

# WILEY



---

Europe After the Great Wars, 1816 and 1920

Author(s): J. H. Clapham

Source: *The Economic Journal*, Vol. 30, No. 120 (Dec., 1920), pp. 423-435

Published by: [Wiley](#) on behalf of the [Royal Economic Society](#)

Stable URL: <http://www.jstor.org/stable/2222868>

Accessed: 13-03-2015 11:45 UTC

---

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at  
<http://www.jstor.org/page/info/about/policies/terms.jsp>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.



Wiley and Royal Economic Society are collaborating with JSTOR to digitize, preserve and extend access to *The Economic Journal*.

<http://www.jstor.org>

# THE ECONOMIC JOURNAL

DECEMBER, 1920

## EUROPE AFTER THE GREAT WARS, 1816 AND 1920<sup>1</sup>

HISTORICAL situations are never reproduced, even approximately; but it is at least interesting to recall the post-war problems which our grandfathers or great-grandfathers had to face, and how they handled them; to ask how far our sufferings and anxieties have had their parallels in the not remote past; and to note some danger signals. By "we" I mean not the British only, but all the peoples of Western and Central Europe. Of Eastern Europe I will only speak incidentally; for I am unable as yet to extract truth from the conflicting and biased evidence as to its economic condition. Moreover, there is still war in the East.

In 1815 France had been engaged in almost continuous wars for twenty-three, England for twenty-two, years. The German States had been at war less continuously; but they had been fought over, conquered, and occupied by the French. Prussia, for instance, was overthrown in 1806. When the final struggle against Napoleon began, in 1812, there was a French Army of Occupation of nearly 150,000 men in Prussia alone. From 1806 to 1814 Napoleon's attempt to exclude English trade from the Continent had led to the English blockade—with its striking resemblances to, and its striking differences from, the blockade of 1914–19. Warfare was less horribly intense, and so less economically destructive, than it has become in our day; but what it lacked in intensity it made up in duration.

Take, for instance, the loss of life. For England it was relatively small—because for us the wars were never people's wars. In France also it was relatively small in the earlier years, when armies of the old size were mainly employed. But under

<sup>1</sup> Presidential Address before Section F of the British Association, Cardiff, Aug. 25, 1920.

Napoleon it became enormous. Exact figures do not exist, but French statisticians are disposed to place the losses in the ten years that ended with Waterloo at fully 1,500,000. Some place them higher. As the population of France grew about 40 per cent. between 1805-15 and 1904-14, this would correspond to a loss of, say, 2,100,000 on the population of 1914. The actual losses in 1914-18 are put at 1,370,000 killed and missing; and I believe these figures contain some Colonial troops.

Or take the debts accumulated by victors and the requisitions or indemnities extorted from the vanquished. The wars of a century ago left the British debt at £848,000,000. According to our success or failure in securing repayment of loans made to Dominions and Allies, the Great War will have left us with a liability of from eight to nine times that amount. Whether our debt-carrying capacity is eight or nine times what it was a century ago may be doubted, and cannot be accurately determined. But it is not, I would venture to say, less than six or seven times what it was, and it might well be more. A good deal depends on future price levels. At least the burdens are comparable; and we understand better now where to look for broad shoulders to bear them.

After Waterloo France was called upon to pay a war indemnity of only £28,000,000, to be divided among all the victors. With this figure Prussia was thoroughly dissatisfied. Not, I think, without some reason. She reckoned that Napoleon had squeezed out of her alone, between 1806 and 1812, more than twice as much—a tremendous exaction, for she was in those days a very poor land of squires and peasants, whose treasury only received a few millions a year. England, who was mainly responsible—and that for sound political reasons—for the low figure demanded of France, found herself, the victor, in the curious position of being far more heavily burdened with debt than France, who had lost. England, of course, had acquired much Colonial territory; but on the purely financial side the comparison between her and France was most unequal. England's total national debt in 1817 was £848,000,000. France's debt did not reach £200,000,000 until 1830.

The reasons why France came out of the wars so well financially were four: First, she had gone bankrupt during the Revolution, and had wiped out most of her old debt. Second, under Napoleon she had made war pay for itself, as the case of Prussia shows. Third, there was no financial operation known to the world in 1815 by which England's war debt, or even half of it,

could have been transferred to France. Fourth, England never suggested any such transference, or, so far as I know, ever even discussed it.

