

Lecture 3

Liberalism

In my last lecture I was critical of the ways in which twentieth-century pioneers of a new discipline of International Relations, like Edward Carr or Martin Wight, went about shaping the history of international thought to suit their contemporary purposes. Keen to establish a field of studies that was not just novel but also discrete, they disparaged earlier thought as fragmentary and unsatisfactory. At the same time they recognized the respect felt by educated elites toward the heavy artillery of Western thought and could not resist attempting to mobilize it in their support. Writers like Thucydides, Machiavelli or Kant could be brought to bear on the immediate policy concerns of their own day. They could also be forged into 'traditions' (liberal, realist, revolutionist, rationalist and so on) in order to frame or support writers' general political orientations, though this was generally achieved with total disregard for how the thinkers concerned and those of their works selected for study originally related to events in the world and to other contemporary texts.

Notwithstanding these distortions, there are *some* stories worth telling about the development of international thought, and I begin with liberalism because it seems to me to have a more coherent lineage than realism, in the sense that liberal thinkers from the eighteenth-century Enlightenment through to the present have generally been aware of their predecessors and contemporaries, and engaged in some kind of continuous dialogue with them. This has not prevented successive generations from misrepresenting or disagreeing radically with their predecessors. Nor has there been any agreement among liberals over the years about policy. To take only the most glaring example, many liberals, perhaps a preponderance, have seen the avoidance of war as a primary policy objective, yet Immanuel Kant (anticipating Karl Marx) regarded it as a regrettable but historically progressive phenomenon. 'Man wishes concord' he wrote, 'but nature, knowing better what is good for his species, wishes discord' (Reiss 45). Yet there have been strong common features.

Mention of Kant gets us to a useful starting point for thinking about liberalism. Martin Wight thought Kant the paradigmatic revolutionist, committed to drastic change, which is not so far from calling him a utopian, in Carr's sense. But many other

commentators have written about him in ways that suggest that he might sit more comfortably in Wight's Grotian or rationalist category. Kant, after all, placed great emphasis on law and argued that law-governed relations between states could not be achieved unless and until each of the states concerned was itself law-governed in respect of its internal affairs. But these terms ('revolutionist' and 'Grotian') are retrospective impositions. So if I ask whether Kant was a liberal, and what sort of liberal he might have been, the first point to be settled is whether I, too, am imposing a modern category upon him: whether use of the term 'liberal' to discuss eighteenth-century thought is altogether anachronistic.

This is a delicate question, for it was really only in the early nineteenth century that the term 'liberal' took on its current sense and became a primarily political term. Before then it generally meant 'generous' or 'open-handed'. The eighteenth-century antecedents of liberalism are generally associated with the movement referred to at the time (and since) as the Enlightenment, and with a republican tradition stretching back

much further, even to classical times.¹ These are matters I touched on in my last lecture. But by the later eighteenth century something recognizable as modern liberalism and occasionally referred to by that word was inching towards recognition. On the positive side we find a more assertive insistence on the rights of the individual to life, liberty, property, assembly and expression, demands for equality under the law, and a belief in the probability of secular social improvement or progress. Negatively, it was associated with an attack on hereditary authority, the church, and arbitrary exercise of unchecked or absolute power. Practically, it was evident in the young confederation of former British colonies on the Eastern seaboard of North America.

Within this emerging consensus were nested a set of ideas about relations between states which I will try to sketch through a brief comparison of the roughly contemporaneous ideas of Immanuel Kant (1724-1804), Adam Smith (1723-1790) and Thomas Paine (1737-1809) on the causes of war. The point to bear in mind is that the German philosopher, the Scots professor and the English agitator were not engaged in a direct debate. It was much more that, by the late eighteenth century, they were swimming in the

¹ . Deudney, *Bounding Power*, if not here then somewhere. (Probably lecture 2; possibly 4.)

same waters and feeding on the same conceptual plancton.

Enlightenment ideas had permeated the European mind.²

In 1784 Kant published an essay under the title 'Idea for a Universal History with a Cosmopolitan Purpose'. He understood that a history was ordinarily a factual work. But by universal history he had in mind something quite distinct from common or garden empirical history, namely 'what a philosophical mind, well acquainted with history, might be able to attempt from a different angle' (Reiss 53). That philosophical mind – his own – might detect a regular, orderly and progressive 'development of man's original capacities' (Reiss 41) where the less trained mind saw only 'one damned thing after another'.

