THE TREND TOWARDS THE SUPERSESSION OF ECONOMIC NATIONALISM
BY INTERNATIONAL ECONOMIC INTERDEPENDENCE
AS A CONTRIBUTION TO THE THEORETICAL BASES OF WORLD ECONOMICS

by

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CHAPTER I
NATIONALISM

PART I: ORIGINS OF NATIONALISM.

The concept of nationalism embodies three terms, nation, nationality, and patriotism. A nation is the people of a sovereign political state. (1) A nationality is any group of people united through the possession of a common language and historical traditions to such an extent that they feel themselves to be a distinct cultural society. (2) This sense of group solidarity is not necessarily based upon race unity or nationhood. Thus the French nation is a composite of thirteen races (3) and contains minor nationalities such as the Catalans, Provencals, Basques, and Flemings. (4) The subordinate nationalities of Czechs, Slovaks, Poles and Yugoslavs did not attain to the political self-control of nationhood till after the World War.

The sentiment of patriotism goes back to ancient times. Groups have long had a consciousness of solidarity and have been loyal to the dictates of the rulers,

"but not until very modern times have whole peoples been systematically indoctrinated with the tenets that every human being owes his first and last duty to his nationality, that nationality is the ideal unit of political organization as well as the actual

(2) Ibid, PP. 5 & 21.
(3) Buell, Raymond Leslie, "International Relations", P. 75.
embodiment of cultural distinction, and that in the final analysis all other human loyalties must be subordinate to loyalty to the national state, that is, to national patriotism." (1)

Nationalism as we know it today is a "modern emotional fusion and exaggeration of two very old phenomena — nationality and patriotism." (2) It is a mental attitude, a mind-set. It embodies a belief in the superiority of one's own nationality, its "manifest destiny", and in its divine mission. This superiority complex of nationalities had its distant origins in the forces which brought about the original differentiation between national groups.

During the fifteenth, sixteenth, and seventeenth centuries the peoples of different areas in Europe acquired a growing sense of difference from each other due to changes which occurred in four fields: language, politics, commerce, and religion and culture. Latin had long been a unifying bond throughout Europe due to its universal use as a written language, but in these centuries the rise of vernaculars from the spoken to the written form broke this bond. The invention of printing, the Humanists, and the desire of religious and political controversialists to reach large numbers of people encouraged the development of the local written languages. (3)

Political changes centered about the rise of national monarchies. Able monarchs in England, France, Spain, Portugal, and Scandinavia, became leaders in the fight against the power of the pope at Rome and the Feudal

(2) Ibid. p. 6.
(3) Ibid. pp. 51-4.
nobles. The conciliar movement, the study of Roman law of corporations, writers like Machiavelli and others who apotheosized the state and preached for unity, all contributed to the development of a concept of national groups capable of possessing sovereignty. (1)

In the field of commerce Italian cities gained control of the routes to Asia and German kings monopolized the output of their own gold mines. Northern and western Europe had to pay heavily for the precious metals and other products brought from the East by the Italians. It was only natural, therefore, that the maritime states bordering the Atlantic should feel a divergence of interest from the Italians and Germans and do their utmost to secure a tax-free route to the Indies. Portuguese sailors achieved this goal by discovering the possibility of rounding the Cape of Good Hope. But when Portugal monopolized this route for herself, it set her off from the other aspirants. Spain established an American source of gold and silver, and one by one the states were driven to adopt the policy of governmental (royal) assistance to trading ventures. (2) The doctrines of Mercantilism both attested and increased the existing national consciousness. They led to an emphasis upon colonies as a source of wealth through shipments of bullion and the promotion of a favorable balance of trade. This demanded naval power and a strong merchant marine. The financial gains of the individual were identified with benefit to the nation (the king usually had a tax, "royalty", (1) Gettell, Raymond G., "History of Political Thought" p. 7. (2) Moon, Parker T., "Imperialism & World Politics" 9-12.
on all bullion shipment and won both applause from the people and support from the monarch. Resulting friction on the high seas over trade routes led to international wars and through them to national heroes whose laudation and worship gradually resembled the homage paid Christian saints. Both wars and hero worship had a reciprocal action on the stimulation of national solidarity and differentiation (1).

In addition to the linguistic-literary, political-military, and commercial-economic changes which enlarged the nation concept in Europe during these centuries, the Protestant Revolt must also be acknowledged a potent factor. In addition to its dominant religious motive this was also a political-economic reaction. The reformers made frequent use of nationalist appeals from the dominance of the Holy Roman Empire ruled by the Italian Pope. (2) They encouraged the rise of independent protestant churches. (3) Each dissenting group became possessed of a belief in the superior validity of its doctrines. From this it was but a short step to the idea of a divine mission and the national religious ideal became the source of many wars and insurrections. (4)

(2) In his contest with the popacy Luther got much support from trading and landholding interests which objected to the financial exactions of Rome. He also made frequent appeals to the German national sentiment against the Italians. In association with the German princes he worked for German independence from Rome. Melancthon, a disciple of Luther upheld the national idea of separate and independent states as opposed to the world empire concept of the Holy See. Gettell, History of Political Thought, pp 149-52.
(3) Wyclif's nationalist spirit and antipathy to Avignon rule bore early fruit in the English independent church. In general Protestant churches taught individual belief and this made it necessary for them to have a church government which was not dependent upon the Roman Catholic
These changes in religion, commerce, politics, and language developed national consciousness among different groups but the attainment of modern nationalism, as we have defined it, was contingent upon the political upheaval of the French Revolution, the economic transformation of the Industrial Revolution, and the intellectual-philosophical doctrines of popular sovereignty, rationalism, and classicism. (1)*

The French Revolution was accompanied by the rise of the "third estate". This meant a breaking down of class distinctions and the possession of land by many serfs and peasants who had previously owed allegiance to the emigré feudal barons and ecclesiastics. When the dispossessed exiles secured the support of other nations to attack the new republic, the citizens rose en masse to the support of their land. These agricultural peasants, now landowners where before many had been mere tenants, realized that the attacking hierarchy. But church and state had so long been welded together that the first step in their separation went no further than to break away from the dominance of the Holy Roman Empire and a seeking of protection in an alliance with national monarchs.

(4) It may seem fantastic to trace back this far the "aggressive altruism" of modern imperialism but I believe that there is such a great similarity between the zeal for religious reform of heretics and the Christian-civilizing motive of early imperialists that arguments may be adduced in favor of the connection.

(1)*-- Hayes, Carlton J. H., "Essays on Nationalism" 41-4.
nations wanted to put them back into their former conditions of servitude. They were accustomed to think in terms of land holding and the inviolability of boundaries against trespass. Hence they quickly appreciated the threat embodied in invasion and eagerly responded to the call of defenders of the "father-land". Duchies and provinces were now united by a common bond of solidarity, a defense of the "sacred soil" against the invader. Thus for the first time in history there appeared an army of citizens defending their new won democracy, popular sovereignty, and the "terra patria." (1) Following the defeat of the attackers there came the outward thrust and the empire-dream of Napoleon aided by the loyalty of the people who still feared the loss of their recent gains and were inspired with a missionary zeal to spread the new gospel. Other nations were impregnated with the doctrines of natural rights and social contract which stimulated the French Revolution but instead of welcoming the invading troops who brought to them the gains of the liberated Frenchmen they sided their kings against the revolutionary armies. The reason for this paradox may be in their own desire to protect their lands from the invader*(1) and the use which had been made by the monarchs in spreading the unifying doctrines of national superiority, genius, and mission. (3)

*(1)-- Some may see in the functions of the nation as a preserver of property rights a cause of nationalism that has been overlooked. However, this idea is implicit in the statement of the preceding paragraph
As in France, compulsory, national, elementary education was used to disseminate the nationalist ideas and secure solidarity through language uniformity. The new nationalist journalism and compulsory military training were also widely used as means to this end. The French Revolution both directly in France and indirectly in other countries:

"stimulated the lay state at the expense of the church and, while allowing to individuals a considerable latitude of ecclesiastical affiliation, it inculcated the doctrine that all citizens owed their first and paramount loyalty to the national state and it prescribed quasi-religious rites before alters of la patrie and over the remains of the dead fallen 'pour la patrie.' It inaugurated such nationalist forms as the national flag, the national anthem, and national holidays. It insisted upon linguistic uniformity." (1)

The second member of this triumvirate of causes of modern nationalism was the Industrial Revolution. The immediate effect of the improvement of industrial methods and mass production was nationalistic. Internal trade developed much faster than external due to the presence of a common language and currency. The Industrial Revolution also that citizens rose to the defense of their country in France because they feared the loss of their newly won property rights. Furthermore, in those days very few of the lower class held property at all, and the result of an invasion and conquest was merely a transfer of tithetax paying from one monarch to another. Today, now that war has become economic and citizens are property holders, there is more to be said in favor of the viewpoint that nations deserve the allegiance of their citizens because they are the guarantors of their property rights. Nevertheless, it must not be forgotten that the act of waging war means the limitation of these rights and their confiscation in many cases by the home government. And none of the above would go to disprove the superior ability of some international government to guarantee property rights in all countries with much greater surety than they can be held in these days of "International Anarchy."
sided nationalist by fostering democracy (x) through improvements in means of transportation, communication, and the status of the masses; by making possible nationalist journalism, education, and modern military organization. (xx) The ultimate international and anti-nationalist effect of the Industrial Revolution will be developed in Chapter Eight.

The political and economic revolutions outlined above had an unconscious and unplanned effect in stimulating nationalism, but the intellectual movement known as Romanticism was a purposeful stimulant.

"It had a pronounced nationalist bent. Its interest in common men and common things stimulated the study and revival of folkways, folk-legends, and folk-music. Its appeal to history meant an appeal to folk-history, to adorned tales of the 'good old days' of fanciful national independence and national integrity. Being a literary

(3) (Page 6)— Delaisi, Francis, "Political Myths and Economic Realities." 219-224.


(x) Democratic concepts helped to spread the sentiments of unity, for citizens express a more fervid allegiance than do subjects. But neither Delaisi nor Hayes draw the distinction as clearly as it should be drawn between the loyalty of subjects to their monarch upon a purely emotional basis and that of citizens to the state which is part theirs and whose land demands protection similar to that which the landowning citizen gives to his own plot. The self-preservation reaction of the latter is a much stronger motive for allegiance to the state under a democracy or republic than the pure loyalty owed to a monarchial State.


movement, romanticism exalted folk-language and folk-literature and folk-culture; being philosophic, it attributed to every folk a soul and inherent mental qualities and distinguishing manners and customs; being emotional, it tended to consecrate the peculiarities of national life and to inspire a popular worship of nationality. (1)

The movement spread rapidly. The rejected ideas of the French revolutionists became nationalist goals. Scholars preached language unity and a common heritage distinct from the culture of the ruling monarchs who vainly attempted to repress a movement which they themselves had initiated. All who claimed to fight for national independence took rank as heroes in the eyes of the population. Napoleon was born of the national myth and overthrown a generation later by the same myth in the hands of his enemies. And these last met the rumblings of their Waterloo in the revolutions of 1848 which gathered force so that by 1871 national governments were in power all over central Europe. (2)

The movement was usually accompanied by a striving for democracy but not always, as proved by the German monarchy, the Japanese Empire, and the Russian autocracy. In each of the latter two, however, a strong national religion made up for the popular sovereignty allegiance of democracy and in all three national education, journalism, and military training, were used by the ruling class or monarch to spread the doctrines which assured the unquestioning devotion of the citizens to any policies inaugurated by the state. (3)

Even though "national" states were set up throughout Central Europe by the last quarter of the nineteenth century, the problem was far from being solved since most of these states contained subject minorities who were infected with the virus of national destiny. Their assimilation was hindered by their possession of the same sort of propaganda which brought the larger groups together. The problems of the Poles, Czechs, Slovaks, Magyars, and other carried on till the World War and much was done at Versailles under the pretext of liberating oppressed nationalities, although, as will be shown later, the wars for national independence are far from being concluded if the present system continues.

PART TWO: THE NATURE OF NATIONALISM.

Just what is the potent concept which builds empires and dissolves them, which unites peoples against a common enemy and then sets them against each other? Mention has been made above of some of the essential ideas, myths, as Deleisi calls them, (1) embodied in the nationalist complex.

(3) (Page 9) -- Hobson states that the Church has always been upheld by the classes controlling the church because of the value of religious teachings as a spiritual soporific to allay the discontent of the poor with their meagre portion. However, now that the Church is losing its hold upon the masses some new dogma is needed to assure the requisite docility of the masses. This is found in the new religion of nationalism and the reactionists have turned to the schools as the means of instilling proper patriotism and raising loyalty to the state to that plane of absolutism which was formerly held by religious dogmas. Then through their control of the state they are able to swing the populace to the support of any policy such as protectionism, imperialism, or militarism which benefits the reactionists yet harms the consumers. Hobson, Democracy After The War. pp 182-4.
He maintains that nationalism is essentially an agrarian myth. From the principles of landownership (1) familiar to the common people there has been transferred to the state the idea of the sanctity of the frontier to be defended against all invaders, innocent, harmless, or otherwise, derived from old concepts of trespass. A frontier incident, a violation of territory, can be easily understood by people inheriting agrarian notions. (2) It is construed as a menace to popular

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(1) — Illuminating to non-agricultural Americans may be this incident given by Deleisi as a footnote to his explanation of the rigor with which boundary rights are upheld in Europe: "A few months before the war, a young soldier on leave who had climbed into a cherry tree, was shot by a Sarthe farmer to whom the cherry orchard belonged. During the legal proceedings, the presiding magistrate indignantly rebuked him for having fired at a man for a handful of cherries. But the farmer denied having killed a man for cherries. Had the soldier taken them from his basket, at the market or on the public road, he probably would not have troubled even to commit him. But the unfortunate soldier had crossed over a private fence into the land that did not belong to him and he had acted as if it were his own property. This violation of the sovereign rights of proprietorship was, in the opinion of the farmer, deserving of death. Genuinely convinced of his right, he was merely defending a sacred myth that was being violated. The actual harm done was to him irrelevant to the issue."

"Tell a man with this outlook that a German patrol has crossed the frontier and he will concur in general mobilisation and start off for the war without a moment's hesitation." Deleisi, op. cit., pp 154-6.

(2) — From the sacredness of deeds to property the popular mind has transferred the ideas of inviolability and permanence to written treaties in which the boundaries of nations are delimited. Since these are deposited in the national archives they are forever available, when a nation covets a particular area, to prove that sometime back in the dim ages the desired province had belonged to the nation.

"Thus is the whole sequence of events in history interpreted and appraised! When a treaty in the course of centuries had embodied a diminution of territory, it is described as a violation of right by force and is therefore devoid of legal validity. Revenge is legitimate, and the victorious general who enables it to be turned into a "scrap of paper" performs a glorious act. On the other hand, every act of force, which involves extension of territory, confers a definitive right of possession; should the annexed territory be subsequently lost in another military
It is construed as a menace to popular security and a righteous cause for a "defensive war." Hence the ten kilometer withdrawal of the French from the German Frontier in August, 1914, so that France might arouse her people by proclaiming that German cavalry were the first to cross the boundary; and hence the corresponding report spread by the Germans of a French aviator flying over Nuremberg the day that war was declared. (1)

Foundation for another one of the myths of nationalism is apparent in the feudal background of duelling under which system any personal affront could only be expunged by a formal challenge and a duel under prescribed conditions. Nations have adopted the concept and sacred national honor has replaced a system which the same nations long ago made illegal for their citizens. (2) However, the symbolism is still easily understood by the people and furnishes a convenient means by which a chance incident may be raised to the holy plane of an insult to the nations honor. Whereupon the people clamor for the war which the leaders want and are now "forced" to declare. Unfortunately, the concept of national honor does not mean that a nation should be honorable in its relations with other nations. Instead of being a chivalrous drive to justice and fair play among nations it is "a spiritual justification for the securing of financial advantages by certain classes and even for the extension of imperialism. . . . National honor is the bridge between nationalism as a religion and militarism as an art. . . . National interests may sometimes be submitted to international arbitration, and national rights may occasionally be compromised by international agreement, but national honour never!" (3)

"gambol, it will always be legitimate to seize it again". Delaisi, op. cit., p. 157.
One of the central ideas of nationalism is the claim of distinct attributes which distinguish a given nationality from others. This difference is claimed to be founded in language and race differentiation. It has already been pointed out that language unity is an effect, rather than a cause, of national unity and has been consciously sought after by national leaders as a means of unifying the nation and setting it off from others. (4) Race unity within a given nation, when it is not "proved" by pointing to language unity, is based upon a popular though incorrect anthropology. Some of the easy flaws in the arguments for a pure national race superior to all others are found in the facts that:

"the Italian nation is made up of twenty different racial groups; the French nation of thirteen; the Spanish nation of six; the German nation of five. The population of Great Britain contains three types of Stone Age races, two kinds of Celts, as well as Jutes, Angles, and Saxons... While the 'Nordics' or the inhabitants of England may possess greater skill in organization than the inhabitants of Italy, it is impossible to say that one is superior to the other, any more than one may say that the winner of a hundred-yard dash is superior to the winner of a marathon race." (5)

Yet the Nordic myth has many followers in this country. The popular volumes of a Lothrop Stoddard, a Madison Grant, or an Albert Edward Wiggem continue to have far more influence than the refuting scientific works of Franz Boaz, Alexander Goldenweiser, A. L. Kroeber, Clark Wissler, and others. That is one reason why it is "unpatriotic" to question the myth of national (racial) superiority.

Belief in the single race concept has led to the feeling that all the members of a nation are part of one big family. This makes for another myth based upon popular exper-

(1) Delaissi, Francis, "Political Myths & Econ. Realities" 155.
(2) Noon, Parker T., "Imperialism & World Politics" 71-3.
ience. An insult or injury to one member of the family by
an outsider, one of another race because of another nation,
is taken as an offense to all. The country becomes truly the
"father-land" and citizens brothers.

"When a nation acquires this attitude, it comes to regard
its character as a 'soul' which has sprung out of racial
origins, and as a result it gains a fatalistic confidence
in triumphal destiny. A nation thus regarding itself as a
race usually feels superior to all other races. Once it
adopts a physical basis of existence, it substitutes in-
stinct for intelligence and reason as its guide. The
nation is no longer the product of a people's will; its
acts have now become naturalistic and beyond control.
However, inconsistent the attitude may be, a nation intox-
icated with racial theories is tempted to impose its racial
'superiority' upon the remainder of the world, or to re-
organize the existing national groups upon the basis of a
common racial origin." (5)

As a sort of combination of the above arguments for
historic, language, and racial differences we have the con-
cept of national genius, a type of permanent, race-derived,
mental make-up peculiar to the members of each nation. (6)

(4) Koon, Parker T., "Syllabus on International Relations" 15.
(5) Euell, Raymond Leslie, "International Relations" 75-6.
(6) (Page 14) — Ibid. 72.
(6) National differences do exist but are a result of envir-
onment not of unique biological and zoological variations.
Left alone they would be insignificant in this day of mig-
ration and international exchange of ideas. But they are
so accentuated by the proponents of nationalism that the
present national genii may be considered artificial creations.
The absurdity of the belief in national types which are
race-derived and therefore rigid is shown by the following
quotation from Delaisi: "During the Great War, the Eng-
lishman was loyal, tenacious and generous, eager to pounce
into battle to defend little Belgium . . . Since then, he
has become selfish, perfidious and exclusively interested
in profits and domination. The Italian, only recently so
brave and true, has suddenly developed into a covetous
neighbor, proud and deceitful, the worthy son of Machiavelli
The American, so idealistic and disinterested in the days
of Wilson has been transformed into a rapacious banker,
indifferent to the sufferings of Europe and exclusively
concerned about business. The Frenchman, once the champion
of Right and victim of an iniquitous aggression, appeared
for a moment in the eyes of his old allies a dreadful imp-
erialist preparing to step into the shoes of William II.
And who knows but that the brutal, perfidious and sneaking
Boche of yesterday will not once more become the sentimental,
The national is told that this nation represents the highest development of civilization and that it has the most glorious record in the past history of science or art or drama or literature. (1) He is taught that national manners of thought and speech have been handed down from common ancestors, transmitted from generation to generation through the mother tongue. Thus the national genius achieves a religious veneration among the less educated of the citizenry, becomes a powerful absolute. The national culture becomes something holy which must be both preserved against all encroachment by an inferior (foreign) culture, and imposed upon inferior races, the latter being both a right and a duty: -- whence imperialism, and whence war. (2)

National mythology has been substituted for Christian, thus destroying the international solidarity achieved through the teachings and worship of the church and its heroes. Nationalism as a religion is disintegrating, not unifying, is selfish, ignorant, and tyrannically intolerant, a breeder of war, not peace. (3)

The result of these myths and the deification of the nation has been the subordination of both economics and ethics to the god of national politics. Each nation, being an absolute, owes allegiance to itself alone. Treaties must poetic and pacific German, so loved by the French in the days when Victor Hugo wrote Le Rhin! Delaïsi, op. cit., pp 211-2.

(1) Some particular phase of their civilization in which they lead the world is picked out and held up as an indication of their superiority in all things. If nothing stands out in the present as being particularly noteworthy-- such as British control of the seas, an empire on which the sun never sets, etc., recourse is had to some particular bright spot in their cultural history, such as the Italian painters the French development of the Drama, or Spanish domination of Europe in the early sixteenth century.
ever be precarious under an international law of which "salve
patris lgi supreme lex." The holy spirit of liberty and brother-
hood unites groups fighting for national freedom. Having
achieved nationhood, the spirit of nationality becomes per-
verted into a lust for conquest, for the incorporation of
other nationalities within an empire, and an unwillingness
to allow minor subject nationalities to achieve their indep-
endence also. (1) It results in national economic policies
which, as will be shown later, are harmful both to the origi-
inating nation and the others.

(2) (Page 15) — Delaisi, Francis, "Political Myths and
Economic Realities," Ch. 10.
(3) (Page 15) — Buell, Raymond Leslie, "International
Relations" P. 72.
(1) (Page 16) — Wars of national self-determination are
followed by irredentist wars. National irredentism
(defined as the "desire on the part of citizens or govern-
ment of an independent nation to 'redeem' (l.e.; annex)
regions which are part of some other independent state
or states." — Moon, Syllabus on International Relations,
pp 23-24) is one of the chief causes for war in Europe
today and has been accented by the Treaty of Ver-
sailles. Consider, for instance, Alsace-Lorraine, The
Sar, Sleevig, Vilna, Danzig and the Polish Corridor,
Tesch, and Bessarabia, among others. See Moon, op.
cit., pp 24-32. This problem will be a subject for in-
discussion in a later chapter when the institution of
war is analyzed.
Before taking up the present system in detail, we must sketch briefly the alliances between the political concepts of the national state and its economic policies which have filled the pages of history since the rise of nationalism in the last part of the eighteenth century. Mercantilism, one of the causes of nationalism, was based upon an autonomous political state, self-sufficient in essential raw materials and foodstuffs. National monarchs gave royal support to trading and shipping interests in quest of bullion and luxury goods. Colonies were founded by those seeking religious and political freedom and through the efforts of chartered companies to increase the value of their royal land grants in the new areas. But revolts shattered colonial empires between 1763 and 1823 and tended to cause an anti-colonial reaction in England and Continental nations. This reaction reached its height in the second and third quarters of the nineteenth century. The Industrial Revolution brought mass production in England and resulted in lower prices on goods which Britons sold in markets outside of the British Isles. The tariff policies of Mercantilism stood in the way of marketing these products and the English people found a good commercial reason for turning to free trade. They were also interested in a removal of restrictions so that they might be able to purchase more easily those raw materials which they needed to supply their growing industries. (2)

(1) As explained above, it was also an effect.
The physiocrats in France and Adam Smith in England laid the foundation for the reaction against the governmental restrictions and control which existed under Mercantilism. The pressure of trading interests was strengthened by the arguments of free trade, division of labor, and laissez-faire until through the repeal of the Corn Laws and the negotiation of several commercial treaties Europe was, by 1865, well on the way to the abolition of protective tariffs. This was a very desirable tendency from the point of view of both economic welfare and world peace.

