THE ROLE OF STATE MONOPOLY CAPITALISM IN THE AMERICAN EMPIRE

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In 1792, Thomas Paine sounded a cautionary note about the economics of empire . . .

"**The most unprofitable of all commerce is that connected with foreign dominion. To a few individuals it may be beneficial, merely because it is commerce; but to the nation it is a loss. The expense of maintaining dominion more than absorbs the profit of any trade.**"(1)

Had Americans consistently heeded Paine's advice, the United States might have avoided much of the overseas bloodshed, as well as domestic bureaucratization, which have accompanied the creation of the American empire . . .

MERCANTILISM AND LAISSEZ FAIRE

Unhappily, classical liberal ideas never fully prevailed anywhere, including England and the United States. Interest conscious groups from exporters and manufacturers to missionaries and militarists utilized the power of the national state as often as possible to serve aims that included glory, power, land, and the engrossing of foreign markets judged essential to national prosperity. In practice, this generally meant the prosperity of those doing the judging, even as they invoked the prosperity of the nation.

Although the radicals in the American revolutionary coalition were briefly ascendant (the Articles of Confederation were, after all, the radical program), an upper-class coalition of Northern merchants and Southern planters, loudly proclaiming a "crisis" that existed primarily in their pocketbooks, soon carried the day for a new constitution and a greatly strengthened central state. From the inception of this new state in 1789, the gentry actively developed an American form of mercantilism symbolized by the commerce clause of the Constitution, a mercantilism that embraced tariffs, a national bank, and other economic interventions. Their program - though not reducible to the feudal survivals that Joseph Schumpeter considered the fount of imperialism(2) - was a conscious continuation of the British mercantilist perspective. James Madison, in particular, fashioned the rationale of the self-consciously imperial

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American state, reaffirming the basic expansionist axiom of mercantilism. Even Thomas Jefferson, with his laissez-faire physiocratic leanings, became something of a mercantilist when in power.(3)

Despite this early statism, the Jacksonian "revolution" produced significant gains for free trade—even more than the Jeffersonian movement had—including the destruction of the second Bank of the United States, and Chief Justice Taney's decisions overthrowing many forms of monopoly grant. Jacksonianism was, in Richard Hoftadter's words, "a phase in the expansion of liberated capitalism."(4) But even in an age of relative liberalism, many interests defined laissez faire as "help without responsibilities." Thus, subsidies were undertaken even in the name of laissez faire.(5)

The radical Jacksonians, like the Cobdenites in Great Britain, were unable to sweep away all existing privileges. The liberalism of the period was further marred by chattel salvery—a major violation of natural rights theory—and by the imperialist war with Mexico, which was little more than land-grabbing under the mantle of "manifest destiny."(6)

THE (ENFORCED) DECLINE OF LAISSEZ FAIRE

Sectional conflict over control of the area taken from Mexico was a key factor in starting the subsequent War for Southern Independence, the Civil War. This period, from 1861-65, led to a mammoth resurgence of Hamiltonian statism.

First, by denying to states the right of secession, Lincoln utterly transformed the federal union, dealing a deathblow to real decentralization and abolishing the final check in the checks-and-balances system.(7)

Second, Lincoln's far-reaching executive "war power"—invented from whole cloth—paved the way for twentieth-century presidential Caesarism. Likewise, his conscription set a precedent for wartime, and later peacetime, militarization of America. Civil liberties naturally suffered.(8)

With respect to the political economy, wartime centralization was equally harmful. With the free-trading South out of the union, Lincoln's Republican administration secured passage of a "National Bank Act, an unprecedented income tax, and a variety of excise taxes" verging on "a universal sales tax."(9) The tariff, whose lowering Southern nullifiers had forced in 1830, was increased to nearly 50 percent, with postwar rates going steadily higher. Wartime greenbacks set a precedent for future inflation. Finally, subjugation of the Confederacy and its reintegration into the union on Northern terms made the South into a sort of permanent internal colony of the Northeastern Metropolis, just as blacks remained a sub-colony within the region.(10)

Aside from protection of American manufacturers, perhaps the most flagrant wartime and post-war subsidy consisted

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1. Thomas Paine, "The Rights of Man," in *Selected Writings of Thomas Paine*, ed. R.E. Roberts (New York: Everybody's Vacation Publishing Company, 1945), p. 328.