France's financial comfort, immediately after her defeat, extended to her currency. During the Revolution she had made a classical experiment in the mismanagement of credit documents, with the assignats issued on the security of confiscated Church property; but after that she had put her currency in good order. Her final defeat in 1812-14, and again in 1815, did not seriously derange it. Indeed, the English currency was in worse order than the French, owing to the suspension of cash payments by the Bank of England; and so rapidly did France's credit recover after 1815 that in 1818 French 5 per cents. stood at almost exactly the present-day price of British 5 per cent. War Loan. That year she finished the payment of her war indemnity, and the last armies of occupation withdrew.

She had no doubt gained by waging war, and eventually suffering defeat, on foreign soil. No French city had been burnt like Moscow, stormed like Badajoz, or made the heart of a gigantic battle like Leipzig. Napoleon fought one brilliant defensive campaign on French soil, in the valleys of the Marne and the Seine, in 1814. In 1815 his fate was decided in Belgium. Hardly a shot was fired in France; hardly a French cornfield was trampled down. But France, as in 1918, was terribly short of men, and, again, as in 1918, her means of communication had suffered. Napoleon's magnificent roads—he was among the greatest of road engineers—had gone out of repair; his great canal works had been suspended. These things, however, were soon set right by the Government which followed him.

France's rapid recovery brings us to one of the essential differences between Western Europe a century ago and Western Europe to-day. In spite of Paris and her other great towns, the France of 1815 was a rural country, a land of peasants and small farmers. Only about 10 per cent. of her population lived in towns of 10,000 inhabitants or more. The town below 10,000, in all countries, is more often a rural market town, ultimately dependent on the prosperity of agriculture, than an industrial centre. Parallels for France's condition must be sought to-day in Eastern Europe—in Serbia or Russia. It is a condition which makes the economics of demobilisation easy. The young peasant goes back from the armies to relieve his father, his mother, and his sisters, who have kept the farm going. Moreover, France maintained a standing army of 240,000 men after 1815; and her

losses in the Waterloo campaign had been so heavy that the actual numbers demobilised were relatively small. Demobilisation left hardly a ripple on the surface of her economic life.

The German States were far more rural in character even than France. There were a few industrial districts, of a sort, in the West and in Saxony; a few trading towns of some size, like Hamburg and Frankfurt; but there was nowhere a city comparable to Paris. In 1819 the twenty-five cities which were to become in our day the greatest of the modern German Empire had not 1,250,000 inhabitants between them. Paris alone at that time had about 700,000. German statesmen, when peace came, were occupied not with problems arising from the situation of the urban wage-earner, though such problems existed, but with how to emancipate the peasants from the condition of semi-servility in which they had lived during the previous century. Here, too, demobilisation presented few of the problems familiar to us. Probably not one man in ten demobilised was a pure wage-earner. The rest had links with the soil. The land, neglected during the war, was crying out for labour, and every man had his place, even if it was a servile place, in rural society.

Things were different in England; but our demobilisation problem was smaller than that of our Continental allies or enemies, who had mobilised national armies, though not of the modern size. On the other hand, we had kept an immense fleet in commission, the crews of which were rapidly discharged. Early in 1817 Lord Castlereagh stated in Parliament that 300,000 soldiers and sailors had been discharged since the peace. In proportion to population, that would be equivalent, for the whole United Kingdom, to nearly 750,000 to-day. For these men no provision whatever was made. They were simply thrown on the labour market; and the vast majority of them were ex-wage-earners or potential wage-earners, industrial, mercantile, or agricultural. The United Kingdom was not urbanised as it is to-day; but the census of 1821 showed that 21 per cent. of the population lived in cities of 20,000 inhabitants and upwards, and probably about 27 per cent. (as compared with France's 10 per cent.) lived in places of 10,000 and upwards. As industry in various forms, especially coal-mining, spinning, and weaving, was extensively carried on in rural or semi-rural districts, it is certain that at least one demobilised man of working age in every three was a potential wage-earner of industry or commerce. And as Great Britain had lost most of her peasant-holders, whether owners or small working farmers, the remainder of the demobilised rank

and file were nearly all of the agricultural labourer class. They had to find employment; there was not a place in rural society waiting for them, as there was for the average French or German peasant soldier. It is not surprising that the years from 1815 to 1820 were, both economically and politically, probably the most wretched, difficult, and dangerous in modern English history.

