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TRADING WITH THE ENEMY: BRITISH BUSINESS AND THE LAW DURING THE FIRST WORLD WAR

After four months of the Great War, Sir Maurice Hankey, the Secretary to the Committee of Imperial Defence, advised His Majesty's Government that "drastic means must be taken to prevent British subjects succumbing to the temptation of continuing their trade with [the enemy] . . ." The Home Office, concerned with criminal activities, turned its attention to indirect trading with Germany through the neutral countries adjacent to the German empire. Indeed, official statistics indicated that exports to the adjacent neutrals increased substantially throughout the first year of the war over the comparable prewar figures.² In July 1915, Edwin Montagu, H.H. Asquith's protégé and Financial Secretary to the Treasury, confided to the Prime Minister his conviction that trade with Germany was occurring on a large scale in London.³ While not all of this export trade was illegal, by 1916 the Board of Trade, a department of state traditionally friendly to trade and traders, could charge "that this country had been supplying the enemy through neutral countries."⁴ The Foreign Office found it difficult to explain the bloated export trade to the Northern Neutrals — Holland, Denmark, Norway, and Sweden — "on any other basis than that of enemy destination."⁵ The principal lobbying group for British businessmen, the Association of Chambers of Commerce, could not deny that illegal trade might be going on and felt constrained to remind businessmen of their duty to place patriotism above profit and of the existence of the Trading with the Enemy Act.⁶

Hence it is important to examine the serious allegations that British businessmen flouted their country's laws prohibiting trade with the enemy in the First World War, emphasizing the experience of two important categories of businessmen: those engaged in the export trade and those with alleged connections to Germany.⁷ Both the business community and the Liberal government were imbued in 1914 with a strong laissez-faire tradition in a state that was dependent upon exports to pay its

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¹"Report on the Opening of the War," 1 Nov. 1914, by Hankey, PRO, Cab. 17/102B.

²For the figures, see J. McDermott, "'A Needless Sacrifice': British Businessmen and Business as Usual in the First World War," *Albion*, 21, 2 [Spring 1989], p. 274.

³Montagu to Asquith, 3 July 1915, Bodleian Library, Asquith Papers, I, 14.

⁴Memorandum by Mr. A.R. Kennedy, Enemy Comforts. III — Tea and Tobacco. 12 July 1916, PRO, FO 899/11.

⁵Memorandum by Mr. A.R. Kennedy, Enemy Comforts. I — Cocoa. 10 July 1916, PRO, Cab. 39/32.

⁶See *Chamber of Commerce Journal*, for example, in April and July, 1915.

⁷For an account of the alleged profiteering of businessmen engaged in supplying the Home market, see Jonathan S. Boswell and Bruce R. Johns, "Patriots and Profiteers? British Businessmen and the First World War," *Journal of European Economic History*, 11 (1982), pp. 423-45

way in the world. More than any other great power, Great Britain, the merchant state, required peace and a stable international business order for prosperity. Finding itself at war with its best European customer, the British government thus pursued economic warfare policies marked at first by moderation and referred to as "business as usual."⁸ As the war became a struggle for survival of enormous dimensions, however, public sentiment and hard-liners in parliament contributed to a climate of opinion in which the business conventions of the nineteenth century, including the sanctity of property and contract, were severely tested. As a result, not only did the state intervene in the affairs of businessmen to an unprecedented degree, but business ethics themselves were significantly eroded by the advent of total war.

Viscount Esher, an influential behind-the-scenes figure in policy-making circles, reflected the dominant Liberal ideology and British experience in war when he wrote in January 1915 "that the English people have to be merchants while they are soldiers, and that trade and maritime force are dependent on each other."⁹ Britain's traditional economic weapon against a continental enemy was naval blockade, but the government had permitted a limited trade when it had served British interests, such as during the Crimean War. British adherence to the 1909 Declaration of London — which broke down wartime trade into three categories: absolute contraband (prohibited), conditional contraband (prohibited if for enemy government use), and non-war or free goods — endorsed this regulated approach to economic warfare. Thus the door was left open for limited trading with an enemy. In 1912, the C.I.D.'s Desert Committee offered ambiguous advice about cutting off all trade with the enemy: it recommended a complete embargo at the commencement of war but an easing of restrictions thereafter "to suit the circumstance of the moment." The committee predicted correctly that:

Judging from the experience of previous wars, it is almost certain that whatever policy is adopted by the Government it will be subjected to keen criticism from those who favour either a policy of prohibiting trade with the enemy altogether, or one permitting all such trade . . .¹⁰

A further investigation early in 1914 was pessimistic about the effects of a war on trade but concluded hopefully that reliance on the Royal Navy and the enterprise of British businessmen would allow the country to maintain the vital export trade.¹¹ Thus, while Whitehall's planning for economic warfare was perhaps more thorough

⁸For a discussion of these issues, see J. McDermott, "Total War and the Merchant State: Aspects of British Economic Warfare Against Germany, 1914-1916," *Canadian Journal of History*, XXI, April 1986, pp. 61-76. Also see D. French, *British Economic and Strategic Planning 1905-1915* (London, 1982), Paul M. Kennedy, "Strategy versus Finance in Twentieth Century Britain," in *Strategy and Diplomacy 1860-1945* (London, 1983) and Marion C. Siney, *The Allied Blockade of Germany, 1914-1916* (Ann Arbor, 1957). There is valuable material on economic policy-making and the blockade in F.H. Hinsley, ed., *British Foreign Policy Under Sir Edward Grey* (London, 1977).

⁹"The War After Six Months. An Appreciation by Lord Esher," 29 Jan. 1915, PRO, Cab. 42/1/29.

¹⁰"Report and Proceedings of the Standing Sub-Committee of Imperial Defence on Trading with the Enemy, 1912," 10 Sept. 1912, PRO, Cab. 16/18A.

¹¹French, *British Economic and Strategic Planning*, p. 64.

than that of other governments,¹² there remained grey areas which could only be resolved by the experience of war itself.

At the beginning of the First World War, the government imposed a naval blockade on Germany, declared business as usual and encouraged businessmen to take advantage of the blockade to capture the enemy's trade. Leo Chiozza Money, a writer on economic matters and Liberal M.P., encouraged British businessmen to capture some £400,000,000 worth of German and Austrian commerce.¹³ The *Chamber of Commerce Journal* heartily endorsed the idea of business as usual and replacing German trade in foreign and domestic markets, believing that the blockade was performing the function of a protective tariff against German imports.¹⁴ These attitudes harked back to the Anglo-German trade rivalry of earlier years and the demands for tariff reform among Conservative and Unionist M.P.s before 1914. However, British businessmen were used to operating under the aegis of free trade and a lack of government interference; these conditions were to change with the imposition of measures restricting wartime trade.

