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World Peace and Economic Stability

EDWIN R. A. SELIGMAN

In the present-day discussion of war and peace it has become customary to dilate on the manifest shortcomings of war. In a broader view of the subject and especially with a view to explaining the persistence of war, we should like to reverse this habit and dwell on the advantages or at all events the putative advantages of war. For unless there were some such ostensible benefits, we could scarcely explain the fact that the history of mankind has been to so large an extent the history of war.

It does not suffice to ascribe the persistence of war to the mere brutal or combative instincts of man. Private war—the *bellum omnium contra omnes* of Hobbes—has long since disappeared, not so much because of the policeman as because of the recognition on the part of individuals that private war on the whole does not pay and that it does not conduce to the best interests of even the temporary victor. The fact that war between nations has persisted is due not so much to the absence of an international policeman as to the fact that, until recently at least, certain advantages seemed to be associated with war. What are these advantages?

We shall not attempt to deal here with the political and social aspects of the subject. These would take us too far astray. We need only call attention to the fact that war has sometimes served to rouse nations out of the rut of routine and the slough of lethargy. To those who remember William James' brilliant essay on the moral equivalent for war, this is unnecessary. Nor need we call attention

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to the influence of war in bringing about political revolution or the often needed centralization of authority. Confining ourselves to the strictly economic field, let us advert to some fairly obvious considerations.

It is clear that war has often led to conquest and that, for the victor at least, economic advantages attended the acquisition of territory or the rounding-out of the national domain. Perhaps no nation has availed itself of war for this purpose to the same extent as our own. Not a small part of our continental empire is the result of war. What is true of the United States in its continental empire is true of many other countries past and present in their colonial empires, almost all of which have been won at the point of the sword. While it may perhaps not always be true that trade follows the flag, it is scarcely open to doubt that the acquisition of colonies has in the course of history been sought for the purpose of securing not only the provision of raw materials but also the development of a foreign market. Where the anticipated prize has been so rich, is there any wonder that the efforts should have been so persistent?

Even within the country itself, however, apart from all colonial or foreign relations, there have often been economic advantages resulting from war. In the first place we are only now recognizing one of the most important reasons why war is popular and its continuance enduring. This reason is to be found in the general rise of prices which almost always accompanies war activity. War dislocates the normal equilibrium of production and consumption. It cuts down production because of the presence of the worker at the front; it enlarges consumption because of the stupendous demands of government for supplies and munitions. Apart from this combination of market conditions which in itself suffices to explain the rise of prices, we have the fiscal program of government, and especially of modern government, with its war taxes and its still more elaborate loans, all of which tend, although perhaps in different measure, to engender an inflation of the price level. A period of rising prices, however, while it exerts different influences on various classes of the community, almost always benefits the business man who purchases his materials at one level and sells the finished product at a higher level. While war sometimes leads to a compulsory restriction of individual consumption, we are all primarily producers and estimate our prosperity in terms of the surplus of production over consumption. The fortunes which are acquired

during the rising price level of a war are often of a permanent kind, especially if the inflation is not followed by an equally sudden and dramatic deflation.

In the second place, the instability created by a war sometimes throws a country upon its own resources and engenders the growth of a national industry which had hitherto been lacking. We need only point to our war of 1812, which laid the foundation for the so-called American system and which initiated the movement of protection. A war not infrequently gives the fillip needed in the transition from an agricultural to an industrial community. Moreover those who are acquainted with the masterly studies of Sombart on war and capitalism need scarcely to be reminded of the part that war has played in a development of the industrial revolution.

If, then, we take a cold-blooded view of history, it is impossible to deny the fact that one of the reasons why war has persisted so long is because of the prizes that it has held out to the victor.

As over against these undoubted but much-neglected considerations it is comparatively trite to descant on the disadvantages of war. Limiting ourselves again to the economic field . . . it is easy to point out why wars no longer pay in the old sense. It has, however, not always been realized that the explanation of this phenomenon is to be sought in the change in economic conditions. The economic life of a primitive state of civilization makes war, at least to the victor, advantageous: the economic life of a developed state of civilization dissipates these advantages. The two fundamental causes of this change are, first, the increasing costliness of war, and, second, the development of a world economy.

As these points are so familiar, we can dismiss them with a mere mention. Modern wars have become so costly because of the progress of science and the control of man over the forces of nature. . . . A day's clash under modern conditions involves a greater destruction of wealth than a year's fight in former times. The consequence is that a protracted conflict today threatens to consume the whole of the accumulated capital which it has taken generations to amass. . . .

The other reason why war is becoming unprofitable to all concerned is the growing interrelation of the economic life of the world. A wise shopkeeper will not impoverish his customers. The collapse of the foreign market has its repercussion upon the domestic economic life. Every nation, as we now have learned from the

World War, has the roots of its prosperity interlaced with those of its neighbors. Peace nowadays is becoming not only advantageous but imperative to the economic wellbeing of every nation.

