

National Self-Sufficiency

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I was brought up, like most Englishmen, to respect free trade not only as an economic doctrine which a rational and instructed person could not doubt, but almost as a part of the moral law. I regarded ordinary departures from it as being at the same time an imbecility and an outrage. I thought England's unshakable free trade convictions, maintained for nearly a hundred years, to be both the explanation before man and the justification before Heaven of her economic supremacy. As lately as 1923 I was writing that free trade was based on fundamental "truths" which, stated with their due qualifications, no one can dispute who is capable of understanding the meaning of the words."

Looking again to-day at the statements of these fundamental truths which I then gave, I do not find myself disputing them. Yet the orientation of my mind is changed; and I share this change of mind with many others. Partly, indeed my background of economic theory is modified; I should not charge Mr. Baldwin, as I did then, with being "a victim of the Protectionist fallacy in its crudest form" because he believed that, in the existing conditions, a tariff might do something to diminish British unemployment. But mainly I attribute my change of outlook to something else--to my hopes and fears and preoccupations, along with those of many or most, I believe, of this generation throughout the world, being different from what they were. It is a long business to shuffle out of the mental habits of the prewar nineteenth-century world. It is astonishing what a bundle of obsolete habiliments one's mind drags round even after the centre of consciousness has been shifted. But to-day at last, one-third of the way through the twentieth century, we are most of us escaping from the nineteenth; and by the time we reach its mid point, it may be that our habits of mind and what we care about will be as different from nineteenth-century methods and values as each other century's has been from its predecessor's.

It may be useful, therefore, to attempt some sort of a stocktaking, of an analysis, of a diagnosis to discover in what this change of mind essentially consists, and finally to inquire whether, in the confusion of mind which still envelops this new-found enthusiasm of change, we may not be running an unnecessary risk of pouring out with the slops and the swill some pearls of characteristic nineteenth century wisdom.

What did the nineteenth-century free traders, who were among the most idealistic and disinterested of men, believe that they were accomplishing?

They believed--and perhaps it is fair to put this first--that they were being perfectly sensible, that they alone of men were clear-sighted, and that the policies which sought to interfere with the ideal international division of labor were always the offspring of ignorance out of self-interest.

In the second place, they believed that they were solving the problem of poverty, and solving it for the world as a whole, by putting to their best uses, like a good housekeeper, the world's resources and abilities.

They believed, further, that they were serving, not merely the survival of the economically fittest, but the great cause of liberty, of freedom for personal initiative and individual gift, the cause of inventive art and the glorious fertility of the untrammelled mind against the forces of privilege and monopoly and obsolescence.

They believed, finally, that they were the friends and assurers of peace and international concord and economic justice between nations and the diffusers of the benefits of progress.

And if to the poet of that age there sometimes came strange desires to wander far away where never comes the trader and catch the wild goat by the hair, there came also with full assurance the comfortable reaction--

I, to herd with narrow foreheads, vacant of our glorious gains, Like a beast with lower pleasures, like a beast with lower pains!

What fault have we to find with this? Taking it at its surface value--none. Yet we are not, many of us, content with it as a working political theory. What is wrong? We shall discover the source of our doubts, I think, not through a frontal attack, but by perambulation--by wandering round a different way to find the place of our political heart's desire.

To begin with the question of peace. We are pacifist today with so much strength of conviction that, if the economic internationalist could win this point, he would soon recapture our support. But it does not now seem obvious that a great concentration of national effort on the capture of foreign trade, that the penetration of a country's economic structure by the resources and the influence of foreign capitalists, and that a close dependence of our own economic life on the fluctuating economic policies of foreign countries are safeguards and assurances of international peace. It is easier, in the light of experience and foresight, to argue quite the contrary. The protection of a country's existing foreign interests, the capture of new markets, the progress of economic imperialism--these are a scarcely avoidable part of a scheme of things which aims at the maximum of international specialization and at the maximum geographical diffusion of capital wherever its seat of ownership. Advisable domestic policies might often be easier to compass, if the phenomenon known as "the flight of capital" could be ruled out. The divorce between ownership and the real responsibility of management is serious within a country, when, as a result of joint stock enterprise, ownership is broken up among innumerable individuals who buy their interest to-day and sell it to-morrow and lack altogether both knowledge and responsibility towards what they momentarily own. But when the same principle is applied internationally, it is, in times of stress, intolerable--I am irresponsible towards what I own and those who operate what I own are irresponsible towards me. There may be some financial calculation which shows it to be advantageous that my savings should be invested in whatever quarter of the habitable globe shows the greatest marginal efficiency of capital or the highest rate of interest. But experience is accumulating that remoteness between ownership and operation is an evil in the relations among men, likely or certain in the long run to set up strains and enmities which will bring to nought the financial calculation.

