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# HISTORY OF ECONOMIC WARFARE

History of economic warfare, by Lt Col J.  
A. McEachern. Command and General Staff  
College. 31 May 49.

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31 MAY 1949.



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## HISTORY OF ECONOMIC WARFARE

### Chapter 1. INTRODUCTION

Prior to tracing the history of economic warfare, it is well to define the meaning of the term as it relates to this discussion. Economic warfare is stated by Paul Einzig in his book entitled, Economic Warfare, to be as follows:

Economic warfare means the measures taken to facilitate the pursuance of a war by strengthening the economic defenses of our own country and its allies and weakening those of the enemy.

It should be understood that economic warfare does not consist of economic measures alone but may include naval or military measures as well as diplomatic steps taken for producing results of an economic nature.

Economic warfare is classified by type as defensive and offensive. The defensive type endeavors to strengthen our own economic resources as well as that of our allies. Offensive economic warfare proposes to weaken the economic resources of the enemy by destruction of supply.

The following discussion dealing with the history and development of this type of warfare is based on the above concepts.

### Chapter 2. EARLY HISTORY

Economic warfare is believed to have had its beginning in the Mercantilist Theory of Commerce in the teachings of Rousseau (1712-1778) on National Solidarity. A study of the wars of the 17th and 18th centuries does not indicate the use of this theory to any important extent. The first practical application of the idea on any scale occurred during the Napoleonic era.

### Chapter 3. CONTINENTAL BLOCKADE OF THE NAPOLEONIC WARS

Economic warfare was used by Napoleon in the form of blockade of the British Empire. This was the first time that this means of warfare had ever been placed into effect on a scale as tremendous or with such far-reaching effects.

At the close of Napoleon's early campaigns, he scanned the horizon in search for further means of carrying out his grandiose designs. Due to Britain's supremacy of the seas, Napoleon realized he could make no successful invasion of the British Isles. As an alternative, he resorted to the Continental System to prevent Britain from exporting goods to the continent, thereby strangling her economically.

Napoleon attached much importance to the coast of the North Sea since he considered that was the logical and most appropriate entry of British goods upon the continent. As a result when Prussia put in a claim for Hanover (1805) Napoleon insisted that if Prussia acquired that electorate, she must exclude British shipping from her ports. Prussia had only the choice of war with Britain or with Napoleon. Reluctantly, on April 1, 1806, Prussia issued an ordinance excluding British ships from the ports of Prussia and Hanover. This was the occurrence which first gave birth to the Continental System. It was soon followed by the well-known Berlin Decree of Napoleon which had such wide spread effects. Although Napoleon had previously caused Neutral states to exclude British commerce, this was the first time that a major power had been bent under the pressure of his commercial policy.

Napoleon issued his Berlin Decree in November 1806. It declared the British Isles in a state of blockade. All commerce and correspondence was suspended. It provided that all British subjects found in France were declared prisoners

of war and all British property was fair prize. British ships and goods were confiscated. Napoleon stated the reason for the Decree was that Great Britain did not acknowledge international law which was accepted by all civilized nations. Napoleon considered Great Britain an inveterate enemy of his political doctrines. He intended to subject that country to complete commercial isolation from the continent in order to compel her to surrender at will.

Great Britain took retaliatory steps by issuing the Order in Council of January 7, 1807. This order provided that a similar prohibition of commerce of France would be enforced. Britain issued another order of November 1, 1807 which encouraged neutral ships to trade with Great Britain. This order relaxed many of the old laws and permitted certain imported goods to be stored in bonded warehouses in England without payment of duty. It further sought to disprove accusations of Napoleon that Great Britain was endeavoring to ruin neutral commerce.

Napoleon retaliated to the British Orders by issuing further decrees which provided that every neutral ship undergoing search or compulsory voyage to a British port was thereby denationalized and would be considered a lawful prize. This was an extension of Napoleon's policy to eliminate the export of British produce on neutral vessels.