"Already industrialized, Europe drew its raw materials and its food from every country, sending in exchange its manufactured goods and its capital, exploiting new and backward countries and preparing the economic unity of our planet. This admirable system aimed successfully at the increase of universal well-being by a competitive lowering of prices. It was a profoundly pacific system; each nation became the purveyor and the customer of all the others, and their interests were so intermingled as to create a counterpoise to national egoism. The principle of free trade, by turning the economic interdependence of nations into a reality, would eventually have made for universal peace." (1)

But just as free trade was coming into effect as a unifying force, the disintegrating ideas of nationalism blocked its path. The peoples of continental countries were gradually building industries of their own and wished to keep their national markets for themselves instead of having to compete with English goods. (2) The development of transportation and means of communication made it possible to profitably ship bulky and heavy raw material commodities for long distances, thus threatening the life of many long established industries including agriculture. This would have been a

(1) Deleisi, Francis, "Political Myths & Econ. Realities" 261.
(2) Moon, Parker T., "Imperialism & World Politics" 25.
Delaesi, Francis, "Political Myths & Econ. Realities" 262-4.
good thing after the transition had been made and rapid ma-
terial progress would have occurred. But the State, instead
of benefitting the consumer by letting things take their
course, answered the pleas of the industrialists and large
landowners by raising again the tariff walls which had been
decreased under the influence of free trade doctrines. (1)

The return to protectionism had several effects.
It increased the cost of living and raised the manufacturer's
profits. The interested parties thought nothing of subsid-
izing the political parties which promised support; they had
the cash (and made more with every tariff increase) and the
parties had the power. (2) England's rapidly expanding ind-
ustries found their markets out off and the pressure surplus
goods made them turn again to their colonies for an outlet.
Thus nationalism was the cause of the protectionist system on
the continent and it in turn was a direct cause of the renewal
of British colonial expansion which now became known as
imperialism. (3)

The growth of nationalist deification of the state
led to protectionism and imperialism in another way. The
ideas of national political autonomy and complete sovereignty
came into conflict with the growing fact of economic inter-
dependence. When war out off from Napoleon the sources of
sugar and cotton cloth, France for the first time came to re-
alize "that a nation which relied on another for some indis-

(1) Delaisi, Francis, "Political Myths and Econ. Realities" 264-5
Hobson, J. A. "Democracy after the War" Ch. IV.
(2) Delaisi, Francis, "Political Myths & Econ. Realities" 262-5
Hobson, J. A. "Democracy after the War" p. 75.
(3) Moon,Parker T., "Imperialism & World Politics" 25-8.
pensable product cannot be independent in the fullest accept-
ance of the word." (1)

Faced by the likelihood of growing interdependence, nations had to choose between the partial abridgement of sovereignty which this would involve and a policy which strove to prevent or hinder this dependence upon other nations. Even though the agricultural basis of nationhood and self-sufficiency had already weakened before the onslaught of the new giant of industry, the agrarian dogmas remained firmly attached to the changing nations and proved stronger than the facts. Instead of recognizing and encouraging the profitable and inevitable development of industry and international trade, nations made an illogical and harmful choice. The rigid myth of independent states was imposed upon the living reality of interdependent nations to the great detriment of both. (2)

Nations followed out this policy in two ways, through protectionism and imperialism. The weaker nations fostered national industries and sought to exclude foreign made goods so that the country might be economically autonomous. (3) Curious contradictions arose in that business which objected to government interference in national industry clamored for

(1) Delaisi, Francis, "Political Myths and Ecom. Realities" 258.
(2) Ibid. 420.
(3) Fichte and Hegel emphasized the national state in Germany. The appeals of the former for a greater unity and sense of political solidarity among the German people was one cause of Napoleon's defeat. Fichte was logical in believing that economic independence was a natural corollary of the existence of autonomous national states. Therefore he opposed the English theories of free trade and stated that foreign trade should be avoided as far as possible in order that economic self-sufficiency might be possible of attainment.

Hegel was a more extreme nationalist and preached a state which in its foreign relations was above morality, Machiavellian doctrines of expediency being its sole guide. They were one in "a glorification of the national state and a mystic belief in the divine mission of the German people." Gettell, op. cit. pp 316-21.
governmental assistance in foreign trade. Protectionism could not be complete in this endeavor to attain national self-sufficiency and compromise was again made in the system of commercial treaties by which a nation would reduce the tariff on certain imports in return for a reduction of the tariff of another nation upon certain products which the first exports to the second. Tariff wars have resulted and periods of international tension over commercial treaty negotiations have sometimes led to armed conflict. (1)

Stronger nations sought to secure economic autonomy through territorial expansion. These nations found a large part of their power in their industries, which needed foreign markets if they were to expand, and both they and the nation required raw materials. To include the desired production and consumption areas within the political framework of the mother country was the purpose and task of imperialism. Colonies were acquired which specialized in complementary products. The empire was bound together by a navy and merchant marine, foreign investment credits, and colonial governments.

"By ingeniously welding together two contradictory conceptions, Great Britain was able for a century to enjoy all the advantages of economic interdependence without losing anything of its national solidarity. The result has been an unprecedented material prosperity and at the same time a political power such as the world had not seen since the days of the Roman Empire." (2)

Frederich List later became the champion of Protectionism as a specific economic policy desirable for Germany and other nations at that stage of economic development. Cf. also the writings of Gustave Schmoller.


(2) Ibid. p. 270.
Under the pressure of nationalist propaganda by merchants of industrial interests such as the Kolonialverein in Germany and politicians like Jules Ferry in France, other nations of Europe sought colonial empires which would bring the desired political control of economic production. (1) The whole movement towards economic nationalism may be summed up as follows:

"An anti-imperialist, free-trade Europe was converted to imperialism, rather suddenly in the seventies and eighties, when England began to feel the competition of other industrial rivals, when manufactoring nations began to raise protective tariff walls around their own markets and to compete bitterly for foreign markets, when steamships and railways provided facilities for world commerce and conquest, when greedy factories and hungry factory towns called for raw materials and foodstuffs, when surplus capital, rapidly accumulating, sought investments in backward countries, when the doctrine of economic nationalism triumphed over the old individualistic liberalism." (2)

The new protectionism and imperialism were indirect results of the nationalist ideas previously explained. The concepts of self-sufficiency, political autonomy, manifest destiny, innate superiority, and national interests fused economics and politics in the system of economic nationalism. The outcome has been a world unrest and insecurity which has frequently led to war. A full explanation of the inter-relation of these manifestations must be left to the next chapter.

(1) (Page 22) — Jules Ferry has been called the 'apostle of imperialism', and his creed is of interest:
1 -- An industrial nation needs colonial markets because of the tariff walls of other nations.
2 -- "La mission civilisatrice": the duty of civilizing inferior races, of opposing the slave trade, of giving them the benefit of your religion and civilization.
3 -- To accomplish these ends a merchant marine and large navy plus coaling stations are necessary.—Moon, op.cit. p.48.
(2) (Page 22) — Moon, Parker T., "Imperialism & World Politics" pp 56-7.
CHAPTER II

THE NATIONALIST SYSTEM.

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It has already been clearly pointed out how protectionism and imperialism are results of nationalism. The influence of nationalist myths as causes of war was indicated in the discussion of national honor, wars for national independence, and the French Revolution. In connection with the latter it was also explained that the rise of nationalism coincided with the first civilian armies. These were both a result of the agrarian myths of nationalism at the beginning of the nineteenth century and a cause of the spread of these myths through compulsory military training. From this brief summary it will be seen that Militerism, Protectionism, Imperialism, and War may be considered as results or manifestations of Nationalism. These four institutions with their parent, Nationalism, and perhaps a sixth, Capitalism, are united in a unified system by a network of connecting bonds. This chapter will first discuss each member separately, second, their interrelationship in the System, and third, the effect of the system upon national and human welfare.
PART I: MEMBERS OF THE SYSTEM.

Militarism is acceptably defined by Webster as "a military condition, disposition to maintain strong military forces." As an institution it comprises both the facts of armies, navies, and aircraft, and the state-adopted "will to power" produced by accompanying the existence of these instruments of power. Large tax-supported, standing armies come into being with the Industrial Revolution which for the first time made it possible continuously to finance, feed, and equip large bodies of men. These civilian armies spread the militarist attitude throughout the nation by their accounts of victories, heroic exploits, and the dangerous, insidious enemy. Militarism is "the surviving incarnation of pure physical force in a civilization the value and progress of which consist in the supersession of material by intellectual and moral direction." (1)

Protectionism has been defined as "that alliance between the industrialists of a nation and its politicians, which has for its object the greatest possible monopoly of industrial tools." (2) Protective tariffs usually come first to mind at the mention of the term, but imperialistic protectionism is meant the utilization of politics by trades for special economic gain through restriction of free markets. Of protectionism the tariff is the leading instrument . . . Its (Protectionism's) essential activity consists in looting the unprotected consumer and the weaker trades for the benefit of the strongly organized capitalist trades. It connects with Imperialism, partly by retaining and incorporating remnants of the old policy of mercantilism, partly by attaching itself, by special modification of structure, to the sentimental and political design of a united self-sufficing Empire."
tion may also be included and in importance outweighs the tariffs. However, for purposes of clarity, Protectionism will be taken to mean protective tariffs, subsidies, and any special government aid to business interests engaged in national production or trade and in international trade exclusive of imperialism (such as merchant marine subsidies).

Imperialism is of two types, economic and political, the former coming first and usually, though not always, followed by some form of the latter. The establishment of trade with undeveloped and backward areas of the globe inevitably leads to the necessity for building warehouses and securing control, through lease or purchase, of sufficient area for trading and shipping posts. As this trade develops and the hinterland is explored it becomes desirable to build railroads to tap resources away from the coast; mines may seem to offer opportunities for profitable investment; and valuable agricultural products may be produced if irrigation works are constructed. This leads to the investment of capital. But such investment is risky unless in some manner the likelihood of bandit raids, revolutions, or an unfriendly government is removed.

Up to this point there has been mere economic imperialism. Investments may still be made if the investing corporation has power enough to control the local government. But there may be competitors of other nationalities striving for the same profitable concessions and, in order to guard against this competition from nationals of other countries, the actual or prospective investor seeks diplomatic or military support from his government. The amount of support
granted is variable. It may be a mere agreement among governments, including his own, that the backward country shall be divided up into spheres of influence and his area reserved for himself and fellow nationals. Normally this is the method followed where there is no sign of growing nationalist and anti-foreign sentiment in the "backward" country. Loans are then made to the ruling government of the country to encourage purchases from the trading and lending nation. Just by chance, the government may find that it has borrowed more than it is able to meet interest charges upon and has to default. Result: the foreign bondholders request their government to support them in their demand for control of the revenues of the defaulting nation. This might be called the "Three C's" method, — creditors, customs, concessions, for once the creditors get to the place where they control the customs they usually have the government so well in hand that they are able to get most of the profitable concessions for themselves. And the agreements which they make with the government usually include a clause stipulating that no concessions nor loans shall be made to the business interests of any other nation without express permission from the investing group or the government whose nationals are holding the bonds. (1)

Sometimes, however, it is necessary to suppress native rebellions by the use of armed force. Due to the beliefs outlined above under the discussion of nationalism that public interests include those of private firms and individuals, it is not at all difficult for banking interests to use their influence. Cf. for example, the case of Egypt, Noon, Parker T., "Imperialism and World Politics" 222-9.
to appeal to the patriotism of their fellow citizens and get them to offer their lives and money that these uncivilized natives may be taught to welcome the blessings of western civilization. The result of these punitive expeditions may be complete conquest of the country with suppression of the native government and the establishment of a European colonial administration backed by a resident army of sufficient strength to keep down native insurrections. However, it often happened that such methods were a direct incentive to uprisings against the foreigner and in more recent years empire building nations have left a native chief on his throne but have insisted that he entrust both finances and foreign relations to a resident general and other officers sent out by the "mother" country. (1)

These last four methods of securing monopolistic "preserves" for the exclusive use of one country; spheres of influence, pacific penetration plus economic control, colonial conquest, and protectorates, come under the head of political imperialism. Foreign investment will continue whether we will or no, whether the present nationalist system remains or is overthrown, and even though economic imperialism has its evils we are not here questioning its justice or its benefits. But very often trading and investing interests have appealed to their governments for the means of securing exclusive rights to the development of certain areas of the earth and military force, or the threat of force, has been forthcoming due to the prevalent myths of nationalism.

[1]Moon, Parker T., "Imperialism and World Politics"
Delaisi, Francis, "Political Myths and Moon. Realities"
Friction between different governments supporting competing national groups has been frequent. Therefore political imperialism may be considered a part of the nationalist system and an analysis of its working has a proper place in this paper.

The fourth member of the nationalist hierarchy, War, is as old as history and may be thought by some to be unjustly included in this pentagonal system. It was pointed out in the first paragraph of this chapter that nationalism is now directly or indirectly the cause of wars. We might almost say all international war, for the sources of friction among nations by the very fact that they are nations must have a national background or excuse. One can conceive of civil wars in backward countries where the opponents might be rival political or religious groups and of race wars, but these would be national also and rise from the mythical racial bases of nationalism; and of wars between rival economic groups such as capital and labor or capitalist states versus socialist-bolshevik states, but here again the cleavage would probably come over questions of imperialism or naval control of the seas, that is, nationalist ideas. In other words, to say that the institution of war is today a manifestation of nationalism is to state that nationalist attitudes and practices so permeate our whole social, economic, and political order that except for civil war between capital and labor it is difficult to conceive of a war which would spring wholly from such elements of our lives that it could be called preponderantly non-nationalistic. (1)

The next question which arises, now that we have outlined the reasons for including Militarism, Protectionism, Imperialism, and War in our Nationalist System, so called, is whether or not some other common institutions have been left out. A strong case may be made for the inclusion of Capitalism as the sixth member of a hexagonal system. If it were included it would have to come at the center of the atom and join with Nationalism as one of the heavy protons about which the four satellite electrons revolve.

Certainly the spirit of Nationalism would never have fostered tariffs and Imperialism if it were not for the profit motive which underlies Capitalism. In fact it has been shown that the chief cause for the demise of pacific free trade was the protests of the industrial and agricultural interests who found that their industries could not stand the pressure of foreign competition flooding in over low tariff walls. It is of the nature of Capitalism, too, that legislation usually favors it and not the consumers, whence profit-making protective tariffs instead of price-lowering free trade. (1) Then the fact that each nation raised a

Hayes, Carlton J. H., "Essays on Nationalism" pp 164-6, 89. Moon, Parker t., "Imperialism and World Politics", p 240.; Moon, "Syllabus on International Relations" pp 43-6. Furthermore, to abolish war as the means by which nations try to settle disputes would mean disarmament and make recourse to arms less likely in the case of class conflict. It should also be noted that the chief danger to capitalist states, Russia, was the first nation to propose complete disarmament. She evidently believes her ends may be secured by the peaceful means of propaganda and the general strike. One way or the other, there is no justification for keeping the institution of war among civilized nations just because there is a possibility of armed conflict under some other circumstances than international war.

(1) Hobson, J. H., "Democracy after the War" pp 164-187.
tariff wall against its neighbors and found walls raised against its own products led to Imperialism through the pressure of surplus goods, surplus capital, and the desire for sources of raw materials. It was not Nationalism which of itself caused Imperialism, but rather individual business interests which first clamoured for tariff protection in the name of national preservation, and then used the same shibboleths to work up sentiment in favor of profitable (1) imperialist expansion.

Hobson sees Capitalism as the taproot of the whole system. He states that the power of the capitalist class "requires Militarism, Protectionism, Imperialism, the absolute State (similar to our "Nationalism"), and the politics of international antagonism (the institution of War described above." (2) He presents arguments to show that capitalism is able to preserve its autocratic power over labor largely because of its control of Militarism and the agencies for moulding popular opinion.

War distracts labor's attention from injustices received at the hand of capital through low wages, price-increasing tariffs, and tax shifting and evasion. It substitutes an external enemy for the real enemy within and

Cf also Morrison, *The Outlawry of War*, p 240; and Hayes, *op. cit*, pp 154-156: "There is something about modern nationalism which not only brings its devotees to frequent war but keeps them always ready and prepared for war. From nationalism, militarism—the constant threat of war—is nowadays inseparable. It is also inseparable from modern imperialism."

(1) Profitable for them and somewhat for the nation, though see infra, Chapter three, for a discussion of the economic phases of this question.

(2) Hobson, J. H. "Democracy after the War" p 108.
further strengthens the institution of Militerism which may be relied upon for use in industrial conflict. (1) By preaching the absolute state and the doctrines of self-sufficiency which we have labeled Nationalism the masses are led through concepts of patriotism and national loyalty and through fear of the Militerist system of other capitalist states to subscribe to the popularly hurtful yet industrially profitable policies of Protectionism and Imperialism. (2) It is a Protectionism (used in the inclusive sense) which protects profits while endangering both the welfare and the lives of the citizens.

With such arguments I can find little fault but I do not believe that we shall have to wait for the arrival of an order of pure democracy as Hobson interprets it, to see the destruction of the institution of War and the abolition of the System of Nationalism as we know it today. (3)

(1) See Hobson, Part I, Chapters 1-3. Hobson summarizes a note sent to the French Foreign Office in the summer of 1913 by H. Jules Cambon, French Ambassador in Berlin:

"The landlords of Germany were ready to plunge the nation into war in order to safeguard their 'rights and privileges' which concretely interpreted meant the right to escape taxation and the privilege to tax their countrymen by agrarian protective duties.

"The capitalist bourgeoisie wanted war for three chief purposes:

1 -- To settle problems of 'industrial unrest' which threatened revolution, and which they could not hope to settle by constitutional methods;

2 -- To gain lucrative foreign markets and areas of financial penetration;

3 -- To make profits out of armaments, war contracts, and war finance."

Hobson then goes on to show in the next chapter (2) that industrialists take the same attitude in England concerning the utility of the army. Ponsoby corroborates the general idea in his chapter entitled "The Real War" (Ch. 7 "Now is the Time.")

(2) See infra, Chapter 3.

(3) Hobson: The issue is between militerism and democracy. See op. cit., p 42.
trary, as Chapter Six will show, I believe that Capitalism is the chief enemy of The System and that it is towards international trends of finance and industry that the anti-militarist and anti-bellicist must look for his chief support against the institutions of militarism and war. (1)

Having thus weighed the arguments for and against the inclusion of Capitalism in the Nationalist System, we shall leave it out, though admitting that the pressure of the profit motive is without doubt the primary factor which gives the modern sentiments of Nationalism their effect in the production of Militarism, Protectionism, Imperialism, and War.

Mention was made above of the use of the press and other agencies for moulding public opinion in favor of Capitalist-Nationalist practices. Hayes proves conclusively that Nationalism would not have had such a rapid expansion were it not for the existence of cheap journalism and compulsory national elementary education. (2) Some might argue that these also should be included in the system. (3) But they seem to be channels through which ideas are distributed rather than institutions equivalent to the others. If the Nationalist System were changed to an Internationalist System, these

(1) Incidentally, if my theory of increments is correct and the above surmise is true, then Capitalism contains the seeds of its own destruction, for once it becomes international it will be an antidote for the popular Nationalism, Protectionism, Imperialism, and War which are the chief strength of the Militarism without which, as Hobson sees it, Capitalist cannot exist.
(2) Hayes, Carlton J. H., "Essays on Nationalism" p 89.
(3) Hobson, J. H. "Democracy after the War" pp 146-9.
agencies, and others, would be equally useful and similarly accessories to the change. Other minor institutions dependent on the six major ones might be considered, such as landlordism, legalism, the church, bureaucracy, etc., but are too subordinate to merit inclusion. (1)

PART II: THE SYSTEM.

In the selection of the members of The System frequent reference has been made to their interdependence but only the relation of the members to Nationalism (and to Capitalism) has been particularly stressed. Because of the particular thesis of this paper, further emphasis must be laid on the fact that each member is rooted in all the others even though by so doing we run the risk of presenting proof of a point already accepted by some readers.

The diagram which follows indicates graphically the writer's conception of the interrelation of the five institutions:

(1) Hobson, "Democracy after the War" Part I chs. 5 & 6, end pp. 141-9.
The system is such a network of interactions that it is difficult to express all the forces in a single diagram.

(1) The members are really not complete units in themselves because they would not have a separate existence outside of the system but each is sufficiently distinct from the other to warrant the separation which has been made. The relation of Nationalism to all of the four and their reciprocal effect upon it have already been noted. Let us now turn briefly to the influence of each of the four upon the others.

The presence of the world-wide institution of Militarism is one of the chief causes of insecurity and thru it of fear of war. The danger of war is the underlying motive for the gospel of economic self-sufficiency which Protectionism endeavors to accomplish. (2) In relation to Imperialism, it is the means by which strong nations have been able to impose their control upon weaker ones. And to anyone who has studied the effect of the military plans and the armament competition in Europe prior to August, 1914, the effect of militarism as a contributing cause of war is apparent. (3) Indirectly Militarism is the cause of suspicion, fear, and hatred. Directly it is an ever mounting pile of explosive apt to go off at any careless handling by the diplomats or by their intentional jarring of the fulminate of nationalism.

(1) Hobson states that there is an intricate and mutual interplay of material and spiritual interests thru the reactionary system. "The mechanical analogy of an endless chain is not adequate. For the vicious circle is organic and alive. It is a poisonous co-operative interplay of parasitic organisms, feeding on the life of the peoples by mastering and perverting to their own selfish purposes the political, economic, and moral activities of humanity." Op. Cit., pp 145-6. Cf. also Fisher, p. 160; Moon's Syllabus, p 167, and Hayes pp 258-66.

(2) Moon, "Syllabus on International Relations" p 163.
(3) See Fraser, op. cit., Ch VIII and Appendix B, or Page, op. cit., pp 10-12.
In the presence of the war system, both economic and physical defences must be raised against invasion. "Protectionism becomes an essential feature of national defence, an economic militarism" (1) The right to raise tariff walls is one of the attributes of sovereignty but until a nation achieves sufficient military strength to enable it to resist the other military powers, it must accept the tariff they permit (Cf. China, Persia, Japan, etc.). In still another way Protectionism is a cause of Militarism: tariff walls raised by the countries of Europe against one another cause hard feeling, promote Imperialism, both of which are causes of military preparation for war. Finally, tariff disputes at the times of periodic revision of commercial treaties have frequently led to acute international tension on both sides and have been indirectly, through causing hatred, a cause of war. (2)

That Imperialism is a cause of war seems fairly well established by the history of the last fifty years. (3) One of the chief methods by which colonial products and markets are reserved for the mother country is by means of export and import duties. And when it comes to establishing a colonial empire no nation can get very far which does not have large military force, especially a strong navy. In respect

(1) Hobson, J. H. "Democracy after the War" p 76.
(2) Delaisi, Francis, "Political Myths and Econ. Realities" pp 266-7.
(3) Moon states concerning the recent history of international relations, alliances, ententes, crises, and wars, that "Almost without exception they were but surface manifestations of the swift, deep current, of imperialism. And greatest of all wars was caused more by imperialism than by any other single factor." (Op. Cit., pp 3-4) See also Ch. 7, "Business Wars," in Delaisi.
of this, witness Italy in Abyssinia; Britain in Burma, the Yangtse Valley, at Fashoda; Japan in the Far East before 1900.

Lastly we must consider War in its causal relation to the other three members of The System. The institution of War is undoubtedly the chief cause for "preparedness." It is a major determinant of the Protectionist policy of high tariffs to stimulate and protect essential industries. And without the possibility of appealing to a higher court than justice imperialism would never have advanced beyond the economic stage. Finally it must be pointed out that war is the chief cause of War. (1) It emphasizes Nationalism; causes the jingo's pleas for greater armaments to be accepted; as a stimulant to protective tariffs accentuates that isolation and lack of international trade and co-operation which is one of the chief aids to peace; and thru making Imperialism possible has been the cause of all the major wars of the last century.

If we consider the present stage of Capitalism as one of the members of The System, we must expand the arguments adduced when the candidacy of his sixth institution was examined. It is certain that business controls the foreign policies of governments; (2) that finance and diplomacy go hand in hand a mere glance at the history of Imperialism will show. (3) Under the prevalent attitude of identifying economic interests with those of the nation it is possible to rouse a people to the fighting pitch over an oil concession, a tariff threat, or the attempt to monopolize an important raw material. "He who pays the piper calls the tune," and

so long as capital is able to control the government and to profit by such practices as Protectionism, Imperialism, Militarism, and War, these institutions will remain and will be reinforced by heightened and assiduously spread doctrines of unquestioning obedience to the beck and call of the state, i.e. Nationalism.

PART III: THE GREAT CONSPIRACY AND THE GREAT CALAMITY.

There would be no necessity for proving that these five or six factors are interdependent and each working for the perpetuation of The System if the individuals who support one or the other of them were conscious that in so doing they helped them all. Some people see a partial connection between the members but few see the whole as a mutually interdependent system (an organization of mutual support). (1) No one genius planned the widespread network and then set about putting it into effect. The reactionary program was not consciously and deliberately perpetrated upon the nations of the world. On the contrary, it has had a gradual growth and has only within the last generation emerged as a complete system in which the interested groups are bound together by a mutual sympathy and the same sentiments of nationalism. (2)

Nevertheless, now that it has come into being and proved its usefulness, certain groups have become conscious of the utility of nationalistic dogmas and are deliberately,

(1) Pacifists see the connection between militarism, imperialism, and war. Imperialists see the need for large military forces. Militarists play up nationalist myths so that citizens will give ready support to armament expansion programs and declarations of war.
(2) Hobson, J. A. "Democracy after the War" p 101.
and sometimes, though not always, maliciously trying to perpetuate the System, even though, because of the fact that each member draws life from its roots in the others (1), there is little chance of rapid death through neglect.

