
Commerce, Markets, and Peace: Richard Cobden's Enduring Lessons

BY EDWARD P. STRINGHAM

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 (1804–1865)

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." 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 interventionism still 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.

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." Whereas Washington made the political case for trade with all and entanglements with none, Cobden outlined an economic case; he was not a pacifist on principle.

Cobden emphasized first the opportunity costs of military spending. Unlike later economists influenced by John Maynard Keynes, he did not fall victim to the "broken window" fallacy. 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.

Cobden did not view all government expenditures as promoting the public good. As the government consumes more resources, fewer resources can be devoted to private wealth-generating activities. Government agents may gain from increased public spending, but the



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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." When the state directs resources, its beneficiaries certainly gain, but unfortunately the public foots the bill.

Cobden on Military Adventurism

Cobden viewed Britain's military expenditures as wasted resources. Rather than encouraging commerce, the army and navy were a drain on the economy. He maintained that the productive citizens did not profit from the British government'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. When the government creates programs around the world, he argued, 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 to 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." 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."

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At the time Cobden wrote, Britain had more than ten times more ground soldiers than the United States maintained and a significantly larger navy as well. He hypothesized that American enterprise had become so important in such a short time because it was relatively unburdened by heavy taxes. "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." 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." Cutting back government spending is the easiest way to improve economic performance.

Cobden's hypothesis seems to be corroborated by empirical work by Malcolm Knight, Norman Loayza, and Delano Villanueva ("The Peace Dividend: Military Spending Cuts and Economic Growth," *International Monetary Fund Staff Papers*, 1996, 1–37), which indicates that the greater the military spending in an economy, the worse the economic performance. 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."

Markets and the Military

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. Commerce certainly has beneficent characteristics and war does not, but 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. To Cobden, however, this union was a false marriage: Markets and military do not go hand

in hand; 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?” 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 an expense to the nation of many millions of pounds annually, do our readers suppose, are stationed at the mouths of the Mersey and Clyde, to welcome and convoy into Liverpool and Glasgow, the merchant ships from New York, Charleston, or New Orleans, all bearing the inestimable freight of cotton wool, upon which our commercial existence depends? Not one!

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!” 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’ ships and 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 of war only, and these two have also their station at the West Indies. No! this commerce, unparalleled in magnitude, between two remote nations, demands no armament or safeguard.

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.

The Legacy of Mercantilism

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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. To Cob-

den, 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.

If the spread of trade increases the risk of incurring greater costs—due, for example, to thievery or extortion by governments or by pirates—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.”

Markets Foster Peace

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” (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. Manufacturing, not naval strength, is the key to prosperity.

Cobden believed that trade would flourish as long as manufacturers lowered their costs. When trading partners specialize according to their comparative advantage, they produce increased output and consumption for all traders.

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. He 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 inter-

est of neither the intervening nation nor the distant country.

Foreign Policy of Non-Intervention

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.”

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?” (emphasis in original). Moreover, not only are such endeavors costly, but they also 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.” With sufficient problems at home, why worry about the entire world’s problems? “Public opinion must undergo a change; our ministers must no longer

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be held responsible for the every-day political quarrels all over Europe.” 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.”

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

Exporting Liberty by Force

He questioned whether war can advance markets. 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.” 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.” Cobden viewed the transition to liberty as a learning process that cannot be imposed by brute force. 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 so much strife between European nations, Cobden wrote, “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.” 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. Rather than acting as the world’s policeman, England should devote its energy to commerce.

The Humanitarianism of Liberty

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 recommended

laissez faire as the most humanitarian course of action. A policy of nonintervention would actually help other nations more than activist policies. 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” (emphasis in original). Much of

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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.

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



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