It is apparent that Napoleon expected the rapid collapse of the British Empire. It is true that much hardship was caused. Britain endeavored to build up trade with the Central and South Americans. These markets soon became saturated and Great Britain faced a grave financial crisis. The value of Bank of England notes fell sharply and the loss on exchange with foreign countries averaged 30 per cent.

Russia, under pressure of Napoleon, agreed by Treaty of Tilsit in 1807, to close her ports to British shipping. In order to more completely destroy British commerce, and to combat smuggling of British goods onto the continent, Napoleon proclaimed the Tariff of Trianon, August 3, 1810, on all colonial goods. This was followed by the Decree of Fontainebleau, October 18, 1810, directing the burning of all British goods. As a result prices rose enormously. The large smuggling trade was increased. Thousands of substitutes for British goods were invented which gave rise to very extensive branches of industry. Many ships sailed under neutral flags carrying two sets of forged papers. Finally, Napoleon, in an attempt to destroy smuggling traffic, annexed the free city of Lubek, December 10, 1810.

It was at this time the Continental System reached its zenith and placed Great Britain in a dangerous economic condition. Through diplomatic maneuvers, Britain endeavored to influence Russia to reopen her ports to British shipping. On December 31, 1810, Alexander I of Russia issued an edict which allowed the entry of some British goods. Napoleon considered this a breach of the Treaty of Tilsit and dispatched troops eastward. Russia and Sweden joined in an alliance to withstand Napoleon's pressure. This alliance proved to be an effective one and Napoleon's invasion of Russia failed.

Alexander I of Russia, in 1811, completely abandoned his decree prohibiting entry of British goods. He then concluded a peace between Great Britain and Russia. This virtually put an end to the Continental System and the commerce of Europe began to flow its normal channels.

#### Chapter 4. CONTRABAND PROVISIONS OF THE HAGUE CONVENTION XIII

After the decline of Napoleon, there was little of historical importance concerning economic warfare until the matter of contraband was discussed at the Hague Convention in 1907. For many years, blockade was the only active method of economic warfare employed. These blockades gave rise to controversies regarding what items could be shipped to belligerent countries by neutrals without danger of confiscation by the blockading nation. The confiscated items were known as contraband.

Prior to the Hague Conventions of 1907, there was considerable lack of uniformity by the different nations in defining contraband. The only points on which there was general agreement were that property, in order to warrant its confiscation as contraband, must be of a kind likely to assist the enemy in war and must have a hostile destination. This precluded the limitation of contraband to arms and munitions. The other items were those which lacked uniformity.

At various times attempts were made to define contraband by treaties but these treaties also lacked in consistency. The British and American courts built up a body of consistent doctrines and practices. These doctrines were not generally accepted by other nations since they considered them to favor too heavily the belligerent interests. The situation caused considerable uncertainty among neutral countries. It resulted in hardships and danger of friction. It soon became apparent that solution could only be found by way of international agreement.

The subject of contraband was given consideration in the Hague Conventions which met in the summer of 1907 with 44 nations attending. Items on which agreement was reached concerning contraband were included in Convention XIII.

Articles 6, 7, and 8 of the Convention dealt primarily with this subject. These Articles are quoted in Annex 2 hereto. Briefly the above mentioned articles required that a neutral country must abide by the following:

1. It must not give armed assistance to belligerents.
2. It must not itself supply any belligerent with warships, munitions of any kind or war materials.
3. It must not lend money or promote loan to either party of the war.

The attending nations to the Hague Convention framed a proposed list of absolute contraband items but at that time it was not adopted. The restrictions imposed by the Hague Conventions applied only to the nations which ratified them. Some nations failed to ratify the proposals while others ratified them with certain provisions. This Convention left many items unsettled and it is apparent that neutrality laws including contraband are still a matter of international concern.

