Economic Nationalism and Peaceful Economic Cooperation

The task of one privileged to address an audience of serious and conscientious citizens on problems of international relations is thankless indeed. If he is anxious to do his duty and to show things as they really are, he cannot help dispelling illusions, unmasking fallacies and exhibiting the intricacy of the problems involved.

The instigators of the ordeal through which mankind is going today are gangs of rascals. There have always been bad people and there always will be. But it is the main goal of social organization to prevent them from doing harm. The fact that our age has failed in this respect is the proof that something is fundamentally wrong with our institutions and policies. If Messrs. Hitler and Mussolini had been born fifty years earlier, they would probably never have acquired fame. They did not bring about the chaos. It was the chaotic conditions which placed them at the head of two great nations and gave them power to inflict harm upon millions of peace-loving people.

Looking backwards on the history of the last hundred years we have to realize the sad fact that eminent writers have preached the gospel of war, violence, and usurpation, and have disparaged the endeavors to promote peace and good will among the nations. This phenomenon was not limited to Germany only. There was, for instance, the Scotchman Thomas Carlyle who glorified the Prussian King Frederick II, the ruthless tyrant and aggressor. There was the

[This article is from a talk given in 1943 and is previously unpublished—Ed.]
Englishman John Ruskin, the fanatical lover of art, who declared that "war is the foundation of the arts and of all the high virtues and faculties of man." There was the Frenchman Georges Sorel, the father of French syndicalism and master both of Lenin and of Mussolini, who advocated violence, brutality, and cruelty. There were finally German professors who asserted that the most desirable thing for a nation is to be always at war.

These are hard facts. However, world wars are not fought in order to abide by the teachings of distinguished authors. *La trahison des clercs*, the treason of the intellectuals, as the Frenchman Julien Benda stigmatized these attitudes of many literati, is a deplorable historical phenomenon. But it is not responsible for the terrible events of our day. It has not produced the conflicts which have caused these wars.

Many people confuse chauvinism with nationalism and consider chauvinism as the main cause of the clash of nations. Chauvinism consists in a conceited overestimation of one's own nation's qualities and achievements and in a prejudicial disparagement of all other peoples. It is a disposition of mind not more conspicuous among narrow-minded philistines than personal conceit and arrogance. It is surely not a virtue. But it does not result in action and political ventures. The Germans do not embark upon conquest because, as the Frenchman Count Arthur Gobineau and the Englishman Houston Stewart Chamberlain told them, they are the only really human race, while all other peoples are simply trash and underdogs. They are aggressive because they believe that aggressive nationalism is the best, is the only way to promote their own material well-being.

Mr. Carlton Hayes, formerly of Columbia University and today American Ambassador in Spain, and Professor Walter Sulzbach, formerly of the University of Frankfurt, today at Pomona College, California, have provided us with brilliant analyses of chauvinism. But they both are mistaken in confusing chauvinism with nationalism. Nor has chauvinism begotten nationalism. Its only function in the scheme of nationalist policies is that it adorns nationalism's shows and festivals. People overflow with joy and pride when the official speakers hail them as the elite of mankind, praise the immortal deeds of their ancestors, and the invincibility of their armed

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forces. But when the words fade away and the celebration reaches its end, the participants return home and go to bed. They do not mount the battle horse.

Nationalism cannot be explained or excused by chauvinist intoxication. It is a policy of cool-minded Machiavellian politicians, it is the outcome of reasoning, of course of misguided reasoning. Scholarly books, full of thoughts, of course of erroneous thoughts, have carefully elaborated the doctrines, whose application has lead to the clash of nations, to bloody wars and destruction.

About eighty years ago public opinion all over the world was almost unanimous in the belief that mankind is on the threshold of an age of undisturbed peaceful cooperation of all nations. There was no organized pacifist movement in those days. People did not base their conviction that wars will disappear on the working of pacifist societies but on the fact that liberalism was on the point of abolishing the root causes of war. Within a world of popular government and perfect free trade there are, they said, no conflicts among the various nations. War will become obsolete because it will be useless to fight and to conquer.