Kant started out from a teleological theory of evolution: that is a view of evolution in which the end state or *telos* is the cause of the processes leading to its realization. The natural capacities of any creature, Kant alleged, were eventually developed completely. The oak is there, as it were, in the acorn. What was true of other species was also true of humankind. No individual could expect to develop his or her natural capacities completely, but the species

² . For a study of their diffusion see Richard Herr (Spain).

as a whole could. What distinguished humans from other animals was reason. Reason, unlike instinct, developed through trial and error, so it would take many generations for humankind to attain its *telos*. Furthermore, precisely because the long rise of humankind to full realization of its nature was brought about through the conscious exercise of reason and free will, humans were entitled to self-esteem.

In attempting to provide a universal history Kant began with some standard Enlightenment observations on the origins of society. Society arose because there were some tasks – hunting, building a shelter, conceiving and rearing offspring, and so on – which could be accomplished by an individual. Yet individual men and women were greedy and selfish. There was a contradiction here that Kant refers to nicely as humankind's 'unsocial sociability'. How then were conflicting individual desires to be reconciled with social order?

Kant and Smith both provided answers to this question and, in doing so, sketched theories of a natural harmony of interests, the notion which, when applied to relations between states, was to draw the full fire of E. H. Carr a century-and-a-half later, and of

social progress, as something achievable within a historical time-frame and, perhaps, even in a matter of decades. They also committed themselves to a second central idea of liberalism, the idea of progress, to which Carr ruefully admitted his continuing attachment in one of the last things he wrote (introduction to second edition of *What Is History?*), and which, like much else, would be inherited from liberalism by Marxism.³

I used the word 'secular' a few minutes ago in the phrase 'secular social improvement,' as a synonym for 'progress,' and I used it in a deliberately ambiguous way. For reasons I will not enter into the same word has acquired two senses in modern English, and this has been through the divergence of the senses of a single word; we are not dealing here with a homonym, which is the technical term used to deal with the situation when two quite different words are spelt the same way.⁴ No. 'Secular' has come to mean either long-term or slow, as in 'secular' as distinct from 'cyclical' change in the economy, or else 'to do with civil society' rather than religion.

³ . Introduction to second edition of *What Is History?*

⁴ . An example would be 'pole', which can mean a shaft or stake (from early English) or the point of origin of an axis (from ancient Greek). Flag pole; North Pole; no relation!

I have laboured this point because it is important to realise that Kant and his contemporary, Adam Smith, both well on the way to being liberals, were laying the foundations for liberal and Marxist theories of history when they offered accounts of how the actions of individuals or groups intending something quite different might result in optimal and progressive social outcomes.

Returning now to Kant's text, and to his insight about unsocial sociability, we find that 'the means which nature employs to bring about the development of innate capacities [of the species] is that of antagonism within society, in so far as this antagonism becomes in the long run [secular!] the cause of a law-governed social order' (Reiss, Kant's Political Writings, 44). This is not so very different from Smith's idea, only a few years before, of the businessman drawn by the prospect of gain to invest his capital in production, who 'neither intends to promote the public interest nor knows how much he is promoting it [but is] led by an invisible hand to promote an end which was no part of intention' (Smith 20).⁵

⁵ . Also from W of Ns? (but where?) 'A revolution of the greatest importance to public happiness was in this manner brought about by two different orders of people who had not the least intention to serve the public. To gratify the most childish vanity was the sole motive of the great proprietors. The merchants and artificers, much less ridiculous, acted merely from a view to their own interest ... Neither of them had either knowledge or foresight of that great revolution which the folly of the one, and the industry of the other, was gradually bringing about.'

Later, discussing the just war tradition, I will draw attention to the strong emphasis that Christians place on intention, as distinct from outcome. I mention this now to drive home the point that Kant and Smith were offering theories of history that were properly secular, not just because they suggested ways in which progress was to be achieved in the long run, and not just because this process relied on human agency rather than a divine plan, but also because both saw vicious intentions as the motor of progress. Avarice and anger – greed and aggression – provide the motive power of human perfectibility. Private vices; public virtues! These are profoundly anti-Christian inspirations.

It has taken a little time to lay these foundations of an understanding of modern liberalism, and it is now time to hurry on to describe Kant's thoughts about international relations and compare them to those of his contemporary, Thomas Paine.

Kant, very much in the tradition of Aristotle, believed that the full development of humankind would be realised in the maximum freedom of each individual compatible with the freedom of others. But this was only possible in a just society, and the attainment of such a society was the most difficult and the final problem in human evolution.

Now this process by which a just society was to be secured was especially difficult because people lived in a multiplicity of political societies, so that ‘the [domestic] problem of establishing a perfect civil constitution [was] subordinate to the problem of a law-governed external relationship with other states, and cannot be solved unless the latter is also solved’. War, Kant affirmed, as a special case of ‘unsocial sociability,’ would provide the mechanism by which ‘a state of affairs is created [between states] which, like a civil commonwealth, can maintain itself automatically’: the political equivalent, we may say, of a self-regulating market.