#### Chapter 5. ECONOMIC WARFARE DURING WORLD WAR I

Although knowledge of economic warfare had been known for many years, at the outbreak of World War I, little or no advance arrangements had been made concerning economic mobilization. Before 1914, there was a definite contrast between the high standard of military planning and the absence of economic planning. There was a unanimous erroneous conception that the war would come to an end in a few months. This was based on the fact that it was believed that the multiple cost of modern warfare would soon bankrupt Germany. There was failure to realize that Germany was capable of financing the war through manipulation of finance and credits which removed the financial limitations.

This misconception was recognized by Great Britain prior to the entry of the United States into the war. Great Britain rapidly took active measures to rectify the situation by both defensive and offensive economic warfare.

Some of the defensive steps of economic warfare adopted by Great Britain included the rationing of critical food-stuffs; control of transportation; prevention of wastage of fuel, material, and human labor; also stabilization of the finances. If it had been realized that the war was to last four years, these controls would probably have been introduced during the early stages of the war.

At this time, the best known methods of offensive economic warfare were as follows:

1. Blockade
2. Boycott of neutral firms
3. Pressure on neutral governments
4. Diversion of neutral trade from the enemy
5. Granting of credit to neutrals
6. Undermining economic morale of the enemy.

Great Britain endeavored to utilize all of these methods in her all-out war on the German Imperialists. Of these methods the most important was the blockade of Germany to prevent the import of urgently needed war materials. For centuries, Great Britain's greatest strength in time of war had been supremacy of the seas. During World War I, this weapon was used to its full extent with very satisfactory results.

In retaliation of Great Britain's blockade, Germany intensified her submarine warfare. In 1915, the maritime warfare became more intense and had its effect upon the attitude of both belligerents and neutrals. This situation led to the entry of the United States into the war. This intensified warfare against shipping resulted in considerable

losses to Great Britain and other allied countries. The shipping losses sustained by the British Empire from 1914-1918 amounted to 7,759,000 tons consisting of 2479 ships. The total losses of all allied shipping during this period was 12,850,814 tons including 6604 ships. For a tabulation of shipping losses see Annex 3.

The United States, upon entry into the war, did not adopt many of the features of economic warfare practiced by Great Britain. This was due mainly to the fact that they were not essential to success due to the geographical location and vast natural resources on which to draw. As a result, economic warfare of the United States was confined, for the most part, to general home economy and governmental financial control.

The use of economic warfare by the Allied Powers contributed to a large degree toward the defeat of Germany. However, this success was assisted by errors of judgment on the part of German policy. Beside the effects of unrestricted warfare on neutral opinion, there is reason to believe that German economy was weakened by errors in domestic policy.

Of all the methods of economic warfare practiced during this period, the ability of the Allies to control the seas and defeat German submarine warfare, stands out as the feature of paramount importance.

## Chapter 6. ECONOMIC WARFARE PRIOR TO AND DURING WORLD WAR II

During World War I, many lessons were learned concerning the role of economic warfare in influencing the outcome of modern war. The vital importance of the economic factor was realized by most nations during the intervening years of World War I and World War II. As a result, many active measures were adopted by the various nations and attempt

was made to improve their military position by strengthening their economic resources.

Upon the inception of World War II, economic warfare achieved prominence unprecedented in history. Both defensive and offensive economic warfare were exploited to their fullest. It was given major consideration during both the planning and hostilities phases of the war.

One of the early measures adopted by the United States was the passage of the Neutrality Act of 1935. This law provided for the creation of a National Munitions Board together with a licensing system for foreign trade in munitions, also, for an embargo on the export of arms and munitions. Later the Neutrality Act of 1937 was instituted which was a much more far-reaching measure. These acts were modified in 1939 due to changes in the world situation.

During the initial stages of the war, Germany and Great Britain both resorted to the law and practice of contraband rather than to formal blockade. The formal blockade became a major issue upon Germany's occupation of Denmark and Norway in April 1940. At this point, the war entered a new phase which had important economic aspects. Germany acquired access to new stocks and supplies. The Allied blockade was required to be of considerable extent.