Princes and kings, they argued, are eager for conquest because they can increase their power and their personal income by the annexation of a province. But a democratic nation cannot derive any profit from the enlargement of its territory. All that is needed to make for eternal peace is to remove the tyrants who oppose democratic government. Some wars and revolutions are still unavoidable in order to accomplish this task. But once the world is safe for democracy, it will be safe for peace too.

Such were the tenets of President Wilson. To make the world safe for democracy and to make it safe for peace was in the eyes of this great humanitarian one thing. Eliminate the Kaiser and his Junkers\(^3\) and you have established everlasting peace. The war against the Hohenzollern, not against the German people, is the war for the abolition of all wars, is the last war.

But unfortunately President Wilson and his noble-minded collaborators did not realize that their main thesis is only correct if there prevails perfect free trade. If the laws, the administration and the courts do not discriminate between citizens and foreigners, if everybody is free to live and to work unmolested where he wants, if the

\(^3\)[The Junkers were members of the Prussian aristocracy owing allegiance to the Kaiser—Ed.]
transfer of labor, capital and commodities from country to country is not subject to any regimentation or taxation, then of course it is without any concern for the individual citizen whether his country is bigger or smaller and where the political frontiers are drawn. No citizen can expect any profit from the incorporation into his own country of a piece of land previously owned by another nation. Wars no longer pay, they are useless.

The reality in which we have to live and to settle our political issues is very different from this liberal utopia as depicted and aimed at by Frédéric Bastiat and Richard Cobden. Ours is not an age of laissez faire, laissez passer, but an age of economic nationalism. All governments are eager to promote the well-being of their citizens or of some groups of their citizens by inflicting harm upon foreigners. Foreign goods are excluded from the domestic market or only permitted after the payment of an import duty. Foreign labor is barred from competition on the domestic labor market. Foreign capital is liable to confiscation. This economic nationalism must needs result in war, whenever those injured believe that they are strong enough to brush away, by armed violent action, the measures detrimental to their own welfare.

A nation’s policy forms an integral whole. Foreign policy and domestic policy are closely linked together, they condition each other. Economic nationalism is the corollary of the present-day domestic policies of government interference with business and of national planning as free trade was the complement of domestic economic freedom. There can be protectionism in a country with domestic free trade, but where there is no domestic free trade, protectionism is indispensable. A national government’s might is limited to the territory subject to its sovereignty. It does not have the power to interfere directly with conditions abroad. Where there is external free trade, foreign competition would even in the short run frustrate the aims sought by the various measures of government intervention with domestic business. When the domestic market is not to some extent insulated from the foreign markets, there can be no question of government control. The further a nation goes on the way toward public regulation and regimentation, the more it is pushed toward economic isolation. International division of labor becomes suspect because it hinders the full use of national sovereignty. The trend toward autarky is essentially a trend of domestic economic policies; it is the outcome of the endeavors to make the state paramount in economic matters.

In such a world of economic nationalism every citizen has a
material interest in the nullification of measures by which foreign
governments injure his interests. Every citizen is therefore eager to see
his own country mighty and powerful, because he expects personal
advantage of its military might. Small nations cannot help being victim-
ized by other nations' economic nationalism. But big nations place
confidence in the valor or their armed forces. Present-day bellicosity is
not the outcome of the greediness of princes and of Junker oligarchies;
it is a pressure group policy whose distinctive mark lies in the methods
applied but not in the incentives and motives.

It is therefore of no use to tell the aggressors, as the pacifists do:
Do not fight; even a victorious war does not pay; you cannot derive
any profit from conquest. These aggressors are convinced that victory
pays. The Japanese argue: If we conquer Australia and make it
consequently possible for 20 million Japanese to settle down in
Australia, we will raise wage rates and standards of living for all
Japanese, both for the emigrants and for those staying at home. There
is only one counter-argument which they accept as valid: the victory of
those assaulted. In our age of economic nationalism the only method to
prevent war is armaments. Watch your borders day and night!

