
H-France Review Vol. 2 (October 2002), No. 98

Martin Horn, *Britain, France, and the Financing of the First World War*. Montreal: McGill-Queen's University Press, 2002. x + 249 pp. Tables, notes, bibliography, and index. \$75.00 US (cl). ISBN 0-7735-2293-X.

Review by Sally Marks, Independent Scholar, Providence, Rhode Island.

It is commonplace to talk of American economic and financial emergence in World War I, but, by and large, only specialists in financial history have paid much attention to how this happened or to the problems inherent in financing the Great War. We know that Britain and France borrowed heavily in the United States, but the knowledge of most of us does not extend a great deal further. Martin Horn sheds considerable light on these and related subjects in his study of what he rightly terms a key element in the twentieth-century relationship of Britain and France, and their respective and joint relations with the United States.

Perhaps the first question regarding a work of financial history is who should and can profitably read it. The answer here is a wide variety of students of twentieth-century history. Specialists who have read Kathleen Burk's

Britain, America, and the Sinews of War, 1914-1918 (Boston: George Allen & Unwin, 1985), which primarily address the several British special wartime missions to the United States, and have slogged through Georges-Henri Soutou's monumental *L'Or et le sang* (Paris: Fayard, 1989), which surveys the full gamut of economic goals of all major combatants with only secondary attention to financial matters, mostly British, will be familiar with some of the material Horn presents. In general, he endorses Burk's views while sometimes adducing additional factors. Soutou is mentioned less frequently and less favorably. However, Horn's far-ranging research in British and French governmental and private archives and in American private collections extends to a number of sources apparently not available to Burk and Soutou, including the records of the Bank of England and the Banque de France. In addition to an entirely new focus specifically on the Anglo-French relationship, of itself and regarding New York, Horn elaborates in detail topics such as the bitter rivalry between the Bank of England and the British Treasury, over which neither Burk nor Soutou lingers at any length.

The less specialized reader may skim some of the detailed financial negotiations but will still find much of value. Horn is careful to define all terms, even direct versus indirect taxation, and to provide political, military, and social contexts. His prose is mostly clear and graceful, though more dates would help at times, and his thumbnail sketches of individuals, such as the arrogant anti-foreign John Maynard Keynes, are both useful and enlivening. He presents problems which warrant thought: for instance, France's difficulty in prosecuting a war for survival with her ten richest and most industrial departments--the source of her coal, iron, and steel--occupied by the invader. The implications for taxation, arms production, trade balances, and the stability of the franc were profound as France became heavily dependent--with financial complications--on British iron, steel, and coal. Half her imports from 1915 to 1917 were from Britain, whereas British imports of French luxury goods declined during the wartime emergency.

Nonetheless, neither state had difficulty in raising funds internally. The problem was external finance, meaning dollars, to purchase goods not available within the country or its empire and to finance the same by other Allies. Britain could sell securities in New York or use them for loan collateral; France could not, for there was no American demand for the Russian securities in which it was heavily invested. Both floated loans via the House of Morgan (whose relations with France were generally strained) which sometimes did poorly because Americans were unsure who would win the war. Beyond that, in November 1916 the new Federal Reserve Board, whose entire system was created after the war began, warned against purchase of short-term Allied bills. In part, Woodrow Wilson was flexing his muscles both in general and against the Republican House of Morgan, which had tried to unseat him in the election just past.

As Horn makes amply clear, some factors were constants throughout. In London, several kinds of infighting were nonstop and acute. But across the Channel, France was battling for survival, it had a lesser role in global finance, and the National Assembly abdicated its financial responsibilities to the ministry at the outset and adjourned for some months; political battles were less intense in Paris until the crisis eased. All factions were agreed on conserving France's large gold reserve to protect the currency and national morale in the face of repeated British demands for gold shipments in return for loans in order to increase London's small reserve. Britain was determined to gain gold from its allies, especially France and Russia, to remain on the gold standard and to retain its prewar global financial dominance in the postwar world. Key Americans, such as Wilson and Benjamin Strong, governor of the Federal Reserve Bank of New York, early scented an opportunity for a decisive American financial role and decided to make the most of it. Among other things, Horn's book reminds us of the self-centeredness of states and some individuals.

Horn, who handles evidence cautiously and carefully, deals particularly closely with the first part of the war, reaching 1916 two-thirds of the way through the book. The Allies improvised (and competed) in hand-to-mouth fashion, relying on short-term expedients, partly because the short-war illusion lingered until mid-1916 in the form of "only six months more" and partly because military needs mushroomed so extraordinarily that all budgetary planning was rendered obsolete within a few weeks at most. By mid-1916, France had reached virtual financial collapse, forcing dependence on regular British subsidies. By then as well, Britain was realizing that it could play its traditional role of subsidizing continental allies or it could raise the conscript army Lord Kitchener demanded, but not both without large-scale help since mass armies are costly. American entry into the war brought salvation to both countries as Washington took over funding the Allies, displacing Morgan and intentionally controlling financial relations thereafter. Horn devotes a chapter to outlining how American entry altered the financial situation and the Anglo-French relationship, both for Britain and for "the fatigued France of 1917" (p. 168) without ending their competition, which now focused on "rightful" shares of American monies, but he does not trace the last eighteen months of the war in detail.

Horn argues that although Britain was running out of money in the spring of 1917, it could have continued fighting without American entry into the war. He is not entirely clear here, but this continued effort apparently would have been on a smaller scale. However, he maintains, surely correctly, that Britain could not at the same time continue to subsidize its allies, including France, and that without France, the war was lost. In this sense, American intervention was financially decisive. Horn's brief "Conclusion" is in fact an afterword, ably sketching the tense interwar Anglo-French relationship, as factors afflicting their bumpy wartime alliance became more acute and Britain reverted to balance of power politics. He suggests that London was foolish to see France as a threat in the early 1920s and should have known that it was too weak financially to exert much power abroad. However, in the end something was learned from the 1914-1918 experience in that the two powers jointly made extensive financial plans in 1939 covering both their empires as well as loans to neutrals and were closer during 1939-40 financially than in other respects. They now knew that they were no longer leading financial powers and could not each be independent. That co-operation aside, Horn's book reminds us that in

1914 Britain and France had been enemies for centuries and friends only for a decade. The distrust lingered, both in wartime finance and in other spheres, and poisoned the relationship long thereafter. Equally, these long-time great powers did not find it easy to accept a secondary role in the face of the new American economic and financial dominance, but, as in 1917-18, the altered situation did not simplify their testy relationship.

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ISSN 1553-9172