Germany's virtual complete control of the continent gave her access to many supplies and raw materials. However, other Axis powers were not so fortunate. Of all the nations participating in World War II, Italy and Japan were in the poorest economic condition. Italy had few natural resources on which to draw and the control of the Mediterranean by the Allied fleet obviated the possibility of import. Although some stock-piling had been done, it proved insufficient for their war requirements.

Japan had for many years endeavored to improve her economic condition for use in war. She stock-piled many critical materials and exploited her conquered territories to the maximum. But the drainage of war was so terrific and the blockade by the Allies was so effective in the latter stages of the war, Japan's economic system began to crumble until it was only a shell at the close of hostilities.

In the United States as well as Great Britain, economic warfare received much official recognition. Prior to 1939, economic matters of the United States were handled by a number of relatively small and informal devices. The President's Liaison Committee was appointed in 1939 for the coordination of foreign and domestic purchases. The office of Lend-Lease was established on October 28, 1941, for the administration of the Lend-Lease Act. This act provided for the procurement, lending, leasing, or selling of articles to other nations. (For detailed information on Lend-Lease see Annexes 4, 5, and 6).

The further importance of economic warfare was recognized by the appointment of the Economic Defense Board by the President on July 30, 1941. This was originally a policy coordinating body but it soon became necessary for it to involve operations. At this time the Board was absorbed by the newly appointed Office of Economic Warfare.

On September 25, 1943, the Foreign Economic Administration was established to consolidate the activities relating to foreign economic affairs. The various offices dealing with these affairs were transferred to its jurisdiction. This office remained effective until its termination by Executive Order on September 27, 1945.

As can be seen, much importance was attached to economic warfare during World War II. Many methods were used which were

not heretofore given much consideration. Some of the most effective methods utilized by the United States were as follows:

1. Neutrality Acts
2. Freezing of assets of foreign nations
3. Lend-Lease legislation
4. Embargoes
5. Boycotts
6. Blocked nationals
7. Blockade
8. Rationing of critical items of supply
9. Price controls, particularly with regard to rent.
10. Control of exports and foreign investments
11. Priorities on materials and transportation
12. Subsidies
13. Commandeering of industry.

The cessation of hostilities in World War II did not relinquish the dominant position held by economic warfare in the defense of the nation. This is illustrated by the relief now being afforded to other nations by the United States through the Marshall Plan. This extreme economic measure is designed to prevent smaller nations from falling under the sphere of influence of other governments opposed to the democratic way of life. Briefly, it is a defense measure of immense importance and has far-reaching implications.

#### Chapter 7. CONCLUSIONS

As seen from this discussion, economic warfare has become a major subject for consideration in the waging of modern war. Economic warfare has taken its place beside that of naval, land, and air warfare.

In discussing the importance of economic warfare, we must be careful that we do not fall into extremes and over-

emphasize its possibilities. To depend entirely on this means of warfare for achieving victory would be a fatal mistake for any nation. Economic factors are quite likely to play a very important part in determining the outcome of future wars but these factors can only produce their effect when applied in conjunction with the military, naval and air force operations.

Every effort should be made to utilize economic warfare to its fullest extent but care should be taken not to rely on it excessively or exclusively.

ANNEX 1

COMMAND AND GENERAL STAFF COLLEGE

DEPARTMENT OF OPERATIONS AND TRAINING

Fort Leavenworth, Kansas

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REFERENCES: Jack, Studies in Economic Warfare; Salter, Allied Shipping Control; Condliffe, The Reconstruction of World Trade; Bidwell and Upgren, "A Trade Policy for Defense", Foreign Affairs, Jan 1941; Gordon, Barriers to World Trade; Miller, You Can't Do Business with Hitler; Brandt, "Food as a Political Instrument in Europe", Foreign Affairs, April 1941; Staley, Raw Materials in Peace and War.

NOTE TO STUDENTS:

1. The references above are furnished to give the student enough material with which to begin his research. It is anticipated that the student will make use of all other available sources in order to give adequate scope to his subject and, when appropriate, to complete development of the subject to date.