Notice that I have just offered an *analogy* between Smith’s idea of self-regulating markets driven by individual acquisitiveness as a means to the optimal welfare and Kant’s idea of warfare, driven by aggression and pride, as the means to a peaceful equilibrium in international relations. Two structures are seen to have a similarity of form; arguments developed in one field may be applicable in the other. I pause to draw attention to this because arguments by analogy, whether formal or historical, have proven extremely persuasive over a long period, and you may want to consider why this should be. Christians have long been fascinated, for example,

by parallels that can be drawn between the Old and New Testaments. When Kenneth Waltz, whose *Theory of International Politics* you are asked to read for seminars in the Lent term, bluntly declared that ‘balance of power theory is microtheory precisely in the economist’s sense’ (TIP 118)), he was drawing an analogy, and analogy is not at all the same thing as theory.⁶

But my second motive in explicating the idea of argument by analogy at this juncture is that, in his argument about the development of an equilibrium in international relations, Kant was deploying a different analogy, but one very commonly drawn in liberal arguments about international relations. He was less concerned to juxtapose politics and commerce than to compare the way in which individuals in a state of nature may be supposed to have banded together to form a state with the way states may band together to form a union or league. This is often described as the *domestic* analogy, because of the way in which international politics is likened to domestic politics, and states are likened to persons; and it is vulnerable to devastating criticism, as I will show when speaking about Rousseau in lecture 4.

⁶ . For Waltz on analogy and my doubts see TIP 88-93 and Buzan, Jones and Little, *The Logic of Anarchy* 174 ff.

This analogy becomes quite explicit as Kant moves toward the conclusion of his essay. The distress arising from war, he insists, must force the states to make exactly the same decision ... as that which man was forced to make ... in his savage state: the decision to renounce his brutish freedom and seek calm and security in a law-governed constitution' (48). Thus, Kant concluded, the history of the human race could be regarded 'as the realisation of a hidden plan of nature to bring about an internally – and ... externally – perfect political constitution as the only possible state within which all natural capacities of mankind can be developed completely' (49?).

Returning to the relationship between politics and commerce, I ask you to observe that, for Kant, this was not merely analogous but also causal. And here, I would contend, comes the detail that, alongside his concern with law and constitutionality, makes it reasonable to refer to Kant as at the very least a proto-liberal and perhaps provides the keystone of the bridge that leads from eighteenth-century Enlightenment to fully-fledged nineteenth-century liberalism. For he ends his essay by noting that trade, industry and commerce are increasing, and that states depend on them – through fiscal systems – for their wealth and, finally, their

relative power. Next comes the masterstroke, and I will quote Kant at length here.

Civil freedom can no longer be so easily infringed without disadvantage to all trades and industries, and especially to commerce – he observed – in the event of which the state's power in its external relations will also decline. But this freedom [to engage in commerce] is gradually increasing. If the citizen is deterred from seeking his personal welfare in any way he chooses which is consistent with the freedom of others, the vitality of business in general and hence also the strength of the whole are held in check. For this reason, restrictions placed upon personal activities are increasingly relaxed ... And thus ... enlightenment gradually arises.

To put it in other terms, there are mercantilist reasons, or 'reasons of state', for allowing increasing freedom to citizens to engage in economic activity. Social and economic circumstances had arisen in which military success abroad had come to depend on a tax base which, in turn, required progressive liberalization at home. But that liberalization would gradually lead to the development of political constraints on the absolute monarchs of Europe.

Now I very much doubt whether Tom Paine ever read Kant. But ideas of the kind I have just been describing were part of a common stock by the closing years of the century. Note, then, the

similarities between Tom Paine's ideas about war and those of Kant. Writing shortly after the French revolution of 1789, and in support of it, Paine argued that because all the European governments except that of France were militaristic and hereditary, their relations with one another were 'in the same condition as we conceive of savage and uncivilized life'. How had states arisen? – By coercion, Paine believed. 'It could have been no difficult thing in the early and solitary ages of the world,' – he wrote – 'while the chief employment of men was that of attending flocks and herds, for a banditti of ruffians to over-run a country, and lay it under contributions. Their power being thus established, the chief of the band contrived to lose the name of Robber in that of Monarch; and hence the origin of Monarchy and Kings' (*Rights of Man*, Penguin, 1969, 190).⁷

Paine continued. What could be expected from a gang of bullies, he asked, 'but a continual system of war and extortion? Monarchy and aristocracy, he concluded in terms nicely calculated to offend those who regarded commerce with utmost contempt, had 'established itself into a trade' (191).

