

# THE ECONOMIC UNION OF EUROPE <sup>1</sup>

BY J. A. HOBSON

It is not necessary to be a devotee of the doctrine of 'the economic determination of history' in order to recognize the prominent place that must be given to coöperation in industry, commerce, and finance in the work of the League of Nations and in the general movement toward a constructive internationalism. Peace and prosperity go hand in hand, so that it is unnecessary to ask whether this movement is primarily designed to secure the world against another war, or to strengthen and improve the public and private arrangements which make for the common wealth of nations. It is evident that for the successful performance of either task a campaign of intellectual and moral enlightenment is needed. For the Great War and the Bad Peace have so inflamed the passion of exclusive nationalism as to strengthen many of the false beliefs and injurious practices which aim at reducing to the smallest possible dimensions the economic interdependence of nations. A false identification of political and economic frontiers has fed the belief in a fundamental divergence of economic interests among nations, expressed in the protection of the home market for their nationals, the acquisition of preferential claims upon raw materials in foreign lands, the struggles for markets and for lucrative investments. This conviction rests partly upon an un-

sound view of the nature of trade, partly upon a shortsighted regard to national interests. Business men and their politicians generally hold that, as good markets alike for buying and for selling are restricted in quantity, it is the duty of their government to help them to get as much of them as possible, and to put as many obstacles as possible in the way of foreign competitors and their governments.

The futility and dangers of this policy are, however, becoming increasingly apparent to the more enlightened minds among the European peoples, and an organized demand for a closer amicable coöperation is seeking expression in practical proposals for economic union. The vision of American prosperity, contrasted with the impoverishment of Europe, has aroused mingled sentiments of envy and of a piration. Are there any immovable obstacles to prevent Europe from developing a productivity as great as that of America? The evident conditions of the economic prosperity of America are the following: the size, variety, and richness of her natural resources, for the supply of foods, raw materials, and power; the physical and mental vigor, enterprise, industry, and mobility of the great majority of her population; community of language, political and social institutions, and freedom from tariff and other trade obstacles among the inhabitants of the several states; a distribution of income favorable to the maintenance of a high and similar standard of consumption, with the reasonable expecta-

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tion of further rises for the great majority of the hundred and twenty millions of her inhabitants.

Now it is evident that no single country in Europe possesses all these advantageous conditions in a degree comparable with America. But what of Europe as a whole? If Europe could coöperate as closely and as actively as the United States, is there any reason to suppose that any of the other conditions essential to an equal advance in economic prosperity do not exist, or could not be secured by intelligent coöperation? Even if we were to exclude Russia from any full immediate project of coöperation, the rest of Europe would furnish an area considerably larger than the United States, with a population more than twice its size, and a variety and capacity of food production, mines, forests, and other essential raw materials, at least equal, and probably greater. It is true that America has advanced further than most European countries in the actual development of certain natural resources, such as coal, iron, and oil, and in many uses of machinery and power. But there is no ground for supposing that in necessary foods, materials, and power Europe as a whole stands on a lower potential level. Indeed, if Russia and the European colonies were included in the contemplated area of coöperation, the size and variety of resources would be immensely superior, while the population both for production and consumption would be immensely larger.

It will be said that the physical and mental capacity of the average European is definitely lower than that of the white American, that in alertness, intelligence, adaptability, strength, enterprise, self-confidence, optimism, and willingness to coöperate the average American is superior. The last point deserves particular attention. For it is closely connected with that quality of

sociability and sense of equality which most distinguishes American democracy. There exists far more mobility in America than elsewhere — not merely facility for moving from place to place (light-rootedness), but mobility from trade to trade, and for rising from a lower to a higher economic and social status. These are familiar facts, but they have an important bearing on our problem. For this mobility is of the very essence of coöperation. In fact, it is hardly too much to say that the economic recovery and advance of Europe depends upon improved mobility. If workers and capital are free and quick to move from country to country, from trade to trade, within each country and within Europe, and from lower to higher grades of income and society, there is no ground for supposing that any inherent or inborn defects of physique or character would keep the personal efficiency of Europeans lower than that of Americans. For with this improved mobility will come many of the other intellectual and moral advantages, the initiative, enterprise, hope, self-respect, which enter into America's high productivity.

One serious difficulty must be reckoned with — the diversity of languages among European peoples. Though America has been fed with immigrants from all parts of Europe, some of whom retain for a couple of generations their language of origin within the home, the quick and easy acquisition of the common English language undoubtedly constitutes an important factor in mobility and the rapid adoption of American standards of living. But though linguistic barriers must impede mobility in Europe, we need not exaggerate the impediment. In every country the classes engaged in commerce easily surmount the barrier, and though workers move more reluctantly into areas of foreign-speaking population, this re-

luctance diminishes after the first ground is broken and newcomers find fellow countrymen already established in the foreign land.