I sympathize, therefore, with those who would minimize, rather than with those who would maximize, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel--these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and, above all, let finance be primarily national. Yet, at the same time, those who seek to disembarass a country of its entanglements should be very slow and wary. It should not be a matter of tearing up roots but of slowly training a plant to grow in a different direction.

For these strong reasons, therefore, I am inclined to the belief that, after the transition is accomplished, a greater measure of national self-sufficiency and economic isolation among countries than existed in 1914 may tend to serve the cause of peace, rather than otherwise. At any rate, the age of economic internationalism was not particularly successful in avoiding war; and if its friends retort, that the imperfection of its success never gave it a fair chance, it is reasonable to point out that a greater success is scarcely probable in the coming years.

Let us turn from these questions of doubtful judgment, where each of us will remain entitled to his own opinion, to a matter more purely economic. In the nineteenth century the economic internationalist could probably claim with justice that his policy was tending to the world's great enrichment, that it was promoting economic progress, and that its reversal would have seriously impoverished both ourselves and our neighbors. This raises a question of balance between economic and non-economic advantage which is never easily decided. Poverty is a great evil; and economic advantage is a real good, not to be sacrificed to alternative real goods unless it is clearly of an inferior weight. I am ready to believe that in the nineteenth century two sets of conditions existed which caused the advantages of economic internationalism to outweigh disadvantages of a different kind. At a time when wholesale migrations were populating new continents, it was natural that the men should carry with them into the New Worlds the material fruits of the technique of the Old, embodying the savings of those who were sending them. The investment of British savings in rails and rolling stock to be installed by British engineers to carry British emigrants to new fields and pastures, the fruits of which they would return in due proportion to those whose frugality had made these things possible, was not economic internationalism remotely resembling in its essence the part ownership of a German corporation by a speculator in Chicago, or of the municipal improvements of Rio Janeiro by an English spinster. Yet it was the type of organization necessary to facilitate the former which has eventually ended up in the latter. In the second place, at a time when there were enormous differences in degree in the industrialization and opportunities for technical training in different countries, the advantages of a high degree of national specialization were very considerable.

But I am not persuaded that the economic advantages of the international division of labor to-day are at all comparable with what they were. I must not be understood to carry my argument beyond a certain point. A considerable degree of international specialization is necessary in a rational world in all cases where it is dictated by wide differences of climate, natural resources, native aptitudes, level of culture and density of population. But over an increasingly wide range of industrial products, and perhaps of agricultural products also, I have become doubtful whether the economic loss of national self-sufficiency

is great enough to outweigh the other advantages of gradually bringing the product and the consumer within the ambit of the same national, economic, and financial organization. Experience accumulates to prove that most modern processes of mass production can be performed in most countries and climates with almost equal efficiency. Moreover, with greater wealth, both primary and manufactured products play a smaller relative part in the national economy compared with houses, personal services, and local amenities, which are not equally available for international exchange; with the result that a moderate increase in the real cost of primary and manufactured products consequent on greater national self-sufficiency may cease to be of serious consequence when weighed in the balance against advantages of a different kind. National self-sufficiency, in short, though it costs something, may be becoming a luxury which we can afford, if we happen to want it.

Are there sufficient good reasons why we may happen to want it? There are many friends of mine, nurtured in the old school and reasonably offended by the waste and economic loss attendant on contemporary economic nationalism in being, to whom the tendency of these remarks will be pain and grief. Yet let me try to indicate to them in terms with which they may sympathize the reasons which I think I see.