The Geneva experiment did not fail because America did not join
the League or because the Covenant⁴ was unsatisfactory. It failed
because it is vain to aim at peaceful cooperation among nations
fighting one another unsparingly in the economic sphere.

This war was not caused by Nazism and the Japanese alone. The
failure of all other nations to stop in time the rise of Nazism and to
erect a barrier against a new German aggression was not less instru-
mental in bringing about the disaster than were events of Germany's
domestic evolution. There was no secrecy about the ambitions of the
Nazis and their Italian and Japanese friends. The Nazis themselves
advertised them in innumerable books and pamphlets and in their
newspapers and periodicals. Nobody can reproach the aggressors
with having concocted their plots clandestinely. It was easy indeed to
know all about their plans. This Second World War would never have
broken out if the Nazis expected that they would have to encounter
on the first day of hostilities a united and adequately armed front of
all the nations which are today united in fighting them. But such a union
could not be organized in time among nations waging a permanent

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⁴[The League of Nation's Covenant was signed on April 28, 1919 and was composed
of 26 articles that proposed an agreement to collectively maintain peaceful settlements
of disputes in an effort to obtain economic and social cooperation worldwide. Keep in
mind that World War I had just ceased in Europe prior to this attempt. As long as there
are restrictions on import and export markets and government intervention to protect
industries there will inevitably be clashes leading to disputes—Ed.]
economic war against one another.

It is not my task to dwell upon the events of the past. I have mentioned all these facts only in order to demonstrate what has to be achieved for the future.

It is not difficult to draft seemingly excellent proposals for a post-war reconstruction and for a durable peace if one is prepared to abstract from stark reality and to indulge in day dreams. If there were no economic nationalism, if there were perfect free trade it would not even be necessary to plan special institutions and provisions for the safeguarding of peace. In the absence of conflicting interests there is no war. But we cannot hope that economic nationalism will disappear in a not too distant future as all nations are firmly resolved not to return to what they call domestic laissez faire.

This is my main objection against the pacifist platform as represented by the distinguished English scholar Sir Norman Angell. Sir Norman's reasoning would be quite correct if there were no clash of economic interests. But this assumption is unfortunately illusory.

The pacifists suggest a world authority, a world court for the settlement of disputes and an international police force for the enforcement of the rulings of the world authority and the finds of the world court. But how should this world government be organized?

The League of Nations was not a world government, but rather a social club of nations. You are free to join a club and you are not less free to walk out. The majority has not the right to impose its own will upon a dissenting minority. Such articles of association are, of course, incompatible with government. The essence of government is compulsion and coercion applied against people not ready to obey spontaneously. Under a democratic constitution the majority has the power to enforce its will upon dissenting minorities. The first step required for the transformation of the impotent League of Nations into a more efficient institution is to establish a procedure for voting and for the determination of the will of the majority.

But how should voting be done? If to every nation one vote is assigned, Luxem burg and Estonia together would have two votes, Great Britain one vote only. The twenty republics of Central and Southern American would get 20 votes against one vote of the United States.

Another solution would be to assign to every nation as many votes as correspond to its population figures. This would be really democratic. But then the peoples of Asia and of Africa will by far outnumber the most advanced peoples, those which have created Western civili-
zation. What will happen if the majority declares that migration barriers are contrary to the fundamental principles of international cooperation and have to be abolished? Will the citizens of Australia and New Zealand surrender to such a ruling?

Let us not indulge in illusions. There exist differences in civilization and in standards of living which render futile all plans for the immediate establishment of a democratic world government. There are not more than 600 million Christians in the world and more than 1500 million members of other religious groups. Almost two thirds of the world's population are virtually illiterate. There are conflicts of economic interests. The citizens of the comparatively underpopulated countries are not willing to admit immigration from the comparatively overpopulated countries. No country is ready to open its borders to foreign products.