2. The scope suggested below is intended as a guide only, and is not to be construed as a limitation on the student's perusal of the subject.

SCOPE:

1. Commercial wars of the seventeenth and eighteenth centuries.
2. The Continental blockade of the Napoleonic Wars.
3. Contrabrand provisions of the Hague Convention No XIII (1907).
4. Economic warfare during the World War I.
5. Economic warfare prior to and during World War II.

ANNEX 2

HAGUE CONVENTION (XIII) CONCERNING THE RIGHTS  
AND DUTIES OF NEUTRAL POWERS IN NAVAL WAR

Signed at The Hague, October 18, 1907

His Majesty the German Emperor, King of Prussia; (etc):

With a view to harmonizing the divergent views which, in the event of naval war, are still held on the relations between neutral Powers and belligerent Powers, and to anticipating the difficulties to which each divergence of views might give rise;

Seeing that, even if it is not possible at present to concert measures applicable to all circumstances which may in the practice occur, it is nevertheless undeniably advantageous to frame, as far as possible rules of general application to meet the case where war has unfortunately broken out;

Seeing that, in cases not covered by the present Convention, it is expedient to take into consideration the general principles of the law of nations;

Seeing that it is desirable that the Powers should issue detailed enactments to regulate the results of the attitude of neutrality when adopted by them;

Seeing that it is for neutral Powers, an admitted duty to apply these rules impartially to the several belligerents;

Seeing that in this category of ideas, these rules should not, in principle, be altered, in the course of the war, by a neutral Power, except in a case where experience has shown the necessity for such change for the protection of the rights of that Power;

Have agreed to observe the following common rules, which can not however modify provisions laid down in existing general treaties, and have appointed as their plenipotentiaries, namely:

(Here follow the names of plenipotentiaries.)

Who after having deposited their full powers, found in good and due form, have agreed upon the following provisions:

---

ARTICLE 6

The supply, in any manner, directly or indirectly, by a neutral Power to a belligerent Power, of war-ships, ammunition, or war material of any kind whatever, is forbidden.

ARTICLE 7

A neutral Power is not bound to prevent the export or transit, for the use of either belligerent, of arms, ammunitions, or, in general, of anything which could be of use to an army or fleet.

ARTICLE 8

A neutral Government is bound to employ the means at its disposal to prevent the fitting out or arming of any vessel within its jurisdiction which it has reason to believe is intended to cruise, or engage in hostile operations, against a Power with which that Government is at peace. It is also bound to display the same vigilance to prevent the departure from its jurisdiction of any vessel intended to cruise, or engage in hostile operations, which had been adapted entirely or partly within the said jurisdiction for use in war.

---

ARTICLE 13

If a Power which has been informed of the outbreak of hostilities learns that a belligerent war-ship is in one of its ports or roadsteads, or in its territorial waters, it must notify the said ship to depart within twenty-four hours or within the time prescribed by local regulations.

From: Hague Conventions, published by  
Carnegie Endowment for  
International Peace, Pamphlet no. 20,  
Washington, D. C. 1915

## ANNEX 3

## SHIPPING LOSSES 1914-1918

	Ships	Tons
British Empire		
Merchant Vessels-----	2479	7,759,000
Fishing Vessels-----	675	71,765
France-----	697	899,358
Italy-----	621	846,388
U S A -----	134	341,394
Other Allies-----	378	612,781
Neutrals-----	<u>1626</u>	<u>2,320,038</u>
Totals	6604	12,850,814

From: D. T. Jack, Studies in Economic Warfare  
 Chemical Publishing Co. N. Y., page 111