The decadent international but individualistic capitalism, in the hands of which we found ourselves after the war, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous--and it doesn't deliver the goods. In short, we dislike it, and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed.

Each year it becomes more obvious that the world is embarking on a variety of politico-economic experiments, and that different types of experiment appeal to different national temperaments and historical environments. The nineteenth-century free trader's economic internationalism assumed that the whole world was, or would be, organized on a basis of private competitive capitalism and of the freedom of private contract inviolably protected by the sanctions of law--in various phases, of course, of complexity and development, but conforming to a uniform type which it would be the general object to perfect and certainly not to destroy. Nineteenth-century protectionism was a blot upon the efficiency and good sense of this scheme of things, but it did not modify the general presumption as to the fundamental characteristics of economic society.

But to-day one country after another abandons these presumptions. Russia is still alone in her particular experiment, but no longer alone in her abandonment of the old presumptions. Italy, Ireland, Germany have cast their eyes, or are casting them, towards new modes of political economy. Many more countries after them, I predict, will seek, one by one, after new economic gods. Even countries such as Great Britain and the United States, which still conform *par excellence* to the old model, are striving, under the surface, after a new economic plan. We do not know what will be the outcome. We are--all of us, I expect--about to make many mistakes. No one can tell which of the new systems will prove itself best.

But the point for my present discussion is this. We each have our own fancy. Not believing that we are saved already, we each should like to have a try at working out our own salvation. We do not wish, therefore, to be at the mercy of world forces working out, or trying to work out, some uniform equilibrium according to the ideal principles, if they can be called such, of *laissez-faire* capitalism. There are still those who cling to the old ideas, but in no country of the world to-day can they be reckoned as a serious force. We wish--for the time at least and so long as the present transitional, experimental phase endures--to be our own masters, and to be as free as we can make ourselves from the interferences of the outside world.

Thus, regarded from this point of view, the policy of an increased national self-sufficiency is to be considered, not as an ideal in itself, but as directed to the creation of an environment in which other ideals can be safely and conveniently pursued.

Let me give as dry an illustration of this as I can devise, chosen because it is connected with ideas with which recently my own mind has been largely preoccupied. In matters of economic detail, as distinct from the central controls, I am in favor of retaining as much private judgment and initiative and enterprise as possible. But I have become convinced that the retention of the structure of private enterprise is incompatible with that degree of material well-being to which our technical advancement entitles us, unless the rate of interest falls to a much lower figure than is likely to come about by natural forces operating on the old lines. Indeed, the transformation of society, which I preferably envisage, may require a reduction in the rate of interest towards vanishing point within the next thirty years.

But under a system by which the rate of interest finds a uniform level, after allowing for risk and the like, throughout the world under the operation of normal financial forces, this is most unlikely to occur. Thus for a complexity of reasons, which I cannot elaborate in this place, economic internationalism embracing

the free movement of capital and of loanable funds as well as of traded goods may condemn my own country for a generation to come to a much lower degree of material prosperity than could be attained under a different system.

But this is merely an illustration. It is my central contention that there is no prospect for the next generation of a uniformity of economic system throughout the world, such as existed, broadly speaking, during the nineteenth century; that we all need to be as free as possible of interference from economic changes elsewhere, in order to make our own favorite experiments towards the ideal social republic of the future; and that a deliberate movement towards greater national self-sufficiency and economic isolation will make our task easier, in so far as it can be accomplished without excessive economic cost.

There is one more explanation, I think, of the re-orientation of our minds. The nineteenth century carried to extravagant lengths the criterion of what one can call for short "the financial results," as a test of the advisability of any course of action sponsored by private or by collective action. The whole conduct of life was made into a sort of parody of an accountant's nightmare. Instead of using their vastly increased material and technical resources to build a wonder city, the men of the nineteenth century built slums; and they thought it right and advisable to build slums because slums, on the test of private enterprise, "paid," whereas the wonder city would, they thought, have been an act of foolish extravagance, which would, in the imbecile idiom of the financial fashion, have "mortgaged the future"--though how the construction to-day of great and glorious works can impoverish the future, no man can see until his mind is beset by false analogies from an irrelevant accountancy. Even to-day I spend my time--half vainly, but also, I must admit, half successfully--in trying to persuade my countrymen that the nation as a whole will assuredly be richer if unemployed men and machines are used to build much needed houses than if they are supported in idleness. For the minds of this generation are still so beclouded by bogus calculations that they distrust conclusions which should be obvious, out of a reliance on a system of financial accounting which casts doubt on whether such an operation will "pay." We have to remain poor because it does not "pay" to be rich. We have to live in hovels, not because we cannot build palaces but because we cannot "afford" them.