⁷ . See also p.104: 'That, then, which is called aristocracy in some countries, and nobility in others, arose out of the governments founded upon conquest. It was originally a military order, for the purpose of supporting military government...'

War was central to this political system. It was, Paine alleged, 'the art of conquering at home'. What did he mean by this neat phrase? The object of war, he declared, was 'an increase of revenue; and as revenue cannot be increased without taxes, a pretence must be made for expenditures.' He continues: 'In reviewing the history of the English government, its wars and its taxes, a bystander, not blinded by prejudice, nor warped by interest, would declare, that taxes were not raised to carry on wars, but that wars were raised to carry on taxes' (99).⁸

How was this system to be overcome? – The short answer, for Paine, was revolution, and he played an active part in two violent revolutions: in North America and in France. But violence was only a means, and a main objective of revolution was, by changing what he termed 'the moral condition of government,' to lessen the burden of taxation and thereby inhibit warmongering (234). It is therefore no surprise to find strong indications in *The Rights of Man* that Paine believed that, even in the absence of revolution,

⁸ . See also p. 183. 'All the monarchical governments are military. War is their trade, plunder and revenue their objects. While such governments continue, peace has not the absolute security of a day. What is the history of all military governments, but a disgustful picture of human wretchedness, and the accidental respite of a few years repose? Wearied with war, and tired with human butchery, they sat down to rest, and called it peace.'

these objectives might be achieved through the encouragement of commerce, in a manner not unlike that envisaged by Kant. Nature – a purposive, almost personal force – had ‘distributed the materials of manufactures and commerce, in various distant parts of a nation and of the world,’ Paine suggested, ‘and as they cannot be procured by war so cheaply or so commodiously as by commerce, she [that is Nature] *has rendered the latter the means of extirpating the former*’ (235: my emphasis). The historical purpose of commerce then, for Paine as for Kant, is to bring an end to war.

A great deal follows from the mutual gains from trade, and the impossibility that any single nation should appropriate those gains. ‘Could the government of England destroy the commerce of all other nations, she would most effectually ruin her own,’ Paine declared (235). Therefore the problem besetting the modern state was that, by disrupting trade, war diminished the tax revenues on which they depended to conduct hostilities. Conversely, ‘[i]f commerce were permitted to act to the universal extent it is capable, it would extirpate the system of war, and produce a revolution in the uncivilized state of governments. The invention of commerce’ – he continued – ‘... is the greatest approach towards

universal civilization, that has yet been made by any means not immediately following from moral principles' (234). It turned out that financial markets were up to this challenge and that modern warfare could to a great extent be sustained by sovereign borrowing, but why spoil a good theory by attention to detail?

To sum up, we encounter in Kant, Smith and Paine versions of an international theory in which some purposive force – call it Nature or Providence – is at work to translate private and sectional vices into beneficent social outcomes, working in part through the mechanisms of international trade. This scenario was powerfully transformed in the next generation, by a London banker, David Ricardo (1772-1823), into fully-fledged liberal theories of international trade and class struggle that were readily applicable to the politics of the day.

In his theory of comparative advantage David Ricardo provided a powerful argument for the economic benefits of participation in international trade. Even a country that produced every kind of good more efficiently than its neighbour would gain from trade, he suggested, provided it specialized in the production and export of those goods in the production of which it was *relatively* more

efficient than its neighbour. The advantage was reciprocal. The less efficient producer, too, would gain from exporting to its neighbour those goods in which the efficiency gap was least.

In the same work that he expounded this revolutionary theory, the *Principles of Political Economy* of 1817, Ricardo also laid two important foundations of Marxism by setting out a labour theory of value and analysing the national economy in terms of three factors of production, each associated with a social class. Of the first of these innovations I shall say no more. Of the second I shall say a good deal, because it provided a way to systematize the intuitions of Kant, Smith and Paine about the implications of rising levels of international trade for international relations and, in so doing, framed debates about warfare within the dominant bourgeois-liberal mindset of the remainder of the nineteenth century.

Ricardo postulated that there could be no production without some combination of three factors of production: land, capital and labour. To each of these factors corresponded a social class: the aristocracy as the owners of land; the bourgeoisie or middle class as owners of money capital; and the proletariat or working class as providers of labour. I cannot quite resist, at this point, recalling

Frederic C. Lane, of Johns Hopkins University, a great historian of Venice, prefigured the institutionalist approach to economic history associated with Nobel Prize winning economist, Douglass North, by developing a neoclassical theory of international political economy *avant le mot* in which he postulated a fourth factor of production: protection. No production could take place without security of life, property and contract. But that, as they say, is another story, which might have led to the incorporation of the study of organized and economics into a unified social science!⁹

Three classes, then, were engaged in economic activity, but also in the evolution of society, that working out of the unsocial sociability described by Kant now being transformed into a class war in which liberals looked forward to the supplanting of the aristocracy by the bourgeoisie, while Marxists anticipated the displacement of the bourgeoisie by the proletariat.