2. Joseph Schumpeter, *Imperialism, Social Classes: Two Essays* (New York: Meridian Books, 1955), pp. 65, 91–97.

3. On the felt "crisis," see Charles A. and Mary R. Beard, *The Rise of American Civilization* (New York: Macmillan, 1930), pp. 302–7. For a calm view of the period, see Merrill Jensen, *The Articles of Confederation* (Madison: University of Wisconsin Press, 1959). On the founding fathers, see William Appleman Williams, "The Age of Mercantilism: 1740–1828," in *The Contours of American History* (New York: New Viewpoints, 1973), esp. pp. 150–62 and 185–92.

4. Richard Hofstadter, *The American Political Tradition* (New York: Vintage Books, 1948), pp. 56–67.

5. See Williams, *The Contours of American History*, p. 212.

6. On nineteenth-century liberalism on both sides of the Atlantic, see Robert Kelley, *The Transatlantic Persuasion: The Liberal Democratic Mind in the Age of Gladstone* (New York: Alfred A. Knopf, 1969); and Murray N. Rothbard, "Left and Right: The Prospects for Liberty," in *Egalitarianism as a Revolt Against Nature and Other Essays* (Auburn, Ala.: Ludwig von Mises Institute, 2000), pp. 21–53.

7. See David Gordon, ed., *Secession, State, and Liberty* (New Brunswick, N.J.: Transaction Publishers, 1998), for a discussion of the theory and history of secession, of Lincoln's views on the matter before he became president, and related topics.

8. Arthur A. Ekirch, Jr., *The Decline of American Liberalism* (New York: Atheneum, 1969), pp. 116–31.

9. Ekirch, *The Decline of American Liberalism*, p. 129.

10. B.B. Kendrick, "The Colonial Status of the South," in *The Pursuit of Southern History: Presidential Addresses of the Southern Historical Association*, 1935–1963, ed. George B. Tindall (Baton Rouge: Louisiana State University Press, 1964), pp. 90–105; and C. Vann Woodward, "The Colonial Economy," in *A History of the*

of funds lent and land given to the railroads by the federal government to encourage railroad growth. Between 1862 and 1872, the railroads received from Congress some 100 million acres of land. Similarly, federal legislation saw to it that large quantities of "public" land in the South–which might have gone to freed slaves and poor whites–wound up mainly in the hands of Yankee timber and other interests.(11)

Such was the famed but partly mythical laissez faire which historian William Appleman Williams, with an amusing lack of irony, sees as epitomized in the inflationary-protectionist program of one wing of the Radical Republicans.(12) In truth, the Gilded Age witnessed a "great barbecue," to use Vernon Louis Parrington's phrase, rooted in the rampant statism of the war years, whose participants defended themselves with Spencerian rhetoric while grasping with both hands.(13) Beeves for this barbecue were supplied not only by the federal government, but also by local governments through franchise monopolies, etc.

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NINETEENTH-CENTURY ROOTS OF THE AMERICAN EMPIRE

Regulation of railroads, monetary reform, and the search for overseas markets (especially for agricultural surpluses) were among the major American political issues from 1865 to 1896. Southern and Western farmers sought regulation–and, ultimately, their radical wing sought nationalization–of the railroads to ensure their "equitable" operation. Another agrarian goal was large-scale coinage of silver to reverse its 1873-74 demonetization, and to provide "easier" money to foster trade with countries on the sterling standard.(14) Above all, many farmers sought new outlets for their crops. The deflation of 1873-79 gave them added reason to look abroad.(15)

According to William Appleman Williams, an "export bonanza" in 1877-81, occasioned by natural disasters affecting European agriculture, underscored the possibilities that overseas markets held for American prosperity. The bonanza's end, when European farmers recovered, only reinforced the growing conviction that larger export markets for American farmers were both desirable and necessary. Failing at first to win government assistance to open up such markets, agrarian interests exerted substantial pressure for expansion.(16)

With the Panic of 1893 and the subsequent economic crisis, many metropolitan industrial interests arrived at the view that foreign markets were essential to their prosperity.(17) The turning point came when metropolitan Republicans, led by Ohio Governor William McKinley, presented a program attractive to industrial and agrarian interests alike. This set the stage for McKinley's emergence as leader of an expansionist coalition.