Within two months of the war's outbreak, the legal means to prohibit direct trade with Germany were in place. The first of these measures, the Trading with the Enemy Proclamation of 5 August 1914, banned transactions with persons resident in Germany. But because of the nature of British nationality law, there was no objection to trade with German firms established in British or neutral territory. The Treasury accordingly instructed businessmen that, "the important thing is to consider where the foreign trader resides . . . and not the nationality of the foreign trader."¹⁵ The later Trading with the Enemy Act of September 1914 defined penalties for trading with German or Austrian firms "in hostile territory" and opened the way for government interference with the sanctity of business. Since a justice of the peace could order inspection of a suspicious firm, seize documents and require individuals to divulge information, business lost the confidentiality under which it had traditionally operated. Moreover, the act empowered the Board of Trade in a "great emergency" to inspect the records of suspect companies without a warrant. A conviction in criminal court involved a range of penalties, including the forfeiture of goods and money connected with the illegal transaction, or a fine. The court could also order penal servitude of up to seven years, including the possibility of hard labour, or a combination of imprisonment and fine.¹⁶ An amendment to the act enabled the Board of Trade to appoint a custodian of enemy property to receive payments (such as shares, dividends, and profits) owed to companies operating in enemy territory and to use such funds to pay their British creditors.¹⁷

¹²This is the opinion of Prof. Paul M. Kennedy of Yale University, expressed to the author in a letter dated 22 January 1984.

¹³L.C. Money, "British Trade and the War," *Contemporary Review*, 106 (July-Dec. 1914), p. 482. Money later joined the Ministry of Munitions and played an active role in hammering out economic policy during the war.

¹⁴McDermott, "British Businessmen and Business as Usual," p. 269.

¹⁵"Official Guidance for British Firms," *The Times*, 22 Aug. 1914.

¹⁶"An Act to make provision with respect to penalties for Trading with the Enemy, and other purposes connected therewith. [18th September 1914]," *The Public General Acts*, Vol. 82, 4th Series.

¹⁷"An Act to amend the Trading with the Enemy Act, 1914 . . . [27th November 1914]," Chapter 12. *The Public General Acts*, 5 Geo. V & 5 & 6 Geo. V.

Despite these measures, two problem areas remained: British goods exported to neutral countries continued to find their way into Germany; and companies with links to Germany continued under British law to operate in Britain. William Joynson-Hicks, a Unionist M.P., served notice in the House of Commons that the continuation of German-linked business activity would not go unchallenged: he asked to what extent companies “nominally English, but in reality purely German, are to be allowed to carry on business in this country . . . ?”¹⁸ Reginald McKenna, the Liberal Home Secretary, wondered if the law should treat “every individual German in this country now as we should treat an enemy on the battlefield?” The Unionist would have answered in the affirmative. Thus a division existed in their attitudes toward economic warfare between protectionist Conservatives and Unionists, on the one hand, and the Liberal government, with its laissez-faire traditions, on the other. Furthermore, the optimism of British businessmen at the outbreak of war was fading by the end of 1914. Lord Emmott, the head of the War Trade Department, admitted that “business as usual and crippling German trade are inconsistent” and feared that limiting exports would alienate businessmen.¹⁹ In light of these problems, how did the British government deal with alleged instances of trading with the enemy?

Wartime trade regulations became a tangle of red tape which by the end of 1914 seemed less than effective. Sir Francis Hopwood of the Admiralty chaired an advisory committee charged with preventing supplies from reaching the enemy. Gaining intelligence from various sources, including consular officials and foreign agents, he reported to the First Lord of the Admiralty, who in turn contacted departments, such as the Home and Foreign Offices. Action might include changing the status of exports from restricted to free, or vice versa, or cracking down on exporters or neutrals. Hopwood’s committee dealt with policy; licences to trade were issued by a Treasury committee which the Attorney-General chaired.²⁰ Businessmen were free to apply for licences to export prohibited and restricted goods, which the committee was inclined to approve since “the object . . . [was] to control, and not to prohibit, the trade to friendly nations.” Moreover, by the end of 1914, over nine hundred applications for export licences per day were overwhelming the committee. Since it was impossible to investigate each case separately, approval to export was given “according to precedent and established principle.”²¹ It follows therefore that bureaucratic procedure was loose, allowing even restricted exports to find their way indirectly to Germany. As the Home Office claimed: “There is reason to believe that, in spite of the Trading with the Enemy Acts and

¹⁸*The Parliamentary Debates* (Official Report), Fifth Series — Vol. LXVIII, 12 Nov. 1914. Joynson-Hicks was concerned about the Continental Tyre Company, “a branch of a German concern . . . every single share is held in Germany, and every single director, except one, lives in Germany . . .”

¹⁹“Report of a Sub-Committee . . . to consider certain questions . . . raised by the War Trade Department,” 12 Apr. 1915. Appendix: “Minute by Lord Emmott, Director of War Trade Department,” 27 Mar. 1915, PRO, CAB. 42/2/18. For a discussion of business attitudes, see McDermott, “Total War and the Merchant State,” pp. 64-66.

²⁰“The Co-ordination of the War Arrangements for Trade Restrictions, &c. Note by the Secretary [Hankey],” CID Paper 203-B, 13 Jan. 1915, PRO, Cab. 42/1/15.

²¹*Ibid.*

Proclamations, a considerable volume of unlicensed trade is being carried on with Germany through neutral countries."²²

A significant obstacle to effective enforcement of the law involved a flawed procedure for applying for an export licence. The applicant simply had to swear before a Justice of the Peace or Commissioner of Oaths the following statement:

I have made all necessary enquiries in order to satisfy myself as to the ultimate destination of the goods . . . to be exported by me . . . on board [the carrier] to [destination] and consigned to [agent] of [port of destination], and do hereby declare that *to the best of my knowledge and belief*, none of such goods are intended for consumption in or for transit through a State at present at war with His Majesty, and I make this declaration conscientiously believing the same to be true . . .²³

The form included a description of items to be exported; it was signed by the exporter and the Justice of the Peace or Commissioner for Oaths who took no responsibility, however, for the truth of the declaration. This lack of accountability and the equivocal wording of the declaration provided loopholes making it difficult to convict even if it could be proved that the shipment went illegally to Germany. More egregious abuses came to the Home Office's attention. In one case a magistrate signed a batch of declarations which he then gave to a friendly businessman for use when needed. Another official allowed a form to be filled in with lead pencil which could later be erased and altered. As the Home Office noted in a masterpiece of understatement: "These instances seem to throw considerable doubt upon the efficiency of such declarations as a safeguard against enemy trading."²⁴

Another obstacle to apprehending illegal trade resulted from the government's deep ambivalence toward the enforcement of the law. The Home Office alleged, for example, different treatment for offenders caught making false declarations and those tracked down from information gleaned from informers or censored letters. The former were treated leniently while the latter were prosecuted. The Home Secretary went so far as to question the sincerity of the policy-makers' determination to cut off all such illegal trade.²⁵ Indeed, the government was strongly biased in favour of maintaining exports at a high level to fulfill the promise of business as usual. For its part, the Board of Trade, headed by Walter Runciman, a free-trader, while denying the Home Office's main contentions, admitted that rules could be bent in certain cases, since:

every such additional formality interferes with the legitimate trade that it is desired to encourage, and leads to delays and congestions at the ports, which it should be one of our chief

²²Memorandum by the Home Office. "Trading with the Enemy," CID Paper 209-B, 25 Jan. 1915, PRO, Cab. 42/1/23.