In the early decades of the reign of Queen Victoria, between 1837 and 1870, History seemed to be working pretty well. The Reform Bill of 1832 had begun a process of extension of voting rights calculated to loosen the stranglehold of the aristocracy on the

⁹ . F. C. Lane, *Venice and History*.

elected chamber of the British parliament. A massive campaign for the implementation of free trade bore fruit in 1846 with the repeal of the Corn Laws.

It is worth considering in a little detail how this ostensibly *economic* reform was conceived of, politically, by its advocates. Richard Cobden, one of the leaders of the campaign, saw economic liberalization as a two-pronged weapon against the aristocracy. As landowners, aristocrats relied on rents for their private incomes. But those rents were paid by farmers, so by removing tariff protection from British cereal producers Cobden and his colleagues hoped to undermine the aristocracy through a reduction of the ability of their tenants to pay high rents. But they had also a second line of attack on the aristocracy, this time in their capacity as governors of the state and militarists. War required revenue, and abolition of the Corn Laws removed one source of revenue from the government of the day, namely the proceeds from the tariff imposed on imported corn. Replacement of this indirect tax by direct taxation of incomes would make taxation more visible to the taxpayer and thereby encourage public scrutiny of policy and participation in the political process. Free trade, then, was conceived of as furthering trade not simply by promoting the

international division of labour and creating a beneficial interdependence between nations, but by undermining a belligerent ruling class. Once again, here is the fiscal argument pioneered by Kant and Paine.

But after 1870 the mood changed. The sudden and total defeat of France in the face of Prussian arms that year, followed by the unification of the German Empire and the final unification of Italy, touched a nerve. The following year, George Chesney's *The Battle of Dorking*, a Conservative fantasy set in the near future and first published in a periodical with limited circulation, saw Britain suffering a similar fate to France at the hands of Germany. It proved to be a best-seller, with something of the order of 100,000 copies of the paperback offprint sold during the year following its publication. Chesney's novella inaugurating a new genre of imagined military disasters or, more optimistically, of dire threats narrowly averted. One major theme, especially of earlier examples of the genre such as William Butler's *The Invasion of England* (1882), was that the Liberals had weakened the country by their policy of free trade. Reliance on imported foodstuffs following the repeal of the Corn Laws had not only hurt the aristocracy but also denuded the country of the stalwart yeomanry and peasantry that

had traditionally provided Britain's non-commissioned officers and private soldiers.

As the century drew on, even so celebrated a Radical as Richard Cobden was bound to admit that history was no longer going quite as expected, and much liberal thought of the later nineteenth and early twentieth centuries was devoted to accounting for this and prescribing remedies. Faced with deteriorating economic conditions, arms racing and alliance building in Europe and a scramble for colonies in Africa and Asia, Liberals were inclined to save their theory of history by supplementing it with a theory of the inadequacy or corruption of the bourgeoisie.

I have been at pains to stress the prominence of class warfare in British liberal thought and the close relationship between economic and political thought, because twentieth-century critiques of liberalism, starting with Carr in the 1930s, have tended to regard it as a naïve and economistic theory, reliant principally on the fear of material loss as the guarantee of peace. There *were* liberals who put this argument first. But it was hardly the dominant liberal argument and, as 1914 approached, there was for every optimistic liberal who hoped, like Norman Angell, that commercial

interdependence would avert war, a more cautious liberal, like Hobson, arguing that war could only be averted by radical reform.

In Britain, the debate was brought to a head by the Boer War of 1899-1902. This may almost be thought of as Britain's Vietnam: a war which, following a brief conventional phase, developed into irregular warfare as the lines and fronts dissolved and the Dutch Boers (literally farmers) formed small highly mobile mounted units, which they called commandos, to strike at British communications.

The British, shocked by the physical condition of many of those who came forward to serve in their armed forces (recall those Conservative warnings about the lost peasantry!) were obliged to rely substantially on troops from the self-governing colonies (Canada and Australia), not daring to test the loyalty of Indian troops against a subject nation. Dealing with Boer guerrilla tactics by denuding the countryside of non-combatants, who were herded into so-called concentration camps, endured widespread censure across Europe and at home when malnutrition and disease struck Boer women and children. The possibility of German intervention on behalf of their Dutch-speaking cousins loomed. How had it come to this?