Various interests and industries claimed that "overproduction" was the problem; McKinley and his colleagues generalized this thesis to the economy as a whole. Their combined platform of protectionism and reciprocity treaties to open up foreign markets proved attractive, and contributed to the Republican victory of 1896. According to Williams, "From explaining [the Panic] as a consequence of dangerous or out-moded monetary theories and policies, [Americans] came to account for it in terms of overproduction and lack of markets."(18)

The expansionist consensus, of which McKinley's policies were the mature expression, had long been developing. Rooted in a felt need to dominate world markets, the new policies bespoke a fundamentally imperial conception of America's world role. This conception was reinforced by a "frontier-expansionist" interpretation of history put forward by Frederick Jackson Turner and Brooks Adams, who considered the frontier to be the source of American republicanism, individualism, and prosperity.(19)

With the close of the continental frontier, a "new frontier" had to be found if America was to remain free and prosperous. Adams and his associates, including Theodore Roosevelt, came to see an overseas empire as industrial America's substitute frontier.(20) To Latin America, the traditional American sphere of influence, were to be added the markets of Asia–above all, China–and the world. Hence, shippers agitated for subsidies, and for a modern "blue water" (Pacific Ocean) navy.

Given the goal of opening up markets, U.S. policy-makers sought to create political conditions favorable to trade and investment in every country considered a potential market. A variety of tactics, ranging from reciprocity treaties to armed intervention, were employed to eliminate other countries'

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if it destroys the original American political system and the actually existing American people.

81. Robert Zevin, "An Interpretation of American Imperialism," *Journal of Economic History* 32 (1972), pp. 316–60; and John A. Hall, *Powers and Liberties*. For a critique of conventional sociological notions of "economic power," see Kenneth H. Mackintosh, "Exchange versus Power: Toward a Praxeological Reconstruction of Sociology," *Quarterly Journal of Austrian Economics* 2, no. 1 (Spring 1999), pp. 67–77.

82. Rudolf Hilferding, "Das Historische Problem," *Zeitschrift für Politik*, n.s., 1, no. 4 (December 1954), pp. 293–324. See also Rothbard, E*galitarianism as a Revolt Against Nature and Other Essays*, chap. 3, "Anatomy of the State," pp. 55–88; and Margaret Levi, "The Predatory Theory of Rule," *Politics and Society* 10, no. 4 (1981), pp. 431–65.

83. Jörg Guido Hülsmann, "Political Unification: A Generalized Progression Theorem," *Journal of Libertarian Studies* 13, no. 1 (Summer 1997), pp. 81–96. Study of the political–military dimensions of empire might well begin with Denson, *The Costs of War*; Bruce Porter, *War and the Rise of the State: The Military Foundations of Modern Politics* (New York: Free Press, 1994); and Martin van Creveld, *The Rise and Decline of the State* (Cambridge: Cambridge University Press, 1999).

84. Röpke, *International Order and Economic Integration*, pp. 87–88.

85. On the Marxists' contributions, see Hans-Hermann Hoppe, "Marxist and Austrian Class Analysis," *Journal of Libertarian Studies* 9, no. 2 (Fall 1990), pp. 79–93.

86. Röpke, *International Order and Economic Integration*, p. 88. David Landes makes the same point: "Imperialist exploitation . . . implies non-market constraint." See "The Nature of Economic Imperialism," in *Economic Imperialism*, ed. Kenneth E. Boulding and Tapan Mukerjee (Ann Arbor: University of Michigan Press, 1972), p. 128. BIBLIOGRAPHY
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11. Ekirch, *The Decline of American Liberalism*, pp. 153–54; and Paul Wallace Gates, "Federal Land Policy in the South, 1866-1888," *Journal of Southern History* 6, no. 3 (August 1940), pp. 303–30.

12. Williams, *The Contours of American History*, pp. 300–1.

13. Ekirch, *The Decline of American Liberalism*, chap. 10, pp.147–70. For the radical individualist critique of Spencerianism, see James J. Martin, *Men Against the State: The Expositors of Individualist Anarchism in America*, 1827–1908 (Colorado Springs, Colo.: Ralph Myles, 1970), pp. 239–41.

