

Benn Steil

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“Political Economic Int. of Future”

Harry Dexter White Archives, Mudd Library, Princeton University, Box 9, Folder 18

Transcript

N.B This document is transcribed verbatim from the White document; spelling mistakes, grammatical errors, abbreviations, and the erroneous repetition of words are as they appear in his script. White’s handwriting is difficult to read; in the instances where there is a degree of doubt as to what word he has written, but I have been able to make a fairly confident guess, I have highlighted the word in yellow. In some cases I have been unable to read what he has written, and this I have marked with “ ”

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A very important change is rapidly evolving in U.S. foreign policy. For the first time in many generations – if not for the first time in its 170 years of nationhood – the American people are consciously moving toward the adoption of a policy of permanent international alliances, commitments, and responsibilities. World War I rudely shook our faith in our ability to pursue a peaceful course independent of events abroad. It weakened that faith but for most people in the U.S. belief in the efficacy of isolationism as a means of keeping us out of war remained strong enough to prevent U.S. participation in the League of Nations, and to prevent us from forming any military alliances even during the threatening decade of the 30s.

The Second World War and the events immediately preceding not only gave many Americans a rude awakening to the interdependence of international political relationships, but destroyed the faith of millions in the belief that freedom from military alliances, or military commitments assumed peace for the American people.

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Only a small minority is left today who sincerely believe that the U.S. can maintain its independence and avoid being drawn into war by pursuing a policy of avoiding “entangling alliances.” Political isolationism is definitely on the decline and on the defensive. The Gallup and other polls, and countless editorial articles, and speeches amply demonstrate the trend. Whether the post-war years will again witness a return to a policy of no alliances or international commitments seems at this moment doubtful. The prospect now favors participation in some sort of international organization designed to maintain world peace, or some pattern of military alliance.

Though scores of proposals setting forth

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in rather general terms some type of international organization, there is no evidence that American public opinion has as yet crystallized on a clear foreign policy adequately reflecting the needs of the future.

Walter Lippman’s [sic] recent book “U.S. Foreign Policy” is doubtless making an important contribution towards crystallization of a definite foreign policy. It is gratifying to note the large sales the book is having; for it could hardly have gained such wide popularity and such favorable reviews unless the views expressed therein touched a responsive chord in the people concerned with the problem. The book will doubtless do much to further weaken the dangerous myth that isolationism assumes peace while “entangling alliances” will inevitably drag us into war. Any person desirous of preventing a World War number 3 owes it to himself and to his country to read Mr. Lippman’s [sic] short and lucid book.

The prospect for either the formation of

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a tight military alliance, as advocated by Mr. Lippman [sic] between U.S., U.K., U.S.S.R., China designed to maintain international law, world order, and world peace, or the creation of an international league or society of nations which will include the U.S. and but which will avoid the basic flaws of the League of Nations, or even both the alliance and a league seem at the moment to be bright.

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The formation of an alliance with U.K., Russia and China, or/and the creation of a society of nations is chiefly a political problem. The pros and cons center on points that are political in character. The decisive considerations will be political ones as distinct from economic.

The maintenance of the effectiveness or unity of an alliance is in contrast dependent predominantly upon economic forces. The threat to continued peaceful relations among countries

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originates largely – though by no means exclusively – in economic phenomena. If the major countries of the world experienced continued reasonable level [sic] of prosperity, the appearance of any cracks in the armor of unity of an alliance, or in the effectiveness of a league is very remote. However serious unemployment makes its appearance in league.

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military powers joined in an alliance with the object of maintaining international law and order, - no nation or comb. of nations would dare threaten to disturb world peace. I should have preferred that Lippman [sic] included China in the comb. despite the fact that she will not for many years become a powerful military nation. There is in my opinion every reason why she should be included in such an alliance, and no good reason why she should not be so included.

With U.S. – U.K. – U.S.S.R. and China combined in a tight military alliance designed to uphold intl. law no comb. of powers outside these four would have the slightest chance of victory against them. The military power and resources that those 4 countries could quickly call forth would be so great that that [sic] no other power or group of powers would think of planning a policy of aggression so long as the combination remained united.

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Ah but there is the problem. So long as the comb. of 4 powers present a solid front – world peace is assured, but once [redacted] cracks appear in that unity, and a third world war lies just over the horizon.

The task of securing peace is therefore a twofold one. First the necessary alliance **must** be formed with appropriate objectives, second cracks in that alliance must be prevented. The first of the two tasks is almost wholly political in character, and is the simpler of the two. The second is largely economic in character and is by far the more difficult of attainment. The first without the second is worth while [sic] enough to be worth **striving** for, but only the second together with the first can give the certainty of continued peace – without which civilization can go forward only [redacted] and only at great cost.