Therefore, even though this section is headed after Ponsonby, "The Great Conspiracy", we have also added, "The Great Calamity." The System did not come into being by virtue of a conspiracy but today there seem to be so many forces encouraging its most dangerous aspects, Militarism and War, that pacifists like Arthur Ponsonby and John A. Hobson are able to present convincing arguments to prove that it is a sentimental (Nationalist) alliance perpetuated by a few who are consciously working for selfish ends and a host of unconscious allies. Let us briefly examine their case. (2)

The "Great Conspiracy" is the "fixed and sustained determination of Authority to popularise war." (3) What is Authority? "It is the established ruling mind." This includes the traditional conservative position of all the reactionary forces in society. No one group is alone responsible, not the government, the judiciary, the cabinet, the bankers, the capitalists, the military officers, or their subordinates. Yet the statements and attitudes of all of these put together and the total power of the established rulers in all classes plus their satellites constitute an Authority against which only a brave man will rebel. There is an intangible and dominating tradition which discourages criticism, individuality, or originality in anything, especially in

(2) Ponsonby, Arthur, "Now Is the Time," Ch. 2, p. 32.
(3) Ibid., p. 35.
ideas relating to the conduct of the State. Those who think for themselves and go contrary to "the established ruling mind" will feel the strong arm of Authority pushing them back into the groove yet be unable to assign the final responsibility to any particular individual or group.

"Authority, indeed, is a necessity in human society and it operates in many useful ways, but its residence and scope are not fully understood. The fact that it extends behind and beyond the people who ostensibly represent it is not generally recognized. Governments can be blamed; but so far as our social, official, and political development has gone, Governments form only a comparatively small part of Authority, and their power would have to be very considerable to alter its nature and traditions. Ultimately the people themselves are responsible. If there are regrettable, undesirable, or evil elements in the character, and proceedings of Authority, the people who tolerate and support Authority are alone to blame. But as matters stand they are ignorant of the power which controls them." (1)

Why does Authority want to popularise war? Because Authority is built upon tradition and must be conservative. It cannot risk being progressive. War has been sanctioned by tradition as a world institution; it seems likely to remain. Hence, in accordance with the custom of conservatively upholding all present institutions of long standing, Authority must represent it as glorious, heroic, and patriotic.

"This must be done, otherwise there may be a hanging back, a lack of enthusiasm, a fatal caution, a harmful hesitation when the time comes. War must perpetually be represented to the people as a necessity which may arise at any moment, and the people must be taught in such a way as to create an instinct that if their country is declared (italics mine) in danger it is their bounden duty at once to be ready to make the highest sacrifices. Authority cannot leave to chance the popularity of war. This would be too dangerous. Its full weight must support the country in its hour of need, and to do this the idea of war must be made as attractive

(1) Pensonby, op. cit., p. 37.
as possible and the active services raised to the highest point in the public estimation. If Authority did not see to this the people might be inclined to wait, consider, criticise, and argue and the consequences of this might be serious." (1)

How does Authority popularize war? War is preached as a necessary evil. It is bad, yes, but it is inevitable. Therefore let us prepare for it and make up our minds to endure its hardships. (2) So far as war right now is concerned, of course it is not to be thought of, -- it would be a calamity. Yet there probably will be war in the future. And that War? Oh yes, that war will have such a righteous cause that its harmful effects will be justified. (3)

The war tradition and a false patriotism is taught in the schools. There is a military bias to history texts and teaching; battles, the success of armies, war heroes, etc., are stressed.

"Pride in size of numbers, in riches, in military achievement, a senseless waving of the flag, a childish sentimental conceit at the mere extent of the Empire -- these are the elements which are impressed on the minds of children as constituting patriotism.... The impression is absorbed that our national greatness is solely dependent on our victories and triumphs of arms." (4)

Soldiers are present in all parades and upon festive occasions so that people come to regard them with special favor as indispensable contributors to the glory of the nation.

"Compare the social prestige of a soldier (the professional destroyer of life), to that of a doctor (the professional healer of life)!" (5) Military heroism is pictured as the

(1) Ponsonby, op. cit., p. 39.
(3) Ponsonby, op. cit., p. 50.
(4) Ibid, p. 41.
greatest of all heroisms. The glamorous side of war is stressed so that the hideous side may be overlooked. The cartoonist and "Hundred Percenter" vents his spleen upon the "coward", "crank", or "traitor," who not only does not join the flag-waving jingoes but dares to speak out with the courage of his convictions. "The very word 'peace' must be made to suggest folly and weakness. Who will deny that authority has succeeded?" (1)

Disillusionment after the war must be avoided by spreading the idea that even though we did not get much good out of the war if we had not been as well prepared as we were, we would have been badly defeated and that if only we had been better prepared, we would have been able to bring home the "bacon" instead of the "rind". The public opinion created by Authority to support the policy of the state at the outset of the war is written up as though it were only as a result of popular clamor that the unwilling diplomats were forced into the conflict. (2) Expenditures for armaments are even proposed on the grounds that it will relieve unemployment. (3)

(1) Ponsonby, op. cit., p. 48.
(2) If this were true, and popular clamor had of its own accord, without instigation from any interests concerned, risen to such a pitch that the government officials had to take steps to declare war, then truly Nationalism is dangerous. For this would mean that nationalist sentiment has become so explosive that instead of being a fairly stable compound which needs a special detonator furnished by the interests at the time that they want war, it has become an unstable explosive that will go off at the slightest jolt, intentional or unintentional. If instead of being useful to the interests) dynamite it has become dangerous picric acid over which its conscious and unconscious creators have no control, all of us should unite without delay to turn the hose of internationalist sentiment upon it. Cf. Kenworthy, p. 73.
(3) Ponsonby, op. cit., p. 52.
The tradition affects everyone and has such an appeal to emotion, sentiment, and instincts of self-preservation that it secures as adherents even intellectuals who ought to know better. There was a professor of history at Harvard, author of a number of well known works and an authority on John Hay and Cavour, who was so duped by the stories of German atrocities and militarism that he forgot all the history of previous wars and became one of the strongest jingoists in this country urging us to enter the war and uphold the righteous cause of the Allies. (1) If a man like this falls prey to such propaganda, what hope is there for the multitude?

There is no special fighting instinct or impulse behind war, but a widespread and cleverly engineered superstition. Ponsonby sums it all up by saying that no one person is responsible; that no one person has conscious evil intentions; each is merely acting upon his interpretation of patriotism and the only difference is that some have fewer scruples than others. (2)

We disagree with this last statement as being too generous. It is true that Nationalism has such a hold upon people that it is very easy for them to rationalize selfish acts into patriotic conduct, but we insist that there are certain economic and psychological drives which continually urge certain groups to act as ringleaders of the mass who uphold Authority. Judging from the history of the Boer War, the Spanish-American War, the Russo-Japanese War, and others there were certain financial groups who definite-

(1) See "Letters of William Roscoe Thayer,"
(2) Ponsonby, pp. 52-6.
ly instigate wars in order that they may gain. The World War resulted from the imperialist-industrial conflict of two great nations, Germany and Great Britain, from the ambitions of statesmen such as Poincare, Sezonov, Izvolski, and Berchtold, and from the pressure of large armaments mainly built up because of international fear and suspicion among European nations in the spreading of which armament firms played a conscious part. (1)

We know that those business classes which stand to profit by a war do very little consciously to oppose possible or impending conflicts. And when we find that the lists of the largest contributors to professional patriotic societies include many men who profit directly from the sale of war supplies, (2) we would have to be extremely generous to support a statement to the effect that no one individual or group of individuals is especially responsible for the perpetuation of Nationalism and the war tradition. Even the most gullible would pause if he realized that the chairman and chief contributor to the American Defense Society was Mr. Elon E. Hooker of the Hooker Electro-Chemical Company, manufacturers of chemicals used in warfare. (2)

(1) Ponsonby, Arthur: "How Is the Time" p 47.
(2) This is a partial list of those in 1919 contributing from $700 to $30,000 to the National Security League, one of the leading professional patriotic societies:

"Nicholas F. Brady, President of the New York Edison Co.; H. E. Rogers, of Standard Oil Company and allied interests; William E. Vanderbilt, Director in several dozen big corporations; T. Coleman DuPont, of DuPont Powder Co.; Henry C. Frick, of Carnegie Steel Company; George W. Perkins of United States Steel Corp.; Simon and Daniel Guggenheim, of Guggenheim Bros., and the American Smelting & Refining Co.; J. Pierpont Morgan and John D. Rockefeller. "The Congressional committee report...said; "If the curtain were only pulled back, in addition to the interests
Some support is given to Hobson's contention (1) that capital encourages Militarism so that it may be safe from possible labor troubles in the fact that several of the professional patriotic societies in the United States are employers organizations that are frankly open shop. They receive contributions from the largest employers in the vicinity and conduct continual campaigns against labor movements on the grounds that they are inspired by Moscow. (2)

Many other instances might be adduced to prove the contention that there are certain groups who stand to profit by a strong tradition of Nationalism. Army and Navy officers active in service are rarely eager for war but they are strong believers in the shibboleths of national honor and rights. Incidentally, barracks life is uninteresting and war time military expansion means promotion, and in some countries double pay. Retired officers have been among the most blatant jingoists of every country. (3)

Heretofore enumerated, the hands of Rockefeller, of Vanderbilt, of Morgan, of Remington, of DuPont, and of Guggenheim would be seen, suggesting steel, oil, money bags, Russian bonds, rifles, powder, and railroads. — (H. of R. 66th Congress, 3rd session, Report No. 1173—Investigation of National Security League, p. 6)" Hapgood, Professional Patriots, pp 22-23.

(2)Hapgood, p 23: "We find the professional patriotic organizations on the whole anti-organized labor and open shop... Yet it would not due to express this attitude openly as a part of a patriotic program. So it is concealed under attacks on the Reds. It is significant enough that not a single patriotic trade-unionist is on the controlling board of any of the patriotic organizations except the Civic Federation". These organizations include the National Security League, American Defense Society, and especially such local societies as the Better America Federation of Los Angeles and the American Constitutional Association of West Virginia. Hapgood op. cit. pp 9, 21-67, above quotation, p. 58.

(1)Hobson, "Democracy after the war" Ch 5, pp 64-6.
(3)See the list in Hapgood, pp 195-6.
In England there is a Committee of Imperial Defence composed of representatives from the Army, Navy, and Air branches of the military which is not subject to Parliament ary or popular control in any way. It is thus stronger than any particular administration and acts as an organ thru which the Services may give expression to their strong reactionary viewpoint and bring unseen pressure to bear upon any one who tries to popularize or even contemplate a boldly pacific line of policy. In this country we have the American Legion.

These reactionary forces, unfortunately, control most of the means by which public opinion is formed. National compulsory education has taught the masses to read, but that is a far cry from having taught them to think. (1) "No man's thinking is better than his information" and if we merely educate a man to the point where he is able to receive the "information" broadcast by the reactionary school thru the daily press and popular weeklies, we have increased the difficulty which the sane patriots will have in overcoming jingoism. The masses have become literate and blindly loyal.

Recall the two years prior to the entrance of the United States in the World War. Britain had access to our press system because of her control of the sea and cables. Germany did not. Result: we inhaled the British propaganda manufactured under the clever guidance of Gilbert Parker and never realized that the air contained carbon monoxide. (2)

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(1)See Hayes pp 80-92 and "Books" Jan 8, 1928, Review by Hargery Mansfield of "Why Stop Learning?" by Dorothy Canfield Fisher.

(2)For an excellent brief discussion of war time propaganda in the United States see Fisher, op. cit., Ch XVI.
Anyone prepared in advance with the dark glasses of nationalism is unable to perceive the half truths and untruths which he reads.

"Lies, as a weapon of war, are as common as bullets and more effective. 'Lies' said a British Journal, 'served our purpose legitimately (italics mine: - Fisher's) when we wanted to get America into the war. No less an authority than Queen Victoria said that, in time of war, to tell the truth was unpatriotic... Frederick Palmer, over his own signature, has said that as America's war-censor, he deemed it his duty to let through every story unfavorable to Germany and nip in the bud every proved fact unfavorable to the Allies... The first duty--after distorting the origin and purpose of the war--was to exaggerate our own vices in the enemy soul... Many atrocity stories are deliberate inventions, and in the late war this high art of malice reached an unheard-of peak." (1)

Why go on? We have statements from the pens of George Creel, General Charteris and Sir Phillips Gibbs which should make us realize that in any future war as in this past (and other wars) the governments will lie to their citizens concerning the causes of the war and the character of the enemy. (2) Under the nature of the nationalist myths this must be so. Why go into elaborate detail to prove that the fatherland will be bankrupt and its industrial life in danger if the Gusher Oil Company loses a prospective concession to the Slimy Petroleum Corporation of another country when by a mere gesture Authority may call up the magic genii of national interests and national rights, or may play up an untoward incident as an affront to national honor?

Concerning the dangerous power of the press in the hands of reactionaries Lt. Commander J. H. Kenworthy, former member of Parliament and during the war a member of Admiralty War Staff, writes as follows:

"The influence of the press is cumulative. Its real power lies in its opportunities for selecting and presenting the news and the way this is done. If, for example, the press of a country fixates on a neighbour or a potential enemy (and in Europe this often means one and the same thing) and holds up that neighbour or potential enemy for a series of years as an object of fear, suspicion, hatred, and derision, a national resentment is formed against that neighbour or potential enemy, which in moments of mental stress, terror or excitement is mistaken for patriotism. This process has begun already in America vis-à-vis England and in England vis-à-vis America." (1)

The schools are somewhat under the control of Authority. Witness Mayor Thompson and Superintendent McAndrews of Chicago, the Port Chester incident where mere criticism of the Administration's Nicaraguan policy was the cause of American Legion and other reactionary pressure being brought to bear so that the offending faculty members were dismissed, and the Russell Tremain flag-salute episode for a few among many cases where the established ruling mind has asserted itself against non-conformists.

The moving pictures (2) are under the control of Mr. Will Hays whose sterling character has just been attested by his perjury before the Senate Oil Investigation Comm-

(1) Kenworthy, J. M. "Peace or War?" p 194.
(2) Kenworthy believes that "of all the means of moulding public opinion, probably the greatest and most efficacious is the cinematograph screen." (p. 195) By a series of descriptions of the war films popular in England and the Continent in these last four or five years he conclusively proves his point that these films arouse, especially the children, a hatred and fear of the enemy depicted and cause a decided militarist reaction in favor of armaments. Between Poland and Germany there has been a particularly insidious "film war" each producing pictures in which the villains are the hated nationality. "It is a competition in hate generation by means of the cinematograph screen." (p 199-200)

Even where war films are not directed at a particular nation, "films that glorify war and enhance its romance will have a cumulative effect on the mind of humanity. And if we ever tackle this question at the root, we shall ban such films from the screens for all time." (p 200).
It is best not to say that he is a conscious reactionary, that is, consciously working for the perpetuation of the War-Nationalist System but we do know that he suppressed "Spread Eagle", a film depicting with too much realism the machinations of finance in instigating a war with a neighboring Latin American republic in order to profit from mineral holdings in that country, and, furthermore,

"There was rumour in 1927, of an Unholy Alliance between certain elements in the American film producing industry and the American Army. The industry was to 'boost' militarism, combat pacifist doctrines, and advertise the army. On their part the United States Military Authorities were to supply an army of 'supers' from the troops. The official excuse should these rumors prove correct, and it must be observed that the 'Movie Czar,' Mr. Will Hays, has been made a Colonel in the Signal Corps of the United States Army, will be that the propaganda is to help recruiting." (1)

The radio is largely controlled by the Radio Trust and there have been several instances when a liberal speaker had the microphone cut off in the middle of a speech which undermined some of the traditional viewpoints held by John Common Man. To this must be added the acknowledged use of the blacklist by the Daughters of the American Revolution and other "patriotic" organizations. (2)

Sum it all up and the result is, as Ponsonby points out, that the established ruling mind, Authority, is active in its self-defence. We may be thankful that there are only a few groups who consciously work for the continuance of the System. But these groups and individuals, by virtue of their position, possess great power and are helped by tens of thousands of other citizens who mean well but are not

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(1) Kenworthy, J. M "Peace or War" p 198.
able to free themselves from the invisible tentacles of nationalism. That by far the largest majority of the people who uphold the nationalist tradition, such as the churches, school teachers, the press, and politicians, do not want war and do not consciously abet war is just as certain as the fact that they follow the lead of those who do. (1)

This is the Nationalist System. Its unity is evidenced by the fact that it goes indifferently under the names of War System, Militarist System, Protectionism, and Imperialism. Like some "perpetual motion" machines it derives most of its energy for continued motion from its own momentum while the little extra stimulus needed from outside is furnished by those numerically insignificant yet politically powerful interests who benefit from the System.

(1)"Military parades, naval displays, aerial pageants, war films, nationalistic battle songs, a powerful press subtly praising the institution of war—what chance has the feeble propaganda of the 'Peace Societies' against all these? Conditions are ripening for another Great War, and the public mind is being prepared for it." Kenworthy p. 200.
Chapter III
AN ECONOMIC ANALYSIS OF THE MEMBERS OF THE NATIONALIST SYSTEM

The last chapter explained the nature of the Nationalist System, the character of each member, and the internal and external forces working to perpetuate the System. We shall now make an economic analysis of the several members to find out how much each contributes to national welfare under the present System.

The test of the first and central member, Nationalism, must come through its manifestations. In so far as Nationalism tends to perpetuate war and not diminish it or work for its abolition it stands condemned at the outset. If, however, through one of its other manifestations it lessens the possibility of war, then perhaps something might be said in its favor. Let us examine each of the four members with this viewpoint in mind.

PART I. MILITARISM.

Due to the limit of this paper and the fact that it cannot be expected to contain all the background material necessary to prove every point, both Militarism and the other members of the Nationalist System will be treated mainly by the mere statement of generally accepted facts, leaving the doubter to examine the references given, and by explaining some of the more recently advanced theories.
The crucial questions with respect to its effect upon war must be put to Militarism. Will the size of a nation's armaments prevent it from being drawn into future wars? Will it lengthen the periods of time which elapse between wars so that eventually we shall get away from the War System entirely? Will it lessen the severity or length of war if it does come? Is it in any way a cause of war?

Does preparedness prevent war? The negative answer to this first question is writ large upon the page of history. However, the real interrogation does not involve the past but the future. Can war be prevented by large armaments? The answer is again, No, and the reasons are as follows. First and foremost, the size of armaments is relative, not absolute. This means that the nation which is to achieve security through a large armament must have a prospective enemy which does not covet for herself a similar security or feels incapable of keeping up the race due to the financial burden. The former condition is an obvious absurdity and the latter is rendered unlikely by the balance of power scheme through which the weaker nation seeks support from other nations as it finds itself outstripped by the leader in the competition for pre-eminence in armaments. To take the argument from the general to the specific, some individuals believe that the wealth of the United States is so much greater than that of other nations, possibly greater than the total wealth of all potential enemies, that we could outbuild them all in the matter of naval defence and raise an army second to none. Such a program would be impossible on several grounds. It would take time and during that
time the other nations would combine against us and pre-
cipitate war before we could achieve unquestioned superiority,
supposing that such leadership is financially possible.
Furthermore, as time passes the wealth of the United States
will probably decrease relative to the rest of the world and
make ever less possible the superior preparedness which some
militarists now believe possible.

The second point in the refutation of the belief that
large armaments would prevent war's involving the heavily armed
nation, centers around the fallacious presuppositions which
underly such an argument. "Peace through preparedness" pre-
supposes that there are no treaty or sentimental interests
binding the nation to either side during a war existing else­
where; that no greater harm is done to the neutral nation by
one side than the other; that the nation possesses such eco-

1. "The last war came of causes of which we were no part. We
did not even know what those causes were. Yet, we found our­selves involved. We shall never again be so free from European
entanglements as we thought we were in 1914. Never again will
an American government be so hesitant. The traditional spell
is broken; American battles have been fought and won in Europe!
Our people will stand for conscription! Our government can go
as far as it likes in the suppression of anti-war opinion! If
we did not learn these things from our recent tour de force,
then we are incapable of learning from experience." Fraser, op.
cit., pp 152-5. Cf also Delaisi, op. cit., pp 247-8, and the
last part of this chapter.
the war on one side or the other; that the nation has been entirely left out of calculations concerning the balance of power; and that no serious efforts are made by either side to get the support of the strong neutral.

All of these presuppositions, we maintain, are or would be, contrary to fact. They would constitute a reversal of history. In 1914, for instance, there was recorded the outbreak of the greatest war in history between the best prepared nations in the history of the world. The year 1917 saw America's entry as a result both of continuous pro-Ally propaganda in the United States and the damage done to our economic interests by the unrestricted submarine warfare of the Germans. For the premises of the proceeding paragraph ever to become true there would have to be a greatly decreased political and economic interdependence among nations. Nations would have to stop their growing export and import trade; cut it down to the point where each nation was self-sufficient in all important commodities, a process which would bankrupt many small nations and seriously lower the standard of living in the larger countries. This point will be discussed more fully in Part Three of this chapter but it

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suffices to prove our point here to state that foreign trade is rapidly increasing, not decreasing, and is thereby rendering ever less valid the presuppositions of the militarist argument in favor of preserving peace through such military strength that "other nations will be afraid to attack us."

The final refutation of this argument lies in the fact that Militarism is in itself a contributing cause of war. This theme will be developed later.

The second question in our list of test queries is whether or not Militarism will lengthen the periods between wars. The answer is again in the negative because the period of time which elapses between wars is not a function of fear of an enemy’s armaments but of the economic and psychological exhaustion following a war. It takes considerable time for a nation to rebuild its strength to the point where it is capable of engaging in another war, and the popular reaction against war and the war makers is so strong following war that it takes a generation or more for it to wear off. Furthermore, a new balance of power depends upon the recuperation of the defeated nations and that in itself

1. Except as armaments lessen the period by their suspicion-fear-hate effect.
takes time. Therefore, even if the period of time between wars increases it will not prove that armaments are efficacious in preventing war but rather that was when it does come is so destructive that ever longer periods of recuperation are necessary.

The third question pertains to the influence of Militarism in lessening the severity or length of war when it does come. The arguments previously advanced to prove the duality of competition and the balance of power should suffice to show that the size of the military force will be relative only and fairly well matched by the enemy, otherwise the war would not have occurred. Between two contenders nearly equally matched the length of the war is a function of the type of war, addition of allies, etc., etc., not of the strength of one side. Recent experience has also taught us that the use of destructive methods by one side furnish an incentive to their use by the other.

But Militarism is not only not a preventive or palliative, it is a directly contributing cause through the suspicion-leading-to-fear-leading-to-hate effect of armament competition. The existence of plans for mobilization and attack tend to make impossible a pacific outcome of diplomatic negotiations when high tension exists as was evidenced by the events of July 1914 (and the first few days in August). Furthermore,

military leaders sometimes use their influence at the Peace Table to secure frontiers which coincide with their concepts of military strategy yet which so violate the strategy of peace that they become a constant sore spot and source of future conflict. Illustrations in recent history include French military leaders' demand for the Left Bank of the Rhine and the Italian demand for the German-Austrian Tyrol. It is difficult to combine expert political and military knowledge in the same person.

It may very well happen that a nation (more likely a group of nations) does win a war and rightly or wrongly ascribes its victory to the state of preparedness before the war. Does that constitute a justification for Militarism? The negative answer is found by subtracting from the gains of the war the costs both of the preparedness and the war itself. The discussion elsewhere of the costs of armaments in wartime and peace has been so elaborate that I shall confine

1. The amount spent in preparation for war amounts to about four per cent of the income of the countries (1913 figures), but this four per cent must all come from the surplus, and thus is more of an economic burden than its small amount would indicate because it keeps down the average individual standard of living and hinders the accumulation of capital. It amounts to fifteen to thirty per cent of the surplus and is a real sacrifice and hindrance to the effective industrial development of the various countries under the regime of militarism. Pigou, op.cit., pp. 6-8. In this connection compare the statements of Emil Ludwig and S. Parker Gilbert on the benefits to German industry of the lessened load of military expenditures. (New York Times Magazine, 12/18/27, pp.4-5; International Conciliation, Feb. 1928, No. 237.
myself to pointing out in the discussion on war the very meagre gains of the victor.

Let us turn now from statements which are axiomatic to the student of the war-peace problem to some of the recently exposed flaws in the militarist arguments. One of the most interesting is the evidence offered by Lt. Commander J.M. Kenworthy to the effect that the naval tactics of future wars will consist largely in commerce raiding.