Things were at their worst in 1816-17, both for England and for her Continental neighbours. Western Europe was very near starvation. Had the harvest of 1815 not been excellent, so providing a carry-over of corn, or had the harvest of 1817 been much below the average, there must have been widespread disaster; so thorough and universal was the harvest failure of 1816. In the latter part of 1815 (December) wheat fell in England to 55s. 7d., although no grain imports were allowed, except of oats. Early in 1816 the United Kingdom was actually exporting a little wheat. Then came a terrible spring—a long frost; snow lying about Edinburgh in May; all the rivers of Western Europe in flood. An equally disastrous summer followed. There was dearth, in places amounting to real famine, everywhere—worst of all in Germany. Unlike France, the German States of a century ago were extraordinarily ill-provided with roads. What roads there were had gone to pieces in the wars. In winter even the mails could hardly get through with sixteen and twenty horses. Food supplies could not be moved over long distances by land; and the slightly more favoured regions could not help the most unfortunate. There was a far wider gap between prices in Eastern and Western Germany in 1816 than there had been in the last bad famine year (1772). Each German State, in its anxiety, began to forbid export early in 1816, thus making things worse. At Frankfurt the representatives of the German States, gathered for the Diet, could hardly feed their horses. Prices rose amazingly and quite irregularly, with the varying food conditions of the various provinces. In the spring of 1817 pallid, half-starved people were wandering the fields, hunting for and grubbing up overlooked and rotten potatoes of the last year's crop.

In England the harvest failure of 1816 drove wheat up to 103s. 7d. a quarter for December of that year, and to 112s. 8d. for June of 1817. In Paris the June price in 1817 was equivalent to 122s. 5d. At Stuttgart the May price was equivalent to 138s. 7d. These are only samples. Think what these figures mean at a time when an English agricultural labourer's wage was about 9s. 6d., and a French or German unskilled wage far less.



It must be recalled that there were no special currency causes of high prices either in France or Germany. These were real dearth prices. In the spring of 1817 the French Government was buying corn wherever it could find it—in England, North Africa, America—as another bad harvest was feared. Happily, the 1817 harvest was abundant, here and on the Continent. By September the Mark Lane price of wheat was 77*s.* 7*d.*, and the Paris price 71*s.* 9*d.*

I have gone into price details for the purpose of drawing a contrast between a century ago and to-day. Except for the damage done to the German roads, the wars had very little to do with these food troubles of 1816–17. High and fluctuating food prices were the natural consequence of the general economic position of Western Europe a century ago. It was only in the most comfortable age in all history—the late nineteenth and early twentieth centuries—that low and stable food prices came to be regarded as normal. In the eighteenth century, when England fed herself and often had an exportable surplus, fluctuations were incessant. Take the ten years 1750–60. The mean price of wheat at Eton in 1752 was 45 per cent. above the mean price in 1750. The mean price in 1757 was nearly 100 per cent. above the mean price of 1750. On Lady Day, 1757, the price was 60*s.* 5½*d.* On Lady Day, 1759, it was 37*s.* 4*d.* On Lady Day, 1761, it was 26*s.* 8*d.* The 1761 mean price was exactly half the 1757 mean price.

Eighteenth-century England was too well organised economically to be in much risk of actual famine, but for Ireland and large parts of the Continent famine was a normal risk. War and its effects had only accentuated, not created, that risk. Imports might reduce it, but could not avert it, because Western Europe tends to have approximately the same harvest conditions throughout, and it was impossible to draw really large supplementary supplies from anywhere else. So unimportant were overseas supplies that the Continent suffered very much more from the harvest failure of 1816, in time of peace, than from the eight years' English blockade in time of war. If overseas supplies could be got they were hard to distribute, owing to defective transport facilities. Thanks to the work of the nineteenth century, the most terrific of all wars was required to bring Western Europe face to face with what had been both a war-time and a peace-time risk a century earlier.