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To say that the first task of securing an alliance **among** the 4 major powers is a relatively simple one should not **obscure** the political difficulties of attaining such an alliance. Isolationism is far from a negligible political force in the U.S.; while its twin brother rampant imperialism – that urges the U.S. to make most of our financial dominance and military strength and become the most powerful nation in the world that needs no full partners – is even more influential in policy shaping circle [sic]. The fact that this rampant imperialism hides under a variety of patriotic cloaks makes it more rather than less effective. Then, too there is there is the very powerful Catholic hierarchy who may well find an alliance with Russia repugnant, and other groups which are fearful that any alliance with a socialist country cannot but strengthen socialism and thereby weaken capitalism.

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Add to all that the still widespread adherence to the belief that the U.S. ought to keep out of European entanglement and the temptation to make of foreign policy a matter of political party maneuvering among the Rep. and Dem. [redacted] we have the stage set for a difficult political struggle – the end result of which is by no means certain.

But at least the issue is clear, and the commitment to a [redacted] easily understood. Once the senate approves such an alliance – which need no way interfere with or be a substitute for some int. org, such as a L. of N. – the deed is done. The implementation of the terms would be simple, and would constitute after a while a program of little concern to the public of this or any other country.

Favoring chances for forming such an alliance

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is the ever present memory of two major wars in our generation following a policy of military isolationism.

Whatever the policy we have been pursuing it has failed in its prime task of preventing war. The public is ready – though possibly grudgingly so – for a change in policy. That change can realistically be in only one direction – as Lippman [sic] has so ably pointed out – namely in the forging of a military combination vastly more powerful than any group that could challenge it.

However, it is not enough to forge such a combination in the heat of battle against a common foe; or in the flush of victory against that foe.

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It is one thing to create such an alliance; it is a quite different task to keep it from cracking up. The test of its unity would not come soon after the war.

The defeated enemy is much too weak to be a force in int. affairs; memory of war's suffering is too poignant; the crushing burden of war finance is too fresh in the minds of the people and the govt.; and the desire for peace is too keen. National hatreds remain intense, it is true, but are overshadowed by the task of reconstruction, and the release from war's restrictions and fears. Under such circumstances no overt threat to peace is likely to appear. Foreign trade difficulties, discriminatory commercial policies, imperialist maneuvering, ideological differences, and international irritations and jealousies are tolerated as

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as [sic] normal aspects of int. relations. During these years there is neither thought nor talk of wars. On the contrary, during those years, demand grows for more lenient treatment of the defeated enemy; disarmament conferences, and more liberal intercourse among nations becomes the keynote of int. diplomacy. It is not until five or ten years have passed, that trouble begins to corrode the unity among the victor nations. The defeated countries regain some of their economic strength, and more of their pride. They again feel the stirrings to become a powerful nation – possibly to erase their status of a defeated, second rate power. In pursuit of that objective they become intent upon splitting the unity of the victors. They scheme constantly to curry relations with the power likely to make their return to world power possible. The [redacted] cracks in the armor of unity of the victors which they can widen with promises of support, or favored commercial arrangements. The former defeated

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nations thrive on growing irritations among the victors, and make every effort to foster such irritations.

Who can doubt that powerful elements in defeated Japan and defeated Germany will again thirst for resumption of their former states of greatness? What evidence is there in Japanese and German history that would support the belief that either of these two nations will docilely accept a permanent state of impotence? On the contrary their history teaches us that once either of them has the opportunity it will strain mightily to regain a major place in world power. To assume blithely that either peoples can be kept down for 20-30-40 years is to greatly underestimate their capacity and their national pride. If their ambitions find no cleavages among the victors in which to take root, their stirrings come to nothing. Their scheming then serves only to higher the interest of

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diplomatic service, and make the foreign office feel its dealing in “big stuff.”

If, however, rifts do develop in the unity of the victors then international political maneuvering enters the **danger** stage. Then it is that international irritations are successfully exploited, commercial favors are offered and sought, the idea of new alliances are toyed with, new national interests are recognized. The result is suspicion and increasing distrust among victors and increasing strength among those outside the alliance. The **armament** race begins, and soil made fertile for international conflict.