The same rule of self-destructive financial calculation governs every walk of life. We destroy the beauty of the countryside because the unappropriated splendors of nature have no economic value. We are capable of shutting off the sun and the stars because they do not pay a dividend. London is one of the richest cities in the history of civilization, but it cannot "afford" the highest standards of achievement of which its own living citizens are capable, because they do not "pay."

If I had the power to-day, I should most deliberately set out to endow our capital cities with all the appurtenances of art and civilization on the highest standards of which the citizens of each were individually capable, convinced that what I could create, I could afford--and believing that money thus spent not only would be better than any dole but would make unnecessary any dole. For with what we have spent on the dole in England since the war we could have made our cities the greatest works of man in the world.

Or again, we have until recently conceived it a moral duty to ruin the tillers of the soil and destroy the age-long human traditions attendant on husbandry, if we could get a loaf of bread thereby a tenth of a penny cheaper. There was nothing which it was not our duty to sacrifice to this Moloch and Mammon in one; for we faithfully believed that the worship of these monsters would overcome the evil of poverty and lead the next generation safely and comfortably, on the back of compound interest, into economic peace.

To-day we suffer disillusion, not because we are poorer than we were--on the contrary, even to-day we enjoy, in Great Britain at least, a higher standard of life than at any previous period--but because other values seem to have been sacrificed and because they seem to have been sacrificed unnecessarily, inasmuch as our economic system is not, in fact, enabling us to exploit to the utmost the possibilities for economic wealth afforded by the progress of our technique, but falls far short of this, leading us to feel that we might as well have used up the margin in more satisfying ways.

But once we allow ourselves to be disobedient to the test of an accountant's profit, we have begun to change our civilization. And we need to do so very warily, cautiously, and self-consciously. For there is a wide field of human activity where we shall be wise to retain the usual pecuniary tests. It is the state, rather than the individual, which needs to change its criterion. It is the conception of the Secretary of the Treasury as the chairman of a sort of joint stock company which has to be discarded. Now, if the functions and purposes of the state are to be thus enlarged, the decision as to what, broadly speaking, shall be produced within the nation and what shall be exchanged with abroad, must stand high among the objects of policy.

From these reflections on the proper purposes of the state, I return to the world of contemporary politics. Having sought to understand and to do full justice to the ideas which underlie the urge felt by so many countries to-day towards greater national self-sufficiency, we have to consider with care whether in practice we are not too easily discarding much of value which the nineteenth century achieved. In those countries where the advocates of national self sufficiency have attained power, it appears to my judgment that, without exception, many foolish things are being done. Mussolini, perhaps, is acquiring wisdom teeth. But Russia to-day exhibits the worst example which the world, perhaps, has ever seen, of administrative incompetence and of the sacrifice of almost everything that makes life worth living to wooden heads. Germany is at the mercy of unchained irresponsibles--though it is too soon to judge her. The Irish Free State, a unit much too small for a high degree of national self-sufficiency except at great economic cost, is discussing plans which might, if they were carried out, be ruinous.

Meanwhile those countries which maintain or are adopting straightforward protectionism of the old-fashioned type, refurbished with the addition of a few of the new plan quotas, are doing many things incapable of rational defense. Thus, if the World Economic Conference achieves a mutual reduction of tariffs and prepares the way for regional agreements, it will be matter for sincere applause. For I must not be supposed to be endorsing all those things which are being done in the political world to-day in the name of economic nationalism. Far from it. But I bring my criticisms to bear, as one whose heart is friendly and sympathetic to the desperate experiments of the contemporary world, who wishes them well and would like them to succeed, who has his own experiments in view, and who in the last resort prefers anything on earth to what the financial reports are wont to call "the best opinion in Wall Street." And I seek to point out that the world towards which we are uneasily moving is quite different from the ideal economic internationalism of our fathers, and that contemporary policies must not be judged on the maxims of that former faith.