²³Schedule II in "Trading with the Enemy. Note by the Chairman of the Board of Customs and Excise," 22 Feb. 1915, PRO, Cab. 17/117. A similar form existed for importers. (Italics added.)

²⁴Memorandum by the Home Office, CID Paper 209-B, 25 Jan. 1915, PRO, Cab. 42/1/23.

²⁵Ibid.

objects to prevent. *A too elaborate system of precautions is simply not worthwhile, and must do more harm than good.*²⁶

On 12 February 1915 the Home Office called a meeting to tighten up licensing procedures and to place the onus on the exporter to prove the honesty of his declaration. From there the matter was taken to Sir John Simon, the Attorney General, who was pessimistic because: "1. Such Conditions are very difficult to frame; 2. They are very difficult to understand; and 3. This method cannot be applied to free goods." In Simon's opinion, the only means to plug the loopholes was an act of parliament.²⁷

During the late winter and early spring of 1915 trading with the enemy through the neutral countries became a significant problem for British policy-makers. On McKenna's initiative, a conference met at the C.I.D. in March involving departments of state concerned with economic warfare, including the Foreign Office, Board of Trade, Admiralty, the War Trade Department (which had replaced the Committee on Trade with the Enemy), and His Majesty's Customs and Excise service. The participants acknowledged the difficulties of stemming the flow of illegal trade to Germany. First, the government deliberately permitted the export of goods for the use of the civilian population alone to placate neutrals and serve Britain's economic interests. Second, there was "the necessity of proving that the exporter knew . . . that his goods were going to the enemy." Third, the volume and complexity of wartime trade presented problems for the bureaucracy. Lord Emmott, director of the War Trade Department, responsible for licensing and commercial intelligence, warned of the imminent breakdown of the system to issue licenses: "We have about 1,600 applications a day [an increase of 78 per cent in three months]; we have been insufficiently staffed; . . . and our difficulties have been really very great."²⁸ As a result, he complained, "It is difficult, as a rule, to obtain evidence which will convict an unscrupulous firm of trading with the enemy, and no convictions have as yet been secured as the result of evidence obtained by any means other than the censorship."²⁹

The conference agreed on the necessity to increase economic pressure on Germany by tightening up the blockade for military and "moral" reasons. To accomplish this goal, loopholes in the present system would be closed by strengthening provisions for "black lists" of suspicious firms and increasing prosecutions for trading with the enemy under the 1914 act. "It is desirable," stated Hankey, "to create the impression among traders that the Government are very vigilant in this matter." He recommended therefore that any questionable transactions, "even when it is doubtful whether a conviction can be secured," be reported to the Home Office. It would put the matter in the hands of the Director of Public Prosecutions, who in turn would send inspectors to assess grounds for

²⁶Memo by H.F. [Fountain], "Trading with the Enemy. Note by the Board of Trade," 10 Feb. 1915, PRO, Cab. 42/1/34. (Italics added.)

²⁷"Inter-Departmental Committee on Trading with the Enemy." Memo by J.A.S. [Simon], 23 Feb. 1915, PRO, Cab. 42/1/43.

²⁸"Interdepartmental Committee on Trading with the Enemy. Draft Report," no date, PRO, Cab. 17/117/

²⁹"Trading with the Enemy," CID Paper 209-B. "I. Note by the Secretary. II. Report of an Inter-Departmental Conference," 9 Mar. 1915, PRO, Cab. 42/2/4.

proceeding to court.³⁰ Consistent with these activities was the order-in-council of 11 March 1915 which declared that the Royal Navy would henceforward stop all cargoes bound for Germany. This was a significant change in the nature of economic warfare, in practice nullifying the Declaration of London, which had attempted to set international standards for wartime trade, limiting the effects of a blockade. Despite these moves, a surprising toleration of indirect Anglo-German trade persisted until the emotions resulting from total war put an end to it in 1916.³¹ On the other hand, what was the government's record in prosecuting British businessmen accused of breaking the Trading with the Enemy Act of 1914?

In the spring of 1915 the Home Office sent to the Foreign Office a typescript list of criminal trials "giving particulars of the cases in which the Home Office has proposed a prosecution under the Trading with the Enemy Acts and Proclamations . . . to the 30th April [1915]." The list indicated that during the first nine months of the war, ninety cases of suspected trading with the enemy had been forwarded for action to the Director of Public Prosecutions in England, the Lord Advocate in Scotland or the Irish authorities in Dublin.³² Of these the vast majority, sixty-four, went to the Director of Public Prosecutions, fifteen to Scotland and four to Ireland. Most of these cases, forty-three (48 per cent), resulted in acquittals or were thrown out of court due to insufficient evidence. Twenty-five accused (28 per cent) received a warning or suffered loss of property to Customs seizure because of uncertainty regarding the evidence; and twenty cases (22 per cent) ended in conviction. Thirty-six of the defendants charged in these cases (slightly more than one-third) had German sounding names.

The following are samples of the activities that resulted in convictions for breaking the Trading with the Enemy laws in the first nine months of the Great War. The first recorded conviction involved an insurance brokerage firm in Newcastle-on-Tyne known as Harper, Seed & Co. Ltd., which had two German shareholders, resident in Lübeck. In order to avoid their shares being confiscated by the British government, Thomas Hartley Seed, a broker, and Frederick Peterson, the head of the company, were accused of having the Germans' shares transferred to their names for the duration of the war. The evidence against the men came from letters opened by the censor, which also revealed that Seed had been willing to supply a Hamburg shipping firm with coal.³³ On the charge of transferring shares from German shareholders, the court fined Seed £100 and costs; Peterson, his partner, paid £50 and costs. On the charge of attempting to sell coal to Hamburg, Seed was acquitted. The prosecutor levelled an ostensibly more serious charge against Fred Drughorn Ltd. for arranging the shipment of iron ore from Sweden to Germany via

³⁰Ibid.

³¹McDermott, "Total War and the Merchant State," pp. 68-76.