14. William Appleman Williams, *The Roots of the Modern American Empire* (New York: Random House, 1969), pp. 132-404. For a discussion of the complex monetary issues, see Irwin Unger, *The Greenback Era* (Princeton, N.J.: Princeton University Press, 1964). On p. 127, Unger notes "a rather loose connection between protectionist principles and soft money." For factionalism and specific political–economic goals within the Republican coalition, see Howard K. Beale, "The Tariff and Reconstruction," *American Historical Review* 35, no. 2 (January 1930), pp. 276–94; and Stanely Coben, "Northeastern Business and Radical Reconstruction," *Mississippi Valley Historical Review* 46, no. 1 (June 1959), pp. 67–90. As yet, there is no full-scale Austrian analysis of this period.
15. For an account of the Panic of 1893, see Robert C. Higgs, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (New York: Oxford University Press, 1987), pp. 77–105.

16. Williams, *The Roots of the Modern American Empire*, pp. 206–31.

17. Williams, *The Contours of American History*, pp. 363–64.

18. William Appleman Williams, "The Acquitting Judge," in For A New America: Essays in History and Politics from STUDIES ON THE LEFT, 1959–1967, ed. David W. Eakins and James Weinstein (New York: Random House, 1970), p. 44.

19. See Brooks Adams, America's Economic Supremacy (New York: Harper & Brothers, 1947); and Frederick Jackson Turner, The Frontier in American History (New York: Henry Holt, 1920), a compilation of essays published from 1893 to 1918. For Adams's and Turner's role in formulating the intellectual backdrop of U.S. imperialism, see Walter LaFeber, The New Empire (Ithaca, N.Y.: Cornell University Press, 1963), pp. 63–72 and 80–95. On Turner, see also Lee Benson, Turner and Beard: American Historical Writing Reconsidered (New York: The Free Press, 1960); Lloyd E. Ambrosius, "Turner's Frontier Thesis and the Modern

barriers to U.S. trade.(21) This noncolonial strategy of empire, relying on America's preponderant power to achieve "supremacy over the whole region," was remarkably like Britain's "imperialism of free trade," as Gallagher and Robinson see it.(22) As free trade, it was, of course, somewhat spurious.

The Cuban revolt against Spain presented McKinley with the choice—and opportunity—of going to war to launch the imperial program.(23) Aside from protecting American investments and markets in Cuba, the administration wished to pacify the island in order to concentrate on the larger goal of penetrating Asian markets. The conjuncture of problem and opportunity led to war in 1898. The U.S. not only stabilized Cuba as an informal possession, but also gained a foothold in Asia by taking the Philippine Islands from Spain.

The reluctance of "our little brown brothers" to accept American suzerainty brought on our first Vietnam, the Philippine Insurrection, whose suppression was vigorously opposed by such anti-imperialists as Edward Atkinson, textile magnate and laissez faire liberal.(24)

By asserting Americans' right to trade as equal competitors in all of China in the Open Door Notes of 1899 and 1900, the United States sought to prevent or reverse the division of China (and the world) into exclusive spheres of trade by other, less-sophisticated imperial powers.(25) When rival powers staked out empires, and when strong nationalist and national-communist movements arose in undeveloped countries, Open Door imperialism involved American in more and more interventions and major wars. Thus, realization of the asserted right of American business to trade everywhere became the key strategy and consistent theme of U.S. foreign policy in the twentieth century.

> It is true that in such cases the chain of cause and effect contains economic links, but it ends finally in the field in which, contrary to the materialistic interpretation of history, all decisions take place: the field of politics, power, ideology, psychology, sociology, emotionalism. (84)

Thus, while both Austrians-libertarians and Marxists have worked to elucidate the empirical evidence of the relationship between the government, the economic forces, and American empire, in the final analysis, the Austrian-libertarian necessarily parts company with the Marxist.(85) As Röpke makes explicit:

> The idea that the economic system which rests upon the regulating function of the market and the separation of political sovereignty from economic activity is that which compulsorily drives nations into war, must be completely rejected.(86)

CONCLUSION

Empire, then, is the state writ large, the state in extenso. Imperialism is the outcome of an interaction between the permanent state apparatus and individuals or interest groups bent on exploiting productive societies. The tendency in neo-classical economic circles to theorize states as merely another type of "firm" has produced a few insights, but at the price of blinding us to the sheer fact of state power. What is needed is an analysis of state power as an autonomous force in history, a notion to which Hilferding turned in his last, unfinished essay.(82) A logic of political expansion can be essayed, grounded on the incentives present to, and the goals held by, political actors, as Guido Hülsmann has lately argued. Military and fiscal factors will loom large in such an analysis.(83)

Wilhelm Röpke discerned that empire has nothing in common with "capitalism," understood as a system of free markets:

> It is therefore frequently possible to prove that in individual cases "economic" factors play a part in an aggressive foreign policy, when private pressure groups understand how to make use of their national government for their own purposes, or the true economic interests of the nation as a whole are falsely depicted. It is shown over and over again, however, how little these examples go to prove that the prevailing economic system of necessity and by reason of its intrinsic structure results in an aggressive foreign policy.