## ANNEX 4

## LEND-LEASE FURNISHED TO OTHER NATIONS BY THE UNITED STATES

## WORLD WAR II

<u>Nation</u>	<u>Amount of Aid</u>
British Empire	\$ 31,392,361,000
U S S R	11,297,883,000
France	3,233,859,000
China	1,564,698,000
Netherlands	248,896,000
Belgium	158,598,000
Greece	75,604,000
Norway	52,503,000
Yugoslavia	32,036,000
Turkey	27,457,000
Saudi Arabia	17,531,000
Poland	16,954,000
Liberia	7,237,000
Ethiopia	5,252,000
Iran	4,798,000
Iceland	4,809,000
Egypt	1,060,000
Czechoslovakia	503,000
Iraq	4,000
Argentina	0
Bolivia	5,611,000
Brazil	331,651,000
Chile	21,880,000
Columbia	8,127,000
Costa Rica	155,000
Cuba	6,093,000
Dominican Republic	1,614,000

Ecuador	7,541,000
Guatemala	1,779,000
Haiti	1,443,000
Honduras	374,000
Mexico	38,617,000
Nicaragua	902,000
Panama	84,000
Paraguay	1,965,000
Peru	19,033,000
E l Salvador	894,000
Uruguay	7,141,000
Venezuela	4,418,000
Amount not charged by government	<u>2,090,744,000</u>
Total	\$ 50,692,109,000

From: Holtzheur, William, "United States Defense Organizations,"  
Encyclopedia Britannica, 1945. Vol. 6, p. 331

## ANNEX 5

## CATEGORIES IN WHICH LEND-LEASE WAS FURNISHED

## OTHER NATIONS BY THE UNITED STATES

## WORLD WAR II

<u>Category</u>	<u>Amount</u>
Ordnance	\$ 1,433,601,000
Ammunition	2,957,410,000
Aircraft	5,320,833,000
Aircraft Materials	3,247,718,000
Ordnance Vehicles	3,781,953,000
Motor Vehicles	2,546,935,000
Water Craft	4,057,442,000
Petro Products	2,731,199,000
Military Clothing	639,036,000
Signal Equipment	1,236,888,000
Engineer Equipment	808,648,000
Chemical Warfare Equipment	236,551,000
Other Military Equipment	966,763,000
Industrial Equipment	8,360,623,000
Food	5,828,716,000
Other Agricultural Products	852,913,000
Services	3,594,136,000
Not charged by government	<u>2,090,744,000</u>
Total	\$ 50,692,109,000

From: Holtzheuer, William, " United States Defense Organizations"

Encyclopedia Britannica, 1945. Vol. 6, p. 331.

## ANNEX 6

REVERSE LEND-LEASE FURNISHED TO THE  
UNITED STATES BY OTHER NATIONS  
WORLD WAR II

<u>Nation</u>	<u>Amount</u>
British Empire	\$ 6,752,073,000
France	760,696,000
French Africa	107,085,000
Belgium	182,603,000
Belgian Congo	339,000
Luxemburg	8,273,000
Netherlands	1,133,000
Curacao and Surinam	1,235,000
China	3,672,000
U S S R	<u>2,213,000</u>
Total	\$ 7,819,322,000

From: Holtzheuer, William, "United States Defense Organizations",  
Encyclopedia Britannica, 1945. Vol. 6, p. 331

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Britannica, 1945. Vol 23, p. 328.

## BRIEF

### HISTORY OF ECONOMIC WARFARE

Introduction. Prior to the discussion of the history of Economic Warfare, let us define the meaning of the term as it applies to this discussion. Economic Warfare means the measures taken to facilitate the pursuance of a war by strengthening the economic defenses of our own country and its allies and weakening those of the enemy. It does not consist of economic measures alone but may include naval, military or diplomatic steps taken for producing results of an economic nature.

Early History. Economic warfare is believed to have had its origin in the Mercantilist Theory of Commerce in the teachings of Rousseau on National Solidarity about 1760. The first application of the theory on any scale occurred during the Napoleonic era.

Continental Blockade of Napoleon. Napoleon considered Great Britain a strong enemy of his political doctrine and upon completion of his domination of the continent, he sought means to bring Britain under his sphere. Since Britain held supremacy of the seas, he realized that an invasion of the British Isles was impractical. As a result he resorted to blockade to prevent export of British goods to the continent thereby strangling her economically.