The fathers of the League of Nations and the champions of all plans for a world embracing commonwealth of nations did not take into account that our contemporaries lack entirely the mentality which alone can make for peaceful international cooperation. They were eager to build up institutions, offices, and courts, and to draft articles of covenants and pacts. But what is needed is to change public opinion and to substitute for the spirit of mutual hatred and rivalry a spirit of mutual cooperation. The pacifists are quite right in asserting that our civilization is based on international division of labor and that it is doomed if we do not succeed in eliminating war. But our contemporaries are possessed by the idea that to bar access to foreign products and to immigrants serves best their own nation's interest. A return to free trade, to laissez faire, laissez passer is for them out of the question.

Thus we must first try to change this mentality. A small group of economists are intent on demonstrating that economic nationalism is detrimental to the rightly understood selfish interests of all men and all nations and that everybody should aim at free trade, not for the sake of foreigners, but for the sake of his own people. Even if all other nations cling to protectionism, every nation serves best its own well-being by free trade. I do hope that these endeavors will succeed. But a radical change of ideologies takes a long time. Years must elapse, generations must pass away, new ages must rise, before such a change can be expected even in the most favorable case. We must not abandon the idea of a commonwealth of nations, but we have to provide for the transitional period. We must not neglect the task of our time, merely because a more distant future will bring a perfect solution. We have today to face an urgent problem. We have to prevent a third world-war.
On the eve of victory we have to plan for a system which will make it hopeless for militarist nations to embark upon a new aggression.

Such are the aims of various proposals suggested by distinguished authors. These men do not reject the idea of a universal League of Nations or of such statutes as the Kellogg-Briand pact. Only they are realistic enough to comprehend that, in the absence of an adequate ideology, a universal scheme can work only after a long period of transition. They take account of the fact that the aggressive mentality of the two hundred and fifty million Germans, Italians, Japanese, Hungarians, Romanians, and Slovaks cannot be changed over night. They are looking for an expedient, and emergency measure, as it were, for the impending day.

It is not my intention to make propaganda for any patent-medicine. On the contrary, I am rather skeptical with regard to these proposals. But I believe that it is the duty of every serious and conscientious man to examine them carefully. Mr. Clarence Streit has rendered a great service to mankind, even if the examination of his project proves that it is under present ideological conditions unfeasible. He has tried to find a way out of the dilemma: return to perfect free trade or endless wars.

The basic idea of Mr. Streit is this: in order to avoid a new aggression it is necessary to make the cooperation of the Western democracies, today united in the struggle against Germany and Japan, lasting and permanent. The present-day military and political alliance has to be transformed into a permanent union, into a solid block, which no foreign intrigues could disintegrate. Such a powerful union could prevent the rearrangement of the defeated aggressors and thus preserve peace. On the other hand it is quite obvious that a return to the state of affairs which prevailed in the period between the two wars would finally result in a new war.

The nations which have to form this union have to abandon essential features of their national sovereignty for the benefit of the super-national authority. They have to pool their foreign policies and their armed forces and they have to stop fighting one another in the economic field. They have to enter into a permanent customs union and monetary union. In short: they have to form a new federation.

It is not necessary to dwell upon more details either of Mr. Streit's

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5 [A treaty renouncing war as an instrument of national policy and an agreement by signatory members not to seek settlement of any conflict except by peaceful means. There existed loopholes for the use of military action in cases of self-defense and fulfillment of treaty obligations. The treaty did not contain sanctions for breaches of the agreement thus the 63 nations that signed it on July 24, 1929 did so as a formality—Ed.]
project nor of similar projects brought forward for other parts of the world, for instance, for the whole of Europe—Paneurope of Count Coudenhove-Kaleigi—or for Eastern Europe or the Danubian area. The distinctive mark of all these plans is that they suggest the formation of a new super-national federation.

Now we are back where we started from. Not only is a world embracing commonwealth of nations incompatible with the preservation of economic nationalism but even a federal union among a smaller group of nations. What renders all schemes for a better post-war order futile is the present-day doctrine of government interference with business. In every country there are powerful pressure groups opposed to every infringement of their vested privileges.

I have not at all exaggerated the detrimental consequences of economic nationalism. On the contrary. I was anxious not to allude to the delicate problem of migration barriers. I am optimistic enough to believe that migration barriers alone would not necessarily frustrate endeavors for international cooperation. But protectionism does. And protectionism is indispensable if there is government interference with business.