American Empire: A Review Essay," Civil War History 17, no. 4 (December 1971), pp. 332–39; and Wilbur R. Jacobs, "National Frontiers, Great World Frontiers, and the Shadow of Frederick Jackson Turner," International History Review 7, no. 2 (May 1985), pp. 261–70.

20. Williams, *The Contours of American History*, pp. 364–65; and LaFeber, The New Empire, pp. 62–101. See also Thomas J. McCormick, *China Market: America's Quest for Informal Empire*, 1893–1901 (Chicago: Quadrangle, 1967); Lloyd C. Gardner, *A Different Frontier: Selected Readings in the Foundations of American Economic Expansion* (Chicago: Quadrangle, 1966); and William L. Lander, "A Critique of Imperialism," in *American Imperialism in 1898*, ed. Theodore P. Green (Boston: D.C. Heath, 1955), pp. 13–20, esp. 15–17.

21. See Gabriel Kolko, *The Roots of American Foreign Policy: An Analysis of Power and Purpose* (Boston: Beacon Press, 1969); and Murray N. Rothbard, *Wall Street, Banks, and American Foreign Policy* (Burlingame, Calif.: Center for Libertarian Studies, 1995).

22. John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *Economic History Review*, 2nd ser., 6, no. 1 (1953), pp. 1–15, quoted phrase on p. 3. For a reply stressing the difference between "free-trade imperialism" and actual free trade, see Oliver MacDonagh, "The Anti-Imperialism of Free Trade," *Economic History Review*, 2nd ser., 14, no. 3 (1962), pp. 489–501.

23. For more on imperialism and the Spanish–American War, see Joseph Stromberg, "The Spanish–American War as a Trial Run, or Empire as its Own Justification," in *The Costs of War*, 2nd ed., ed. John V. Denson (New Brunswick, N.J.: Transaction Publishers, 1999), pp. 169–202.

24. On the anti-imperialist movement, see Wiliam F. Marina, "*Opponents of Empire*" (Ph.D. diss., University of Denver, 1968); and Robert L. Beisner, *Twelve Against Empire: The Anti-Imperialists*, 1898–1900 (New York: MacGraw-Hill, 1968).

25. On the war, the Open Door, and informal empire, see William Appleman Williams, *The Tragedy of American Diplomacy* (New York: Dell Publishing, 1972), pp. 18–57. For further information on the war, see Williams, *The Roots of Modern American Empire*, pp. 408–28.

26. Schumpeter, *Imperialism, Social Classes: Two Essays*, pp. 79–80; Ludwig von Mises, "Autarky and its Consequences," in *Money, Method, and the Market Process*, ed. Richard M. Ebeling (Norwell, Mass.: Kluwer Academic Publishers, 1990), pp. 137–54; and E.M. Winslow, *The Pattern of Imperialism: A Study in the Theories of Power* (New York: Columbia University Press, 1948).

GENTEEL FASCISM: CLOSED DOORS AT HOME

The developments summarized above were not natural or inevitable outgrowths of a market society. Rather, they fit the pattern of "export-dependent monopoly capitalism" as analyzed by Joseph Schumpeter, Ludwig von Mises, and E.M. Winslow.(26) Briefly, U.S. tariffs drove American prices well above the world market levels. For American manufacturers to achieve available economies of scale, they had to produce far more of their products than could be sold in the U.S. However, since these producers were protected by the tariff, they sold their products at higher prices than were acceptable in world markets. In short, they had unsold surpluses. This, in turn, led those same manufacturers who were "protected" by the tariff to cry out for foreign markets for their unsold surpluses.