³²List of trials sent from the Home Office to the Foreign Office, no date, but after 30 April 1915, PRO, FO 368/1468. This important record of prosecutions from the beginning of the war to the end of April 1915 can be found at the Public Record Office in the Foreign Office's commercial files. On the cover sheet are written the words: "Rest of file not kept." Some, but not all, of these trials were reported in the pages of *The Times* and other newspapers. Hence, Foreign Office records, and to a lesser extent the press, give us an inkling of the kinds of prosecutions that took place and their outcomes, although the government's records were for some reason destroyed after the end of April 1915.

³³Letter: DPP (Mathews) to Foreign Office, 2 Nov. 1914, PRO, FO 368/996.

Rotterdam. Because of his previous good reputation and the technical nature of his offence, Mr. Drughorn escaped with a nominal fine of one shilling. A more serious outcome awaited George W. Spencer, accused of attempting to sell interned ships to Germany. The Home Office reported his case to the Director of Public Prosecutions on 26 September, and he subsequently received a sentence of eighteen months in prison. In October, the Scottish court meted out five years penal servitude to W.D. Dick for attempting to sell coal to Germany. At the end of the month, a judge fined Beukers & Co. £100 and £50 costs for offering to sell cocoa to the enemy. A larger fine of £500, plus £101.10.6 in costs was imposed upon Phillips & Co. for attempting to purchase bicycle handles from Germany; the court levied an additional fine of £300 against the company's secretary, Otto Hesmer, possibly for his German name. A similar case involved Louis Bartel, a German subject convicted and imprisoned for three months for importing German pocket knives. *The Times* reported that the judge remarked that the "matter was a small one, but it involved a great principle": the knives could have been procured in the United Kingdom.

Some of the convictions involved goods which seem inconsequential in retrospect. Oppenheimer and Colbeck, principals of Chrome Co., were jailed for importing lithographs and transfers from Austria. The court fined a 76-year old man named Mitchell £50 for trying to import German pickled eggs; the judge recommended leniency because of Mitchell's advanced age and doubtless acquired taste over the years. Businessmen with German names, who might have been German subjects, were fined or imprisoned for importing items, such as handbags, cheap jewellery, typing pads, and cloth from Germany. Another case involved Albert Kupfew, sentenced to one month for paying the debt of an "alien enemy," a German resident, owing to a Dutch firm. *The Times* reported that he was a naturalized British subject born in Germany, who had sent money to his parent firm in Frankfurt run by his two brothers. After his arrest, he sent yet another cheque for £200 to his German relatives. The judge remarked that he was doing business "as if no war was in progress."³⁴ Indeed, these men were apparently taking the government's slogan of business as usual seriously and ran foul of the law, particularly if they were German subjects or naturalized Britons.

The columns of *The Times* reported another twelve convictions during the course of 1915. The most serious of these concerned Jacks & Co., iron merchants convicted in Edinburgh for sending 7,359 tons of iron ore to Germany. For this breach of the law, the court fined the company £2,000 and two principals each got six months in jail. In this case, the Lord Advocate of Scotland showed himself aware of human frailty when it came to profit, remarking that:

the conduct of these two gentlemen up to the 12th of August [1914] was as faultless as the conduct of our parents in the Garden of Eden. [Laughter] On the 12th of August, however, a serpent came into the Garden in the form of a telegram about the German payments of money. It was a temptation, and before that temptation they fell.³⁵

³⁴*The Times*, 24 Nov. 1914.

³⁵*The Times*, 19 June 1915.

A court in England was similarly understanding about Mr. Davis of Pronk, Davis and Company, convicted of obtaining permanganate of potash from Germany. Although he and his partner were each fined £100, the judge refrained from sending Davis to prison because he had three sons in the service. The judge remarked that he did not think that Davis wanted to be responsible for supplying Germany with the bullets to shoot his sons. Instead, he was simply carried away "by the wish to make money."³⁶

Thus from the beginning of the war through 1915 some thirty-two convictions under the Trading with the Enemy Act of 1914 occurred. Penalties ranged from a fine of £2,000 for sending iron ore to Germany to a fine of one shilling for what appeared to be a similar crime, "Arranging exportation of iron ore into Germany from Sweden." The latter was the Drughorn case in which the judgement was mitigated because of the "technical" nature of the offence and the defendant's previous good character. Courts also meted out imprisonment as punishment, ranging from five years penal servitude for sending coal to Germany to one month for acting as agent for American cotton firms trading with Germany. Often the punishment did not seem to fit the crime. The aforementioned Drughorn case contrasts with the cases in which the trade in apparently harmless items, such as bicycle handlebars, women's handbags, pickled eggs, or typewriter pads, imported or exported, all drew more severe penalties. The evidence suggests that judges tended to treat German subjects or naturalized Britons of German background more severely than they did native British subjects. The fact that over one-third of the names on the Foreign Office's list of convictions sounded German was obviously a response to growing anti-German feeling and actions against German businesses, sometimes by mob action. From the beginning of the war, violence against German shopkeepers occurred sporadically, and after the sinking of the *Lusitania* in May 1915, extensive rioting occurred in which 550 shops were damaged. Also in May few German subjects remained free because of the introduction of wholesale internment and repatriation.³⁷

The analysis of these cases reveals that relatively few individuals were prosecuted and that a minority of these were convicted under the Trading with the Enemy laws. The statistics indicate that either British businessmen were scrupulously honest (the inflated export statistics to the neutrals adjacent to Germany indicate otherwise) or that the number of cases was low for other reasons. One of these involved the fact that by the middle of 1915, despite the establishment of the War Trade Department, the number of applications for export licenses swamped the bureaucracy. Edwin Montagu minuted, and Hankey agreed, that by July 1915 there were in the War Trade Department "435 people employed in connexion with the Licensing Section and about 3,300 communications are received daily in this Section . . . From 1,500 to 2,000 applications for licences at least now reach the

³⁶*The Times*, 25 Nov. 1915.

³⁷Panikos Panayi, "German Business Interests in Britain, 1914-1918," *Business History*, No. 1, Vol. XXXII, Jan. 1990, pp. 248-49. For the wider view of the German experience in Britain, see Panayi's book, *The Enemy in Our Midst: Germans in Britain during the First World War* (Providence, 1991).

[War Trade Department] every day on the average."³⁸ Another factor was the government's policy of business as usual and hesitations about stopping trade which benefited Britain's wartime economy, even if some of that trade was going to the enemy. In September 1915, Asquith formed the War Trade Advisory Committee to co-ordinate economic policy. There the issues of wartime trade were debated between hard-liners (who would have stopped all suspect trade with Europe, even at the cost of sacrificing British exports) and free traders, such as the Board of Trade's representatives, and Lord Robert Cecil, the head of the Foreign Office's Contraband Committee. Generally, the W.T.A.C. took a tolerant approach to serve a number of economic interests important to the war effort, including the vital issue of maintaining the exchange rate of sterling. In fact, the new committee accepted some seepage in the blockade as the cost of doing business until public pressure made such attitudes untenable.³⁹ Just as the government turned a blind eye to much indirect trading with the enemy, it ignored many of those engaged in such questionable practice to the end of 1915.