I do not refer to the problem of the warlike nations like Germany, Japan, and Italy. Whatever their aspirations may be, they could never embark upon a new war if all American republics, Great Britain, and the British Dominions and the smaller democracies of Europe are welded together into a solid bloc of peace-loving peoples. But such a bloc cannot last if there is protectionism. If the Argentinean cattle-breeders feel injured by the policy of the United States regarding the imports of beef and if the Paris dressmakers suffer from the British measures concerning imports of garments, they will not cling to the union. But on the other hand, they are not ready to see almost all the powers which are now vested in their own national governments shifted to a super-national authority. They already resent the concentration of more and more powers in their own national capitals, they would be much more shocked by the establishment of the hundred times larger bureaucratic body of the new super-national authority.

Peaceful coexistence of sovereign nations is possible if every individual nation is convinced that it would be contrary to its own selfish interests to hinder the mobility of capital, labor, and products. Such a policy of free trade presupposes domestic free trade, today generally disparaged as laissez faire. Government control of business results in conflicts of national interests for which up to now no peaceful solution has been discovered.
It is an illusion to believe that such conflicts could be settled by arbitration on the part of impartial courts. A court can administer justice only according to the articles of a code. But it is exactly these prescriptions and rules which are contested. Let us abstract from the problem of migration barriers and restrict our discussion to the problem of trade barriers only. The peoples of the comparatively overpopulated areas of Europe and Asia, the immense majority of the earth's popular, consider trade barriers of the comparatively underpopulated areas as the main obstacle for their material improvement. They say that they have not free access to the raw materials and the trade of the world. I do not want to quote the formulation of this grievance by the representatives of the aggressor nations. There is in the present world an authority which is above the parties. The Pope is not a party in a conflict. There are Catholics on both sides and the Pope does not side only with one party. It is therefore of great importance what the ideas of the highest dignitary of the Roman Church are with regard to the future world order. Says the Pope in his Christmas Eve broadcast of December 24, 1941, only a few days after the entry of the paramount Catholic country into the War:

Within the limits of a new order founded on moral principles, there is no place for that cold and calculating egoism which tends to hoard the economic resources and materials destined for the use of all to such an extent that the nations less favored by nature are not permitted access to them.

In this regard, it is for us a source of great consolation to see admitted the necessity of a participation of all in the natural riches of the earth, even on the part of those nations which in the fulfillment of this principle belong to the category of "givers" and not to that of "receivers."

The Pope was not mistaken in asserting that these principles are acknowledged by all nations, by those which he calls the "givers" not less than by those which he calls the "receivers." The proof is provided by Point Four of the Atlantic Charter⁶: It reads: They, i.e., the governments of the United States and of the United Kingdom, will endeavor with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of

⁶[The Atlantic Charter was the result of several meetings—held on board warships in the North Atlantic—between President Franklin D. Roosevelt and British Prime Minister Winston Churchill in August 1941. The thrust of the Charter was an 8-point program seeking to secure a "better future for mankind" by not seeking new territories; the right of self-determination and self-government for all peoples; access to trade and raw materials; and once peace is established all nations must abandon the use of force. The Charter was later incorporated into the Declaration of the United Nations, January 1, 1942—Ed.]
access on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.

The Pope, of course, is not an economist. If he were an economist he would not consider free trade as a concession granted on the part of one group of nations to the exclusive benefit of other nations. He would emphasize that free trade serves best both parties and that it is inappropriate to speak with regard to free trade of givers and of receivers.

But be this as it may, the main issue is that the governments of the world's two paramount powers and the head of the world's most numerous religious community agree with regard to the importance of the trade problem. It is still a far cry from this academic recognition of the problem to a satisfactory solution. The obstacles to be overcome are enormous and nothing less than a radical change in the generally accepted economic doctrines is required. But if there is anything which justifies optimism, then it is the fact that people are beginning to realize that free trade is the indispensable condition of lasting peace.