By means of strong political pressure Napoleon required other countries of Europe, including Russia, to prohibit import of British goods. This was known as Napoleon's Continental System. This was the first time economic warfare had been used on a large scale and with such far-reaching effects.

Britain severely felt the pressure of the blockade and a dangerous economic condition resulted. Britain took many retaliatory measures such as blockade of the continent, smuggling trade and use of neutral shipping. Finally, through diplomatic maneuvers, Britain persuaded Russia to open her ports to British shipping. Napoleon considered this a breach of his treaty with Russia and invaded Russia.

The invasion was unsuccessful and led to the downfall of Napoleon. After this normal commerce began to flow again.

Hague Convention. After the decline of Napoleon, there was little of historical importance in the development of economic warfare, until the matter of contraband was discussed at the Hague Convention in 1907, attended by forty-four nations.

During blockades by belligerents, neutral nations were in danger of having their shipping confiscated as contraband. There was a lack of uniformity by the nations in defining what constituted contraband. They all agreed that munitions and arms constituted contraband but other items were not consistent.

An effort to settle the matter by international agreement was made at the Hague Convention and the following agreements were reached in Convention XIII:

- a. A neutral must not give armed assistance to a belligerent.
- b. A neutral must not furnish a belligerent with warships, or munitions of any kind.
- c. A neutral must not lend money or promote loans to belligerents.

Many nations did not ratify the agreements and it can readily be seen that many items were left unsettled. These items are still a matter of international concern.

World War I. During World War I, economic warfare received more recognition. Little advance arrangements had been made for it at the outbreak of the war as Britain believed the war would last only a few months due to Germany's inability to stand the financial cost. However, Germany overcame this handicap by means of manipulation of finances. Germany also created an economic problem by use of submarine warfare.

Britain then took active steps to rectify the situation both defensively and offensively. The defensive steps included: rationing, control of transportation, prevention of waste, and stabilization of finances. The offensive measures consisted of blockade, boycott,

pressure on neutrals, diversion of neutral trade, and credits to neutrals. As a result Germany intensified her submarine warfare, which led to the entry of the United States into the war.

The United States did not utilize all of these methods adopted by Great Britain due mainly to our geographical location and vast resources. For the most part the United States confined her efforts mainly to general home economy and governmental financial control.

The deciding factor from an economic standpoint, in World War I, was the ability of the Allies to control the seas and defeat German submarine warfare.

World War II. Between World War I and II, much had been learned concerning the importance of economic warfare. Much preparation was made by both the Allied Powers as well as the Axis Powers. All powers stockpiled critical items and made financial adjustments. The United States took early measures in the form of neutrality acts and lend-lease arrangements to improve her position.

In the early stages of the war Germany and Great Britain resorted to contraband rather than blockade. As Germany gained control of the continent blockade was resorted to by Great Britain.

Japan had endeavored for many years to improve her economic condition for war by stock-piling critical items and exploiting her conquered territories. However, this proved insufficient for her maintenance of the war.

The United States attached much significance to economic warfare as evidenced by the appointment of the Economic Defense Board which was later replaced by the Office of Economic Warfare. The function of these offices was to handle all activities related to foreign economic affairs.

Many measures of economic warfare were used during World War II not heretofore employed. Some of the means used consisted of: neutrality acts, freezing of assets of foreign nations, lend-lease, embargoes, boycotts, blocked nationals, rationing, price controls, priorities, subsidies, and commandeering of industry.

After the cessation of hostilities, the importance and practice of economic warfare has continued by use of the Marshall Plan to prevent smaller nations from coming under the influence of other nations.

Conclusions. As can be seen economic warfare has become an important means of waging war. However, relying on it entirely might be fatal for any nation. It can only be successful in conjunction with land, naval and air warfare. It should not be depended upon exclusively nor excessively.