But the old Europe, if it had the defects, had also the elasticity of a rather primitive economic organism. Given a couple of good

harvests, and a land of peasants soon recovers from war. Serbia had a good harvest last year (1919), and was at once in a state of comparative comfort, in spite of her years of suffering. A second good harvest this year, for which fortunately the prospects are favourable, would almost restore her. So it was with France and, to a less extent, Germany in 1816-18. In France acute distress in 1816-17 had been confined to the towns and to those country districts where the harvest failure was worst. The harvest of 1817 put an end to it. One gets the impression that in Germany distress among the peasants themselves had been more widespread. Worse communications and the absence of a strong central Government seem to have been the chief causes of this, though perhaps the harvest failure was more complete. In France, as we have seen, the central Government took such action as was possible in the interests of the whole country. A parallel might be drawn between the German situation in 1815-17 and that of the States which have arisen from the break-up of the old Austro-Hungarian Empire since 1918. Freed from French domination, and then from the urgent necessity of co-operating against a common enemy, the German States relapsed into their ancient jealousies and conflicting economic policies, just as the new States, which were once subject to the Hapsburgs, have been forbidding exports of food and fuel and disputing with one another.

An excellent harvest in 1817 averted the risk of famine in Germany also; but anything that could be called prosperity was long delayed, whereas France was indisputably prosperous, judged by the standards of the day, and far more contented than England, by 1818-20. Germany had been so exhausted by the wars and incessant territorial changes of the Napoleonic age, and was politically so divided, that her economic life remained stagnant and her poverty great until at least 1830. It was all that the various Governments could do to find money for the most essential of all economic measures—the repair and construction of roads—whereas France had her splendid main roads in order again and had resumed work on her canals before 1820. But France had cut her losses nearly twenty years before, and had enjoyed continuous freedom from war on her own territory between 1794 and 1814, as we have seen. She had been well, if autocratically, governed, and her war indemnity was but a trifling burden. Her peasants were free and, as a class, vigorous and hopeful. She was united and conscious of her leadership in Europe, even through her ultimate defeats.



If the experience of Europe after Waterloo is, on the whole, of good augury for agricultural States, and especially for agricultural States with a competent central Government, for the industrialised modern world that experience is less encouraging. Great Britain alone was partially industrialised in 1815–20, and Great Britain, though victorious, suffered acutely. Mismanagement was largely responsible for her sufferings—mismanagement of, or rather complete indifference to, problems of demobilisation; mismanagement of taxes (the income tax was abandoned at the clamour of interested parties, and the interest on the huge debt paid mainly from indirect taxes, which bore heavily on the poor); mismanagement of food supplies, by the imposition of the Corn Law; and so on. But suffering due to international economic dislocation following war could not have been avoided by management, however good. The situation was unique. England alone of the European Powers had developed her manufactures to some extent on what we call modern lines. During the wars she had accumulated also great stores of Colonial and American produce, which could only get into Europe with difficulty—by way of smuggling. In 1813, before Napoleon's first fall, her manufacturers and merchants were eagerly awaiting peace. In 1814 manufactures and Colonial produce were rushed over, only to find that, much as Europe desired them, it could not pay the price. It had not enough to give in exchange; and England, being rigidly protectionist, was not always prepared to buy even what Europe had to give. There was no machinery for international buying credits. Merchants shipped at their own risks, usually as a venture, not against a firm order as to-day, and they had to bear their own losses—often up to 50 per cent. Continental economic historians have hardly yet forgiven us for this "dumping," which both drained away the precious metals to England—as there was not much else to pay with—and did a great deal of harm to the struggling young factory industries, which had begun to grow up under the protection of Napoleon's anti-English commercial policy.

British exporters were so badly bitten in 1814 that, when peace finally came next year, after Waterloo, they were nervous of giving orders at home—which was very bad for the manufacturing industries and for the men who sought employment in them. There was the curious situation in 1816 that, while the price of wheat was rushing up, most other prices were falling, the bottom of the market being often reached at the end of the year, when the confidence of buyers and shippers began to revive.

Raw cotton, for instance, which had touched 2s. 6d. a lb. in 1813-14, fell to a minimum of 1s. 2d. in 1816—although Europe was open and cotton badly needed.