The second point in our discussion is the relation of peace to modern capitalism. This has hitherto been very inadequately treated. In the fifty thousand years or more which have marked the history of man since he emerged from the savage state, we have gone through only the first stage of civilization. This I should call the stage of inequality. As each small part of the globe has gradually developed and acquired wealth, it has frequently done so at the cost of other and larger sections which have been untouched by the forces of an advancing civilization. Even today there are still huge areas that are in a more or less primitive economic condition. Even in old empires like China and India modern capitalism has not yet attained a secure foothold. It has perhaps never been clearly realized that the industrial revolution has been dependent on the one hand on this inequality of economic conditions and on the other hand on the exploitation of natural resources. What made the machine so profitable in Great Britain was the foreign market for goods and the foreign market for capital in the undeveloped parts of the world. What is making industrial capitalism profitable in the United States today is the opportunity to devote all the facilities of mass production to the unexampled natural wealth with which a young and potentially rich country like ours has been endowed.

This stage of economic life will not last forever. The time is coming when almost all of the earth's surface will be utilized; when the irresistible growth of capital and of the scientific control of nature will spread to the uttermost parts of the earth; when the transition period will be over, with every nation enjoying its supply of industrial equipment and demanding its share of the raw material which the bounty of nature has perhaps not conferred upon it. In proportion as we approach this period it will be realized that most of the present-day conditions resting upon inequality and compulsion will have disappeared and that every nation will find its prosperity more and more dependent upon its ability to utilize the results of training and education that may give it an advantage in the production of those commodities for which its national genius may be particularly marked. In the degree in which we are slowly reaching that far-off era we shall find the economic consequences of peace to be almost as pronounced in the relations between nations as

the economic consequences of peace have been perceptible in the relations between individuals. With the rapidly coming maturity of mankind, with the substitution of the era of international equality for that of inequality which has hitherto marked the slow progress of the world, we may expect to witness in far sharper relief than is discernible at present the effect of peace on economic stability.

If then we have, for the time being at least, a condition of peace, and if the projected world compact is to be anything more than a mere gesture, we need to consider carefully the factors which are likely to preserve peace. These two points involve our attitude and our action.

So far as concerns the attitude to peace, it goes without saying that whatever conduces to friendly relations is helpful and that whatever tends towards suspicion or antagonism is to be deprecated. This leads us to a consideration of certain recent episodes in our political history. It is true that every nation, like every human being, must at bottom believe in itself and cherish the secret conviction that it is superior to its neighbors. Unless a man has such self-confidence he cannot achieve his full measure of success. Unless every nation is able to kindle in its citizens a feeling of intense loyalty and undiluted patriotism, it can accomplish little. But the more cultivated the individual, the more will he be aware of his own deficiencies and the more will he refrain from vaunting his own superiority. Especially if he has been favored by fickle fortune, he will not flaunt his prosperity in the face of the less fortunate. Should not a cultivated nation be as sensitive and as courteous as a cultivated gentleman?

It is true that we have become rich and powerful, although the reason is to be found only partly in our own merits and perhaps to a greater extent in our good fortune. But in all the things that go to make up a great civilization, can we claim a like superiority over the rest of the world? Are our science, our art, our music, our manners, our philosophy of life so much in advance of those of our neighbors? Is a nation which has rounded out its territory by conquest and which today spends for military and naval purposes combined more than any of the European countries called upon to lecture its neighbors upon what it considers right and proper?¹ Is

¹ The figures for the army and navy in 1927 are as follows (in dollars): Germany, 161 millions; Italy, 225 millions; France, 274 millions; Great Britain, 507 millions; the United States, 570 millions.

a nation which, for reasons however good in its own estimation, has refused to join the rest of the world in the one great forward step that has been taken for the elaboration of a common civilization justified in assuming a holier-than-thou attitude? Is such a point of view calculated to engender feelings and reactions that tend to make for the preservation of the good will which forms the substratum of peace? If we are permeated by the spirit of the peace compact which our Senate is so soon to discuss, would it not be far better to cultivate an attitude of sympathy and friendliness rather than to plant, as we are now in danger of doing, the seeds of suspicion and antagonism?

Even more important than our attitude is our action. Here indeed we see the other side of the problem, not the influence of peace on economic stability, but the influence of economic stability upon peace. It is of course entirely too much, in the present juncture of events, to expect that any nation will subordinate its own clearly defined economic interests to a world ideal, if that world ideal seems to be opposed to its own progress. Protective tariffs, immigration laws, and all the other concomitants of modern economic nationalism still have a long course to run. But if the peace compacts really mean what they say, if the nations of the world intend to forego war as a means of attaining national ends, it is imperative that our action should at all events not be calculated to imperil the continuance of the peace. Is it not possible, especially in the degree in which the world is slowly attaining the stage of economic equality to which I have referred—is it not possible, I will not say to subordinate, but at all events to merge, our individual and separate interests in the common interests of a united community of nations? If the time is past when each country expects to raise itself upon the prostrate form of its neighbor, and to monopolize either the control of raw materials or the disposal of finished products, it is imperative for every nation carefully to consider its stake in the joint welfare. In short, whether world peace will lead to economic stability depends to a great extent upon what we do with it and upon our determination to preserve intact the fragile structure of peace. But the attainment of that objective will not be furthered by smug self-satisfaction, by the rattling of the sword, or by the reading of moral lectures to the rest of the world.