As regards the communication of economic inventions and improvements of technique and organization and all the other fine arts of industry, rapid progress has already been made, and were the principle of economic union once firmly grasped, difference of language and race would not count heavily as obstacles. So far as the educated classes in most European countries are concerned, their scientific knowledge and training, their technical and business capacity, are on at least as high a level as in America. Indeed, in certain countries, notably in Germany, Switzerland, and the Scandinavian countries, and probably in France and Britain, the highest grades of intellectual training in the applied sciences are superior. It is the vigor and alertness of the average man that give America most of her present advantage in the industrial world. If the barriers to mobility of men, goods, and ideas could be broken down in Europe, leaving human resources to mobilize and apply themselves with freedom and efficiency to the development of known or discoverable natural resources, the material wealth of Europe would advance rapidly toward the standard of America.

It may be said that, as compared with America, the larger part of Europe is overpopulated, and that increase of material productivity would be checked by the rigors of the law of diminishing returns. But though some European countries, England, Holland, and Belgium, Germany, Italy, and Austria, may be exceeding the optimum size of population under present restrictions of commerce and of productivity, there is no sufficient ground for holding that Europe, as a whole, is overpeopled for the best economic life. One of the most

obvious results of our economic union would be a more rapid extension of birth restriction, partly by closer intercourse between the free-breeding and the restricting nations, partly by the migration from the former to the latter countries — such a flow as is taking place now from Italy and Poland into France. Moreover, there would remain two further checks upon the pressure of the law of diminishing returns — namely, the specialization of larger sections of the European peoples upon manufactured exports to be exchanged for non-European foods and raw materials in foreign commerce, and emigration to countries outside Europe.

For in speaking of an economic union of Europe, we do not contemplate an entirely self-sufficing community, cut off from trade and other intercourse with the wider world. The conviction, widespread in some circles, that Europe is too densely populated, finds its chief support in the larger amount of unemployment since the war. There is a tendency to regard this pool of unemployed as a surplus, or excess, of population not wanted for the normal working of the economic system. But there is no warrant for such a judgment. There is ample explanation of this large unemployment in the dislocation of finance, commerce, and industry, due to the war, the peace treaties, and the political and social disturbances accompanying this great upheaval. No doubt Europe does exhibit patches of overpopulation, but one of the most beneficial consequences of an economic union would be the removal of populations from places where they were not wanted to places where they were wanted. This process need not be envisaged as an arbitrary State-directed movement; it would be a gradual voluntary move along a line of best advantage.

Such is a rough sketch of the condi-

tions of maximization of productivity within a European economic union. The difficulties of effecting such a union are obvious, and may be insuperable. Whether they are insuperable will depend chiefly upon whether sufficient understanding of the gains from such a union will evoke among the peoples the requisite will to achieve it. The greatest and most evident obstacles are summed up in the term Nationalism, with all the prides, fears, suspicions, jealousies, ambitions, greeds, animosities, it harbors, and the false theories and policies evoked to support these passions. One need not dispute the moral and political utility of a community feeling among members of a nationality living in close physical and social contacts. This communion will always be represented in closer economic coöperation than can exist with members of other nations. But this use of Nationalism is unfortunately overgrown with so many and so grave abuses as to render it the greatest danger to the progress of humanity.

I have before me a Report of the Austrian National Committee to the Committee on Trade Barriers, making proposals to facilitate international commerce in Europe. In its sketch of the several steps toward economic union, which might be taken by collective treaties, it indicates the large number and variety of major and minor barriers and inequalities that must be surmounted. Before any real advance can be made toward the free mobility of trade and populations, which our general survey contemplated, a number of petty vexatious differentiations, all inspired by foolish and false calculations of national interest, must be removed. Questions must be settled relating to the legal status of foreigners and foreign companies; double taxation of goods or incomes; equal treatment of foreign and homemade goods in regard to excise

and internal duties and taxes; common regulations for passports and visés; regulations concerning freedom of navigation and legal equality of foreign ships, and equal access to internal transport facilities for foreign merchants.