Of all English liberals, it was J. A. Hobson who provided the most widely read and influential answer in his 1902 *Imperialism: A Study*: a book that would be read with interest and approval by both John Maynard Keynes and Vladimir Lenin. Hobson trace the recent general decline in inter-state relations and the acute competition between European powers for overseas colonies to two related sources. These were under-consumption and the influence of business on government. Disputing the assumption of classical economics that markets would always clear, he argued that in conditions of extreme income inequality, as in the England of his day, the rich would over-save and the poor would be unable to consume all that was produced in the national economy. A surplus of savings would accumulate in the hands of the bankers; a surplus of manufactured goods in the hands of industrialists. Both would seek outlets overseas, even below cost if necessary; and if several national economies had to resort to overseas markets in this way simultaneously, the result was bound to be severe competition for third-country markets and high levels of protection for domestic markets. Why was this? – It was because manufacturers, especially those least competitive in developed-country markets, resorted to political lobbying when defeated in the

market, egging on their governments to annexe African and Asian territories within which they might enjoy exclusive market access. Simultaneously – and to much greater effect – financiers were pressing government to provide security in the overseas countries in which they had invested the excess savings of the rich, by annexation if need be. Hobson was emphatic about this, sharing the commonplace anti-Semitic views of the time that led him to exaggerate the extent of Jewish control over investment banking and regard banking as a literally degenerate form of capitalist enterprise.

‘An ambitious statesman, a frontier soldier, an overzealous missionary, a pushing trader, may suggest or even initiate a step of imperial expansion, may assist in educating patriotic public opinion to the urgent need of some fresh advance, but the final determination rests with the financial power.’ Hobson continued, in a memorable and often-quoted passage: ‘Does anyone seriously suppose that a great war could be undertaken by any European state, or a great loan subscribed, if the house of Rothschild and its connexions set their face against it?’¹⁰

¹⁰ . Anyone who believes this even for a moment should consider the role of non-Jewish finance houses such as the Barings or the Morrissions (about whom I have written extensively: see the 1987 book: *History of International Business*) and above all should read Fritz Stern’s *Gold and Iron*, which shows

I close, as I began, by drawing attention to the circulation of a common stock of ideas across Europe, by osmosis, as it were, without necessarily any direct connection or influence. Joseph Schumpeter, writing in Vienna during the First World War, faced the same problem as Hobson. How could capitalism, which had appeared to be a pacific force, have failed to prevent and perhaps even contributed to the outbreak of the war? Hobson's answer, in a nutshell, was that marginal and degenerate elements in the capitalist class had corrupted government and that the safeguard of wider participation in politics foreseen by Paine and Kant had failed because those same degenerates had gained control of mass print media and used the newspapers to whip up nationalist sentiment.¹¹

Schumpeter's answer was that imperialism, which he defined (perhaps harking back to Rousseau) as an 'objectless disposition

a Rothschild connexion (Bleichroder) supporting German imperialism with the greatest reluctance, and only in order to retain vital domestic government accounts. The pervasiveness of anti-Semitism within European liberalism is palpable. Among his arguments against hereditary authority, Tom Paine noted the tendency of aristocracy to degenerate. He added: 'By the universal economy of nature it is known, and by the influence of the Jews it is proved, that the human species has a tendency to degenerate, in any small number of persons, when separated from the general stock of society, and intermarrying constantly with each other' (105).

¹¹ . A nice case of recognition of the political dangers associated with protectionism is that of Felix Brunner, Unitarian chemical manufacturer in the North of England, who opposed protectionism in England in 1896 because of the incentive it would provide to corruption in public life. 'Wealthy business men [in the House of Commons] might impose duty after import duty to augment their private fortunes at the cost of their fellow-countrymen,' he pointed out, preferring to forgo such gains in order to maintain 'purity in politics'. Quoted in Koss, *Brunner*, 193. See also 233 and 202?

on the part of a state to unlimited forcible expansion,' arose because of the incompleteness as well as the corruption of capitalist development. Opposing the Marxist view that class war between bourgeoisie and proletariat was now the central historical drama, Schumpeter pointed to the continuing relevance of *past* class relations, embedded in contemporary social values and institutions: what he called 'social atavism'. The atavism with which he was most concerned was the survival into the modern era of powerful remnants of the aristocracy, whose very reason for being – as Paine had observed – lay in waging war.¹² The monarch or nobleman, he claimed, 'wages war in the same way as he rides to hounds – to satisfy his need for action'. That this survival was possible was a consequence of the incompleteness and corruption of the capitalist revolution. Parts of the bourgeoisie had been captured by the still imperial state. Dependence on government procurement influenced a great swathe of industrialists, from arms manufacturers through textile manufacturers to construction firms. Others gained by lobbying for and receiving tariff protection, which enabled them to glean a surplus in the domestic market, though only on sub-optimal product runs, making it rational to optimise unit