Another factor hindering strict enforcement of trade law pertained to the Home Office, responsible for prosecutions, and the Attorney General, Britain's chief law officer. As Home Secretary, Reginald McKenna sympathized with the interests of businessmen and shared their laissez-faire predilections. Also a strong liberal, the Attorney General, Sir John Simon, was a "Reluctant Warrior" suffering from a war-related malaise, from which he emerged only by the spring of 1915.⁴⁰ This point helps to explain the paucity of charges against businessmen under the Trading with the Enemy laws. Sir Edward Carson, a hard-line Unionist replaced him as Attorney General in the cabinet shakeup in May, but Simon became Home Secretary, which boded ill for vigorous prosecution of erring businessmen. As his recent biographer puts it, Simon "was not the man to stamp ruthlessly upon the voices of dissent nor extinguish totally the rights of individual liberty for the sake of the national good." Nor was he "sufficiently strident for the protagonists of all-out war . . ."⁴¹ In fact, the Asquith government included key ministers and officials who were imbued with prewar liberal tenets, including Runciman, President of the Board of Trade, Cecil of the Foreign Office, and Emmott, Director of the War Trade Department. Lingering free-trade ideals definitely contributed to a laxity in enforcing the letter of the law throughout 1914 and 1915.

An additional feature of the cases involving trading with the enemy deserves comment: they without exception comprised minor deals engineered by small business. Large companies, such as Continental Tyre and Cadbury, involved in the cocoa trade, although mentioned in press and parliament as suspects, were not charged. Instead, to the end of 1915, the Home Office provided the public and parliament with a few scapegoats to satisfy the urge to punish alleged contributors to the German war effort who were frustrating allied attempts to end the war with a military victory. But other means to attack German economic activity became a possibility by the end of 1915, and it is to these that we now turn our attention.

³⁸Memo by Montagu, 21 July 1915, "Coordination of War Trade Procedures. Miscellaneous Memoranda 1915," PRO, Cab. 17/122.

³⁹McDermott, "Total War and the Merchant State," p. 68.

⁴⁰D. Dutton, *Simon: A Political Biography of Sir John Simon* (London, 1992), pp. 32-33.

⁴¹*Ibid.*, p. 35.

Public opinion, manifested in the press and parliament, fastened on the anomaly of British nationality law, which considered domicile rather than nationality the criterion in defining an enemy for trade purposes. Although the Foreign Office took a first step in June 1915 in a proclamation which extended enemy character to Germans operating in countries having extra-territoriality,⁴² British merchants remained free to trade with German companies located outside enemy countries, including neutral states, from which the British export trade was making substantial profits. Pressure from France, however, which defined enemy according to nationality, as well as from public opinion, caused the Foreign Office by November to seek a change in the law defining an enemy on grounds that it was hypocritical at once to be at war with a state and to foster its extra-European activity.⁴³

Lord Robert Cecil "urgently required" from parliament an extension of the Trading with the Enemy Act to declare Germans domiciled in neutral countries enemies so that their firms could be blacklisted as out of bounds to British traders. The ensuing 1915 Trading with the Enemy (Extension of Powers) Act prohibited persons or companies resident in the United Kingdom from trading with any German-associated company either in Britain or an allied country. The War Trade Advisory Committee drew up a statutory black list of German firms as business freedom of action was further curtailed in the name of wartime necessity. The Foreign Office considered this move (extended to the neutrals in July 1916) "revolutionary,"⁴⁴ but a more radical step followed as a result of pressure from opposition backbenchers in the House of Commons.

During the debates on the 1915 bill, Unionist M.P.s pressured Cecil to expand the extension of powers bill to cover German-influenced companies doing business in the United Kingdom itself. One of these, Sir A. Markham, complained that:

Members below the gangway here have for months past called attention to . . . Germans continuing to trade in this country . . . We are allowing the Germans to carry on their business in this country . . . while . . . British firms competing with them, and whose partners are fighting for their country, are having their trade taken away by German firms, who maintain their goodwill during the period.⁴⁵

The M.P. for York, Mr. Butcher, agreed and named the Sanatogen Company and Continental Tyre, "a company consisting of . . . Germans masquerading under an English address . . ." Unsatisfied that German companies' profits were being held in Britain for the duration of the war, hard-liners attacked "the poison of German influence, German intrigue, and German evils . . . which we are bound to see destroyed when this War is over."⁴⁶ Markham, referring to the Siemens coal and steel works, called for "compulsory purchase of the German undertaking." Members accused German firms of having "created a vast system of espionage in this

⁴²These were China, Siam, Persia, and Morocco. McDermott, "Total War and the Merchant State," p. 71.

⁴³"Memorandum by Mr. Nugent . . .," 18 Oct. 1915, PRO, Cab. 39/74.

⁴⁴"Memorandum by Mr. Nugent . . .," 18 Oct. 1915, PRO, Cab. 39/74.

⁴⁵Committee Deliberations, *Parliamentary Debates (Official Report)*, Fifth Series — Vol. LXXCCI, 8 Dec. 1915.

⁴⁶Mr. Butcher, *ibid.*

country,” and warned of a new outburst of anti-German feeling comparable to the *Lusitania* furore.

These sentiments, reflecting both current and prewar fears about German economic competition, obliged the Home Office to introduce a further bill to deal with alleged enemy businesses operating within the United Kingdom. Expeditiously, on 27 January 1916, parliament passed the law which signalled the real end of business as usual, the Trading with the Enemy Amendment Act. It has been argued that this act, like other anti-German trade measures, resulted from a hostile public opinion based on fear of German military and naval power which threatened Britain’s world position.⁴⁷ While this is indisputable, the January 1916 measure also resulted from the ineffectiveness of previous trading with the enemy laws. Hostility thus focused on vulnerable companies operating in the United Kingdom, often with German names, within the grasp of British authorities. In this way the public’s hunger for revenge could be sated and German economic and military strength dealt a blow, not only for the duration of the war but after as well. The war therefore provided a means to strengthen Britain’s economic interests at Germany’s expense in a way that would have been impossible in peacetime.