I see three outstanding dangers in economic nationalism and in the movements towards national self-sufficiency, imperilling their success.

The first is Silliness--the silliness of the doctrinaire. It is nothing strange to discover this in movements which have passed somewhat suddenly from the phase of midnight high-flown talk into the field of action. We do not distinguish, at first, between the color of the rhetoric with which we have won a people's assent and the dull substance of the truth of our message. There is nothing insincere in the transition. Words ought to be a little wild--for they are the assault of thoughts upon the unthinking. But when the seats of power and authority have been attained, there should be no more poetic license.

We have, therefore, to count the cost down to the penny which our rhetoric has despised. An experimental society has need to be far more efficient than an old-established one, if it is to survive safely. It will need all its economic margin for its own proper purposes, and can afford to give nothing away to soft-headedness or doctrinaire impracticability. When a doctrinaire proceeds to action, he must, so to speak, forget his doctrine. For those who in action remember the letter will probably lose what they are seeking.

The second danger--and a worse danger than silliness--is Haste. Paul Valery's aphorism is worth quoting: "Political conflicts distort and disturb the people's sense of distinction between matters of importance and matters of urgency." The economic transition of a society is a thing to be accomplished slowly. What I have been discussing is not a sudden revolution, but the direction of secular trend. We have a fearful example in Russia to-day of the evils of insane and unnecessary haste. The sacrifices and losses of transition will be vastly greater if the pace is forced. I do not believe in the inevitability of gradualness, but I do believe in gradualness. This is, above all, true of a transition towards greater national self-sufficiency and a planned domestic economy. For it is of the nature of economic processes to be rooted in time. A rapid transition will involve so much pure destruction of wealth that the new state of affairs will be, at first, far worse than the old; and the grand experiment will be discredited. For men judge remorselessly by results, and by early results, too.

The third risk, and the worst risk of all three, is Intolerance and the stifling of instructed criticism. The new movements have usually come into power through a phase of violence or quasi-violence. They have not convinced their opponents; they have downed them. It is the modern method--but very disastrous, I am still old-fashioned enough to believe--to depend on propaganda and to seize the organs of opinion; it is thought to be clever and useful to fossilize thought and to use all the forces of authority to paralyze the play of mind on mind. For those who have found it necessary to employ all methods whatever to attain power, it is a serious temptation to continue to use for the task of construction the same dangerous tools which wrought the preliminary housebreaking.

Russia, again furnishes us with an example of the crushing blunders which a régime makes when it has exempted itself from criticism. The explanation of the incompetence with which wars are always conducted on both sides may be found in the comparative exemption from criticism which the military hierarchy affords to the high command. I have no excessive admiration for politicians, but, brought up as they are in the very breath of criticism, how much superior they are to the soldiers! Revolutions only succeed because they are conducted by politicians against soldiers. Paradox though it be--who ever heard of a successful revolution conducted by soldiers against politicians? But we all hate criticism. Nothing but rooted principle will cause us willingly to expose ourselves to it.

Yet the new economic modes, towards which we are blundering, are, in the essence of their nature, experiments. We have no clear idea laid up in our minds beforehand of exactly what we want. We shall discover it as we move along, and we shall have to mould our material in accordance with our experience. Now for this process bold, free, and remorseless criticism is a *sine qua non* of ultimate success. We heed the collaboration of all the bright spirits of the age. Stalin has eliminated every independent, critical mind, even those sympathetic in general outlook. He has produced an environment in which the processes of mind are atrophied. The soft convolutions of the brain are turned to wood. The multiplied bray of the loud-speaker replaces the soft inflections of the human voice. The bleat of propaganda bores even the birds and the beasts of the field into stupefaction. Let Stalin be a terrifying example to all who seek to make experiments. If not, I, at any rate, will soon be back again in my old nineteenth-century ideals, where the play of mind on mind created for us the inheritance we to-day, enriched by what our fathers procured for us, are seeking to divert to our own appropriate purposes.