It is as yet too early to work out a parallel between this post-war commercial and industrial slump and the slump that followed the Great War of 1914-18, for we have not yet had it. But it is coming. More certainly, I am inclined to believe, in the United States than in England; but pretty certainly here also. I say more certainly in the United States because her position bears most resemblance to that of England in 1815-17. Consider that position. What before the war was, on the balance, a debtor country has become a creditor country. That creditor is equipped to export both raw materials and manufactures—iron and steel goods particularly—on a huge scale. It is true she is a heavy importer of some foods, such as sugar, coffee, and tea, and of certain raw materials, such as rubber, timber, and wool. But, owing to her tariff system and her general policy, she is reluctant to take many things which her debtors have to offer. Her recent "dry" policy, for example, has shut her markets to one of France's most valuable exports, an export with which France has always been in the habit of paying her creditors. Already, I notice, American business men are beginning to point out what English business men stated clearly in a famous document, the *Petition of the London Merchants*, a century ago—that the country which will not buy, neither shall it sell. This was the most solid of all free-trade arguments in the early nineteenth century, and it has lost none of its force. No doubt America is, and will be, glad to take part payment in gold, just as England was in 1814-16. But that is not a permanent solution. If she remains a creditor nation—and there is no present reason to think that she will not—she must in time arrange to take more goods from outside. Her political processes, however, are slow; and it seems unlikely that she will have adjusted her policy before the post-war slump is upon her.

The United Kingdom, which, on the whole, still takes freely what its customers have to offer it, is in a better position, provided its customers can go on offering. This may prove an important proviso. Customers who have been little hurt or even helped by the war—Spain, perhaps, or Egypt, or India, or New Zealand—should continue good buyers. But the uncertainty gives cause for anxious thought in the case of war-damaged nations, allied and ex-enemy. Modern financial and commercial organisations have postponed the critical moment in a way that was impossible

a century ago. When Europe was hungry in 1816 there were not food surpluses available anywhere on the earth, nor shipping enough on the seas, nor means of transport good enough on land, to relieve her need. If, *per impossibile*, there had been all these things, there would have been no country or group of business men anywhere ready to give her the necessary credit on a large scale. The Rothschilds, a young firm in those days, did something. They advanced money to a few German princes to buy corn for their people at the Baltic ports, for there was some corn to spare from Poland and Russia. But the huge food-financing operations of 1918–20 would have been as unthinkable as the actual handling of the foodstuffs would have been impossible. Had two harvests like that of 1816 come in succession, there would have been famine and food riots everywhere, past hope of cure.

Similarly modern finance is postponing the critical moment for the international trade in manufactures. British business men in 1919–20 have not, I believe, often sent their goods abroad in hope of finding a vent for them, and then been forced to content themselves with prices far below cost of production, as their grandfathers were in 1814–16. Every kind of financial device—long private credit, assistance from banks, credits given by Governments—has been called in, so that trade may be resumed before the war-damaged nations are in a position to pay for what they need by exporting the produce of their own labour. The more industrial the damaged nation is, the more complex is the restarting of her economic activity. Corn grows in nine months, and pigs breed fast. The start once given, countries like Denmark and Serbia, both of which are normally great exporters of pigs or bacon, could soon pay for necessary imports of machinery or fertilisers bought on long credit to restart their rural industries. The United Kingdom, the least damaged of all the combatants except America, is believed by the Chancellor of the Exchequer to be now rather more than paying its way. That may be sanguine, but at the worst our accounts are nearly balanced. What might not have happened in 1919 if modern methods for postponing payment had not been applied internationally? The other chief combatants are far from paying their way. Italy is importing abnormal quantities of food and also her necessary raw materials with the aid of American and English credits, while Germany, who can get little in the way of credit, has hardly begun even to import the raw materials to make the goods by the export of which she may eventually pay her way, not to mention

her indemnities. I have in mind such materials as cotton, wool, rubber, copper, oil-seeds, and hides—all of which she imported heavily in 1913. Some materials, of course, she possesses in abundance, but the working up even of these is hampered by her coal position. I make no political pleas: I merely illustrate the complexity of the restarting of industry under present-day conditions. France has the first claim to assistance in restarting, a claim which we all recognise; but for the comfort and peace of the world a universal restart is desirable.