The clear break with past practice is evident in the debate on the bill. Sir H. Dalziel, representing Kirkaldy, perceived it as “a new public policy . . . to deal with enemy traders in our midst . . . ,” a move which would end the delusion that relations with Germany could ever return to normal. “Is it conceivable,” he asked rhetorically,

that British manufacturers are going to sit round a table and meet those whose hands are dripping with the blood of Miss Cavell, or converse with those merchants who organized processions to celebrate the sinking of the *Lusitania*? . . . The war on German trade must be continued after the War and more energetically than during the War. This Bill . . . will be a very important factor in defeating German trade after the War.⁴⁸

Echoing these sentiments, Mr. Butcher believed that the object of the bill was “to free ourselves from all dependence upon and trading with Germany.” The bill’s supporters, displaying a witch-hunt mentality, equated “naturalised British subjects of enemy race” with German subjects and pressured the reluctant Board of Trade to publish the names of wound-up companies in *The London Gazette*.⁴⁹ Voices of moderation — Sir John Simon, the Home Secretary, and Lord Robert Cecil, a staunch defender of the export trade — urged a more pragmatic approach: “if the suspect firm serves British interests it could be allowed to go on; if not, it should

⁴⁷Panayi, “German Business Interests in Britain,” p. 255.

⁴⁸*The Parliamentary Debates (Official Report)*, Fifth Series — Vol. LXXVIII. “Trading with the Enemy (Amendment) (No. 2) Bill. 21 Jan. 1916. Dalziel claimed there were over six hundred German firms operating in the United Kingdom, a figure very close to the actual number wound up.

⁴⁹*Ibid.* *The London Gazette* is thus the source for weekly “casualty lists” of firms wound-up under the 1916 law, beginning with the issue of 25 February 1916 and ending on 27 June 1919, the day before the signing of the Treaty of Versailles. Regarding the Board of Trade’s attitude toward the bill, Dalziel stated that: “This bill has been forced on the Board of Trade [and Runciman] . . .” It is clear that members distrusted the Board of Trade and its head. (“Trading with the Enemy [Amendment] [No. 2] Bill. Considered in Committee,” 25 Jan. 1916, *Parliamentary Debates*, Vol. LXXVIII.)

be wound up."⁵⁰ Although this concession was granted, the hard-liners carried the day and understood that in advocating confiscation of German businesses in Britain they were radically changing the old order. "We are now in a new era altogether," said Mr. Gershom Stewart, "because international law has been destroyed by Germany, and we have to adapt ourselves to present conditions."⁵¹

The new law enabled the British government to act against any company in the United Kingdom suspected of enemy association, either in the nationality of its principals or in the nature of its business, and further increased the bureaucracy dealing with wartime trade. To administer the law, the Board of Trade created the Advisory Committee (not to be confused with the W.T.A.C., a Cabinet committee) which held its first meeting on 22 February 1916; by April 1918 it had met 132 times and had considered 960 cases. The panel comprised five members, including its chairman, Mr. Ernest Moon, a civil servant, adding specialists as needed to rule on complicated legal and financial issues. Beginning with a dossier of over five hundred cases from the Board of Trade, the committee discovered further cases through the police, inspectors, and informants. In practice it relied on reports from the Board's inspectors, which "were of great assistance to the Committee."⁵²

The Board of Trade initiated prosecutions on the premise that: "The object of the Act is to eliminate the enemy interest from businesses carried on in this country without however interfering with the conduct of the business when it is in the interest of the country to keep it alive."⁵³ Inspectors reported suspicious companies to the Advisory Committee, which in turn launched investigations to determine if action should be taken. Although Moon claimed that the accused were given a fair hearing (with seven days notice) "in accordance with the established principles . . . of justice in this country," the cards were stacked against the unfortunate businessmen tainted by alleged German association. Presumed guilty, they were not allowed to cross-examine their accusers. Thus in practice the committee was a blunt instrument of government policy, inconsistent with the principle of presumed innocence. Indeed, in the majority of cases the accused was found guilty, and as a rule the Board of Trade automatically accepted the committee's recommendations.⁵⁴ A controller thereupon conducted the winding-up process, which included inviting

⁵⁰Simon and Cecil, Trading with the Enemy (Extension) Bill, Committee Stage, *Parliamentary Debates*, 16 Dec. 1915, Vol. LXXVII.

⁵¹*Parliamentary Debates*, 21 Jan. 1916, Vol. LXXVIII.

⁵²"Trading with the Enemy. Report to the President of the Board of Trade by the Committee appointed to advise the Board of Trade in matters arising under the Trading with the Enemy Amendment Act, 1916," by Ernest Moon, 16 Apr. 1916, [Cmd. 9059], *Sessional Papers*, 1918, Vol. XIII. Evidence regarding the system's day-to-day operation is found in Board of Trade records, which tend to be fragmentary, the issues of *The London Gazette*, in which the winding up of companies was faithfully announced, and in the reports of the Advisory Committee to the Board of Trade.

⁵³"Liquidation of enemy firm and elimination of enemy interests from businesses carried on in the United Kingdom," by Henry Payne, 11 Aug. 1916, PRO, BT 58/49/COS5333. As comptroller of the Companies Department of the Board of Trade, Sir Henry Payne (1873-1931) was in charge of the operation of the 1916 amendment act.

⁵⁴"Trading with the Enemy Amendment Act, 1916," by Payne, July 1916, PRO, BT 58/49/COS5333.

creditors to submit their claims to be met from the company's assets.⁵⁵ If profitable or deemed necessary to the war effort, however, companies were sold to British interests as going concerns.

The Advisory Committee handled a vast amount of work in the first six months of its existence. From its inception to 29 July 1916, the committee examined 515 cases, or an average of eighty-six per month, as a result, 282 businesses (or 55 per cent) were ordered wound-up because of enemy connection; eighty-six (or 17 per cent) were ordered sold to British subjects as profitable concerns. Thus the total of companies either wound-up or ordered sold to British subjects was 368 or 72 per cent of the total. (If seventeen cases not decided at this time are subtracted from the total number of cases, the odds against accused firms surviving become worse.) On the other hand, the committee acquitted only forty-six companies (or 9 per cent) by the end of July. However in some of these cases the Board of Trade recommended that enemy subjects' shares be sold to British buyers, and in twenty cases it ordered the cancellation of contracts. In sixty-five cases (13 per cent), "for special reasons no order was recommended."⁵⁶