Before pursuing this line of analysis, other artificial trends toward monopoly bear examination. Gabriel Kolko has shown that, despite late-nineteenth-century statism, vigorous competition characterized the U.S. economy at the turn of the twentieth century. In the "merger movement" of 1897–1901, Big Business failed in the attempt to gain hegemony over the economy. Defeated by the market, Big Business reformers resorted to "political capitalism."(27) Industry by industry, these "corporate liberals" sought federal legislation to block populistic legislation in the states, and to "rationalize," i.e., cartelize, their sectors of the economy. Regulation of an industry was typically pioneered by its biggest firms, which then controlled the subsequent regulatory bureau—to the detriment of competitors and the public. Thus, "the big packers were warm friends of regulation, especially when it primarily affected their innumerable small competitors," and therefore supported

provide a sufficient range of explanations for the course of the American empire. This exactly parallels John A. Hall's division of power into economic, ideological, and political-military. Given the vacuity of the notion of "economic power" as it usually appears in social science literature, it might be better to think of these categories as areas of contention and sources of actors' motivation.(81) The larger point would still remain.

lost momentum under the “neo-liberal” Reagan (although here Wiarda is surely misled), and showed signs of picking up again, with new interest groups, under Bill Clinton.(78)

This suggests that empire, called into being in 1898 to “resolve” perceived domestic economic problems, had, by the last decades of the twentieth century, become a major bulwark of domestic cartelization and corporatism. This nearly reverses the causal order which some have put forward for earlier periods, but leaves the expanded U.S. state on center stage either way. This suggests that we cannot posit any theory of stages which succeed one another in an invariant order.(79) Empire—resting on overwhelming military and financial power embodied in large bureaucracies and allied corporations—eventually becomes its own cause, so to speak, and dictates to its former founders and allies. Turning inward, depending on mood swings, the imperial state treats its former “citizens” much as it treats its overseas clients, lackeys, and enemies(80) while retaining its power to keep the latter in line.

I shall not try to prove here that imperial policies are destructive for most members of society, and are perhaps ultimately counte productive even for those who undertake them. Nor shall I seek to determine whether wealth, power, ideology, or lust for fame is the most important motive for imperial actors. I would imagine, in short, that some combination of these motives applies. Some leaders wish for money, others to “leave a legacy.” That many pursue empire shows that they wish for at least some of the gains of empire; it is their demonstrated preference.

Robert Zevin suggests that the economic goals of particular interests, a reforming zeal present in America since the Progressive Era, and the institutional interest of state bureaucracies, especially the military, taken together,

the Meat Inspection Act of 1906. Similarly, the larger banks “managed their own regulation, and under the aegis of the federal government” through the Federal Reserve System. (28)

The Progressive Movement was the chief political manifestation of this early phase of corporate statism. Concurrently with Progressive reform, Americans began viewing themselves as members of producers’ blocs, not as consumers, and, by 1918, syndicalism (or corporatism) of a sort had become the dominant outlook. The National Civic Federation, a corporate liberal policy group, played a central role in this intellectual transformation. The NCF stressed cooperation with non-socialist trade unions, favored welfare legislation, and opposed business “anarchists” who took competition seriously. German-trained Ph.D.s who admired Bismarckian “monarchical socialism” likewise contributed to the triumph of corporate-liberal ideology.(29)

Not too surprisingly, given the inner unity of “stabilization” at home and abroad, many corporate liberals were expansionists, and vice versa. As J.W. Burgess wrote in 1915,

> the Jingoes and the Social Reformers have gotten together; and have formed a political party, which threatened to capture the Government and use it for their program of Caesaristic paternalism, a danger which now seems to have been averted only by the other parties having adopted their program in a somewhat milder degree and form. (30)

The combination of paternalistic welfarism and gun-boat diplomacy symbolized by Teddy Roosevelt provides a revealing parallel to British "social imperialism."(31) Equally important to the long-run trend was the "war collectivism" of 1917–18, when Big Business, labor unions, and government happily fixed prices and quotas for the whole economy through the War Industries Board. In later years, many corporate liberals agitated for a Peace Industries Board to plan the economy along corporatist lines.(32)

Supposedly the last laissez faire die-hard, Herbert Hoover was a major architect of peacetime corporatism. As Secretary of Commerce in the 1920s, he encouraged trade associations (incipient cartels) and labor unions. As President, he pioneered most of the "New Deal" measures taken over by FDR, measures which had the unexpected effect of prolonging the Great Depression—itself a result of federal monetary policy.(33)