¹² . Schumpeter's crucial move against Marxist sociology is captured in the following short passage: 'Imperialism ... is atavistic in character. It falls into that large group of surviving features from earlier ages that play such an important part in every concrete social situation. In other words, it stems from the living conditions, not of the present, but of the past.'

costs by producing more even if only to dump the surplus overseas below cost. This, in Schumpeter's view, accounted for fierce competition in third-country markets and the resultant pressure on states to annexe and subsequently protect colonial territories.¹³

Schumpeter concluded: 'Thus we have here, within a social group [large entrepreneurs and high financiers] that carries great political weight, a strong, undeniable, economic interest in such things as protective tariffs, cartels, monopoly prices, forced exports [dumping], an aggressive economic policy, an aggressive foreign policy generally, and war, including wars of expansion with typically imperialist character.' Conflicts 'born of an export-dependent monopoly capitalism' he added 'may serve to submerge the real community of interests among nations'.

Suddenly we are back to harmony of interests. Surveying the wreckage of the liberal project, Schumpeter and Hobson remain liberals. Unlike Lenin – the elephant in this particular room, and whose ideas I will examine on another occasion – they were

¹³ . One or two counter-intuitive consequences follow from this mitteleuropean perspective. Britain, having taken the development of capitalism furthest, was not imperialist. Schumpeter did not deny that it as a colonialist and expansionist power, but did deny that its foreign policies were irrational. Imperialism, remember, was defined as an *objectless* disposition to violence. The United States of America, meanwhile, not only was not but could never be imperialist, for it lacked an aristocracy.

convinced that liberalism and capitalism could be saved by judicious reform. For Schumpeter, this required a more complete capitalist revolution and the political neutering of the aristocracy. For Hobson (and this is why Keynes admired his work) it required an abandonment of *laissez faire* or non-intervention, one of the sacred principles of classical economic liberalism. Maldistribution of income and wealth, the generator of imperialism in Hobson's view, could be corrected by judicious state intervention through progressive taxation and the provision of basic welfare. The path was open to Liberal advocacy of a welfare state and macroeconomic management; even to E. H. Carr's wartime equation of Fascism and the dire plight of the British working classes as 'twin scourges', *each* requiring the urgent attention of the state.¹⁴

I count Hobson and Carr among the group best called compensatory liberals. Carr is of course conventionally described as a realist, though his contemporaries were more likely to regard him as a closet Fascist or, later, a Communist fellow-traveller. You will by now be beginning to sense that some of these categories overlap, and that there is no contradiction in Carr having been both

¹⁴ . This, in a leading article in *The Times*. See my 1998 book on Carr.

a liberal and a realist. Such a possibility is, indeed, a main theme of his best-known book on international relations. Some compensatory liberals restricted themselves to reform within each state. Others – Carr and Keynes among them – came to feel that domestic reform was not enough, and that some element of international cooperation or supra-national authority was necessary if the liberal order were to be preserved.

Perhaps the best-known group of internationalist compensatory liberals were the functionalists. David Mitrany was educated at the LSE just before the outbreak of the First World War. Later he was a member of the Fabian Society and, until 1931, of the Labour Party Advisory Committee on International Questions, which Woolf chaired. Influenced in part by Woolf's 1916 tract, *International Government*, Mitrany argued that the ever-more complex character of the modern world meant that populations were becoming more and more dependent for their welfare on services that could only be maintained through international cooperation. Examples would include management of the international monetary system, international waterways and the control of trade in narcotic drugs.

By paying more heed to conflict and damping down expectations of the imminent fading away of the state, neo-functionalists of the 1960s, among them many United States observers of the European integration process launched in 1957 with the Treaty of Rome, nudged functionalism toward the realist camp. Gradually, during the 1960s and 70s, the debate between realists and liberals crystalized around the questions of how easy or difficult it was for states to cooperate, and how cooperation should be interpreted. In a widely read book published in 1977, *Power and Interdependence*, Robert Keohane and Joseph Nye did not so much argue for a liberal position as lay it out alongside the realist view for readers to judge which provided the better fit with the world, drawing attention to ways in which the state, in advanced industrialized countries, had become bureaucratized and in some degree fragmented, some officials having as much to do with their peers in other countries as with those in other ministries at home.

It was possible for a reader to take away the impression that global regimes governing trade and monetary affairs, and many other aspects of life, had now such elaborate structures that they might withstand a relative decline in the hegemonic power of the United States, which had been the leading force behind their

establishment after the war. Against this, realists like Joseph Grieco or Joanne Gowa pointed to the difficulty of cooperation, suggesting that, where it was observed, there were usually perfectly good bases in national interest for relatively autonomous states to work together.