It ought not to be difficult to obtain the consent of all the nations to the adjustment of these claims and the removal of these barriers, since most of them have a post-war origin. A collective treaty for their settlement would be in substance a restoration to the pre-war status. The next step proposed is a treaty 'the signatories of which would consent to fix a maximum limit of duties for their mutual exchange of goods, and in connection therewith reciprocally grant most-favoured-nations treatment.' The real advance in such a treaty as compared with the numerous pre-war and post-war trade treaties would arise from its collective and its lasting nature. If security for the efficient working of industry and commerce is to be attained, one of the principal conditions is security of foreign markets. Easy admission into a foreign market is of little avail, if the terms of such admission are liable to be canceled at short notice. Long-term collective treaties would put a solid basis under export industries and foreign commerce which has hitherto been lacking, and would be a useful step toward that specialization of national economic opportunities which is the beginning of a genuine economic union of nations. But, of course, the retention even of relatively low customs duties, even on terms of fixity for long periods, would not go halfway toward the true international economy. The chief argument for such an early practical proposal is that some European countries, partly from psychological reasons, partly from considerations of State revenue, partly because long

practice of protectionism has established large trade-structures which would not stand before a policy of free exports, would not consent to any rapid establishment of European free trade.

The experience of Germany during the formation of its economic union last century well illustrates the difficulties to be surmounted before full unity can be attained. Moreover, if, as seems essential to such a union, a common customs tariff must be operated at all the frontiers, a special difficulty arises in the case of countries, like Britain and Holland, which by conviction and practice have opened their markets to the whole world on virtually 'free terms.' It is, indeed, possible that the British Government and people, recognizing that the free import policy which they had practised — with a few inconsiderable recent modifications — for three quarters of a century was unlikely to be adopted by any other great industrial nation, might prefer membership of a free-trade Europe to its present position as an isolated free trader in a protectionist world. But the sentiments and committals of our political parties render such a choice unlikely. The declining, though still numerically strong, Liberal Party could not be induced to set up a tariff against non-European countries, and the advancing power of Labor would, though with less unanimity, adhere to the same policy. The Conservatives could only enter the European Union if it included our colonial empire and our dominions.

Now this is a difficult, though perhaps not a fatal, obstacle. Its difficulty is partly sentimental, partly practical. Closer economic relations within the British Empire are a subject of keen interest to our Chambers of Commerce and other business circles and to many politicians irrespective of party adhesions, and various practical steps

have been taken to promote empire trade, emigration, and other common interests. How far the European advocates of economic union contemplate the inclusion of colonies in their scheme, I do not know. I think it likely they must have this intention. For the close economic relations of France with her colonial empire must involve such inclusion, not to speak of the colonies of Holland, Italy, Portugal. There would, indeed, be obvious and large advantages in a free-trade area so extensive as to include large tropical and semi-tropical sources of supply, and the growing markets for European manufactured goods which such colonies might provide. But the magnitude and territorial distribution of the British Empire open up special problems to the advocates of a European Union. The first is this. A European economic union must involve, as a direct or indirect implication, a political community of interests and activities which would soon take shape in some definite forms of federal government. Even if it did not go so far, an economically unified Europe would act in the world more and more as a single political unit. This economic and political union would suggest and almost impel the growth of other unions in America and Asia. Many supporters of the League of Nations already favor the formation of some such continental groupings for the political handling of their several problems. But where would be the place of India, of Canada, of our Australasian Dominions, in such an arrangement? Immense difficulties would confront these virtually self-determining nations called upon to decide between two conflicting allegiances and economic interests.

Having regard to these difficulties, Pan-Europeans would probably incline toward leaving out Britain and contenting themselves with a purely Con-



tinental union, which, if they can hope to include Russia at no distant time, might suffice for most economic purposes. But should they so decide, certain definite sacrifices of economic co-operation are involved. This is best seen in considering the development of international cartels in the great manufacturing and other export trades. The economy of cartels in coal, iron, and steel, to say nothing of chemicals, textiles, and so on, would be greatly restricted in efficiency if Britain did not come in. If the Continental tariff kept out British goods from Europe, it would force her exporters to use all their political and economic pressure to hold non-European markets against the continental cartels. It might drive Britain to seek compensations in a vigorous economic and political imperialism, or it might drive her into closer relations with the other great exporting nation excluded from the European combine — namely, the United States. For a common European tariff, adequate to exclude the growing volume of American imports, — not to speak of monetary loans and investments, — would be bound to affect profoundly the economic policy of America, and, having due regard to Canada, might drive her into some sort of English-speaking economic union. As an alternative, she would be disposed to bring every kind of political and financial pressure to bear upon her fellow occupants of the American continent, so as to bring them within her economic orbit of control, and to enlarge her commerce and perhaps her political interventions in the Pacific.