At Geneva in 1927 one of the chief reasons for the failure of the conference for the limitation of armaments was the fact that the British held out for seventy cruisers as being necessary for the protection of trade routes. Commander Kenworthy estimates that of this number thirty-five at the most would be available for commerce protection and that the use of the submarine, airplane, and commerce raider, by the enemy make twice or three times this number quite inadequate to insure the oversea supplies needed by Britain. The safety of the British people "will not be ensured by seventy cruisers or twice seventy cruisers." In this country we have recently had much discussion over the need for cruisers and have passed a bill providing for the construction of fifteen while at the same time naval experts are stating that the cruiser is

1. Kenworthy, "Peace or War?" 227.
obsolete and Britain is giving up her plans for extensive cruiser fleets. And yet we are supposed to accept the statements of militarists that if we would only let them build "sufficient" armaments we would nevermore have war!

In addition to this we have the carefully considered statements of men like Kenworthy and Rose that in a future war with the sides fairly evenly matched in naval power the armaments costing billions of dollars for construction and for upkeep will never be brought into battle at all but will most likely be kept safe in harbor except for the commerce protection cruisers, destroyers, and submarines. Naval commanders will be afraid to fight for they know that with the modern perfection of naval rifles and marksmanship:

"Two such fleets meeting and bent on fighting would almost annihilate each other, providing they met with a clear atmosphere and, say, six hours of daylight, and neither side wished to avoid action. Once hitting is established on both sides the effect will be so terrific that the fleets costing $4,000,000,000 will blow each other into masses of sinking scrap-iron."  


In the face of such a prospect, what wonder is it that
the commanding admirals will endeavor to prevent such
a battle and trust to the other branches of the Navy to
help the cause through commerce protection and raiding?
Armaments which are not going to be used are rather ex-
pensive playthings.

PART II. IMPERIALISM.

The Nationalist myths of national self-sufficiency,
the identification of individual with national gain,
and the popular desire for national greatness, prestige,
and honor were the sentimental background of the in-
dustrialists' desire to exploit foreign markets. In the
popular mind the feeling of "ownership" of whatever areas
are under the flag of the nation has ever been a great
boon to merchants and investors anxious to have their
country take over control of various backward countries
in order that they may be secure against revolution and
foreign competition. The penniless beggar in the slums of
London is made to feel a swelling pride when he listens
to an orator declaim concerning the wonderful empire which
is his as a Britisher. Yet the benefits of this world
scattering of flags do not come through the payment of
colonial officials and the operation of colonial budgets
at a loss, but are derived, if at all, from the commercial
and military gains from the empire.

In Chapter Two it was explained how economic imperialism in backward areas led to political imperialism and throughout the subsequent discussion the word Imperialism has been taken to mean the latter form or attempts to achieve it. Now we are ready to make an economic analysis of the actual and imputed motives for such political Imperialism. They are five in number: (1) the civilizing mission; (2) outlet for surplus population; (3) place for marketing surplus goods; (4) opportunity to invest surplus capital; and (5) source of supply for essential raw materials. We shall test each one of these "causes" to determine to what degree it was necessary, and is now desirable, for national economic welfare to satisfy these causes through political Imperialism. In so far as it is possible we shall endeavor to preserve the materialistic approach throughout.

(1) The Civilizing Mission. Missionaries and "aggressive altruists" have long been intent on imposing our western religion and civilization upon the benighted

1. Cf Angell, op. cit., Chapter VII "How Colonies are Owned."
inhabitants of backward countries. Any justification for such a policy and viewpoint would be religious and sentimental, not economic, and therefore is not pertinent to this paper except as we may note in a later section on foreign investment of surplus capital the effect which the development of new areas has upon the imperialist countries. However, we must take note of the fact that this idea has often been the screen behind which trading and investing interests have promoted political control over particular areas in which they were interested.

1. The idealism behind Imperialism has given it much of its potency. Popular belief is that we are conveying a great good to the backward races through imposing upon them our civilization and our educational system. Disregarding the debatable question of the benefits of uprooting the old civilization, we may at least state that the education actually given through school systems started and maintained by the imperial nations (though maintenance funds come, where budgets balance, from colonial taxes, not home treasury) has been shamefully small. The amount spend on education is far less than that devoted to industrial development or administrative expense and the result is that there is a small school attendance and illiteracy such as the exploiting nation would not think of allowing within its own boundaries. Elementary education in the United States reaches 200 out of every 1000 inhabitants, in Algeria 46; French West Africa 3, South Africa 40, British India 37.7 independent Siam 59; Independent Japan 150, dependent Korea 20, Phillipines 130. The quantity, moreover, is no indication of the poor quality. The other "benefits" of occidential civilization are the land expropriation system, reservations, contract labor, labor tax system, etc. Mom, op. cit., pp 558-63.

2. Imperialism has been a direct cause of native nationalism and through it of wars for national self-determination. This affect of inducing a feeling of national unity through
antipathy for the foreign invader is especially serious in the impending awakening of India, China, Turkey, and the Arab races. Nationalism becomes a boomerang which comes back and smites the ones who through it have become nations and then empires. It is very possible that English imperial oppression will drive India and China alike to Russia who is anxious for an outlet to the Indian Ocean for her immensely fertile areas of Turkestan. If the nationalist ferment in China spreads, nothing that a few European powers can do will stop it.

"Since King Canute thought he could prevent the advance of the incoming tide by royal command, there has been nothing so pathetically ludicrous as the idea that a few hundred American Marines and a few thousand British soldiers could stem the advancing flood of Chinese Nationalism, or, as they themselves would call it, racial patriotism. The days of domination by one people over another are passing."

Kenworthy, op. cit., pp. 55-55.


and in the modified form of figures concerning sanitation, education, road building, and the like, it is frequently used to justify existing imperialism.

(2) Surplus Population. This argument is somewhat as follows: There are too many people in a given nation to feed satisfactorily; the density of population must be lessened by emigration to less densely populated areas; and, as a customary corollary, emigrants should go to a colonial area controlled by the over-populated country. That is the argument as it stands but it is applied in practice by carrying the "logic" a bit further to claim that if no colonial area is available, such must be secured without delay; that war is fully justified for the attainment of such end as it is, by implication, the only means by which starvation of thousands may be prevented and the standard of living raised above the subsistence level.

There is some truth in the underlying concept. The point of diminishing returns has been passed by practically all nations, most of whom would be better off if they could get rid of some of their population, preferably the unemployed and the marginal families. That is, a decrease in population would at least temporarily raise the

1 Cf. "U.S. Apologists for Marine rule in Haiti."
margin of consumption for the others.

But fallacies abound both in the argument and in its application. The surplus population theme is advanced by only a few countries such as Italy and Japan but the truth resident in the contention would apply equally to France and Belgium. Germany complained of surplus population in the 1860's when many emigrants were leaving for North and South America, but, after industrial development, has been importing Polish laborers in the 20th century. And the need for political control of underpopulated areas is a non-sequitur except under the myths of Nationalism. Even Japan which has been barred from North America and Australia can send "Surplus population" to Manchuria, South America, Formosa, Korea, etc. Furthermore, the possession of colonies does not

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1. "The following statistics of population density are significant." (World Almanac, 1927).

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<tr>
<th>Country</th>
<th>Density</th>
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<tbody>
<tr>
<td>Japan</td>
<td>592.4</td>
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<tr>
<td>England</td>
<td>701.3</td>
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<tr>
<td>United Kingdom</td>
<td>464.3</td>
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<tr>
<td>British Empire</td>
<td>540.0</td>
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<tr>
<td>Germany</td>
<td>324.7</td>
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<td>France</td>
<td>184.4</td>
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<td>Belgium</td>
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<td>Holland</td>
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<td>Massachusetts</td>
<td>479.2</td>
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<tr>
<td>Rhode Island</td>
<td>566.4</td>
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guarantee that emigrants will go there and not elsewhere.
Past history of emigration has proved that, save for
England, most emigrants have gone to climates and civiliza-
tions similar to their own. Even where conditions are
favorable, colonization has been remarkably small:

"In 1911, Algeria had been in the possession of France for eighty years and out of a population of 5,563,823 there were but 795,522 Europeans of whom half a million were French."[2]

The reason seems to lie in the generally overlooked fact
that emigration is usually voluntary and is prompted by
stronger motives than desire to stay under the flag of
the fatherland. Furthermore, the steamship companies
which stimulate emigration are not prone to advertise
colonies exclusively to the neglect of countries where
most of the vessels go.

1. "The colonies Germany obtained during the period
from 1884 to 1914 were extensive enough, and in them
were many great open spaces, but as outlets for German
emigration they were of no importance whatsoever.
Germans did not care to go to German colonies. Ac-
cording to official German statistics there were only 23,592
Germans in all the German colonies, just before the
Great War. That was the imposing result of thirty years
of imperialism. More than that number of Germans
emigrated to the United States in two years, 1912 and
1913. Italy has acquired an African Empire, which now
has somewhat less than 50,000 Italian inhabitants—less
than the number of Italian immigrants to the United States
in the year 1923-24. New York City contains more Italians,
twenty-five or twenty-six times more Italians than the
whole Italian colonial empire....Imperialism has been a
conspicuous failure in providing homes for the surplus
inhabitants of Germany, Italy, and Japan."
—Moon, op. cit., pp 540-1.

2. Fraser, "Foreign Trade and World Politics," p 111.
Suppose that large numbers do emigrate to new areas, will they ensure an increased standard of living at home? Probably not, because of two facts; first, an increase in the home birthrate will quickly take up the slack, and second, the cost of acquiring said colonial areas, as by war, may create a financial burden that will more than absorb the benefit. Furthermore, if the standard of living can be raised by decreasing the population relative to the existing industrial production of a country, methods such as birth control or large families' tax would achieve the same end and could be used equally well were it not for nationalist myths concerning the prestige of size and expansion. Finally, the argument is largely exploded when we consider that the standard of living is mainly a function of natural resources and industrial development, not primarily of the size of the population for it is rather an effect of the country's productivity than a cause.

1. If it is merely a decrease in population that is wanted the wars of conquest alone would help emigration reduce surplus population.

2. The difficulty of Birth-control propaganda is admitted.
"Netherlands and Belgium are not overcrowded; and though they have colonies they have few emigrants... It is mere twaddle to talk of 'overpopulation' simply because the domestic production of food has to be supplemented with imports... Overpopulation is merely economic underdevelopment. Ten million Indians supporting themselves by hunting would probably mean over-population in the United States. Yet a hundred millions can support themselves in the same area by combining industry, finance, and agriculture."

We may sum it all up by saying that to all intents and purposes "surplus population" is a political slogan rather than an economic fact. It is used by a country's leaders as a screen for desired territorial expansion which will redound to the honor and prestige of the political leaders or to the economic gain of industrial interests far more than it is used as representing an altruistic desire to raise the standard of living of the lower classes. Again we find the concepts of Nationalism very convenient as an excuse for Imperialism not otherwise justified.

(3) Surplus Goods. The problem of marketing surplus manufactures is that of exporting enough so that the home market will not be flooded to the lowering of prices and cutting of profits. It also involves the law of decreasing costs under which the greater the quantity of

1. Moon, "Imperialism and World Politics." 542.
production the lower price that can be offered in the competitive market. This holds especially for certain industries which have been prominent in foreign trade competition. There has thus been a dual incentive to Imperialism as a means by which "surplus goods" may be sold in a restricted market from which foreign sellers have been excluded by preferential tariffs in favor of the mother country. This keeps up home profits and monopolizes large colonial markets for home producers. Such is the theory.

How does the theory work out in practice? Does monopolistic Imperialism, fraught with dangers to the peace of the world, secure colonial markets for the monopolist country alone? In general it does secure "to the mother country a larger share of the colonial market than she would otherwise have," but such policies "are only one of the factors in the situation and they are by no means so universally effective as one might expect them to be...Geographic situation and trade facilities are more important than the flag in directing commerce." Illustrations may be

1. It must be recognized that the colonial "open door" is no more than a name save in a few places where it exists in fact "because of treaty obligations (of Berlin Conference and the Belgian Congo) or in minor colonies, or for some special reason."
Moon, op. cit., p 528.

found in the fact that Canada purchases 67% of her imports from the United States and only 17% from Great Britain and French Indo-China has far more trade with Asiatic nations than with France.

"By Imperialism one gains not the whole trade of a colony, but only a percentage over and above what trade one would have obtained without political possession," that is, an additional margin. It is impossible to determine exactly how large this margin is but we can form some idea of its importance to the imperial country by estimating the proportion of colonial trade as a whole (not just the margin) first to total foreign trade and second to total trade, both external and internal. Trade of mother countries with colonies runs from one-half of one percent to forty-three percent of total external (foreign) trade. All imperialist nations have greater trade (which means greater profit) with non-colonial areas

1. None of this should be taken to mean that preferential tariffs and "assimilation" policies do not yield a margin, they do. Thus France has 40% of the trade of French Indo China, more than she would have secured otherwise and "the United States has 55% of the Philippine market, but only 6% of the Indian, 3% of the Indo-Chinese, and 3% of the Siamese."

than with their colonies. Concerning the relative benefits to a given nation of trade with colonial and non-colonial territory, Norman Angell wrote in 1910:

"Millions of Germans in Prussia and Westphalia derive profit or make their living out of countries to which their political dominion in no way extends. The modern German exploits South America by remaining at home. Where, forsaking this principle, he attempts to work through political power, he approaches futility. German Colonies are Colonies pour rire. The Government has to bribe Germans to go to them; her trade with them is microscopic (before 1914 it was one-half of one percent of her exports: Moon); and if the twenty millions who have been added to Germany's population since the war (1870) had had to depend on their country's political conquest, they would have had to starve. What feeds them are countries which Germany has never 'owned,' and never hopes to 'own': Brazil, Argentina, the United States, India, Australia, Canada, Russia, France, and England. (Germany, which never spent a mark on its political conquest, to-day draws more tribute from South America than does Spain, which has poured out mountains of treasure and oceans of blood in its conquest.) These are Germany's real Colonies."

Parker T. Moon sums up the problem of the importance of colonial trade relative to total foreign trade as follows:

"In no case except that of Britain can the colonial market be considered as a major factor in the export problem, and even Great Britain, if she lost her empire, would be losing not 43% of her external markets, but only the marginal fraction of that 43% which accrues as a result of political ownership."

When we compare this small margin with total trade, both internal and external, it is dwarfed to still greater in-

significance. The internal traffic of the United States is ten times her foreign trade. "For every dollar's worth of goods sold in the United States, about four or five cent's worth was sold to foreign countries, and only a fraction of a cent's worth to the American colonial empire, and only a very small part of this is the additional margin which we have secured through political control of our colonies. "In the general economy of the nation, then, colonial trade is a small factor." The gain which does come from Imperialism comes to only a few particular industries and interests. Capitalists gain when a conquered backward area contains valuable oil fields, mineral prospects, and irrigation possibilities. The confiscation of German property holdings in foreign countries after the war redounded to the benefit of those interests who had sufficient influence with their governments to acquire them cheaply. And the cotton and iron industries


3. "About one-fourth of the income of the British propertied class is derived from investments overseas, and for these investments our navy is the indispensable insurance. A little war which wins Egypt or Burma means direct profit to the contractors, the bondholders, the land syndicates, and the oil trusts which exploit these regions. Mr. Angell is profoundly in the right when he argues that such conquests do not enrich a nation, but undoubtedly they may enrich a nation's propertied and governing class." H.N. Brailsford, adapted from "The Age of Iron," and included as a reading in "Readings in the Economics of War" by Clark, Hamilton, and Moulton, p 89.
are especially benefited by the possibilities of selling their products in colonial markets where the margin of gain from monopolistic practices chiefly benefits them.

Yes, it must be admitted, there are gains from Imperialism. But the gain goes primarily to a few interests and only indirectly to the public through a higher level of business prosperity and lower prices in a few industries where greater production lowers unit operating costs (unless, as is frequently the case, these very industries sell at home behind a price-raising tariff wall).

Even if there is some indirect gain to the people as a whole from political control over backward areas, the statement is not complete without an appreciation of the costs. There is first of all the cost of acquisition through purchase or conquest. (It cost Britain five billion dollars to conquer the Transvaal and the Orange Free State, more than the indemnity imposed upon France by Germany after

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1. Two industries are especially benefitted. These are the cotton and iron industries. Each of these operated under severe competition within the nation as well as without and since the law of decreasing costs applies, each producer is desirous of producing as much as possible. The result is that the problem of surplus production is acute. Furthermore, the first demand of backward countries is for cotton cloth and the second for implements and machinery made of iron and steel. That is why colonial possessions are many times more valuable to the cotton and iron industries than to national industry in general. And in countries such as England (the United States is not far behind) the pressure of the vested interests in the textile and steel industries is strongly behind political Imperialism. Cf. Moon, op. cit., pp 533-4.
the war of 1870. Even if we do not consider the lives lost, it is rather difficult to picture the British people five billion dollars richer because of this conquest. Following preliminary conquest there are often costly native insurrections to be suppressed. Part of the expense of naval armaments must be ascribed to their use in acquisition and defense of colonies. Colonial budgets often need subsidizing from the treasury of the mother country. Finally, there is the tremendous cost of international war resulting from imperialist competition between nations.

All of the above costs are not from government funds, that is, from the tax paying public in general, whereas the direct gains go to certain minority interests who pay only a very small percent of the total taxes. The costs are so large that few nations outside of England have a chance of establishing an economic justification for their imperialist policies. And the costs of colonial and international wars in which England has become embroiled are

3. The cost of Italy's conquest of Libya was $200,000,000. France spent 440,000,000 francs in the subjection of Abd el Krim's revolt and from 1907 to 1924 expended a total of four and a quarter billion francs on Morocco. Moon, op. cit., pp 217-18, 22.
so great as to cast serious doubt as to her net gain.

"In the case of Italy and pre-war Germany, the net result of colonial ventures in Africa cannot be calculated as anything other than a loss."

All in all, the gains from monopolistic imperialism afford little basis for the imperialist oratory of the type made popular by Jules Ferry and Joseph Chamberlain, and offer little compensation for the risks of war encountered by aggressively imperialist nations. Imperialist propaganda, however, exaggerates the supposed rewards and supports a policy of differential and monopolistic colonial tariffs. The result of such exaggeration is that for the sake of gaining relatively trifling increments of colonial trade, great nations cheerfully incur heavy colonial and military expenses and too often deliberately jeopardize their largest markets and the peace of the world.

This quotation from Moon emphasizes the contention of this paper that were it not for the myths of nationalism (especially in this case the identification of individual economic interests with national welfare) the economically disadvantageous policies of Protectionism, Imperialism, Militarism, and War would not be tolerated.

(4) Surplus Capital. The fourth argument for, and cause of, Imperialism is that it makes possible the lucrative investment of surplus capital. As a nation becomes industrialized the savings from wages and pro-

1. Moon, Imperialism and World Politics. p 532.
fits are indirectly or directly invested in business ventures in order that they may earn an income. The supply of capital at home is apt to increase more rapidly than the demand, and the interest rate falls. Temporary escape may be found through some investors' turning to relatively undeveloped countries where competition is not so keen and the marginal interest rate consequently higher. This export of capital decreases the surplus at home and the interest rate there will rise, or at least will not sink as low as it would if this foreign investment did not take place. "Export of capital" very often is equivalent to the export of goods on credit and is thus closely linked with the surplus goods problem.

The association between finance and diplomacy is perfectly natural. It exists in national politics to a certain extent though under cover, but in international investment the citizens accepting national myths applaud an alliance of government with business which they would not tolerate at home but would condemn as "meddlesome interference" or "socialism." As has been shown earlier in this paper, foreign investors have a greater need for government protection against the natives and foreign concession hunters than do mere trading interests though the latter may lead to the former. The result is that the flag follows the invested dollar more often and more certainly than the trading dollar.
Concerning the evils and benefits of this dollar diplomacy from the viewpoint of the exploited country we are not interested in this paper, but we must give consideration to the effects which it may have upon home industry and capital itself. Labor is apt to fear that foreign industries will be developed which will compete with established industries in the country exporting the capital. That this has happened time and again is true; but the rise of the exploited country from a backward nation purchasing cotton cloth, beads, guns, and rum, to an industrial state demanding machinery, automobiles, typewriters, and electrical equipment brings much gain to the investing country even though the industries producing the "primitive" goods may suffer.

Should a nation extend its political aegis to those areas where such profitable investments may be made? Under the War System it is much more difficult for a

1. "The old ambition of political imperialism and economic concessions generally aimed at exploiting the backward country, draining it of its raw resources and leaving the native able to buy hardly more than cheap cotton goods from the west. The backward countries now are more on their guard, and this in the end may be of benefit to the West. It may prove far more profitable to let the Turks and the Persians run their own countries, and help them to develop them on a basis which will build up their purchasing power and allow us to sell them cars instead of candles." (Italics mine)

nation to break through another nation's monopolistic control of a backward area to secure investment rights than it is to secure some of the trade of that colony protectorate, or sphere of interest. In view of this fact, the only answer that can be made to the question is that to jeopardize the peace of the world by imperial competition for concession rights in a particular area cannot be justified on any grounds. If the promised return on the invested capital in the particular area under dispute is 30% and if, as it is entirely improbable, 30% cannot be obtained by investment elsewhere and the capitalists of the nation must be content with 25% if they have to seek other openings due to the lack of diplomatic support, then there can be no valid excuse for expending the taxpayers' money (and in case of war, their lives) in order that this difference of 5% may be gained by the investing interests. Unfortunately, however, under the Nationalist System no such calculations are made and nationalists take it for granted that the securing of an oil concession or a diamond mine is both an indispensable source of national profit and a boost to national prestige.

The effect of foreign investment of capital has an
interesting effect upon capital itself. As backward areas are developed through the investment of foreign capital they become industrialized, and as the process of industrialization continues they begin to produce more and more of the capital they need for further expansion. This makes them less attractive areas for investment since the rate of earnings becomes less. The ultimate effect is revealed in the transformation of the United States from a debtor to a creditor nation within the last generation; formerly absorbing much European surplus capital, our own surplus is not invading Europe and competing in all the countries of the world. Therefore, we may expect that,

"Unless some other solution is found, the gradual transformation of backward countries into surplus-producing countries will cause fiercer competition for markets and for the fewer remaining investment opportunities in backward countries. In other words, economic imperialism will become more intense and more bitterly competitive."  

It should be of little concern to nationals who have digested the statements of the above two chapters whether or not this economic imperialism is more bitterly competitive. The reader should realize by now that national welfare is not identical with the success of capitalists in earning the maximum rate of return upon the money which they invest at home or abroad. But every nation should sense the danger of war which will ensue from a keener economic imperialism.

which is backed up by diplomatic pressure and the threat of national armaments. If we proceed as in the present Nationalist System to offer national protection to foreign investments, we might as well resign ourselves to the inevitable destruction of modern civilization.

Let us now go back to the last quotation from Moon. He states that "Unless some other solution is found", the competition of foreign investors will become more intense. What other solution for the pressure of surplus capital can be found? In order to answer this question we must fully appreciate the forces which operate to build up such a surplus. The central cause is saving. When individuals save out of their income by spending less than they receive, the balance is usually deposited in a bank. From there part of it is taken by the individuals themselves for investment. The rest is left on deposit and is invested by the bank itself. Either method contributes to the existing capital fund of the country. The other large source of capital is the profits earned by business firms. By leaving the net earnings in the corporation, expansion is financed by far less borrowing from outside than would otherwise be necessary. Therefore the rate of addition to the capital fund of a country depends on
the amount of individual savings and the rate of profits of business.

Moon finds one safety valve for the pressure of surplus capital in an increasing birth rate: "Increasing consumption caused by increasing population or by rising standards of living would, without colonies, afford some room for profits and expansion. It is only when consumption lags too far behind production that additional outlets for surpluses are required in backward countries." But we must note that a country like the United States with a rapidly expanding population has at the same time an increasing surplus of capital for export. And Britain, with a fairly stationary population, before the war was the chief world source of capital for foreign investment. Therefore, there seems to be little hope that an increase in the birth rate will decrease the lag of consumption behind production which is responsible for capital accumulation.

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2. There might be one point advanced here in favor of Moon's contention though he does not bring it out. According to the theory of Foster and Catchings the deficiency in consumer purchasing power is in proportion to the rate of profits. Therefore, if the above mentioned tendency towards a reduced rate of return on capital is an actual fact, this will decrease the deficiency in consumer purchasing power and take up some of the lag between consumption and production, thus indirectly relieving the pressure of surplus goods which is one cause of economic imperialism.
The second part of Moon's argument centers about rising standards of living, that is, an ever increasing ratio of consumption of the total product of industry.