That is what has happened to alliances in the past, and war has always followed. There is no assurance that alliances no matter how well forged will endure in the future any more than they have in the past unless steps are taken to eliminate or substantially reduce the cause of friction among major powers. If cracks in the unity of the alliance are not permitted to

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to [sic] develop, then the seeds of distrust will never take root, and the poison of international intrigue will not be able to penetrate to the hard core of common objectives.

The maintenance of peace is thus seen to call for two steps: first the formation of an alliance with the appropriate objectives; and 2nd the protection of that alliance against corrosion. The first requirement has been made abundantly clear by Lippman [sic] and others. The second requirement has not been sufficiently stressed or explained. It is with the 2nd of these two steps that this paper deals.

It is not to be assumed that either step is necessarily prior in point of time. Nor is it true that the partial success of either step is dependent upon the **existence** of the other. All that need be accepted is that an alliance among the four major powers is a very powerful instrument for world peace and justice, and that reducing the

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sources of friction among those powers will extend the life of that alliance, and hence the period of world peace.

The chief sources of friction which can serve to corrode an alliance of U.S. U.K. U.S.S.R. and China are economic not political. The political causes will be dormant. None of those four will seriously hope to play a more important int. pol. role than each can as a member of such an alliance. None of them needs more territory. Presumably the defeated countries will be **shorn** of this portion of their empires acquired in recent years at least, and presumably the disputed areas will be disposed of under agreement – satisfactory in the main to the four powers. Not that political causes of friction will be eliminated. Oh no. There will still be questions of size of armies

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and navies, participation of air routes, national and social animosities and discrimination, of immigration policies, and treatment of colonies or mandated areas. But these sources of friction by themselves can indefinitely remain dormant. They need never become acute enough to corrode the unity of the alliance. It is only when the surface of unity has been pitted with the rust of economic antagonism that the **potentially power political reagents** become activated and begin their destructive work which eventually breaks down the core of unity.

Political forces of disunity are the proximate – the immediate cause of conflict; but once a powerful alliance resting on the common objective of preservation of world peace, order and justice is established, then it is only economic conflict that are [sic] active enough to become the catalytic agents which release the destruction pent up force of political **_____**.

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There is one important exception to this generalization, an exception which is both political and econ. in character. That exception is the virulent opposition between capitalist and socialist ideology. It constitutes a dangerous source of disunity. The best protection against its corroding influence is an understanding of the reasons for the conflict between the two. Once they are understood it will be easily recognized that the opposition between capitalism and communism once stripped of irrelevant and confusing converging need not be of a virulent character. Once the issues created by the **existence** of a socialist state like Russia, among capitalist countries is clearly set forth – the fear that the two systems cannot peacefully co-exist disappears.

The popular confusion and misunderstanding surrounding the Russia is so great as to make impossible

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any intelligent discussion of the merits of an amicable alliance with Russia impossible without first tearing away some of those confusions and misunderstandings.

There are only two types of economic systems in the world: capitalism and socialism.

Capitalism is an economic system in which the dominant characteristics are private ownership of the instruments of production, and private enterprise in the conduct of the production and distribution of goods and services, and in which wages, profits, and other sources of income, and prices are determined chiefly by the free play of competition.

Socialism is an economic system

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in which most of the instruments of production are owned by the state; in which private enterprise and free competition is confined to a small area of production and distribution of goods and services, and (c) in which income of individuals and prices are not determined chiefly by the play of free competition.

U.S.S.R. has a socialist economy. Every other nation has a capitalist economy. (A communist economy is a socialist economy in which of [sic] distribution of income is determined by the state according to the principle "from each according to ability, and to each according to need." Obviously Russia does not have a communist economy – tho it attempted to move toward one for a brief period for a few years early after the revolution.)

There is no such thing as a pure capitalist economy or pure socialist economy. In the U.S. the govt. owns some of the instruments of production

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even in peace time e.g. TVA national parks system – some oil reserves – arsenals. In war time, it of course owns some of industry as well. We have minimum wage and maximum hour laws. The wages of govt. employees – soldiers, politicians, firemen, teachers, and Federal govt. workers – are fixed by law, and transportation, telephone, water, gas, electric, rates are fixed by law. The operation of competition is subject to innumerable restrictions and qualifications. Likewise in Russia hundreds of thousands of small farms are leased and operated by individuals, carpenters, cobblers, and all manner of services are sold to consumers in the same manner as in cap countries; people receive royalties on publications, and own govt. bonds and receive interest there on; wage rates though determined by govt. are influenced by the principle of supply and demand almost just as much as in capitalist countries.