Much of this debate was captured, in pared-down form and for heuristic purposes, in the game of prisoners' dilemma. In its classic form this requires us to imagine two men who have committed a crime together. When arrested each is placed in a separate cell and is unable to communicate except with the prosecutor. The prosecutor lacks sufficient evidence to ensure a conviction and offer each man in turn a deal. If he confesses, and this confession is the sole means of convicting his partner-in-crime, he will immediately be set free. Naturally, each asks what will happen if neither he nor his partner confesses and what will happen if both confess. In the first instance, each is told, you will be held for six months, the maximum allowed under the law, and then released. In the second, each of you will be rewarded for cooperation with the authorities and will serve a reduced sentence of five years.

In this classic form, Prisoners' Dilemma is a zero-sum game in which the rational decision for each man is to confess. This way, each will calculate that he stands a very slim chance of immediate freedom, but – far more important – he can be confident of avoiding the *worst* possible outcome, which is a ten year prison sentence. Each knows full well that the other is likely to reason exactly thus, so that the consequences of silence are likely to be dire. Each has acted rationally, avoiding the worst; but in so doing they have sacrificed their opportunity of achieving the most advantageous joint outcome: a single year in jail, split two ways.

I have explained this dilemma, doubtless very familiar to many of you, for two reasons. First of all, it has been applied to disarmament. Neither state can afford to give up its weapons for fear that the other will not follow suit. I will not elaborate, because the second reason for including this game here is the more important. Liberalism had relied, since its inception, on the idea that individuals or societies driven by self-interest to compete with one another, whether in commerce or in war, would inadvertently secure the best available mutual outcome for society at large. Prisoners' dilemma was a direct challenge to this premiss of liberalism.

But liberals don't surrender easily, and within a decade a solution had been developed, though it was not to be popularised before Robert Axelrod published *The Evolution of Cooperation* in 1984. The key was iteration (a fancy word for repetition). If prisoners' dilemma is played repeatedly, it becomes possible to signal to the other player through the moves one makes – of cooperation or defection – nudging him or her into a pattern that will ensure something close to maximal joint gains. Axelrod's winning strategy, tested against many others, was 'tit-for-tat', in which a player starts by cooperating, responds to any instance of defection by defecting in the next round, but then promptly reverts to cooperation. Prisoners' dilemma turned out to have inflicted merely superficial damage. Liberalism and belief in the evolution of cooperation are still with us, and can still be formulated without reliance on saintly or irrational altruism.

Let me sum up. In my first lecture I expressed some distaste for the phrase 'international relations theory'. There wasn't much 'theory' around, I said. Liberalism was certainly a strong and continuous European political tradition throughout the nineteenth century with some clear views on international relations that

changed over the decades in response to debates and events. But it was not a theory. On the contrary, it was (and would remain) an ideology. The key difference between the two – and here I follow Karl Popper – is that a theory can be falsified while an ideology cannot. An ideology can adapt to any change in circumstances, and we have seen European liberalism save itself in the face of the seeming falsification of its prophecies of a capitalist and democratic peace by claiming that the bourgeois revolution was incomplete or had been corrupted. Realism and Marxism, I will argue, are also ideologies, rather than theories, reliant on the projection of partial interpretations of the past. Moreover, I will claim that some of the seeming theories embedded within these ideologies, such as the democratic peace or Third-World dependency, turn out to be non-theories because, on close examination, they prove to be systematically un-falsifiable.

A second conclusion is that recent accounts of liberalism that have emphasized its economic or commercial aspects relative to its politics, or indeed attempt to separate the two, are mistaken.

‘Political economy’ is no random or trivial phrase; it captures an indissoluble union of concerns that lay at the heart of Liberalism.

An important motive for the rise of International Political Economy

in the 1970s, whether liberal or Marxist, was that the new behaviourist style of political science popular in the United States, just as much as the form of political realism that had until very lately constituted orthodox International Relations in Britain and America, needed to be reminded of this union of concerns. It is a measure of the failure of IPE and the dulling effects of academic International relations that it so quickly degenerated from a reformist movement into a sub-field of the very entity against which it had revolted.

I have phrased this second conclusion as a comment about international thought, but it leads naturally to a third conclusion about the relationship between thought and policy. With the possible exception of Kant, all of the writers considered in this lecture were not only responding to events but were trying to influence policy, less by advocating specific courses of action than by commanding the high ground: shaping the world-views and historical assumptions of politicians and publics. Liberals, no less than realists, have been in business to speak truth to power. The objective has always been not so much to describe the world as to change it.

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