"Until the annual surplus (represented by savings from wages and profits) is normally not much more than sufficient to provide the additional factories, mines, or other productive enterprises needed to satisfy a rising standard of living or an increasing population. More simply stated, this means more wages and more spending, and less profits and less investing." There is already a tendency in this direction. If it continues it may reduce the surpluses of capitalism as economic imperialism becomes less profitable. "As it becomes more difficult to export surplus capital, the remedy is to spend the surplus."1

This would seem to indicate that Moon perceives a tendency towards a decrease in the ratio between the amount saved and the amount spent. Statistics of the National Bureau of Economic Research do show that the percentage of total income in the United States going

to wages and salaries is increasing. This may or may not mean that the lag of consumption behind production is being taken up, but if it does, it signifies that capital earnings have passed the point of diminishing returns. This would seem to portend greater competition in the foreign investment field, not less. Even if the rate of accumulation of capital is decreasing due to a lessened yield of profit from which reinvestment funds may be taken, it seems as though the smaller rate of earnings on capital in this

<table>
<thead>
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<th>Year</th>
<th>Commission</th>
<th>Bureau</th>
<th>Commission</th>
<th>Bureau</th>
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</thead>
<tbody>
<tr>
<td>1918</td>
<td>60.2</td>
<td>56.0</td>
<td>46.9</td>
<td>54</td>
</tr>
<tr>
<td>1919</td>
<td>67.4</td>
<td>67.5</td>
<td>48.5</td>
<td>54</td>
</tr>
<tr>
<td>1920</td>
<td>74.8</td>
<td>74.2</td>
<td>57.8</td>
<td>59</td>
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<tr>
<td>1921</td>
<td>52.6</td>
<td>52.7</td>
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<tr>
<td>1922</td>
<td>61.7</td>
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<td>1923</td>
<td>69.8</td>
<td>76.8</td>
<td>54.7</td>
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country would be an added stimulus to investors to seek openings in foreign countries and in so doing to heighten the competition of economic imperialisms. The accumulations of capital, however, is also a function of personal savings and the rapid increase in actual foreign investments made by the United States seems to indicate that these are in no wise falling off. We now export surplus capital at the rate of a billion dollars a year and the rate of increase of annual foreign investment is such that there seems to be little hope of immediate relief from either of Moon's "safety valves."

Third, Moon states that if we spend and do not save, the accumulation of capital will be retarded and there will be a smaller surplus seeking investment.

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1. Table: Total Foreign Securities Float in the United States.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
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<tbody>
<tr>
<td>1919</td>
<td>$681,707,000</td>
</tr>
<tr>
<td>1920</td>
<td>681,512,000</td>
</tr>
<tr>
<td>1921</td>
<td>675,317,000</td>
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<tr>
<td>1922</td>
<td>697,208,000</td>
</tr>
<tr>
<td>1923</td>
<td>398,217,000</td>
</tr>
<tr>
<td>1924</td>
<td>975,011,000</td>
</tr>
<tr>
<td>1925</td>
<td>1,200,000,000</td>
</tr>
</tbody>
</table>

That should be axiomatic. But what he fails to tell us is how this increased spending and decreased saving is to be brought about. Statements of the theory of interest reveal that the supply curve of capital from personal savings has a small tangent, that is, has a slant which is much more nearly horizontal than the supply curve in the general marketing of goods. Therefore, a decrease in the rate of interest, or of profits, which are in the same category for present purposes—will not greatly decrease the amount saved by private individuals, and I doubt whether it would make corporations distribute more dividends instead of reinvesting profits earned. Hence I do not believe that we may expect an automatic adjustment of the type Moon suggests. One incentive to reduced saving and increased spending which occurs to me is the increased pressure of high pressure selling and advertising. Another is the growing movement for old age pensions, disability, sickness, and unemployment insurance.

Fourth, if the proportion of wages is to increase, as Moon suggests, so as to increase the amount spent

(though some of the increase will undoubtedly be saved), just who, may we ask, are to be the altruistic employers? What manufacturer is going to become conscious of the over-production of capital and say, "I must do my bit to remedy this evil. I shall immediately distribute my profits as wages so that the lag of consumption behind production may be decreased"? Furthermore, if we postulate a humanitarian attitude like that of Arthur Nash or business acumen like Henry Ford's which result in the payment of a living wage, the result has not been less profits but more! And more profits mean more capital to re-invest and constitute an addition to, not a subtraction from, the already dangerous capital surplus.

Fifth, my general criticism of Moon is that if people accept his "safety-valves" (the inefficacy of which we have proved), and rely upon them eventually to stop or relieve the pressure of competition in the

1. Dangerous, that is due to the present nationalistic attitude of governments concerning foreign investments. Without the policies of political imperialism there would be no occasion for referring to otherwise useful capital as "dangerous."
field of economic imperialism, they are overlooking the chief danger, war. War, as I have tried to show, is not a result of any one cause. We may have economic imperialism without political imperialism and we may have either or both without having war although the latter brings us dangerously close. These two types of imperialism are contributing causes, but not the only causes. Therefore, to say that the proper inference from the above refutation of Moon's "solution" is that war is inevitable, would be stating an untruth. The nationalist mind-set, the institution of war, the aggravation of colonial monopolistic tariff policies, the political system of concession granting, the restless and suspicious men of military positions, all of these and more are factors which have a part in determining the outcome of Imperialism. A discussion of the full implications of this point is not in order at this place, but it is necessary to point out that while our quarrel is not with economic imperialism per se but rather with its possible outcomes, yet we must be continually opposing every element in the System which jeopardizes national welfare through economic herm or through the risk of war.

(5) Raw materials. This means that a source of
raw materials within the empire is believed to be essential in time of war and cheaper in time of peace. The latter part of the argument consists of a fantastic belief that purchases made from one's own nationals cost less than those made from foreigners. However,

"if an Englishman wants an engagement ring, he pays for the diamond as if he were not a fellow-countryman of the late Cecil Rhodes; if a Frenchman wants phosphate to fertilize his farm, he buys it at a price, and at approximately the same price that a Spaniard or an Italian would pay."  

But this argument is unimportant compared with the first. The Nationalist System ideas are clearly reflected in the belief that it is necessary to have a colonial empire which will furnish the essential raw materials needed in time of war. Industrial interests can easily secure

1. Moon, op. cit., p 545.

2. Even if all the needed raw materials were included within the geographic boundaries of an empire, this would not ensure their development for the benefit of the imperial nation. There are many instances where the mineral and raw material resources are exploited by foreign capital and are sent to foreign countries for industrial preparation. This is largely or totally true of French New Caledonian cobalt and nickel, Belgian Katanga copper, French Madagascar graphite, and Canadian nickel. "Raw materials, in general, are color blind. They recognize no national flag. They follow the laws of supply and demand, and of distance and transportation costs. They obey economic rather than political control. The producers have the familiar human tendency to sell to the highest bidder regardless of nationality." Conversely, as "Andrew Carnegie once shrewdly observed, 'one of the purest fallacies is that trade follows the flag. Trade follows the lowest price current. If a dealer in any colony wished to buy Union Jacks, he would order them from Britain's worst foe if he could save a sixpence. Trade knows no flag.'" Moon, op. cit., pp 553 and 530.
national support for imperial expansion on such a plea even though it should be apparent that complete self-sufficiency through empire is an unattainable goal. The British empire comes closest to the mark yet it would have to adopt special policies to attain self-sufficiency in several agricultural products and would even then lack five essential mineral products. The United States comes second with a deficit of thirty, and

"After fifty years of active imperialism, France

1. Copper, fertilizers, quicksilver, platinum, and sulphur.
Moon, op. cit., p 556.

2. The following thirty materials in current consumption are not produced at all or in not sufficient quantities in the United States: Antimony, camphor, chromium, coffee, cork, graphite, hemp, hides, iodine, jute, flaxseed, manganese, manila, mica, nickel, nux vomica, opium, platinum, potassium salts, quicksilver, quinine, rubber, rhizome, silk, sodium nitrate, sugar, tin, tungsten, vanadium, and wool.
Moon, op. cit., p. 551.
has achieved ten percent of self-sufficiency—and ten percent, of course, is not self-sufficiency at all."

Even if complete self-sufficiency were attainable in peace time by two or more empires (granting a hypothesis impossible on this pigmy globe), it would serve its purpose in war time for only that one imperial nation which controlled the seas and the efforts of the others would have gone for naught.

PART IV. PROTECTIONISM

The goal of national self-sufficiency through tariffs corresponds with that of self-sufficiency through empire but here again complete attainment of the goal is impossible. This should be obvious from


2. It must be admitted that a contiguous land empire might enable one nation to hold out against another which controlled the seas. This was somewhat the case of Germany versus Britain in the World War and would have been even more in Germany's favor if she had had more time to develop her proposed Near Eastern Empire. But still this does not remove the chief objection to the self-sufficiency argument. If it does prove a fairly good possibility for two or three empires, even then it would not be a formula which could be set down for every nation at the way in which to avoid industrial starvation in time of war. And what good is a plan which inapplicable to the great majority of nations?
the fact that a nation is, by definition, less than its empire. The problem of absent mineral products cannot be solved by tariff walls nor government subsidies and if imperial expansion has not been able to overcome this difficulty, then absolute economic independence must remain an impossibility.

Granting the above fact, protectionists will still maintain that tariffs and imperial expansion are desirable because they afford partial self-sufficiency. Concerning this argument we have two questions: Is it economically desirable to go part way towards the goal, and if so, how far should a nation go?

The first thing to note is the economic loss from a policy of Protectionism. By its very nature in violating the natural operation of the law of comparative costs it substitutes less productive for more productive application of labor and capital and tends to reduce international division of labor. The net result is a standard of living below the maximum possible in the given country by an amount proportional to the protection given home industry. But this lowered standard of living may be considered as an insurance premium paid so that the nation may be guarded against the evils of insufficienty of materials in time of war.

"In a world liable to war it may not only happen, but it may be wise that a country should sacrifice something of opulence in normal times in order to protect itself against a shortage of food or other essential goods should war break out. If the shadow of war were removed, this
sacrifice of opulence to defence would not be required.

But how much opulence should a nation sacrifice? Where should the line be drawn between a lowered standard of living and the benefits of having essential war industries and sources of foodstuffs developed within the country? No large industrial nation today can closely approach the goal of agricultural and industrial self-sufficiency although it may succeed in developing military "key industries." Just after the World War, John A. Hobson predicted that the United States could then withdraw into an economic isolation if it wanted economic independence enough to pay the price. But we have gone on increasing our foreign trade and investments till today it would be almost industrial suicide for us to carry Protectionism to its logical extreme. Britain could not carry the policy of economic protectionism very far because of her high degree of industrialization. To attempt to do so would mean a great lowering of the standard of living and complete attainment of independence of foreign sources of foodstuffs would be blocked by the fertilizers difficulty. For the smaller industrial countries of Europe the task would be even greater and the price paid still

1. Pigou, op. cit., p. 15.
higher.

But our question concerning the degree of insurance remains still unanswered though we have pointed out how expensive very much of it would be. Perhaps we shall find the answer if we review the expected benefits to be secured from the insurance. It will, we are told, prevent speedy defeat in war due to a lack of crucial military products. The development of artificial but necessary home industries will decrease the industrial disorganization of the first months or years of the war. Finally, partial self-sufficiency will mean that the nation can either secure the victory more quickly or hold out longer against the enemy and thus secure better terms. However, all these arguments, like the contentions of the militarists, overlook the fact that the degree of economic independence is relative, not absolute, in possibility of doing good. In this case equality of degrees of self-sufficiency among the various nations is all the more likely since curtailment of trade by one will decrease the trade of another. Since all are likely to have made similar sacrifices and progresses fairly equal distances along the road to economic independence, their work has all gone for naught as defensive

1 Hobson, op. cit., pp 17-52.
measures against one another.

Furthermore, alliances will exist anyway due to the need of supplementing national mineral resources by external sources and the general prevalence of the balance of power system. If a nation is going to be able to secure foodstuffs and industrial products from its allies, why should it impoverish itself to secure partial self-sufficiency within its own borders?

Finally, the same argument may be advanced against Protectionism that was raised versus Militarism: Instituted to lessen the probability or the severity of war, it actually makes war more likely. If small nations found that their larger neighbors upon whom they were dependent for many essential products were embarking upon a policy of abolition of trade, they would quickly seek pretext for war in order that they might put a stop to a policy which would kill them through economic strangulation. Suppose the United States did draw back into its shell and endeavor to maintain its freedom from foreign entanglements by refusing to trade with other nations, would we ever see the phenomenon of a European Commodore Perry steaming into the harbor of New York and demanding that we open our country to foreign trade? Then, too, as has been stated before, tariffs have been a frequent source of international ill-will.

We may summarize the whole question of self-sufficiency
relative to Protectionism and Imperialism by saying that since its complete attainment is impossible; since partial attainment would lower the standard of living and not benefit the country even then because its possibility for good in war is relative to the degree attained by other countries; since there will be alliances anyway in both peace and war; and since both Protectionism and Imperialism are causes of war, the argument which would justify them on the grounds that they contribute to national welfare through bringing self-sufficiency in industrial products and raw materials needed in time of war is economically fallacious. The only thing that could be said as a sort of postscript to the above is that such policies are justified because "everybody else is doing it" but that is no excuse for continuing to try to doctor the symptoms rather than to cure the disease by removing the causes. It is another case of plausible argument in accord with nationalist sentiment used by industrial interests to further their own

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1. This does not mean that we advocate that any one given nation or all nations should immediately remove all tariff barriers. The industrial effect of such a sudden move would be calamitous. And such readers as harbor the thought have not realized that the achievement of any such reduction in tariffs by one nation (it is the same in the case of disarmament) would come only as a result of a long and intensive campaign of education in the desirability of such a procedure. This building up of anti-tariff sentiment could not take place in any one nation without affecting the thought of others. Hence when reductions took place in one country, they would not leave the country as a sheep among wolves but would be accompanied by contemporaneous reductions in other countries also ready for the step. The decreases in tariffs, like those of armaments, might very likely take place as a result of an international conference at which several nations agreed to the policy.
gains through government-created monopoly conditions.

But protectionism has advocates on other grounds than the one just treated. Claims are made that tariffs increase wages, enhance prosperity, bring a favorable balance of trade, etc. However, these arguments have so frequently been proved fallacious that we shall not attempt to discuss them here.

PART V. WAR.

The thesis of this section is that irrespective of the cost, modern war does not pay appreciable returns. This is contrary to the axioms of modern statecraft and the dogmas of Nationalism. The reason for the disparity between the economic truth and popular opinion lies in the fact that the economic effects of the Industrial Revolution have not yet been fully appreciated by the nationalist mind. This, in turn, goes back to the fact

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1. For refutation of popular economic arguments for Protectionism see, for instance, Taussig, Free Trade, the Tariff, and Reciprocity, especially Chs. 1, 3, and 7; Hoon's Economics, p 186; Fairchild, Furniss, and Buck, Elementary Economics, p 450. See Fraser, Foreign Trade and World Politics, pp 27-8 for more fallacious arguments for Protectionism.
that nations have denied facts and have tried to make them conform to the national myths. In so doing authority has consciously propagated ideas the untruth of which has been recognized by only a few of the prophets of Nationalism.

The survival of the national myth has ensured the survival of the belief that war is not deadly. In the wars of the past, say before 1870, nations were still largely operating under the agrarian system of national economic independence. As a result frequent wars could occur without seriously disrupting the economic life of the belligerents. Their purposes were found in the desire for annexation of territory. For the civilian soldier war was

"a struggle between two states for the purpose of changing the status of a province....Encounters are swift and of short duration; and if one of the adversaries is too badly hit, the onlookers will put an end to the struggle....It was attended by no fatal consequences for any of the belligerents. It was merely a rather brutal kind of procedure for settling disputes over matters of sovereignty. It had come to be viewed as one of those periodical blood-lettings which were considered a necessary condition for a healthy existence by the medical profession of long ago."

Today there is economic interdependence of nations.

That is the chief reason for the inclusion of all except twelve nations in the maelstrom of the last war.

The largest of which neutrals were South American nations whose products went almost exclusively to the Allies. And that is the reason why, "for the first time in the history of the world, war has become fatal." The reason for the change is found in the difference between two civilizations, and the reason for the non-appreciation of the change lies in the permanence of old ideas and the slowness with which new ideas are assimilated and accepted.

Delaisi gives a comparative study of the changes in the nature of war:

<table>
<thead>
<tr>
<th>Wars of the Past</th>
<th>The New War</th>
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<tbody>
<tr>
<td><strong>Cause:</strong> Political (the rupture of equilibrium between autonomous nations.)</td>
<td><strong>Economic</strong> (Surplus of industrial production.)</td>
</tr>
<tr>
<td><strong>Aim:</strong> Annexation of territory.</td>
<td><strong>Conquest of markets.</strong></td>
</tr>
<tr>
<td><strong>Means:</strong> War of movement.</td>
<td><strong>Blockade</strong></td>
</tr>
<tr>
<td>Respect for private property.</td>
<td>War on factories.</td>
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<tr>
<td>Respect for neutrals.</td>
<td>Pressure on neutrals, who are militarily or economically involved in the conflict: war without mercy. War on non-combatants.</td>
</tr>
<tr>
<td>Protection of non-combatants.</td>
<td></td>
</tr>
</tbody>
</table>

1. Delaisi, op. cit., p 299.
2. Delaisi, op. cit., p 335.
Decision: Brought about by a Napoleonic battle.

Consequences: Short wars (a few months—though maybe continued at short intervals); local war limited to a few nations; a mere overhauling of frontiers; easy recovery with loans from neutrals; rapid resumption of trade.

By attrition and revolution.

A protracted war (several years); general war; general impoverishment of states and private persons; breakdown of the international system of exchange; prolonged economic crises.

Imperialism has supplanted political disputes as a major cause of modern war although such wars may embody as contributing causes the old ones plus other new ones such as national self-determination and national irredentism. The fundamental aim is the conquest of markets even though the method adopted may be little qualified to attain that goal. The method as well as the cause and aim of modern war (judging from the World War) has become economic. Trenches have prevented wars of movement which bring the decision as a result of strategic coups. The blockade new is relied upon to bring the victory through gradual industrial and agricultural starvation of the enemy. Direct attacks are made upon factories for they are the means of keeping the soldiers at the front. Endeavors are made to destroy both the lives and the morale of non-combatants. The result is that both the "victor" and the vanquished are impover-
ished, the only difference being that the victor will probably continue his maniacally nationalistic destruction of the enemy's industries after the war as well as during its existence. (Concerning the wisdom of this Nationalism inspired policy more will be said later.)

Depression is widespread and prolonged following the war due to the destruction of the credit and international exchange basis upon which modern interdependent industrial civilization is built.

One other fact should be noted before we take up the arguments against the economic validity of war. This is the international nature of modern finance referred to above. A financial stringency or crisis in one country is immediately reflected in other countries. The 1907 panic in the United States spread throughout two continents

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1. cf. Emil Ludwig: "The great surprise of the World War—that the fister in Europe saw the prise for which he had fought vanish before his eyes—failed to startle only a few outstanding intellects—Norman Angell, for instance—This fact, the reason for which is the solidarity of little Europe and the outwornness of war as a weapon, damaged the vanquished without in the least benefitting the victors."


in less than ten days. The 1920 crisis spread to all major industrial countries in the world, both late belligerents and neutrals, except Germany and Russia which were already down and Austria which was just emerging from a depression. Financial interdependence is such that a nation’s industrial stability and prosperity is inextricably bound up with the financial security of other nations. Take the case of cotton, for instance:

"An intimate bond unites the workshops of Europe to the fields of Louisiana. A heavy frost on the Mississippi banks provokes a violent rise on the Liverpool exchange and the disturbance reverberates rapidly from Rouen, Lille, and Calais to the furthest depths of Saxony. Conversely, if an industrial crisis breaks out in the Old World, the price of American cotton drops to such an extent that it is no longer worth picking.

"On the morrow of the war, when the ruin of Central Europe had condemned to unemployment the greater part of English and German spinning mills, one-third of the cotton plants of the United States were uprooted and entire districts became uncultivated. The Negroes were compelled to look for work in the towns of the North where they acquired habits of independence which have brought about a recrudescence in Ku Klux Klan outrages. Indeed, it might be contended that these brutalities which have astonished Europe are caused to a great extent by the reduced purchasing power of the European peoples!...Such is the solidarity that binds the different parts of the world together."

And such is the solidarity which today has so changed the nature of war that it becomes an industrial and social

ealality to all nations who participate in it or remain neutral. According to the Nationalist myths it is still possible to gain from war but the facts of the case are that only a few industrial interests will profit and many of these are now coming to realize that war is more of a curse than a blessing when the post-war depression and high income tax rates are considered.

To those who have grasped the significance of the modern economic and financial changes which have followed the ever increasing effects of the Industrial Revolution, the following statements will be axiomatic. To those without this background footnote references will give the key to what to them might seem preposterous assertions.

The points made are all based upon the premise of modern war between Industrial nations. True as they are today, each passing year makes them even more applicable, for the growth of international economic interdependence is as inevitable as the progress of time.

1. "It is a physical and economic impossibility to capture the external or carrying trade of another nation by military conquest."

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1. The economic interdependence of nations not only makes it almost impossible for a nation to remain neutral when a major conflict is raging, but wars definitely injure said neutral. In the World War the blockade imposed by the Allies cut off much of the trade of Sweden, Denmark, and Holland, ruining industries and bringing starvation to neutral non-combatants.

2. No nation can gain by the conquest of the colonies of another nor would the other nation suffer any material damage by their loss.

3. The wealth, prosperity, and well-being of a nation bear practically no connection to its external political power except perhaps as causes, not effects.

4. In so far as one nation destroys the population, industries, and wealth of another nation it hurts its own population, industry, and wealth.

5. The confiscation of the property of the vanquished results in greater damage to the victor than the proceeds of the confiscation. (It must be recognized in this and in the other statements made, that the possibility of particular gain to certain individuals and classes is not denied. The basis for measurement is national welfare.)

6. Similarly, the exaction of an indemnity is a costly and a difficult proposition. If an attempt is made to exact a great deal at once, the industries of both

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1. The above six arguments have been taken from Angell, "The Great Illusion", pp 30-34.
countries are demoralized. If a scientific indemnity is planned, its collection will have to cover a period of years and a new generation will arise which will so strongly object to paying the tribute that the collection of any considerable amount is unlikely. Certainly it is absurd to believe that a nation can indemnify itself for an appreciable amount of the cost of the war.

7. Indemnities must be paid ultimately by the surplus of exports over imports. This means that the victor nation is faced with the dilemma of either allowing the vanquished nation to acquire a large trade in the markets of the world, thus defeating the very purpose of the war, e.g. to capture the trade of the other country, or of raising tariff walls to prevent this competition and thus eliminating the possibility of collecting the indemnity. The present situation under the reparations scheme and the Dawes Plan is similar to this.

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1. "The conqueror has his choice between ruining the industries that compete with his own and making them productive in order to exploit them for his own gain, but... he cannot do both." -Readings in the Economics of War, by Clark, Hamilton, and Moulton, p. 57.
8. War does not increase wealth by circulating money.
9. War does not increase national wealth by creating a demand for the things it destroys.
10. War is not a source of national wealth by reducing unemployment.

This about exhausts the possible economic arguments that might be advanced to justify war. Please note that in no case except point six has mention been made of the costs of the war. The contention is that war, while it may possibly enrich a few, brings no direct gain whatsoever to the nation as a whole. And when in the case of the World War, one subtracts from zero the direct cost to the victorious Allies of something like a hundred and twenty-five billion dollars, there is not very much that anyone can place to the credit of war.

Let us reassert the position of this paper. It is only the existence of the national myth which has made us continue to believe in the benefits of war when all the

1. The other arguments from the moral or national sentiment viewpoint which might be advanced as justification of war are presented and refuted by Ponsonby in Now Is The Time, pp. 105-31.

facts point in the opposite direction. If it were not for Nationalism, men would long since have put an end to this vampire which has periodically sucked the life blood of nations and which will ultimately destroy civilization if man does not first destroy it. The blindfold of Nationalism prevents men from seeing that national welfare is different from the interests of private individuals and that the myths of national right or national honor are will o' the wisps leading them to their doom.
Chapter IV

THE INTERNATIONALIST SYSTEM

The national system of political economy has been found wanting at so many points that one instinctively asks if there is not some other system which promises more for the welfare of nations. Individuals who strive to ameliorate our present condition usually work against a particular phase, such as high tariffs, imperialism, armaments, etc., but few seem to realize that if all these movements were successful a complete new system would be ushered in which would be the antithesis of the Nationalist System. It might be called the Internationalist System and its members would be International Organization, World Court plus Law, World Division of Labor, and Trusteeship, in the places respectively of their opposites: War and International Anarchy, Militarism, Protectionism, and Imperialism. The diagram on the following page presents graphically the organization of the new system and should be compared with that of the Nationalist System.

1 Cf. the title of Freidrich List's famous work: The National System of Political Economy. In this book List advances theories of the Protectionist school as desirable for Germany or any other nation at the time of transition from the beginning industrial to the full industrial stage of economic evolution.
The central member of the new system is shown to be Internationalism. Unfortunately, this word has received an evil connotation and an "Internationalist" is looked down upon by the upholders of the Nationalist System as an enemy of his nation, a sentimental person easily misled. This attitude is entirely unjustified because Internationalism, is, by the very composition of the word, derived from and based on Nationalism. It means association and co-operation between nations as units.
It does not threaten to destroy national integrity nor pride in national achievement but, on the contrary, is the only sure means of preserving nations intact. It is the antithesis of the present international anarchy which keeps the lives of nations in constant jeopardy. It protects each nation against unfair aggression by others and relieves nationals of the costs of war and militarism. Just as the division of labor under internal free trade within a nation has raised the standard of living and national political organization with courts and law have preserved the rights and lives of individuals and industries, so will they likewise benefit nations when, together with Trusteeship, they are extended to all the world in the form of Internationalism.