The extent of govt. ownership of the instruments of production and the degree of freedom of operation of competition and free enterprise

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varies from country to country. In many countries the govt. owns the railways, telephone and telegraph systems, Sweden also owns much of her coal mines. During the war all govts. have greatly extended their control over the instruments of production, and have greatly restricted the operation of free competition. Most of these controls will doubtless be dispensed with after the emergency, but what changes will emerge – particularly in the enemy and occupied countries is as yet anybody's guess. One thing is certain, however, there will be greater variations after the war in the character of the economic system than there were before, and in every case the change will be in the direction of increased govt. control over industry and increased restrictions on the operations of competition and free enterprise. Notwithstanding such developments most countries will adhere to the capitalist system.

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The differences in the economies of most countries compared with the socialist economy of Russia will be far more significant than the similarities. There will remain after the war Russia and possibly, one or two other socialist economies and the rest of the world as capitalist countries.

What is the basis of opposition between these two groups?

It could hardly be that form of govt., for in each category it is possible to have any form of govt.. Under capitalism it is possible to have a democracy such as we have in the U.S. and England, or dictatorship such as in Spain, Portugal or Nicaragua, Honduras. The fact that Italy and Spain, Brazil, and Poland and China had very little of what we should call democracy did not give rise to any basic antagonisms to those countries, nor did it interfere in the slightest with our trade and financial arrangements with them. In short the form of govt. has apparently little to do with the opposition.

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Under a socialist economy it is possible to have a dictatorship such as existed in Russia prior to the war (political patterns during war time are not a fair basis of comparison), or it could have a high degree of democracy such as called for by the Russian constitution adopted in 1936 – but never put wholly into effect. Indeed, the Labor Party of England is committed to the development of socialism under a political system that is at least as democratic as is England's present system.

Thus it is clear that differences in political structures are not the basis of the opposition to Soviet Union.

Nor can it be that the S.U. came into being as a result of a revolution. The Kerensky govt. which **inspired** the present Russian govt. overthrew the Czarist govt. but it was welcomed with open arms by U.S., British and French govts. The present Chinese govt. came into being in 1911 as a result of a revolution; so did the present Mexican form of govt., not to mention the

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French Republic, and the birth of our own nation. Even the structure of the present British govt. may be said to be largely due to revolution. And most of the south American Republics came into being as a result of revolution – most of them involving considerable bloodshed.

No, the opposition to Russia could hardly be said to be based on its manner of birth.

Doubtless, the Russian govt.'s attitude toward religion has been one _____ cause of opposition. But the trend in Russia seems to be toward greater freedom of religion. Contrary to popular opinion the right of a person to worship as he pleased has as [sic] never been abrogated in Russia. It was always possible for **Protestant, notwithstanding Catholic or Jew** to attend his place of worship without molestation. The constitution of U.S.S.R. guarantees that right. The govt., however, did much to discourage religion, and fosters anti-religious sentiments. Apparently this attitude was modified prior to the war and is expected to _____ **tolerance toward formal religions.**

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Yet one wonders whether the unfavorable attitude of the govt. toward religion did constitute a real and important cause for opposition between Russian and capitalist countries. Germany from 1933 on conducted a much more virulent attack against religious freedom, yet neither Spain, nor Italy, nor Argentina, nor Japan, nor Sweden, nor Roumania and a score of other capitalist countries had any qualms or difficulties about getting along with Germany. In fact it was only until 1937 that countries like U.S., England, and France **began** to find themselves in opposition to Germany, and the basis of that was the fear that Germany was becoming too powerful and was threatening war. There were until Germany invaded Austria hundreds of millions of people, including the bulk of business men and governing groups who felt we could well get along with Ger. & Italy, if only they stopped their sabre-rattling or if only Mussolini and Hitler could be eliminated.

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The existence of purges, religious intolerance, deprivation of personal liberties, dictatorships – all contributed to the popular opposition of capitalist countries to Russia, but none of them alone, nor all of them together explain the intensity of opposition to Russia.

The earlier Russia policy of trying to bring about socialism in other countries – by revolution if necessary – likewise contributed. The demise of the Third Int. and the policy pursued by present day Russia of not actively supporting such movements in other countries should greatly help eliminate this source of friction.

What then is the cause of the opposition? The answer would seem clear: it is basically opposition of capitalism to socialism. Those who believe sincerely in the superiority of capitalism over socialism fear Russia as the source of socialist ideology. Russia is the first instance of a socialist economy in action. (The small socialist community experiments have little in common with the Russian economy. Interesting case studies though they are, they are too small to be as a soc. economic system).

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And it works!