Such are a few of the reflections, admittedly speculative, roused by the proposal of a European economic union. On the merits of the scheme I frankly confess that my mind is divided. Could it be brought about within the next few years in a fairly complete manner, it

would perform immense services, not only in promoting economic prosperity, but in easing the political friction and healing the wounds left by the war and the peace treaties. If carried far enough, it would make political frontiers of almost negligible importance in their appeal to patriotic sensibilities. On the other hand, I find it hard to persuade myself that geographical proximity is destined to play as large a part in the future of economic relations as in the past. In some respects, the commercial, as the social, intercourse of neighbors will always be closer than with most distant peoples. But in other respects the complementary character of an economy based upon diversity of climatic and other natural conditions will make for closer interdependence and division of labor between distant countries. This means that mobility of men, goods, and ideas over the whole world is a better goal and sounder basis for the prosperity, not merely of the world as a whole, but for each constituent country, than any smaller economic union. It may be the case in economic as in political internationalism that group federalism must precede and prepare the ground for world-federalism. But we must not ignore the danger and waste that may ensue from the larger group oppositions and conflicts that attend this process. Will a European economic union favor and accelerate the formation of the wider world-union, or retard and obstruct it? The answer to this question depends upon whether the legitimate short-range utilities of the narrower but nearer goal blind the eyes of Europe to the wider but more distant goal of an organized world-economy.

A final word may be added to the opening considerations of my argument from the analogy of the United States. In dwelling upon the part played by rich and varied natural re-

sources, an energetic, enterprising population, and unimpeded movement of men and goods over a great territorial area, in promoting large production, I left untouched one great essential to the maintenance and expansion of industry — namely, a constantly and quickly expanding demand for commodities, responsive to each improvement in the economy of production. There is in America none of the *verdamnte Bedürfnislosigkeit* displayed by the more backward peoples of the European continent. There is, on the contrary, a general and keen desire for a new and more expensive standard of living, so that rising demand keeps fair pace with rising supply. It may be said that other peoples would willingly consume more, that they have plenty of unfulfilled desires, the trouble being that lack of income, or purchasing power, makes this demand noneffective. Here we touch the true economy of high wages, more important as a stimulus to consumption than as a stimulus to productivity. A

prime condition of high productivity and prosperity in America is the more equal distribution of income which prevails. Notwithstanding the existence of a small class of millionaire exploiters, a much larger proportion of the income of America is widely distributed over a large middle, and far larger wage-earning, class than is the case in any European country. The distribution is not so equal as to prevent recurrent overproduction and stoppages that express a surplus of producing power, but these general depressions, though violent when they occur, are of shorter duration and are less injurious to life and industry than elsewhere. An economic union could do much to raise the productivity of Europe, if it were accompanied by economic and political reforms favorable to a better distribution of income, and the creation of a rising standard of comfort among the masses of the coöperating countries that would give full employment to the enlarged capacities of wealth-production.

# BOOSTING THE DOMINIONS

BY TWO VOLUNTARY EXILES

[THE first of these articles, by a young British immigrant to Western Canada, appeared under a nom de plume in the September number of the *English Review*. The second, by Dora Fairbridge, a well-known writer on Cape houses and gardens, was published in the *National Review* of the same month.]

## I. A VOICE FROM WESTERN CANADA

HIGH over a prairie city I watch the spring coming in, the gradual breaking of the fierce four months' winter. Out beyond the limits, in the clear hard light, the snowy levels are beginning to be raddled with spots of thaw about the sloughs; there is a softness in the air most distantly reminiscent of an Old Country April; the ice in the river is pitted and mottled under the heightening sun; the farmers are beginning to advertise for their summer help; the West is turning in its long sleep.

Very far away from here — five thousand miles or more — there may be a lad looking into the C. P. R. window in Cockspur Street, and wondering just what there is to it, this Canadian West — whether it is, after all, the solution, temporary or permanent, of all the ills of the disenchanted Old Countryman.

They brought eleven thousand of him over last fall to help with the bumper harvests of these provinces. Of them some small proportion, fallen by the wayside, like the grain they did not handle, were swept up by an effective Government and shoveled back whence

they came — where they seem to have wailed about it, in print and otherwise.

But the enormous majority of them, of whom I am one, have found a footing here, after vicissitudes, humorous or exasperating as you may take them; have battled through their first winter somehow or other; and now look, with a confidence I hold not altogether misplaced, for their chance to fit into the scheme of things in this West.

A few notes — very rough, and constituting a sort of snapshot impression — on life and conditions west of Winnipeg and the Red River may be of interest, if not of use, to our perplexed friend in Cockspur Street. If they have no other merit, they are first-hand, and there are no axes to be ground. As the old-timer says, 'It's a great country — if you don't weaken!'

This is the middle of March, and the sun is growing strong; but the ground is frozen yet maybe thirty inches down, and the trees and grass are as torpid as the prairie dogs hibernating in their holes. For five months in the year the prairies sleep immobile, chilled into inanition by temperatures unrelentingly below zero — the winter when no man may work.

With the exception of the railways, whose red grain-cars still stream east with the dregs of last year's crop, nothing moves in the city or on the farm from November to March. The banks and insurance companies take stock of their loans, and each probably has its own little crop of foreclosures or receiverships against the improvident or