The first two members of our new system, International Organization and World Court plus Law, can be best explained together. In place of the institutions of War and Militarism there will be a series of institutions achieving the same goal for which these two were supposed to exist, e.g., the protection of national rights and interests. Opposite to World Anarchy there would be some sort of a League of Nations reinforced by a World Court operating under a comprehensive, codified, international law. The present institutions corresponding to the above do not by any means

1 Annals, July, 1926, pp 132-3.
meet the requirements but they are a step in the right direction. Perhaps the most necessary changes would be the definite outlawry of war through international treaties backed up by popular vote, the creation of a court with affirmative jurisdiction, and the building of a codified International Law inclusive enough to meet problems which might arise. There would also be functional institutions connected with the above political, juridical, and legal organs, such as the International Chamber of Commerce with economic, the International Labor Office with social, and a Mandates Commission with colonial jurisdiction. These might have to be supplemented by an international police force but many leading thinkers maintain that the force of world public opinion would be strong enough to make any disgruntled nation toe the line. It would cost something to maintain the above organizations but only a fraction of a percent of the annual expenditures for armaments.

1 Mr. J. L. Garvin in his book, The Economic Foundations of Peace, written as the League of Nations was in process of formation, states that there can be no secure foundations for world peace unless the political association is reinforced by economic organization, "world Partnership," he calls it. Later events have gone far to proving the validity of his contention and contribute to the theme of this thesis.

2 Cf. Morrison, The Outlawry of War, Chs. 8 and 9.

3 Morrison, op. cit., ch. 10; Angell, Arms and Industry, ch. II; and on the power of public opinion in sustaining the decrees of the Mandates Commission of the League of Nations see Moon, op. cit., pp. 509-12.
The third member, World Division of Labor, is based upon the condition known as "Free Trade" which was explained by implication in the discussion of Protectionism. It does not mean total abolition of tariffs but rather abandoning those duties which impose economic burdens upon a country for the benefit of particular industries. The danger of a rapid reduction of tariffs is fully recognized by Free Traders but they also point out the danger of never setting a date for the complete removal of protection and failing to initiate the movement. And the result of this abolition of Protectionism is the attainment of a world-wide division of labor following the unhampered working of the Law of Comparative Costs.

The last member of the Internationalist System has been called "Trusteeship." This plan has been advocated by prominent men including Beer, Smuts, and Wilson and is the unattained ideal of the Mandate System under the League of Nations. Colonial areas are administered under a trustee nation appointed by an international political body and approved by the mandated people. Once appointed, the trustee is then responsible to a specialized Mandates Commission to whom the international organization (a League of Nations) has delegated supervisory powers. The Commission would be composed of impartial colonial experts of different nationalities, and would be empowered to receive and examine reports of mandatories, decide on questions of colonial

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1 Moon, op. cit., pp 478-84.
2 Cf. the modern trend towards executive bodies of experts such as the Interstate Commerce and Federal Trade Commissions.
administration, enforce the general rulings of the league by making specific applications, and to formulate and recommend to the league general colonial policies. This means that the trustee nation would be held responsible for the protection of the natives against forced labor and slavery, unjust taxes, expropriation of land or discrimination concerning property rights, and disfranchisement. The trustee would be required to abide by the rulings of the league and the commission. It would have to provide for education, protection of the natives' health, and the suppression of traffic in arms, liquors, and drugs. The Commission itself would be responsible for the maintenance of the open door in the mandates by the various trustees. There must be no discrimination against traders or investors. Ultimate sovereignty would reside in the league and each mandate would be considered as in preparation for nationhood, the capacity for self-government to be decided by the Commission and the league, not the trustee.¹

Just as in the case of the Nationalist System the members of the Internationalist System would be interdependent. World Division of Labor would promote international solidarity and make international organization with definite law and courts a necessity. The spirit of free trade would make Trusteeship inevitable in its economic aspects and Internationalism would prevent the old type of exploitation under Imperialism.

All of the members would be incompatible with those of the old

¹ On the Mandate System as it now exists, see Moon, op. cit., Ch. 18.
Nationalist System. A militarist would be entirely out of place in a world where armaments no longer existed. It would very much be an anomaly to find a Protectionist believing in Trusteeship or a Free Trader opposing a league of nations. Those individuals who now hold to parts of one system cannot very strongly support members of the other without involving themselves in such a maze of contradictions as to make a complete reorientation necessary.

Such a system as we have now outlined would have many economic advantages. The gains from the restriction and ultimate abolition of war and armaments are apparent. The positive advantages of Free Trade would also be large, for once the barriers were removed, foreign trade would increase much more rapidly than it is doing today. The material benefits of foreign trade are:

"Based upon the economies of an international division of labor; by each nation concentrating upon the production of those commodities in which it has the greatest comparative advantage the total of the world's production will be increased, and out of the enlarged stock there will be a greater share for all. By using its productive power to greatest advantage each nation gains directly, and it also gains by satisfying its other wants through free exchange with other nations engaged in furnishing products in which their advantage is equally clear." 1

The other big economic argument is that Free Trade will make for interdependence among nations, thus strengthening the cohesiveness of the System and making war almost impossible. In fact, as a later chapter will show, foreign trade even under the present regime is making for international solidarity; Free Trade would merely hasten the process.

1 Fraser, op. cit., p 23.
The obvious benefits of Trusteeship to nations which are now discriminated against under the closed door colonial system are not the only things that can be said in favor of a change from Monopolistic Imperialism. The fact that foreign concerns and investors would secure more of the trade of colonial areas than they do under the present system would not harm the imperial nation, but benefit it. First, the increased industrialization of the Mandate due to the investment of foreign capital would bring greater orders to the trustee country than she now secures. Second, the trade will benefit the investing country, making it more prosperous, and enabling it to buy more from the trustee nation either directly or through "triangular" trade. In face of these two direct economic gains the present dog-in-the-manger attitude of imperialist nations seems unjustified. Finally, Trusteeship will benefit the mandated people in many ways. Greater competition will lessen prices, colonies will not be considered as territories to be exploited for the gain of the mother country (the old Mercantilist idea which we have not yet outgrown), and they will be allowed to raise such tariffs as seem necessary to start home industries for which they have a comparative advantage.

One essential member of the Internationalist System has not yet been discussed as an integral part because of its existence also in the Nationalist System. The institution of Capitalism seems fairly stable and all that is needed to
make it a possible member of the new system is a change in viewpoint. In fact we believe, as a later chapter will show, that it is this very change of capital from a national to an international outlook that will be the chief cause of the overthrow of the Nationalist System. In the new regime it will be one of the dominating members for capitalists will recognize that, through the abolition of the danger of war, industrial security will be increased and greater prosperity brought to business in general.
CHAPTER V
PART I: REVIEW

From the political, social, intellectual, and economic changes of the last seven hundred years or more there have developed the modern concepts of nation and nationality plus the sentiment of Nationalism. The French Revolution and the Industrial Revolution furnished the political and industrial background for Nationalism; the Romanticist movement gave it form and contributed the basic concepts. Once the group of emotionally colored ideas had fairly well solidified and proved its utility to many groups, it spread far and wide. Hayes gives an excellent summary of the manner in which these ideas have been propagated:

"Compulsory national schooling--the new education--is the basic means of propagating the doctrine of nationalism among the masses. It is strikingly effective. It fertilized the mind of the rising generation for the seeds implanted by intellectuals in the first half of the nineteenth century and henceforth watered and tended with consummate care by a large number of middle-class and upper-class nationalist gardeners, and brought to blossom and fruit by the winds of modern journalism, the rains of modern militarism, and the sap of professional nationalists. The propagation of nationalism, in truth, has been a great achievement of our age. First it inflamed visionaries; then it grew strong with the classes; and latterly it has possessed the masses. From an unconscious process, nationalism 'became idea; from idea, abstract principle; then fervid prepossession; ending where it is today, in dogma whether accepted or evaded'."

From the fusion of nationalist ideas and political

(1) Hayes, op. cit., p. 92.
and economic institutions came what we have called the Nationalist System. Its members are Militarism, Protectionism, Imperialism, and War. Since they are all manifestations of Nationalism and since they are all closely interrelated, the System is a homogeneous group of self-supporting institutions. This tends to make it self-perpetuating. Any tendency to slow up is countered by those financial interests who so benefit by the System that they can afford to subsidize the "winds of journalism," and the gales of professional patriots which fan the embers of Nationalist sentiment into flame.

An analysis of the four institution-members to determine their economic validity reveals that, while they do yield considerable gain to a few individuals of a nation, in general they do not promote national welfare but rather reduce it. The reason for their continued acceptance in the light of this fact lies in the fixity and universality of the beliefs in Nationalist myths.

There is another System, the Internationalist, which is still in the future. The members of this System which will supplant the corresponding ones in the Nationalist System are International Organization, World Court plus Law, World Division of Labor, and Trusteeship. These, too, will be interconnected and self-supporting when they come into
power. At present people may try anomalously to adopt one of the policies implied by the institutions of the Internationalist System but adhere to the others of the current System. However, the ideas of the two are incompatible and, to be logical, one must support all the members of the one or the other.

In general we may say that it is not loyalty to the State or patriotism which is bad, but "Nationalism,—the combination of nationality, the national state, and national patriotism, as effected in our age." (1) Separately considered they are not only harmless but, in fact, are productive of good, but their present fusion creates an evil trinity and is the source of grave abuses and evils. Chief among these evils are the spirit of exclusiveness and narrowness, the premium placed upon uniformity of all kinds, the increased susceptibility of the masses to propaganda in favor of the four politico-economic institutions analyzed above, a nationally disintegrating and disruptive intolerance of group for group, race for race, religion for religion, and nationality for nationality, and finally, the manner in which popular attention is focused upon war and preparedness for war. (2)

The economic changes produced by the Industrial Revolution are not yet popularly appreciated. The interdependence of nations has not yet sunk into the consciousness of many below the strata of students and a few business men.

(1) Hayes, op. cit., p. 255.
That is why there is this maladjustment between political institutions and economic fact. Industrial change has outstripped men's ability to devise social institutions to meet the new situations. Ogborn calls this "Social Lag." (1)

The problem is a psychological not a material one:

"The difficulties reside not in the things as they are but in our conception of them.... That which requires changing is not the economic system of international exchange to which the modern world is indebted for its wonderful development--for left to itself, it would be restored by its own means. It is our mental outlook, the legacy of an earlier period, and ill-adapted to modern conditions, which is paralyzing our economic system." (2)

In the past and in the present we have endeavored to make the facts conform to our ideas of Nationalism. The paramount question which faces the world today is whether or not in the wrestling match between politics (national) and world economics, the facts will become strong enough to throw off the hold of obsolete ideas before these outworn myths slay civilization.

PART II: THE PRINCIPLE OF INCREMENTS.

It was not without purpose that considerable space was devoted in the second chapter to proving the interrelationships among the members of the Nationalist System. Each member was shown to be both a cause and an effect of the other three. The interrelationship between certain members of the System is more direct than between others, but all have such extensive roots in one another that there is no possibility of conceiving of them existing separately.

(1) Cf W. F. Ogburn, "Social Change," Parts III and IV.
(2) Deleisi, Francis, "Political Myths & Con. Realities" p 417
The relationship may be easily seen in the Nationalist System: War causes militarism and militarism causes war; Nationalism stimulates protective tariffs through desire for self-sufficiency and the isolation produced by these tariffs reinforces Nationalism.

Somewhere, sometime, the institutions have had their origins. No one of the members appeared all of a sudden from nowhere and by causing the others, produced a perpetual cause and effect relationship in the form of a self-sustaining system. No one of the members immediately became cause without having also been effect. Each effect is a cause, and each cause an effect. Increase the one and you increase the other which in turn through its additional strength enlarges the power of the first. Thus has the system grown.

It will now be apparent why so much space was devoted at the beginning of the paper to an account of the growth of the Nationalist System. We have seen how its origins go back hundreds of years, how political, social, intellectual, and economic changes all caused and were caused by each other and all produced and were produced by Nationalism. Who will be so bold as to say which came first, Nationalism or modern Militarism, Imperialism or modern War, surplus goods or tariffs?

One more item of background and we shall be ready to examine the positive constructive case. This reinforcement comes from the field of mathematics. According to calculus, the slope of a curve may be measured by a symbolic expression which tells the amount of change in "y" for every
infinitesimal change in "x". A certain increment along the "x" axis will result in a certain increment in the direction of the "y" axis, the amount of which determines the slope of the curve. Thus microscopic additions, or increments, determine the direction and slope of a curve. Change the amount of these "y" increments and the whole shape of the curve is changed. For the purposes of carrying out the dominant theme of this chapter we might say that for each curve there is a separate "x" - "y" system. A change in one cannot take place without a change in the other and the amount of change in the first determines the amount of change in the second, according to the particular system-curve. And in an "x" - "y" system it would be a contradiction of fact to suppose that either could exist without the other.

Therefore, as we consider the Rationalist System, we see immediately the futility of single remedies. The man who says "This is the only thing that will ever do away with war," does not have an adequate understanding of the fact that War is part of a system and has both a cause and effect relationship with several other institutions. There is no "one and only" method, for if there were it would be equivalent to saying that somewhere in the system there is a link which is all cause and none effect, a statement that is contrary to fact and to the logic of determinism.

What, then, are we to do about it? The answer lies in the two ideas previously advanced. The Nationalist System, like other systems, is a product of growth. Its tentacles now stretch far and wide. In itself it is both cause and
effect. It is largely self-perpetuating, though, like all phases of our complex society, it does have interrelationships with other institutions which are not directly a part of the System and draws some strength from them. Of gradual growth, it must die a gradual death, though the speed of its demise depends, not upon its rapidity of formation, but upon the strength of the attacking enemies.

"Rome was not built in a day" nor, contrary to the belief held by some, was it destroyed in a night. The strength of Rome did not lie in any single factor, but in a combination of interrelated factors, and as these supports weakened one by one they decreased the measure of support of the others and finally the tottering edifice was pushed over. Similarly, the Nationalist System has many sources of support each buttressing the other, and in the same manner, as one of them is weakened so the whole structure has a lowered resistance to attack. According to the theory of increments derived from calculus, the changes in any one of the members of the System (even though it is not a binary system like the curve) produce changes in the others.

To change the explanatory figures, suppose that all the lines of the diagram of the Nationalist System are tubes and all the areas, tanks. Let us say that the whole apparatus is full of water at the start and that this water is circulating throughout. If a couple of drops are taken out of the Militarism tank through, say, the partial success of a campaign for the reduction of armaments, there will be less fluid in all the tanks and tubes. Suppose multilateral outlawry treaties are enacted which thereby weaken the institution of War; a thimbleful is taken directly out
of the War tank and indirectly out of the whole System. Thus it is that, due to the close interrelationship which exists among the members a decrease in the strength of one devitalizes all the others. The principle of increments, for this particular purpose, might be called the principle of decrements, — a taking away rather than an adding to.

The building up process is thus reversed. Just as no single complete cause had a miraculous creation so no individual cause-effect member will vanish over night. The system is not so entirely self-contained that it is impossible to release any of the circulating fluid. Each member may be reached through the accessory causes which, with the other three and Nationalism, produce and maintain it.

That is why the writer maintains that every member should be attacked simultaneously. A concentrated attack upon any one would probably fail because of the strength of the support which it receives from the unmolested members of the System. But an attack upon all will reduce the life-energy of the group and of each member in the group so that a weakening in one will facilitate the partial conquest of another. Finally the whole system will become so weak that it crashes and is replaced by another, the Internationalist.

But how about this unity of attack? Are we to continue to see a regime of "barren specialisms" each claiming to be the universal embrocation and refusing to help the other? Fortunately, there are signs of a growing "class consciousness" among free traders, pacifists, anti-imperialists, and internationalists. One of the purposes of this paper is to point out the need for these groups to appreciate the nature of the common foe and to unite in mutual aid if they
wish to accomplish his speedy overthrow.

Whether the forces working for the destruction of the Nationalist System do or do not achieve this consciousness of a common foe, the principle of increments will still hold. Any victory that one wins will benefit all. And now that we leave this theorizing and go back to more concrete observations, it is entirely desirable that we disclose our argument a bit by stating that the weakest point in the whole system seems to be in the twin-partner of Nationalism, the profit motive of capitalism. If this proves to be the case, as the next chapter will endeavor to demonstrate, the change from nationally minded to internationally minded capital will soon destroy the psychological supports of the Nationalist System and bring the whole organization to its downfall.
Chapter VI

SYSTEM BREAKING TENDENCIES

The first three chapters gave us a survey of the Nationalist System in its development, present status, and economic appraisal. The fourth chapter discussed the probable nature of the System which will supersede the present one, and the fifth explained the manner in which the supersession of any system takes place. Now we are ready to discuss those tendencies and forces which seem to point in the direction of the downfall of the Nationalist System.

PSYCHOLOGICAL CHANGES

The present system is built upon the antiquated notions of an earlier period. These include national autonomy, identification of individual with national interests, national honor, industrial competition of nation against nation, the desirability of national self-sufficiency, etc. (1) But economic changes resulting from the continued effect of the Industrial Revolution has brought national dependence and varying degrees of sovereignty, diversity of interests within a nation, economically destructive war, competition among international groups and

(1) See chapters 1 and 2.
firms, and the impossibility and undesirability of economic self-sufficiency.

The masses are unaware of the fact and significance of these changes. This is partly due to the specialization of industry which makes it unnecessary for an individual to appreciate the many steps in the industrial process which unite in providing him with the materials he consumes. (1) Very few of us have to take conscious thought of the morrow other than how we are going to fit into the particular niche of the economic machine which we occupy. There is no need for us to appreciate the ramifications of the system as a whole and, therefore, the average citizen does not fully realize the raw material, financial, and industrial dependence of one nation upon the others. Furthermore, we are kept from facing the facts because of the persistence of the Nationalist myths which assert the existence of, and dictate policies based upon, conditions of a less advanced industrial era. The facts of interdependence are undeniable but they are not realized by the popular mind. According to the Social Lag theory mentioned in the previous chapter this is a very dangerous state of affairs. Nations operating under outworn myths are in danger of destruction. Therefore, the masses must be instructed in the nature of our modern economic life and its implications. To achieve this goal is difficult, yet it is the purpose of this chapter to show what forces are at work to create a consciousness of world interdependence and the methods necessary for its guidance.

(1) Delaisi p. 143, 7.
The force of tradition is so strong that changes in "the established ruling mind" come slowly and only as a result of continued education as to the necessity for new ideas. To make the change from the old to the new it would seem necessary to popularize the concepts of internationalism, to substitute an international myth for the national one. But this cannot be done without constant pressure through the instruments which create public opinion. These include especially the schools, newspapers, magazines, moving pictures, radio, and platform. So long as these six agencies remain in the control of reactionary and nationalist minded individuals there is little hope for the education of the people in the realities of modern economic life.

There is considerable truth in contentions of critics of the present order that these means of disseminating information are largely controlled by the propertied classes.\(^1\) This was brought out in Chapter II and is re-emphasized now to serve as a basis for our present argument that if capital finds it to its interest to adopt the international viewpoint, it will be able to swing over the mass of the people by changing the type of information they receive. If this does not occur, it seems unlikely that the small number of internationally minded individuals, pacifists, anti-imperialists, and others, will have very much success.

\(^{(1)}\) Cf. Upton Sinclair, "The Brass Check".
in converting people to their point of view. (1) Even though this group does make its power felt through direct pressure upon Congressmen and government officials, they have such little control over the agencies for creating public opinion that their power is small compared to an aroused nationalist hatred of another country. We are, therefore, particularly interested in pointing out what forces are operative in the world to give capital this internationalist viewpoint, but, before analyzing international finance, trade, business organizations, and conflicting interests within each nation, we shall make mention of those general manifestations of a growing international solidarity which seem to evidence and to force an increasing appreciation of world interdependence.

Improvement in the means of communication and travel are rapid and the internationalization of knowledge is fast increasing. The development of the airplane promises to be potent as a unifying force both through lessening respect for political boundaries and in decreasing the time distance between nations, not to mention its emphasis upon the smallness and unity of the planet. Radio broadcasting is becoming international, and American made films are shown all over the world.

International co-operation for non-political purposes enters new fields every year. This varies from international conferences, information bureaus, and commissions, to joint international administration of territory, and of inter-

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(1) Yet there is an increasing number of people who appreciate the fallacies and evils of the present system.
national agreements. There is international regulation of
public utilities (rivers, telegraph, railways, wireless,
straits, etc.), joint action to protect certain forms of prop-
erty, (trademarks, patents, copyrights), to control social
evils (slave trade, narcotic drugs, infectious and contagious
diseases), the International Postal Union, etc. Private
international cooperation includes the Red Cross, International
Chamber of Commerce, press agencies, religious organizations,
industrial conferences, business organizations, etc. (1)

An International political cooperation is
already a recognized fact in the League of Nations, World
Court, and earlier international conferences for particular
problems and situations. During the World War internationalism
reached its greatest height due to the merging of economic and
military control by the nations of both sides. (2)

The significance of the above partial list
of institutions involving international cooperation is that
they evidence and increase the feeling of international solidar-
ity. Individuals who are involved in their administration or
formation are focal points of internationalism to a certain
degree. Everything which tends to make people realize the
interdependence of the world aids in the overthrow of the
obsolete system of Nationalism and promotes the gradual growth
of the spirit of internationalism with its institutional
counterparts.

(2) Delaisi points out the very interesting fact that the
World War, which started from purely Nationalistic
causes, became the most potent unifier of nations that
A few pages back we stated that it was desirable for capital to attain a world viewpoint. One of the chief forces working in that direction is the growing realization of international finance that wars and rumors of wars are deadly. This is due to the fact that the international system of finance is based upon an intricate system of credits. The monetary systems of the various countries are backed by a metal reserve which is only a small proportion of the total amount of money and credit instruments in general circulation. Banks engaged in assisting foreign trade keep balances in the the world has known. On the Allied side (the moves were duplicated by the Central Powers) mergers were frequent and extensive. First came the cooperation in the production of military supplies and the virtual pooling of financial resources by loans from the wealthier nations to their weaker allies. Then the nations sought still closer union through Interallied Economic Committees chiefly concerned with making purchases of wheat, coal, iron, etc., for the needs of the various Allied nations. Finally, in the face of impending defeat, each nation gave up its chief, external sign of sovereignty, e.g., command of its army, to a single leader for all the Allied troops. "In the military as well as in the economic field, the law of interdependence had prevailed; the national army, the myth's supreme expression, the instrument and guarantee of sovereignty, had disappeared in its turn." Furthermore, the national­ist myths proved incapable of sustaining military morale and the war might well have been lost had it not been for Wilson's international myth, "Make the world safe for democracy." "Thus the war which was begun in the name of the sovereignty of nations led in the end to their eclipse." Delaisi, op. cit., pp. 309-321.
financial capitals of leading countries, especially in London and New York. Payments for exports and imports are largely made through bills of exchange; gold shipments are infrequent and in amount represent only a small part of the total transactions. Thus the national and international financial systems are interlocked inverted pyramids delicately balanced on a small cap­stone of gold and silver. Their parts are held together by the cement of confidence, and anything which weakens this feeling of security in one part of the structure, which allows a stone to get loose and fall out (to continue the metaphor), unbalances the whole pyramid. Any serious political or economic distur­bance in one industrial country may so weaken the whole struc­ture that it goes toppling over.

Studies made by the National Bureau of Economic Research in the business annals of various countries for the past hundred years and more indicate that the phases of the business cycles in different industrial countries are coming more and more to correspond as the interdependence of finance and industry continues to grow. (1)

"Of the 17 countries included in the annals after 1890, 10 had recessions in 1890-91, 15 had recessions in 1900-01, 15 in 1907-08, 12 in 1912-13, 11 in 1918, and 14 in 1920. Further, the countries which escaped a share in these world reactions usually owed their exemption to still worse fortune. Thus South Africa and Japan had no recession in 1900-01 because they were already suffering from depression. The three countries of our 17 which escaped in 1920 were Germany, Austria, and Russia. .... As one would expect from England's position in international trade and finance, English cycles are more highly correlated with the

cycles of other countries, than the cycles or other countries are correlated with each other. The closest agreements are found between English and French or English and German cycles; the loosest agreements are between Austrian and American cycles." (1)

The fact that financial crises spread over the industrial world with astonishing rapidity is coming to make business men more and more interested in world conditions. (2) According to the "suffer-and-learn" theory of progress we should expect that the first ones to appreciate the need for doing away with international political disturbances would be those engaged in international finance. (3) This has already been evidenced by such incidents as the Moroccan crisis of 1911 when the influence of German financiers is reputed to have been the cause of Germany's reluctance to precipitate war at that time. (4) Capital is essentially international and needs peace if it is to prosper. (5) Any forces, therefore, which tend to increase the financial relationships among nations point in the direction of world consciousness and away from narrow Nationalism.

