to take natural shelter from a storm, from entering into which we could hope for no benefits, but might justly dread renewed sacrifices. (35).

Precisely at a time of so much discord, the best policy is nonintervention. Rather than venturing into the storm, a nation, instead, should focus on free trade. “Let us imagine that all our ambassadors and consuls were instructed to take no further share in the domestic concerns of European nations . . . to leave all those people to their own quarrels, and to devote our attention, exclusively, after the example of the Americans, to the commercial interests of their country” (85–86). Rather than acting as the world’s policeman, England should devote its energy to commerce. Let others attend to their problems.

Would eschewing foreign political squabbles be tantamount to abandoning everyone else and refusing to help those in need? To Cobden, the answer was no. He believed that the English economy had been able to become freer only when it was unfettered with foreign involvement.

Those who, from an eager desire to aid civilisation, wish that Great Britain should interpose in the dissensions of neighbouring states, would do wisely to study, in the history of their own country, how well a people can, by force and virtue of native elements, and without external assistance of any kind, work out their own political regeneration: they might learn too, by their own annals, that it is only when at peace with other states that a nation finds the leisure for looking within itself, and discovering the means to accomplish great domestic ameliorations. (36)

Cobden recommended laissez-faire as the most humanitarian course of action. A policy of nonintervention would actually help other nations more than activist policies. “England, by calmly directing her undivided energies to the purifying of her own institutions, to the emancipation of her commerce . . . would, by thus serving as it were for the beacon of other nations, aid more effectually the cause of political progression all over the continent than she could possibly do by plunging herself into the strife of European wars” (35). Serving as a model for foreign nations would help them far more than becoming embroiled in their conflicts.

Consider the trade between the United States and England in the nineteenth century. Despite the lack of political reunification, peaceful relations existed because the private sectors of the two economies were so closely connected. “England and America are bound up together in peaceful fetters by the strongest of all ligatures that can bind two nations to each other, viz., commercial interests; and which, every succeeding year, renders *more impossible*, if the term may be used, a rupture between the two” (78, emphasis in original). Much of England’s manufacturing depended on raw materials imported from the United States. When groups are interdependent, aggression is less likely. Where no trade exists, in contrast, both countries have less to lose by resort to warfare.

Conflict often occurs where trade barriers are present. Have embargoes ever brought about more cooperation or produced more liberty? Empirical evidence demonstrating the effectiveness of these policies is scant. Government interference

with trade jeopardizes peace. With each new trading relationship under free trade, a bond comes into existence between otherwise separate parties. By expanding trade around the globe, nations develop more such peaceful relations. In this realm, government relations are superfluous.

England . . . has . . . united for ever two remote hemispheres in the bonds of peace, by placing Europe and America in absolute and inextricable dependence on each other; England's industrious classes, through the energy of their commercial enterprise, are at this moment influencing the civilization of the whole world, by stimulating the labour, exciting the curiosity, and promoting the taste for refinement of barbarous communities, and, above all, by acquiring and teaching to surrounding nations the beneficent attachment to peace. (149)

Cobden was right: trade is the great panacea. To promote a world of peace, we must promote a world of free markets.

Conclusion

Military buildups and the projection of military force abroad in the name of markets have a long history, but nineteenth-century writer Richard Cobden met these arguments head-on. Military spending is not a boost to the economy; rather, it entails significant costs. A government's campaigns abroad increase the risk of war and increase the burden on taxpayers. Despite claims to the contrary, the military is not helpful for commerce. National success depends on private enterprise, not on military might. Armed forces must play an active role in regulating commerce under mercantilism, but not under free trade. The bulk of commercial activity does not depend on the military at all. The key is to create an atmosphere in which businesses are free to innovate and lower costs—a policy that would benefit all nations. A nation can advance liberty more effectively by adhering to the principles of free trade and serving as a beacon than by going to war. Free trade promotes international cooperation and thereby promotes peace. Contrary to widely prevailing views, markets and war do not go hand in hand. The market promotes peace.

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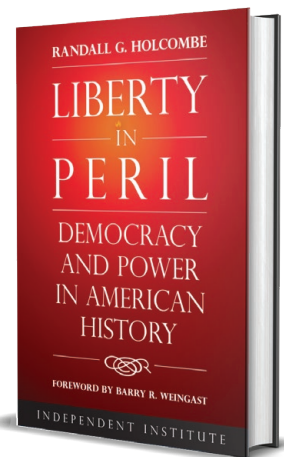
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