Hence a minority of companies was saved from closure or sale for a variety of causes, from national security to economic or compassionate considerations. In the case of small retail concerns, the committee relied upon police reports which, if favourable, were usually accepted. Moreover, it usually cleared a businessman having a son in the armed services, unless there was compelling evidence to proceed with prosecution. The intercession of the War Office and Ministry of Munitions, which considered them vital for the war effort, saved a number of electric-light manufacturers, led by Welsbach Company. Additional shares in the company, a subsidiary of the Deutsche Gasgluhlicht Aktiengesellschaft, were vested in the Public Trustee for the duration of the war, but the company continued production in the United Kingdom. Similarly, even though only few shares in the company were British-owned, the Royal Navy considered British Mannesmann Tube Company, manufacturers of gun-mountings and the like, valuable for the war effort, although it was eventually sold to British interests. In the special case of the Union Cable Company, "Enemy subjects" owned all the shares. However, since a Briton managed the firm, which provided work for "130 hands all British," the Admiralty "considered it inexpedient for naval reasons to close the business down at present." Another company, F. Bender and Company Ltd., printers and stationers, provided stock for several eminent British firms, items which had had to be imported from Germany before the war. Moreover, Bender's employed up to 120 people and its owner had lived in Britain since 1888. Thus, despite the fact that the company was at variance with the law, it was spared.⁵⁷ Like Bender's, the German owners of the Progress Typewriter Supply Company Ltd., Messrs. Jungermann and Reichenbach,

⁵⁵Notice of the winding up of the Artistic Novelties Limited, 14 Mar. 1916, in *The London Gazette*, 17 Mar. 1916. The actual conduct of the liquidation was carried out by accountants appointed by the Board of Trade. They were not to sell a business as a going concern without approval of the Board so that it could be sure that the prospective buyer was not a front for enemy interests. (Payne memorandum, 11 Aug. 1916, PRO, BT 58/49/COS5333.)

⁵⁶"Liquidation of enemy firms . . ." by Payne, 11 Aug. 1916, PRO, BT 58/49/COS5333.

⁵⁷The proprietor's brother, however, was repatriated, even though he had married an Englishwoman, had one son in the Royal Navy and another killed in the British Army.

had introduced British competition to a business that had been wholly German before 1914, the manufacture of typewriter ribbon. Even though Jungermann was interned, the committee feared that the disposal of his shares would undermine a valuable company; hence it advocated a hands-off policy for the duration of the war.⁵⁸ The above cases indicate that in the first six months of operation, the authorities exercised restraint if a business was important to the war effort or provided the country with some tangible economic benefit. There was also compassion, but not much of it as the minimum conviction rate of 72 per cent attests.

Indeed, the economic aspects of the Trading with the Enemy Act encouraged action against companies. Inspectors and supervisors were well remunerated for their efforts. In the winding-up process against Vaihinger and Haag, for example, the Treasury paid the accounting firm of Messrs. Sharp, Parsons & Co. the tidy sum of £64-3-0 after deductions for expenses, such as translations.⁵⁹ Normally, there were enough assets in the company to defray these expenses. However, when occasionally there were not, the Board of Trade petitioned the Treasury to approve all expenses out of public funds so that the controllers, inspectors, and supervisors were assured of being paid for their work, if not from company assets, then from the public purse. Hence it was advantageous to charge as many businessmen as possible since profits were to be made not only by those Britons allowed to purchase valuable German businesses, but also by lawyers, accountants and others connected with prosecutions under the act.⁶⁰ By the end of 1916, furthermore, political changes indicated an intensified economic war against Germany.

In December of that year David Lloyd George replaced Asquith as prime minister, forming a government committed to a more vigorous war effort. Moves to tighten the blockade against Germany during 1916 had, however, already taken place. In the course of 1916, the British government extended the statutory black list to the United States, repealed the Declaration of London, virtually eliminated the free list, and rationed the neutrals adjacent to Germany to their prewar levels of imports. The backlash against German influenced firms in the United Kingdom was therefore part of this enhanced economic warfare. In the approximately two months following the establishment of Lloyd George's ministry, 127 additional "enemy" businesses were wound-up. The Board of Trade believed that "for the most part the cases completed are the natural consequence of proceedings carried out before the change, but pressure has been put on the controllers to expedite the winding up, and this should result in a very material acceleration in future."⁶¹

Despite pressure to increase the number of prosecutions, the major damage to German-associated companies occurred during 1916 when 392 businesses were

⁵⁸"Liquidation of enemy firms . . .," by Payne, 11 Aug. 1916, PRO, BT 58/49/COS5333.

⁵⁹"Trading with the Enemy Act. Correspondence with Treasury re Expenditure for Inspectors & Supervisors & Etc." Board of Trade to Messrs Sharp, Parsons & Co., 11 July 1916, PRO, BT 13/70/E30147.

⁶⁰By November 1917, total proceeds from winding-up and sale of enemy businesses amounted to £15,378,149. "Memorandum as to Winding up of enemy businesses" by Payne, 29 Nov. 1917, PRO, BT 58/55/COS9619. Board of Trade figures show that the total value of German property in the United Kingdom in May 1917 amounted to £107.5 million. (Panayi, *The Enemy in Our Midst*, p. 149.)

⁶¹"War Cabinet. Reports on activities of Board of Trade 1917-1918," 5 Mar. 1917, PRO, BT 13/91/E36600.

wound-up under Asquith's leadership. From January 1916 until 27 June 1919, the day before the German delegation signed the Treaty of Versailles, another 191 companies were wound-up for a grand total of 583. Moreover, the major industries, such as the Continental Tyre Company, Wulffing pharmaceuticals, Badische (manufacturers of aniline dyes), the Bayer Company, A.E.G. Electric Company, Bosch magnetos, and the Zeiss optical company, had been picked off in 1916. The evidence thus indicates no lack of vigour on the part of the Asquith coalition, at least in this area of economic warfare. The pace slackened somewhat in the later years of the war because fewer businesses with German associations remained in existence.⁶² However, *The London Gazette* announced on 19 November 1918, eight days after the Armistice, that the Progress Typewriter Supply Company, which had escaped destruction in 1916, had been finally wound-up. In the final months of the war the Board of Trade was reduced to scraping the bottom of the barrel: petty businessmen, such as O. Badock, who made gut for musical instruments in Scarborough, and Gottlob Ulmu, a baker and confectioner in Sudbury, were closed down. It is appropriate perhaps that the last organization to be wound-up, announced in *The London Gazette* of 27 June 1919, was an example of sheer vindictiveness: the Board of Trade ended the existence of "The International Geneva Association of Hotel and Restaurant Employees," founded in 1877, whose membership comprised waiters of possible German background.⁶³

Spitefulness, however, played but a minor role in the Advisory Committee's motivations. It reported in 1918 the investigation of forty-five kinds of businesses (of 960 total to that point), ranging from button manufacturers to heavy industry. The most numerous of these categories were chemicals (32), clothiers (33), engineering and building (36), machinery (39), metallurgy (48), electrical equipment (41), publishers and stationers (44), shipping (55), and textiles (56), all of which were significant in prewar Anglo-German rivalry or areas in which Germany had held a clear lead. 507 (the final figure in 1919 was 583) of the firms prosecuted were wound-up and ninety-five sold to British interests in lieu of winding-up; thus a total of 602, or 63 per cent of those charged, were convicted under the Trading with the Enemy Amendment Act. Only ninety-five firms were absolved; a further twelve firms survived because they were considered necessary for the war effort; and 174 firms escaped for a variety of special circumstances, including individual examples of patriotism, or because they were run by "friendly aliens," such as Czechs or Poles. Thus the total of firms allowed to continue operations was 281, or 29 per cent of the total cases brought before the Advisory Committee. The conviction to acquittal ratio from 1916 to the spring of 1918 was 63 per cent to 29 per cent.⁶⁴

⁶²An important exception was the winding-up British branches of major German banks, such as the Dresdener, the Deutsche Bank, and the Disconto-Gesellschaft in the summer of 1918. A further Trading with the Enemy Amendment Act was passed in August 1918 to facilitate this action.