In the election of 1932, important Big Business liberals shifted their support to Franklin Roosevelt when Hoover refused to adopt a fully fascist form of corporatism. By contrast, the New Dealers pushed through the National Recovery Act (NRA), which openly sanctioned and legalized cartelization, and the Agricultural Adjustment Act, which cartelized the farm sector.(34) The Wagner Act of 1935 integrated unions into the nascent corporative system.(35) Although the Supreme Court overturned the openly fascist NRA, the New Dealers tightened the shackles of corporate statism on American society by imposing less systematic cartelizing "reforms" sector by sector, through quotas and "virtual cartels."(36)

But the New Deal panaceas did not cure the ailing U.S. economy. Unemployment was actually higher under the second New Deal administration than when the New Dealers

schemes and the U.S. government's project of managing so called "globalization" amount to a New Deal farm program for all industries, everywhere. The outcome can be anticipated.

74. Hilferding, Finance Capital; Nikolai Bukharin, *Imperialism and World Economy* (New York: Monthly Review Press, 1973); and V.I. Lenin, "Imperialism: The Highest Stage of Capitalism," in *Lenin: Selected Works* (New York: International Publishers, 1971), pp. 169–263.

75. Hans-Hermann Hoppe, "Banking, Nation States, and International Politics: A Sociological Reconstruction of the Present Economic Order," *Review of Austrian Economics* 4 (1990), pp. 55–87, quotations from pp. 83–84. Similarly, John A. Hall, *Powers and Liberties* (New York: Viking Penguin, 1985), p. 255; and David P. Calleo, *Beyond American Hegemony: The Future of the Western Alliance* (New York: Basic Books, 1987), pp. 138–42, call attention to U.S. leaders' ability to export inflation worldwide.

76. Forrest McDonald, *The Phaeton Ride* (Garden City: Doubleday, 1974), pp. 147–49.

77. See Ludwig von Mises, "Middle-of-the-Road Policy Leads to Socialism," in *Planning for Freedom*, chap. 2, pp. 18–35. For attempts at theorizing the inner momentum of statism, including efforts to resolve its inner "contradictions," e.g., structural problems, see Winslow, *Pattern of Imperialism*, pp. 202–4; Walter E. Grinder and John Hagel III, "Toward a Theory of State Capitalism: Ultimate Decision-Making and Class Structure," *Journal of Libertarian Studies* 1, no. 1 (Winter 1977), pp. 59–79; and Sanford Ikeda, *Dynamics of the Mixed Economy: Toward a Theory of Interventionism* (New York: Routledge, 1997).

78. Wiarda, *Corporatism and Comparative Politics*, pp. 128–51.

79. Murray N. Rothbard made a similar point about an argument by John Hagel III, "From Laissez-Faire to Zwangwirtschaft: The Dynamics of Interventionism" (Symposium on Austrian Economics, University of Hartford, June 22-28, 1975): "My basic criticism is that Hagel's pessimism stems from a linear analysis that ignores the dialectical processes of history." See Rothbard, "Mr. Hagel on Interventionism," in Rothbard Papers, Memos, 1975, p. 6A; see also p. 8A.

80. On the managerial state and its felt need to reconstruct American society and people, see Paul Edward Gottfried, *After Liberalism: Mass Democracy in the Managerial State* (Princeton, N.J.: Princeton University Press, 1999). By contrast, Alfredo G.A. Valladão argues, in *The Twenty-First Century Will Be American* (London: Verso, 1996), that global "free trade" and universal democracy, which the imperial U.S. state will forcibly impose, will be wonderful for the world, even

Japanese textile manufacturers who could buy cotton at the world market price. Kennedy requested and received from Congress special authority to adjust textile tariffs to meet this problem; he also imposed quotas. Finally, rather than repeal these existing interventions and their counterparts in other industries (and for other reasons), Nixon devalued the dollar, making exports cheaper and imports dearer. Shortly thereafter–the future being uncertain–the United States experienced a cotton "shortage," and the administration put export restrictions on cotton to increase the domestic supply. (76)

Three insights emerge from this example. First, by the Kennedy era, under so-called U.S. "free trade," tariffs (however low the rates) and quotas remained useful tools for dealing with the results of domestic cartelization. By the 1960s, tariffs may no longer have significantly fostered creation of cartels. Instead, discretionary presidential power over foreign trade might be used to try to manage problems resulting from cartels brought into being by other political mechanisms. The pattern of which Schumpeter wrote no longer held, but corporatism and empire themselves remained. Second, the example sheds light on an inner dynamic whereby one intervention calls forth another, and then still others, even unto foreign intervention of some kind. (77) Economic law is not repealed with impunity. Third, control of the world monetary system repays those who possess it.