(1) Thorp, op. cit. 88, 90.

(2) A good barometer of the attainment of a world viewpoint by American business men is the rapid increase in the number of inquiries sent to the Bureau of Foreign and Domestic Commerce. See Swenson, R.J., The National Government and Business, pp. 23-4.

(3) Cf. Withers "International Finance", pp. 97-8

(4) Withers op.cit. 95-6.

(5) Hobson "Democracy after the War", pp. 190-1.
The most important of these forces is the increase of foreign investments. In Chapter III a table was presented showing the rapid increase of American investments abroad in the last ten years. (See page 83.). By the end of 1927, the United States had about $4,300,000,000 invested in Europe alone outside of the war debts. (1) We are exporting capital at the rate of more than a billion dollars a year. Sir Josiah Stamp states that there is very little sense in the American talk about no entangling alliances with Europe when our present investment policy brings us face to face with the proposition of some day owning half or two-thirds of Germany. (2) Discounting the ironic exaggeration of this remark, it indicates the interest of the United States in the welfare of Europe. The preservation of the productive character and even of the principal of these loans depends on the peace of the Continent. It begins to look as though we would have to participate actively in the politics of the world if we are to prevent another cataclysm from producing world insecurity such as will threaten the safety of our grand total of twelve or fifteen billions of private foreign investments, not to mention the ten billions of government war loans.

(2) "System, Aug. 1926, p. 155."
"The isolation of Washington's Farewell Address is as dead as the Industrial Revolution. Political entanglements or no entanglements, World Court or no World Court, League of Nations or no League, we are inextricably bound up with the world's business, and world business can never be separated from world politics. The largest stockholder never has been and never will be able to absolve himself from participation in the business and consequently in the policy of the corporation."

We are not concerned with merely the probable fact of future foreign relations of the United States with Europe and other countries but with the fact that investors demand security, especially for foreign investments which must be made sight unseen. Europe has been badly in need of our funds and we may see in the Geneva Protocol, Locarno, and other political moves to preserve the nations against war, an endeavor to secure at least a show of security and attract the essential capital. If investors are interested in the probable security of their money at the time of making the investment, it seems entirely likely that they would be interested afterwards in any political forces which threaten its safety.

"The growth of foreign investment on the part of our people certainly means, in some degree at least, the limitation of the probability of our engaging in further war. ....... We will stand side by side with Great Britain in the maintenance of international peace." (2)

(1) Delaisi, op. cit., 404

(2) Fort, Annals, July, 1926, p. 85. Cf. Withers: "It is clear that a purely material consideration, such as the interests of international finance, and the desire of
Another phase of International finance which merits attention is the participation of bankers of several nations in international financial consortiums, such as that for China, \(^1\) joint financial assistance and control of Austria and Hungary through the League, the international loan to Germany under the Dawes Plan, etc. \(^2\) If, as seems likely, nations unite to further such projects, the prospects of disruptive war will certainly be viewed with such alarm that financial interests will do their best to prevent its occurrence.

Finally, financial interests of nations have united in different groups for the control of raw materials. This is specially manifested in the great oil trusts whose capital is derived from several different countries. Then there are associations for the control of raw materials who have invested abroad to receive their dividends, weighs very little in the balance when the nations think that their honour or their national interests are at stake. Since the gilded cords of trade and finance have knit all the world into one great market, the proposition that war does not pay has become self-evident to any one who will give the question a few minutes' thought. International finance is a peacemaker every time it sends an American dollar or a British pound into a foreign country. But its influence as a peacemaker is astonishingly feeble just for this reason, that its appeal is to an interest which mankind very rightly disregards whenever it feels that more weighty matters are in question." Op. cit., pp. 99-100.

(1) Moon, "Imperialism and World Politics, pp. 370-2.

material prices \(^{(1)}\) but these are more of the nature of business combinations and will be treated under that head.

**INTERNATIONAL TRADE**

The unifying force of international trade in world relationships has already been explained. England was drawn into the war with Germany, her largest customer before the war, only over the protests of those interests who controlled her foreign trade. \(^{(2)}\) The exporting and importing concerns of any country are bound to oppose any political friction which cuts them off from a valuable market and customer, \(^{(3)}\) and can be brought around to support their country's policy only by patriotic appeals on the basis of national honor or national defense. \(^{(4)}\) We shall not expand this truism, however, but devote our attention in this section to the forces which tend to insure the growth of international trade.

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\(^{(2)}\) Withers, "International Finance", 93-4.

\(^{(3)}\) In this connection note the doubling of the trade of the United States with Europe over what it was before the war. In 1926, 48\% of our total exports to the value of $850,000,000 went to Europe. Therefore, measured in dollars and cents, our manufacturers have a very material stake in the European trade situation, and in the peace of the Continent. Dr. Julius Klein in *System*, April, 1927, pp. 454-5.

\(^{(4)}\) Withers, "International Finance", pp. 99.
One of them has already been mentioned, foreign investments. The change of the United States from a debtor to a creditor nation has greatly increased our foreign trade. Foreign investment often partakes of the nature of exporting goods on credit, and interest, dividend, and amortization payments are usually made by the debtor's purchasing export credits from national exporters. Therefore, the fact that we have billions of dollars of foreign investments will increase our foreign trade. The only way by which we can put off the day when imports will exceed exports is by continually exporting capital with which the creditor nations may meet interest and amortization payments. But this will only defer the day when the United States will have an unfavorable balance of trade, for the return payments on our foreign investments is growing steadily and will exceed the present rate of new investment in twelve years or less. (1)

This result in increased trade, especially imports, is bound to have an important effect upon our tariffs. But instead of being a bogie, the "unfavorable" balance of trade will be accepted by our industrialists with equanimity and they will ask for a reduction in tariffs, not have it forced upon them. (2) Thus we find a system breaking tendency in the indirect effect of foreign investment (brings the internationalist viewpoint to capital) through increased international trade (unites the world and makes war less

(2) Henry T. Collings, ANNALS, July, 1926, p. 79.
likely) upon tariff reduction (free trade is a unifying force, the opposite of nationalist Protectionism).

There is one other proof of the inevitability of increasing foreign trade. Population is on the increase in those countries which have not reached the saturation point and the standard of living of an increasing population can only be maintained through increased trade. Furthermore, as the accompanying table and chart will show, the rate of increase in trade in a growing country like the United States is far larger than the rate of increase of population. In the case of England, an almost stationary population has been accompanied by a steadily increasing foreign trade. This would indicate that the increased industrialization of the world will, irrespective of population increase, bring a greater volume of international trade. Both these forces, industrialization and population growth, seem to be inevitable and, therefore, world interdependence an ever increasing reality.

INTERNATIONAL BUSINESS ORGANIZATIONS

The third force which seems destined to help break the Nationalist System is the growth of international business organizations. Americans are fairly well

(1) Henry T. Collings sees two other incentives to an increased foreign trade in the large invisible items in our foreign trade balance and our need for markets to
### Increase in Population and Foreign Trade

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports and Imports (Millions of Dollars)</th>
<th>Population (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gr. Britain</td>
<td>United States</td>
</tr>
<tr>
<td>1890</td>
<td>-</td>
<td>1.65</td>
</tr>
<tr>
<td>1900 (01)</td>
<td>.87</td>
<td>2.24</td>
</tr>
<tr>
<td>1910</td>
<td>-</td>
<td>3.30</td>
</tr>
<tr>
<td>1913</td>
<td>1.40</td>
<td>4.28</td>
</tr>
<tr>
<td>1926</td>
<td>2.25</td>
<td>9.22</td>
</tr>
</tbody>
</table>

Figures from the World Almanac, 1927 and Statesman’s Yearbooks.
absorb our excess production since we can now produce 15 percent more than our vast home market can absorb. Loc. cit. p. 78.

acquainted with the general international nature of such big oil companies as the Standard and Royal-Dutch Shell, but they do not usually realize that American capital through them, their subsidiary companies, and other companies such as the Turkish Petroleum Company, is invested in practically all the oil producing areas of the world. Nor do they have a very clear concept of the significance for national politics of international associations of producers to control output or prices. Therefore, the international cartel movement, as it is known in Europe, will be discussed in some detail. Many interesting bits of information about the history and structure of these cartels will be omitted, however, because our primary concern is only with their probable results as destroyers of the present Nationalist System.
Introductory Background

During the fall of 1926, American magazines appeared with articles concerning the new European Steel Trust. French producers of ore in Lorraine had made an agreement with German producers of coke in the Ruhr to have their respective commodities shipped both ways in order to keep the processing plants in their respective localities working at full capacity. The political separation of Lorraine from Germany was thus largely nullified by this economic union of the French and German industry across the new frontier. This in itself would be no cause for alarm on this side of the Atlantic, were it not for the fact that the industrialists of three other nations united with the French and German iron and steel manufacturers to draw up an agreement to prevent competition among themselves with regard to prices in the world market. The details of the compact between the steel industries of Belgium, the Saar, Luxembourg, France, and Germany, do not concern us here except in so far as we must note the apportionment of the total output of the steel area, 36,000,000 tons annually, among the contracting parties according to their respective capacities. Then each producer was to pay into a common fund for mutual protection and assistance in competition on the International field, one dollar per ton. Sub-standard production is compensated at the rate of Two dollars a ton up to a certain limit, while any production above quota makes automatic the payment of a four
dollar per ton fine to the international production insurance fund. It was this agreement that led Julius Klein to write an article for "System," entitled, "U.S. of E. as Competitor?" and provoked editorials in many of our newspapers concerning the possible danger to the steel industry of this country. Some editors saw in the move a threat to the high standards of living of the American worker through an underselling of national steel producers and a reason, therefore, for a higher tariff. Dr. Klein believes this argument to be refuted by the fact that the domestic demand of the United States is largely responsible for the annual 50,000,000 ton output. Furthermore, it is a fairly well accepted axiom of international economics that what increases the prosperity of Europe brings profit to this country through augmented international trade. (1)

Giant mergers such as this one are much more common in Europe than in the United States. On the Continent they are not opposed within the confines of particular countries, but are favored, and, in Germany, are sometimes compulsory. They "control a far larger proportion of the nations' business than they do in the United States."

The phenomenon as a whole is relatively new, especially the international part of it, for, even though Liefmann and others estimate that there were more than one hundred international cartels in 1914, the movement is still in its infancy. The present national cartels

(1) Klein, System, April, 1927, p. 531.
(except for the government compelled associations in Germany) are purely voluntary combinations. In this they differ from the old trust movement and assume the existence of a fairly extensive commercial freedom contrary to the old system of privileges and monopolies. Cartels per se are of the nature of what we in America call associations, output agreements, or pools. The degree of closeness of the union varies greatly and sometimes is such that it leads to amalgamation.

"The idea of the cartel is that a price is not something to be determined by a marginal or average cost, but an instrument for the administration of an industry, so as to prevent the fluctuations which take place around the trend of the market."

(1) Hirsch, "National and International Monopolies", - Defines a cartel as:

"A combination of concerns such that each enterprise remains independent, but the relation of all the enterprises involved to their common market is uniformly fixed by an agreement effective for a specific period of time."
Causes of International Cartels

Business firms combine for two chief reasons, to secure the economies of large scale production and to avoid the pressure of competition. Those industries which operate under the law of decreasing costs have a continual urge to reduce unit operating costs by increased total production. This makes them bitter competitors and frequently leads to such cut-throat competition that profits are very meagre. (1) The natural outcome of such a condition of affairs is that, if one firm is not strong enough to buy up the others, they combine through consolidation or association. (2) In the former case they give up their individual identities and become part of a new corporation or trust including them all. In the latter they are loosely joined

(1) "Unless compelled, no undertaking whose whole structure is based upon permanent plant and therefore continuous costs will expose itself to the constant fluctuations of the unprotected market." Wiedenfeld, Cartels and Combines, p. 32.

(2) "Free competition was never a principle for its own sake, but was adopted because of the correct conviction that this was the best way to organize industry and trade to its highest productivity. When, however, competition among competitors means that a greater part of the productive effort and labor is wasted for the same purpose, then the basic idea of free competition is abandoned. ....... The organization of cartels and trusts may result in an increase of productivity and a decrease of the total costs of industry and trade. Whether and to what extent this is the case obviously varies greatly in various branches of industry." Hirsch, National and International Monopolies, p. 18.
together by agreements concerning sales price, territorial partition, production limits, or the like. This type of agreement is called in Europe the cartel. Being largely a result of competition in a given industry, cartels are first formed within the country itself, but as business increases the same pressure begins to be felt in foreign competition and the national cartel joins national cartels (or large firm joins large firm) in other countries to form an international cartel.

This is the general story of associations of producers but, for the purposes of this paper, we have classified the particular causes of the modern international cartel movement under three heads: economic causes little influenced by war, economic causes heightened by the war, and special economic and political causes growing out of the war. Even though there is inevitable overlapping, this classification is helpful when we summarize the effects of international cartels as one of the forces tending to break down the Nationalist System in its many ramifications.

I. Generally existing economic causes little influenced by the war:

1. National cartels or trusts, operating behind tariff barriers raised at their instigation or with their approval, attempt to increase their production by dumping the surplus over that absorbed by the national market in foreign countries even though they have to surmount opposing protective walls around the buying country. To do this they must sell
at a much lower price than they do at home in order to compete with the national producers of the prospective buyer nation. But these producers of the second country may also be in a position to export, and wish to dump the same product in the first country, while keeping their own market for personal exploitation. (Cf. the European Steel Trust mentioned above.) Hence there may occur mutual dumping of the same product, a ludicrous if not an economically tragic situation from the consumer's viewpoint. (1) This dilemma hurts the producers also, hence there is a force driving them to combine across national boundaries by means of an agreement, or cartel. (2) They agree not to dump in each other's country, and may or may not agree with respect to third countries. (3) The degree of closeness of combination varies greatly, as a later section will show, but suffice it to say here, that this tendency forcing international agreements to limit competition operates continually, before, during, and after wars, and becomes an increasingly strong force as the industrialization of countries proceeds to set the stage for even greater competition for the markets of the world.

2. A second force continually working for national and international business consolidation is the lack of equilibrium between the extensive possibilities of production and the limited possibilities of consumption. Mass production


(2) Hirsch, "National and International Monopolies."

(3) Cf. the international steel trust embodying French, German, Belgian, Luxembourg, Polish, and Czechoslovak producers. Rousiers, op.cit., p. 18.
in many industries, as has been explained, means lower operating costs and therefore ability to sell at lower prices. But the market will not increase its demand as quickly as the supply can be enlarged. This is especially true with regard to sudden changes in potential supply due to new inventions, new consumption goods, and new intermediate production goods. That is one of the reasons why plant capacity in the United States retains a 20 percent to 40 percent excess over plant output. (1) If the producers in a given field find that their desire to work excess plant capacity is resulting in continued overproduction, it is quite likely that they will unite in some form of an agreement to restrict output in order that prices may be kept high enough to yield a fair return on capital investment. This union may also enable them to engage in joint development of new markets, education of potential purchasers, and better export methods. We see the results of this force continually in operation in the national field and, though less frequently as yet, in the international arena where competition has not reached the severity prevalent within the advanced industrial nations. (2)

(1) The increased competition due to rapid technical advances is one of the direct contributing factors to the overproduction which followed the war and resulted in international combines and cartels. Cf. Liefman, op. cit., pp. 120, 136.

(2) International cartels come into being to check flooding of the world market by over-production, just as national cartels perform the same purpose at home. Op. cit., p. 4.
3. Liefmann\(^{(1)}\) states that "international conferences are often preliminary steps to such international agreements as form the basis of international cartels. The meetings of the producers of a given commodity have been common in this country through what are called trade associations. Similar meetings on a world scale have also been held and since the war the League of Nations and the International Chamber of Commerce have encouraged more of them. This is another tendency which seems to point in the direction of better understanding among the producers of the world and cartelization where the field is ripe.

4. Finally we find the situation in which national or international cartels keep up the price of their product behind tariff walls. This harms no one except the consumer (and it may indirectly benefit him) and the manufacturer who uses the cartelized product in the fabrication of articles to be exported. When this manufacturer exports to third countries, or to any other country, he must meet there the competition of those producers who buy their raw materials in the open market at a lower price than he pays in his protected market. Therefore, he must dicker with the national cartel for a world market price on the materials he uses. This introduces an element of uncertainty into the situation and furnishes an incentive for said national manufacturer to combine with others in the same dilemma through either national or international cartels.\(^{(2)}\) This problem will confront more and more

\(^{(1)}\) Liefman, op. cit., p. 131.

\(^{(2)}\) Wiedenfeld, Cartels and Combines, p. 29.
manufacturers as national trusts and price cartels are formed, not to mention international combinations.

II. Economic causes existing at other times but heightened by war:

1. Capital risks were increased by post-war conditions. Wasteful methods of wartime production had left concerns with large plants and a diminished demand when the war ceased. Many German industries had to consolidate in order to survive the depression caused by the lowered demand. (1) "The struggle for the world-market assumed a different form from the struggle for the home-market, but the motives and objects of both were identical." (2) Namely, to stabilize earnings and guarantee profits and interest by decreasing competition and controlling price. (3)

2. Tariffs, always a factor, were rendered more unstable by the war as nations feared to trust each other and heightened nationalism dictated such short-sighted policies as variable tariffs and short-term commercial treaties. Variations in the needs of national budgets were another factor contributing to the instability of the revenue-producing tariffs. (4)

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(2) Goldschmidt, op. cit., p. 521.
III. Special economic and political causes growing out of the war:

1. Competition was much more severe in the years which immediately followed the war than in normal peace times. The industrial depressions which swept country after country between 1919 and 1924 are evidence of this. De-based currency was the cause of much dumping and uncertainty as fluctuations in the rate of exchange occurred daily and prevented the exporters or importers from knowing whether they were going to gain or lose by placing orders. (1) The great surplus of manufactured stocks on hand at the end of the war was another cause of increased competition and this was heightened by the nationalist policies which did everything possible to prevent foreign goods from being sold in the home country. (2)

Worthy of consideration by itself is the condition of the colonies after the war. During that period there had been many stimuli to the development of home manufacturing, and industries had developed which supplied products formerly bought in the mother country or elsewhere in Europe. (3) Furthermore, capital export

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   Goldschmitt, Living Age, March 4, 1922. pp. 525


3. Wiedenfeld, Cartels and Combines. pp. 19
to these colonies now ceased almost entirely and the former source of funds for the purchase of real capital goods in Europe was thus cut off. (1) American foreign investments did not go far to relieving this difficulty for most of the export- ed credits went to European countries or to South America. The combination of these two factors meant a decrease in the total colonial demand for European exports and thereby produced a depression in the export industries from which Europe has not yet recovered and which is directly and indirectly a cause of combinations.

2. Labor had been accustomed to high wages during the war and as men had to be laid off it became increasingly necessary for employers to combine to present a united front to the unions. (2)

As shown above, any and every tendency such as this in the direction of national cartels is one which prepares the ground for international agreements.

3. During the war and afterwards the German government adopted a policy of legislating national combines in certain basic industries, forcing the producers to get together, as in potash and coal. (3) In Germany there


is today "a marked tendency to pass from free association to compulsory association and legal monopoly. (1) This includes agreements in both the production and distribution of goods and tends towards the rationalisation of industry. (2)

It was one of these compulsory national cartels, the potash syndicate, which later made an international agreement with French producers in Lorraine.

4. Strangely enough, this combination in Europe which has led some to fear for the safety of competing industries in this country was largely made possible by the export of capital in the form of loans and security purchase by United States bankers and investors. (3) The general movement of large amounts of capital across political frontiers tends to make these boundaries less prominent in the thinking of business men. (4) This is another good illustration of the interdependence of nations which is a central theme of this paper, and it also shows how the interests of certain business groups, especially those exporting capital, may run counter to others.

5. Since the war, the pressure of many political questions has made governments give less attention to problems of

1. Rousiers, Cartels and Trusts and Their Development. pp.14
2. Rousiers, Cartels and Trusts and Their Development. pp.15
Goldschmitt, Living Age, March 4, 1922. pp. 523
4. Wiedenfeld, Cartels and Combines
business men and they have had to shift for themselves.\(^{(1)}\) This is decidedly a good thing as it may possibly lead to a self reliance among producers and bring about the much to be desired divorce of government from the favor-seeking business interests of foreign trade.\(^{(2)}\) As a new development in this field the International Chamber of Commerce should be specially noted.

6. Probably the chief direct impetus to international agreements after the war was the Treaty of Versailles.\(^{(3)}\) By it many former economic area-units were divided, for instance, the Saar, Lorraine, Ruhr, Austria, and Upper Silesia. It was only natural for these divided units to reunite even though to do so they must cross political frontiers by economic agreements.\(^{(4)}\) Indirectly this combination of business men without regard for the boundaries drawn by the peace treaties constitutes a rebuff to the allied politicians who hoped so to dismember the Central Powers as to prevent their quick, or even ultimate, economic recovery.

After having listed these forces and direct causes working towards the formation of international cartels, it is only fair to point out that there are counterforces also at work. Wiedenfeld lists them as:\(^{(5)}\)

\(^{(1)}\) Liefmann, op. cit., pp. 130-37.

\(^{(2)}\) Cf. Delaisi, p. 410 and 394.

\(^{(3)}\) Liefmann, op. cit., 137.

\(^{(4)}\) Liefmann, op. cit., 130, 136, 144, and Oualié. The Social Effects of International Industrial Agreements.

\(^{(5)}\) Wiedenfeld, Cartels and Combines.
1. Distance between countries involved, - though he admits the constant annihilation of distance by rapid improvements in methods of transportation and communication.

2. Difference in general economic conditions, sales, and consumption methods and customs. This makes uniform rules of marketing and production difficult, but I cannot see how it stands in the way of quotas or price agreements, or international combines.

3. Conflicts with the State, its legislation, policy, and administration. (1) (Cf. United States anti-trust policy, but there are many who believe that the "Trust-Busting" era is a thing of the past.

4. Psychological differences and antagonisms concerning quotas, employment of nationals, ideas of self-interest, etc. (2) However, as this paper has been endeavoring to show, this is essentially a phenomenon or nationalism, which, as the whole structure is weakened, will in itself be of less effect. Every international association among producers, to follow this line of argument, reduces nationalism by so much and thereby makes it easier for another cartel to be formed.

(1) Governments may object through fear of a force greater than themselves. See below. Grossmann, Methods of Economic Rapprochement, p. 30.

Nature and Extent.

In 1914 two investigators found that there existed more than one hundred of these international cartels in which German industry had a part.¹ Most of them involved the chemical industry. The War, naturally, put an end to the existing cartels involving Germany and since the armistice no computations have been made though Professor Grossmann of Zurich University states many basic industries have renewed these cartels and others have been formed. He lists the following as being of especial importance:

"Aluminum, oils, sulphur, copper, iron, cast-iron, rails, pipes, porcelain, enamelled goods, matches, potash, paints, glue, flax-thread, wool, silk-dyeing, incandescent lamps, bottles, wood screws, sea and river transport, forwarding agencies."²

This list does not include the trusts of world wide influence like the Standard Oil, Beef Trust, or valorisations. Of the former there are quite a number in which the United States predominates. Hirsch states that there are about seventy raw material industries in which monopolistic practices exist in the form of valorisations, as in coffee, sugar, rubber, zinc, potash, quinine, quebracho, etc.³

¹ Oqualid, op.cit., p.3; Wiedenfeld, op.cit., p.19; Grossmann, op.cit., p. 51.
² Grossmann, op.cit., p.31.
The reason for differences in estimates concerning the extent of the international combination movement (Cf. Dr. Klein's statement that there were twelve international cartels in April 1927) lies in the multiplicity of forms which these combinations may assume.

Dr. Wiedenfeld divides them into cartels and combines. The members of cartels retain their independent nature: those of combines merge their identity, though there may be many grades of independence and merging in each general class. The final goal of cartels is control of the market, of combines is independence of the market. Neither achieve these goals with complete success. The corresponding terms in "American parlance" would be for cartels, pools or gentleman’s agreements, for combines, mergers or consolidations.