The central problem is one which I can only indicate here, not discuss. Its discussion is for experts with full inside knowledge from month to month, and the answer varies for every country. It is—when will the inability of the war-damaged nations to pay for all that they want, in food and materials, in order to restart full economic activity, make itself felt by the nations who are supplying them, primarily, that is, the United States and ourselves? In 1814–16, when the problem was, of course, infinitely smaller because nations were so much more self-sufficing, the reaction came at once for lack of long organised credits. Conceivably, all other combatants might do in turn what we seem to have done—that is, adjust their trade balance within a reasonable period and so avoid renewal of special credits. In that case the post-war trade slump would come, not as an international crisis, but as a gradual decline, when the first abnormal demand for goods of all kinds to replenish stocks is over. Already this type of demand is slackening in certain quarters. We shall do very well if we have nothing worse than that gradual decline, which would be eased, in our case, by our extensive connections with undamaged countries, and by our willingness to buy most things which any nation has to offer. The situation would be still further eased if countries such as Germany and Russia were to develop in turn what might be called a reconstruction demand, to take the place of the satisfied reconstruction demands of our Allies. But the fear, as I think the quite reasonable fear, expressed in some well-informed quarters, is that, in view of the complicated and dangerous currency position in many countries, in view of the difficulty which the war-damaged nations have in collecting taxes enough to meet their obligations; in view of the slowness with which some of them are raising production to the level of consumption; in view of the complete uncertainty of the political and economic future in much of Central and Eastern Europe—that in view of these things, and quite apart from possible political disturbances, we shall have to go through a genuine

crisis, as distinct from a depression; a crisis beginning in the field of finance, when some international obligation cannot be met or some international credit cannot be renewed, spreading to industry and giving us a bad spell of unemployment, comparable with the unemployment of the post-war period a century ago, and more dangerous because of the high standard of living to which the people in this and some other countries is becoming accustomed.

Personally, I am less apprehensive for the industries of this country than are many whose opinions I should ordinarily be disposed to prefer to my own. A demand, an effective demand, exists for many things that we can supply in great regions outside the war area—in China, for instance, where there is said to be at this moment a keen demand for machinery which the United Kingdom is too much preoccupied with other work to supply. Nor do I fear that a crisis will originate here; as I am disposed to think that the position of our currency and taxation is already relatively sound. But we should be bound to feel the reactions of a crisis which might occur elsewhere; to what extent is, however, quite impossible to foresee.

One final comparison. An extraordinary feature of the great wars of a century ago was that they coincided with a steady growth of population, and were followed by a period of rapid growth. For the United Kingdom that fact is well known and not surprising. We lost relatively few men in war. But the official French figures, 27,500,000 in 1801 and 29,500,000 in 1816, are so remarkable that one is tempted to doubt the first enumeration. Though remarkable, the figures are, however, not impossible; and it must be recalled that the losses were spread over many years. British population has grown a little since 1914; in spite of separations of man and wife and our three-quarters of a million dead. A main reason has, however, been the suspension of emigration, which was proceeding at a rate of over 200,000 a year just before the war. France estimates a dead loss of over 3,000,000 (on 39,700,000) between 1913 and 1918 on her old territory. Her census is due next year. Comparatively early in the war the German *civilian* death-rate was above the birth-rate; so presumably she is in much the same position as France. But, owing to changes of frontier and continued unrest, it is as yet too early to estimate the total effect of the Great War on population. For Western and Central Europe it must, I think, have produced a considerable net loss. For Russia one can hardly guess; but her population is so largely rural and grew

so amazingly fast before 1914, that it would not surprise me very much to learn that, with all her miseries, it had been maintained.

The growth of population in Europe after 1815 coincided with the spread of the first industrial and agricultural revolution outwards from the United Kingdom. The world was learning new ways to feed and clothe itself; and it continued to learn all through the century. I myself do not suppose that the age of discovery is at an end, so our troubles may be eased as time goes on; and although I have not the slightest wish that population should ever again grow so fast as it grew in Europe during the nineteenth century, I see no reason why a moderate rate of growth should not be resumed, in a few years at latest. But perhaps I have already committed prophecy, or half prophecy, more than is altogether wise for the President of this Section.

J. H. CLAPHAM