⁶³By September 1918 a number of hotel and restaurant employee's clubs were wound-up. This occurred because of the public's association of waiters with German nationality. The scope of the 1916 act had to be increased to stop this kind of activity. (Minute by H.A.P. [Payne], 30 Nov. 1917, PRO, BT 58/55/COS9221.)

⁶⁴"Report to the President of the Board of Trade . . ." by Moon, 16 Apr. 1918, *Sessional Papers*, 1918, Vol. XIII [Cmd. 9059]. A small number of firms met miscellaneous fates which accounts for the missing eight per cent. The kinds of results cited above are the main ones and could be expected to

There are two ways of interpreting the British government's actions under the Trading with the Enemy Amendment Act of 1916. They can be attributed to hatred of the enemy as the war intensified, with propaganda portraying Germans as wanton murderers and "baby-killers." Early economic warfare was restrained, allowing certain categories of non-war exports to go to the enemy through neutral countries and prosecuting a few small businessmen who broke the Trading with the Enemy Act. But the low numbers of prosecutions satisfied neither public opinion nor backbench Members of Parliament, who wanted a full stoppage of trade with Germany, for moral and economic reasons, and resented any German commercial activity in the United Kingdom. British nationality laws left German businesses in the United Kingdom in operation but increasingly vulnerable, and in December 1915, the government was forced to crack down on German firms in an exceptional action under British practice. In this way, German firms could be shut down and the public handed a means of getting at the enemy that was eluding them on the battlefield. The success rate of almost two-thirds in ending the German business presence in the United Kingdom was more satisfying than the odd miscreant sent to prison or fined for exporting miscellaneous items indirectly to the enemy. Thus the 1916 act should be seen as the product of the failures and hesitations of the government to stop all contacts with Germany, but its main cause was the emotional response to the war from 1916.

Yet there was also the pragmatic, economic side to the assault on German-influenced businesses. It stemmed from the prewar Anglo-German economic rivalry, the "most profound cause" of the antagonism that resulted in war.⁶⁵ The government presented the Great War to businessmen as a means to capture the enemy's trade through business as usual. When this concept proved unworkable, frustration focused on German companies continuing operations in the United Kingdom itself. As debates in parliament clearly show, the 1916 amendments to the Trading with the Enemy Act were intended to achieve what had hitherto been impossible in peace and war — to stop the German economic engine or to allow British interests to take over large portions of it. Thus the 1916 law cannot be explained solely by wartime necessity: it was driven by commercial envy as well as by the state of war that existed between Germany and Great Britain. The war provided an opportunity to destroy German economic competition which had for decades been a thorn in the side of British business. From 1916 to 1919, the British government indeed captured the enemy's trade, at least within the United Kingdom, an ambition that had proved impossible under the rule of business as usual.

To illustrate the success of the policy, Henry Payne, comptroller of the Companies Department of the Board of Trade, listed in a memorandum a number of important industries which British interests had taken over as a result of the war. Before 1914 Germany had led in the production of synthetic dyes. Now British interests had acquired two factories which were turning out dyes and products needed for their production. Important German interests in transporting, selling, and distributing oil had been sold by the Public Trustee to the Anglo-Persian Oil Company. The Osram Lamp Works, one of the largest electric light manufacturers

remain consistent until 1919.

⁶⁵P.M. Kennedy, *The Rise of the Anglo-German Antagonism 1860-1914* (London, 1980), p. 464.

in the United Kingdom, became a British Company, as did Incandescent Gas Mantles, whose raw material (nitrate of thorium) was now under British control. The manufacture of magnetos, once a German preserve through Bosch of Stuttgart, was now under British control in the United Kingdom. These are but a sampling of the kinds of interests in which Britons acquired German property through the amended Trading with the Enemy Act.⁶⁶ As has been pointed out, "Some major British companies were virtually created from the sale of German assets," including English Electric Company and General Electric.⁶⁷

Historians of international relations rightly emphasize the divisions among the great European powers that existed before 1914; but there were also many ties among them, none more important than international business connections. Moreover, according to the *laissez-faire* ideal of industrial capitalism, governments were expected not to interfere with business concerns: the gold standard was universal, contracts were sacred, and the pursuit of profits knew no borders. The Great War destroyed these assumptions. From 1914 to 1918, belligerent governments imposed restrictions and red tape on businessmen in an unprecedented manner. Nowhere were these changes implemented more vigorously than in the bastion of prewar capitalism, Great Britain. Economic warfare against Germany began in a moderate manner, with restrictions on trading with the enemy but with due regard for many of the merchant state's prewar economic interests and for international law. In the war's early stages, important elements in the government displayed a pro-business bias, and convictions under the trading with the enemy laws were few. By 1916, however, emotion coupled with economic opportunism produced an all-out assault on German businesses in the United Kingdom which law and custom had hitherto protected. Under the cover of national interest, the British government and its bureaucracy pursued a policy more reminiscent of the privateers of Elizabethan England than of the civilized business customs of Edwardian Europe.

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⁶⁶"Memorandum as to Winding up of enemy businesses," by Payne, 29 Nov. 1917, PRO, BT 58/55/COS9619. This is a long memorandum in response to a request by Prof. L.T. Hobhouse who was preparing an account of the activities of the Board of Trade during the war.

⁶⁷Panayi, "German Business Interests in Britain," p. 254. A final point needs to be made regarding the motivation for the 1916 act: it is clear that the British government was not retaliating over similar German action against British businesses in Germany. As late as November 1917, Henry Payne admitted that: "We have very little information as to what has been done in Germany with regard to British businesses . . ." He was aware of only one case — concerning the Gas Works at Hanover, a subsidiary of the Imperial Continental Gas Association — whose sale had "the appearance of something like confiscation . . ." He admitted, however, that there might be mitigating circumstances about which he had no knowledge. It can be concluded from the observations of this senior official at the Board of Trade, that there was surprisingly little mention in Whitehall of hostile German actions. Hence, the possibility that the German government might also be confiscating British property did not influence British policy. ("Note by Mr. Payne," 6 Nov. 1916, PRO, BT 198/1.)