The leading authority on international cartels, Dr. Robert Liefmann, gives the following classification of this group: those like national cartels, price, production, territorial division, or combination agreements; highly organized forms, syndicates, with relation to supply, outlet, or profit-sharing. Agreements may be between national cartels of different countries, between entrepreneurs or several states, or between existing international concerns. In the order of

1 Klein, loc.cit., p. 531.
2 Wiedenfeld, op. cit., p. 5.
3 Cf. Goldschmitt, op.cit., p. 524.
4 These international concerns are well represented by the
frequency of occurrence he lists pure territorial cartels, each country's markets being reserved to the producers of that country; same plus agreements on sale in third countries; price agreements concerning territory, production, and sales; limitation of production (rare because of difficulty of enforcement yet occurring in the new European Steel Cartel, the Stevenson plan, etc.); and syndicates dividing orders and profits from the entire territory. The last two syndicate types are often riddled with internal dissension and relief is sought in closer combination.¹

The splitting of hitherto combined economic areas by the Treaty of Versailles was the direct stimulant of the Steel Combine, many agreements concerning the iron, ceramics, and cement industries of the former Austrian Empire, and the German-French potash cartel.²

American-Swedish Match Combine, the United Shoe Machinery Company, the National Cash Register Company, Standard Oil interested in nearly 500 companies, nearly half of which lie outside the United States; the General Electric (US) and German General Electric (A.E.G.) combine; the wireless association involving Germany, Marconi, General Electric, and Western Electric; the dynamite combination concerning patents and markets; artificial silk; and heavy chemicals. Liefmann, loc.cit., pp.140-44.

¹ Wiedenfeld, op.cit., p.13. (Cf. German Coal & Iron Syndicates.

There are certain types of industry more suited to the formation of international cartels than others. Close cartels can only be formed in industries concerned with the extraction of raw materials or in the earliest stages of manufacture where mass production predominates. Associations of varying strength may be formed in the following types of industries:

1. Those producing commodities of small specific value where mass production is the rule.

2. Those where the ratio of raw materials absorbed in the finished product to the original gross weight is small, as coal in iron smelting. Here vertical combination becomes both necessary and inevitable, and is followed by inter-factory agreements for market control.

3. Those requiring intricate and uniform transportation mechanisms before their products reach the consumer, such as oil, bananas, British fish industry, etc.

4. Those in which the introduction of a new invention may change the whole aspect of production or marketing, especially the chemical industries.

5. Small specialty industries with few plants.

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1 Wiedenfeld, op.cit., p. 28.
2 Hirsh, op. cit., p. 5-8.
3 Liefmann, op.cit., p. 144.
Agreements concerning the limitation of production of raw materials are called valorisations. These raw material monopolies are of world-wide economic importance. They originated in States whose chief income is derived from export of some raw material in world trade, such as Brazil and coffee, Greece and currants, etc. In order to protect themselves against price disturbances, fluctuations in the world market which might reduce a country's producers to bankruptcy in a single year of threaten them with dire financial calamity, the governments of these countries have aided or forced the producers to combine in order to maintain a proper price level and stabilize prices as far as possible through control of the supply released for sale.¹ "The world raw material tax

¹ The rubber valorisation scheme is well known in America as the Stevenson plan which aroused so much opposition and the special ire of Secretary Hoover. It is interesting to note that the McNary-Haugen Bill constitutes in effect the same type of agreement, e.g., one to keep up the prices of farm products by restricting the amount offered for sale upon the national market. The Stevenson plan consists of a compulsory Government regulation or of an agreement practically stipulated by the most important country involved, according to which an export quota is fixed, in other words, the quantity of the product in question which can be exported to world markets is limited. This result is achieved either mechanically through an export duty or through the payment of a tax by the exporter, or, as is the case in the well-known rubber valorisation system, it is achieved more organically through an automatic increase and decrease of this export duty in accordance with price fluctuations. Almost
which is levied from the consumer in addition as against the otherwise normal development of the free competitive market may be estimated at 3,000 million marks annually.¹

The strongest of all international cartels exist in this field and "Compared with these, monopolies based on finished and semi-finished products are a long way behind and are probably much overrated as a rule."²

always this "valorisation aims to keep the supply somewhat below the demand, in some cases this system is indeed an artificial creation of a hunger for commodities", as it was recently called by an American statesman. The special profits which the rubber interests derived from this system over and above a normal profit of from 10-15 per cent. of the value are estimated at 1,200 million marks for 1925. Hirsch, op. cit., p. 21.
Direct Effects of International Business Agreements.

In the discussion of the "new" European Steel Cartel mention was made of the fact that such an agreement would undoubtedly contribute much towards the economic restoration of Europe and thereby benefit business in general. This is similarly true of other international cartels which have grown out of the period of post-war industrial chaos. The effect of any cartel, whatever, the time of its formation, is to reduce somewhat the uncertainty of the competitive relations in business both as regards the ones directly concerned and those to whom they sell and from whom they buy. The uniform prices benefit small producers.\(^1\) Control of the quantity marketed reduces price fluctuations and thus lessens the oscillations of the seasonal and cyclical trends of business,\(^2\) an unquestioned benefit to many.

With regard to the monopoly situation, the analysis is not so easy. Agreements which result in market control may have various effects in relation to the consumer, the workers, and the public. In general, partial monopolies do one of two things, use their market control to force prices considerably above the competitive level, or, due to the

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1 Rousiers, op. cit., p. 20.
2 Wiedenfeld, op. cit., p. 25.
possibilities of increased rationalisation, reduce costs and sales prices.

The consumer may be hurt by systematic limiting of production so as to raise the price level, or by market divisions which reserve the home market for national producers and remove the former protection of the potential or actual competition with foreign producers.\(^1\) The raw material valorisation tax on the consumer’s pocketbook has already been mentioned.

In the formation of monopolies the interests of labor may be either with or against the employers. They may be in accord on the point of prosperity of the business and full capacity production, though even here the interests of the particular body of workers concerned may be contrary to those of workers in other industries and of consumers. They may be diametrically opposed in those cases where employers use their power to oppose unions and collective efforts to raise wages or prevent them from being lowered. An intermediate position is attained in that workers as consumers are hurt by increased prices or prevented from gaining through price decreases blocked by the monopolistic control.\(^2\)

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1 Oualid, op.cit., p. 5.
2 Hirsch, op. cit., p. 15-16.
International business agreements may affect the public in general by increasing the prosperity of the particular industry, by closing down the marginal or sub-marginal plants even to the extent (very desirable from the point of view of economic theory if not done too abruptly) of concentrating production in those areas or that country which has the lowest comparative cost of production. However, there is also a danger that the lack of competition will lessen technical progress within the industry.

Cartels which control the price of a product which is the raw material for further manufacture may find that their efforts have caused the buyers to resolve to cease competition among themselves and form a buying association or even closer form of combination. Thus one international agreement may be directly the cause of others. In the case of the British rubber monopoly, the price control measures resulted in such an unwise increase in the price of rubber that independent large scale purchasers have gone into the rubber plantation business on their own, as Firestone in Liberia, Ford in Brazil, and others in the Philippines.

The effect of monopolistic practices adverse to the welfare of consumers and workers may be longer in manifesting itself in international action than as regards producers, but, as the latter part of this chapter will show,
such action is entirely possible.

Thus far we have been concerned with showing the probable effect of the cartel movement upon business and society in general. However, since the point of view of this paper is the status of nationalism, present and future, the chief interest for us now is the existing and probable future effect of international cartels upon national sovereignty and international relations.

Halfway between the effects relating directly to business and those directly affecting the political situation may be put tariffs because changes in the degree of protection they offer affect both industry and international affairs. It seems likely that cartels will ultimately lead to a reduction in tariffs through removing their raison d'etre.¹ In the section on the relation between tariffs and dumping as a cause of cartels it was pointed out that producers come to an agreement because of the competition for one another’s markets through dumping which necessitates a lowering of export prices sufficient to offset the tariff in the country where the goods are sold. Since the tariff was proclaimed in the first place because of a desire to keep this foreign competitor out of the home market, it has now lost its chief reason for being. The cartel agreement pre-

vents the chief competitor from selling upon the home pro-
ducer's market and he no longer needs this protecting wall.\textsuperscript{1} Therefore, since the tariff is no longer necessary, the lead-
ing political party may secure permission from the protected
manufacturer to magnanimously prove its continued devotion
to the welfare of consumer and farmer alike by a reduction
of the tariff upon this particular commodity.\textsuperscript{2}

\textsuperscript{1} This does not reduce the need for protection against out-
side producers not included in the agreement, but by the very
nature of the case the largest producers are the ones forming
the cartel and such competition as may remain will not be
powerful enough in volume or financial strength to seriously
threaten the monopolies of the national markets theoretically
achieved by the cartel.

\textsuperscript{2} Professor D. H. MacGregor recognizes the existence of the
argument that international industrial agreements may lead to
a gradually falling scale of duties but believes that the
following arguments indicate a probable increase in tariffs:
1. Though tariffs are less essential to those industries
under the agreements, rates will be put up to offset de-
creased revenue, and to penalize outsiders not yet with-
in the agreement. (Concerning the first of these two
points it might be pointed out that tariffs are far from
being the only source of revenue in the highly indus-
trialized states which would be party to the cartels in
question.)
2. Since tariff bargains are usually concessions of one
article against another, governments will have to retain
rates so made till foreign supporters of tariff on other
articles also signify willingness to decrease the rate.
(The United States has never adopted this treaty policy
of article versus article though it is common in Europe.)
3. Since the tariff terms were part of the background for
the original agreement, the interested countries will
not be willing to lessen the absolute differences between
(though the actual price effect will be nil due to the secure monopoly position of the cartel member.)

According to the theory advanced in this paper, any reduction in the strength of one member of the system means a weakening of all. Difficult though it may be to imagine how the reduction of the tariff upon wood screws could affect the number of battleships demanded by jingoists, still it would not be difficult to prove that an appreciable decrease in the tariff wall, which we have erected between us and the products and the friendship of

the two tariff rates (though that is not good reason for not reducing the level of both.)

4. The rationalisation of the national industry is expensive in the cost of buying up weaker firms, and this cost must be made up by the home producer who is therefore interested in keeping up the tariff. (Obviously a minor point, especially in cartel agreements where nationalisation does not take place.)

5. Since the agreements are a substitute for tariff agreements and act in a roundabout way, their support of tariff reductions is speculative. MacGregor, op.cit., p. 5.
other nations, would have its ultimate effect in a reduction of the animosity, envy, fear, suspicion and the like which form a dangerous part of that complex of the mass mind which we call nationalism.¹

The more international cartels, the greater, this tendency toward a milder policy of protection. Professor Grossmann points out that one of the best methods of economic rapprochement is through a reduction in tariffs.² This may be accomplished, he says, by two different methods, political and industrial.³ The methods open to governments are three: commercial treaties, preferential systems, and Customs Unions. After an extended analysis he states that:

"It will be difficult to conclude, without delay, long term commercial treaties not merely containing the purely formal most-favoured-nation clause but also stabilizing Customs tariffs in specific and moderate figures; that a system based on preferential tariffs or even equivalent to a Customs union, could not be established without prolonged effort."⁴

¹ "The peoples have grown weary of appeals to force and are turning to solutions of compromise. They have, it is true, still to realize that their desire for military disarmament can only be satisfied when they have laid down the economic weapons with which they "protect" themselves against each other." Delaisi, op. cit., p. 430.

² "Methods of Economic Rapprochement" by Eugene Grossmann.

³ Grossmann, op. cit., p. 7.

⁴ Grossman, op. cit., p. 35-36.
Sorely as we need that economic rapprochement which would go a long distance towards political reconciliation, there seems little hope if we leave it up to governments to bring about. "Tariff wars are usually the prelude to military war," and the former result from the lamentable fusion of fallacious economics and short-sighted nationalist politics which sprang from the growing pains of industry.¹

This dispassionate, yet seemingly pessimistic, survey of the future should not be taken as a disparagement of attempts by governments to reach agreements such as the German-Austrian Zollverein, or a Customs Union of Middle Europe or of the Balkans, but rather as a warning that the traditional methods hold very little promise of relief from the existing causes of national economic antagonism.

Grossmann goes on to analyze the second alternative, that of industrial union and rapprochement over the heads of the diplomatic corps. He finds in it more to cheer the strife-torn industries of the world and the many hearts "that are weary tonight, looking for the dawn of peace." Through the international cartel movement, producers may unite on their own accord without working through polit-

¹ Delaisi, op. cit., p. 390,428.
ical channels. They can get customs agreements on particular articles and as cartels increase the movement for lower tariffs will find itself stronger and stronger. Thus international economic federation is rendered feasible: the process may proceed gradually (as opposed to the difficulties of the Customs Union idea), will meet little opposition, and really get there.\(^1\) That this is not an idealist's wishful dream is attested by the number of prominent business men, politicians, and economists who see in this method of securing tariff reduction article by article as a result of the initiative of the producers concerned, the only way by which there is any hope of securing economic rapprochement in the near future.\(^2\)

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1 Because the number of questions to be settled is limited, much greater speed is possible in reaching an agreement than in general conferences to discuss the tariff schedule as a whole. Furthermore, negotiations are conducted by business men eager for expeditious settlement of the problem rather than by diplomats desirous of sustaining their traditional long-windedness and formalities. On these points see Grossmann, op. cit., p. 29

2 The list of the men "more or less definitely pronounced in favor of the organization of production and sale by international collaboration" included Mr. Edward A. Filene, Mr. W. Leaf, President of the International Chamber of Commerce, Mr. Hodges, former
President of the Federation of British Industries; M. Deutsch, President of the Allgemeine Elektrizitätsgeellschaft; M. Stresemann, German Minister for Foreign Affairs; W. Trendelenburg, German Secretary of State; M. Loucheur, French Deputy; M. Caillaux, French Senator; Miss Helen Bosanquet; Friedrich Naumann; Mr. Elmer Hantos; and M. Sigmund Schilder. Grossmann, op.cit., pp.27-28.
INDIRECT EFFECTS OF INTERNATIONAL BUSINESS AGREEMENTS.

Turning next to the international division of labor effect of international cartels we find that the results will, for a time, be rather small. (1) Even though the effect upon world rationalization of industry may have to wait till standing room is at a premium, it is certain that these cartels will foster international agreements, thus justifying their existence. (2)

Some of the adherents of Marxian doctrines believe that the formation of these combinations will usher in a period of world conflict for monopoly between big international groups. (3) This may well be true without confuting the thesis of this paper that these alignments will involve different nations for each commodity group and therefore will not be the source of international conflict in the form of war. The old balance of power institution was built upon a non-interdependent world or upon economic alliances among producers within the opposing groups. But today there are several forces working against a repetition of the letter condition. Alliances are unstable and business combinations cannot drop a leading member and take on another every time political groupings change. The distribution of raw materials is uneven so that a copper cartel and a steel cartel would in-

(3) Goldschmitt, Living Age, Mar 4, '22, p 526.
volve different industrial interests of one nation in associations with very different groups of nations. Economic alliances of the raw material type would involve widely scattered nations while cartels formed upon a territorial basis somewhat as the European Steel Cartel bring together adjacent nations. Thus the growth of international cartels and business organizations in this era of industrial development seems to indicate such an overlapping of economic alliances that the business interests of the world will be hopelessly entangled and to try to set one group against another will be like trying to get a ball of spider web divided into two parts without cutting any of the threads.

International cartels are thus seen in the role of unintentional peacemakers. Before the war they were regarded purely for the economic viewpoint. Now they are encouraged for the political good which they may do "in smoothing over the economic difficulties created or intensified by the war or in mitigating unwholesome conditions in individual countries and the world"

They operate to make war less likely by reducing or removing the causes. Certainly political discord will not be fomented by tariff wars concerning the commodities under international agreement among producers. The union of politically divided economic units is largely established. This has been pointed out before but mention has not been made of the direct bearing this may have upon economic relations. Does it not remove much of the incentive for a German movement of "counter-revenche" to have the Lorraine iron industry united with the Ruhr coking firms by en
business association across the frontier? And the inclusion of the Alsatian potash deposits in the same business agreement as binds the German producers not to glut the world market should do something to relieve the bitterness and fear with which these German firms must have viewed the separation.

The approach of business to self-consciousness has been greatly hastened by the causes which brought forth the International Cartel and is advanced by the cartels themselves. (1) The fact that Dr. Julius Klein, writing in *System, the Magazine of Business*, sees in the present movement "the first substantial evidence of the elimination of jingoistic politics from foreign trade," (2) is in itself a sign of the dawn of a new day when business shall shake itself free from the confining partnerships with national governments, helpful during the infancy and adolescence of industry, and expand to world corporation offering the breadth and strength adapted to manhood.

In our discussion of the possible effect of monopolistic agreements among the producers of the world mention was made of the danger of harm to consumers, workers, and the general public. Just as it has been found necessary to protect labor and consumers from monopoly greed in national trusts, so it seems likely that protection will be needed against the far greater power of business organizations controlling the whole world. (3) The tremendous tax of 3,000 million marks a year exacted from the consumer by the raw

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(1) Hayes, Carlton, "Essays on Nationalism" p 22.  
(2) Klein, loc. cit. p. 528.  
(3) On next page.
material valorizations has been mentioned. Is nothing to be done except, as here, to wait for other competitors to get to the point where they can compete to force the price down?

Can nations working alone assure their citizens adequate protection? Some have suggested the nationalization of the raw material industries of large export. But this on the face of it would cause the transference of resentment from the producer as an individual to the nation, and there is already far too much "nationalization" (used in the sense of "personification") of business men with the country in which they claim citizenship. If the State were to produce the goods and do the dumping in the case of manufacturing industries the people of the harmed countries would be quicker in passing retaliatory tariffs and changing from good will to hatred. (1)

The State as a unit does protect its manufacturers against foreign competition. It should logically extend this protection to consumers and workers threatened by the power of organizations which include both home and foreign producers. The methods at its disposal include blocking all tendencies whatsoever towards monopoly by refusing any direct aid or indirect assistance through tariffs and the like. But such a step is improbable since it runs contrary to the policy of tariffs and government aid to industry which now exists even though it is economically wrong to (2)

(2) Garvin has a very interesting chapter on the great increase of international trusts and consolidations since the war and at the very end he suggests the need for international action to control them for the protection of worker and consumer. See Garvin, The Economic Foundations of Peace, Ch. 15, and especially pp. 315-16.

(1) Cassel, Recent Monopolistic Tendencies in Industry and Trade, p 21.
artificially support an industry within a nation which has much higher comparative costs than similar industries located elsewhere. The state's attitude should be negative, protecting the community against obvious abuses, by means of regulatory bodies by counter association of purchasers under state aegis, or by compelling firms to have representatives of the state, consumers, and workers, upon their governing boards.

The difficulties of effective operation against international organizations by states acting separately should be obvious. Some form of international action will be as imperative in the future as it is desirable today. Hirsch and Cuidal suggest that the nations of the world should find in the League of Nations the means by which an international "observation post" and ultimate regulatory (through public opinion and recommendations as to advisable state legislation) body. However fine this plan seems on paper, it meets with the snag of United States exclusion, though that may possibly be avoided by our informal participation in a cartel-observing commission.

Finally we come to the other possibilities of protecting worker and consumer against the world-wide organization of producers. There is much to be said against the desirability of having to work through the governmental officials to bring relief to these groups. Hence it seems as though themselves would have to assume the burden of their own protection just as producers have abandoned to some extent the former reliance upon government aid and are uniting on their own initiative to meet common problems.

Workers already have some sort of an international organization. If the oppression of united manufacturers becomes too great, heightened class consciousness will strengthen this collaboration and they will be able to resort to collective bargaining on a world scale if necessary to protect their own interests. (1) The International Labour Office already has considerable power and would at least aid any movement to protect the worker from injustice. (2)

Consumers are much less highly organized today but if they felt themselves being made the victims, international organization could find its nucleus in the consumer's co-operatives of European nations, — this all assuming that they could not force their governments to take effective action.

In casting a glance over the whole subject of international cartels as here presented we see that many of the forces causing the formation of such business agreements are still in operation and that those which are becoming of less importance as time bears us further from the days immediately following the World War still carry on through the cumulative effect of the cartels which they were instrumental in bringing about. The growth of population and business is inevitable. Competition, the cause of industrial combination and association, is continually increasing. National cartels mean international cartels and these in turn lead to more combinations. As business shows more end

(2) Deleisi; — pp 299-403.
more and more inclination to overstep the boundaries of sovereign states, nationalism is weakened. Reductions in the demand and necessity for tariffs, the relation to governments and interdependence in relation to the world, growing independence of business, the community of interest among the workers and consumers of both hemispheres and the network of economic alliances which bespeak a policy of friendliness with all nations, not just a few, these evident and apparently inevitable tendencies reinforce the belief that the spread of international business organizations is the growth of the modern Sampson which will slay the multitude of Philistine nationalisms which threaten the prosperity of the world.
PART 5. CONFLICTING INTERESTS AMONG CAPITALISTS

We have now reviewed the world situation with regard to international finance, trade, and business organizations and have found in each field a force or group of forces which is working counter to economic nationalism. Earlier in the paper we took pains to point out that industrial interests were one of the chief causes of the Nationalist policies of Protectionism and Imperialism and contributory factors in War and Militarism. It was easy for strong financial interests to secure government support for policies which were beneficial to them. But to do so they had to play up the current nationalist myths so often that they became crystallized in the nation's thinking. At present it is beginning to become apparent that these very myths which helped them once are now a handicap to the leaders whose interests are becoming international. This section will be devoted to explaining how the perpetuation of nationalist policies is harming powerful financial interests.

The solidarity of capital has long been proverbial in the ranks of labor. There has been a clannishness and an implicit support of one another which has been remarkable in view of the total lack of interest, or even
slight opposition of interest, among the supporters of many policies declared by the leaders. Much earlier in the history of our country there was a sharp division between the manufacturing north and the agricultural south over national tariff policies. But in the last generation the policies of nationalism seem to have been accepted without much protest from divergent interests, the main rule being that "if you get something, I want something too."

However the old argument between free trade and protectionist interests remains and at present writing seems to be upon the increase. The dilemma of the farmers has called attention to the harmful effect of the tariff upon the prices of consumption goods. The increase in foreign trade has made much larger both the export and the import interests which would like to see a lowered tariff. In proportion as these groups become conscious of the detrimental effect of Protectionism, they will tend to break away from the solidarity of capital and work against the logrolling practices of interests seeking protection. ¹

¹ "Trades which possess a profitable pull upon the State, in tariffs, subsidies, and public contracts, may meet the high income and property taxes that must be imposed with a smiling face, for they get more than they give. But the capitalists whose trades either are dependent largely upon free international trade and finance, or else are so distinctively domestic that protection is of no use to them, may have to meet the high taxation with no compensating advantages. When they come to realize this situation and to understand that by no fiscal devices can they shift on to the workers the bulk of the new tax burden, many of those capitalists will be likely to come over to
On the question of Imperialism there is a decided divergence of interests. The majority of capitalists and business men have no direct interest in colonial empire, but according to the unwritten law, they support those who do. However, there is now growing a realization that the admission of competing products from colonies under preferential tariffs or policies of assimilation is harmful to certain home industries.\(^1\) The investment of capital in colonies encourages the rise of industries which produce goods formerly imported from the mother country. Even though this does redound to the general welfare of the home country, certain interests feel they are harmed.\(^2\)

Industry as a whole is becoming sceptical on the question of War. Men are seeing that even though it is a good stimulant while it lasts, the after effects are very destructive. Business men are gradually appreciating that their high taxes are partly due to the cost of large armaments. As pointed out above, the financial and investment interests find war definitely harmful.

pacifist internationalist frame of mind. This probable division in the business world may prove of critical importance in weakening the solidarity of capitalism." (italics ours) Hobson, op. cit., p. 204.

\(^1\) Moon, op. cit., p. 67.

\(^2\) Ibid, p. 538.
and many people are beginning to question its benefits. The Treaty of Versailles was a product of the nationalist myth that one nation can profit by the destruction of another. England has been in a state of industrial depression since the war partly because of the economic harm done to Germany by the treaty clauses dictated at the behest of France and the French execution of the treaty. Bankers and politicians are beginning to perceive that the war debt question and the reparations problem have been made more difficult by the solutions attempted from the nationalist viewpoint in violation of accepted principles of international finance and the interdependence of nations.2

1 "In short, finance, if left to itself, is international and peace loving. Many financiers are at the same time ardent patriots, and see in their efforts to enrich themselves and their own country a means for furthering its political greatness and diplomatic prestige. Man is a jumble of contradictory cretches, and it would be difficult to find anywhere a financier who lives, as they are all commonly supposed to do, purely for the pleasure of amassing wealth. If such a being could be discovered he would probably be a lavish subscriber to peace societies, and would show a deep distrust of diplomatists and politicians." Withers, op. cit., p. 111.

2 Delaisi, "Political Myths & Economic Realities", page 554-5.
Capital is now divided, one section against another, this industry against that. Some industries and financial groups have much to gain by opposing the traditional approval of Nationalist policies benefiting a few other industries. We believe that incidents like the Banker's Manifesto on tariffs in Europe, the Geneva Economic Conference, the formation of the International Chamber of Commerce, and the spread of international cartels, indicate that business is gradually attaining self-consciousness, world-consciousness, and self-confidence. It is our firm conviction that these three developments cannot proceed very far without the inevitable destruction of the Nationalist System and the introduction of the Internationalist System of the future.

1 Moon, op. cit., p. 67.
2 Hobson, op. cit., p. 203.
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