Howard J. Wiarda believes that it was precisely during the Cold War that U.S. "creeping corporatism" turned into "galloping corporatism." Eisenhower, he believes, was a conscious moderate corporatist leader under whose leadership business coalitions began, in practice, to merge with the bureaucracies supposedly regulating them. He notes that the process accelerated under Lyndon Johnson,

27. Gabriel Kolko, *The Triumph of Conservatism* (Chicago: Quadrangle, 1967), p. 3. For an empirical discussion of the merger movement's failure, see Arthur Stone Dewing, *The Financial Policy of Corporations* (New York: Ronald Press, 1934), pp. 738–75. Dewing sees two waves of mergers in the late nineteenth century: 1888–1893 and 1897–1903. The missing years correspond to the Panic of 1893 and the ensuing depression.

28. Kolko, *The Triumph of Conservatism*, pp. 107 and 251.

29. James Weinstein, *The Corporate Ideal in the Liberal State, 1900–1918* (Boston: Beacon Press, 1968). On the German intellectual influence, see G. William Domhoff, *The Higher Circles* (New York: Vintage Books, 1971), pp. 158–59. For more on liberal corporatism, see the essays by William Appleman Williams, Martin J. Sklar, James Weinstein, and Ronald Radosh in *For A New America*, pp. 37–193; and Ronald Radosh and Murray N. Rothbard, ed., *A New History of Leviathan: Essays on the Rise of the American Corporate State* (New York: Dutton, 1972).

30. John W. Burgess, *The Reconciliation of Government and Liberty* (New York: Charles Scribner's Sons, 1915), p. 380.

31. On England, see Bernard Semmel, *Imperialism and Social Reform* (Garden City: Doubleday, 1968); cf. on America, Ekirch "The Progressives as Nationalists," *The Decline of American Liberalism*, chap. 11, pp. 171–94.

32. See the path-breaking essay by Murray N. Rothbard, "War Collectivism in World War I," in *New History of Leviathan*, pp. 66–110. Also Weinstein, "War as Fulfillment," in *Corporate Ideal*, chap. 8, pp. 214–54; and Ferdinand Lundberg, *America's Sixty Families* (New York: Halcyon House, 1939), pp. 133–48.

33. See Murray N. Rothbard, "The Hoover Myth," in *For A New America*, pp. 162–79; also Murray N. Rothbard, "Herbert Hoover and the Myth of Laissez Faire," in *A New History of Leviathan*, pp. 111–45. On the monetary causes of the Great Depression, see Murray N. Rothbard, *America's Great Depression* (Los Angeles: Nash Publishing, 1972), esp. pp. 16–21. For a quasi-Austrian treatment by an Old Right journalist, see John T. Flynn, *Country Squire in the White House* (New York: Doubleday, Doran, 1940), pp. 47–53; also see Garet Garrett, *A Bubble That Broke The World* (Boston: Little, Brown, 1932).

34. Rothbard, "The Hoover Myth," pp. 176–79. On the reactionary and fascistic character of the NRA, see Flynn, *Country Squire in the White House*, pp. 73–86.

35. Williams, *The Contours of American History*, p. 445. On business support for collective bargaining, see Domhoff, *The Higher Circles*, pp. 218–49.

had come into office in 1933. Government assistance to exporters came to seem a likely remedy.

There was precedent for this line of attack. Already, under Woodrow Wilson,

> Tax monies collected from individual citizens came to be used to provide private corporations with loans and other subsidies for overseas expansion, to create the power to protect those activities, and even to create reserve funds with which to make cash guarantees against losses. (37)

President Wilson supported the Webb-Pomerene Act of 1918, "permitting cartels in the export trade."(38) Small wonder that after 1937, when the failure of their depression cures became painfully clear, the New Dealers turned with sure instinct to overseas expansion as the solution to their problems. In the late 1930s, this meant running up against other expansionist states. According to Williams, U.S. involvement in World War II stemmed from "a decision in 1938 to eliminate Axis economic penetration of the [Western] hemisphere."(39)

Murray Rothbard asks:

> To what extent was the American drive for war against Germany the result of anger and conflict over the fact that, in the 1930s world of economic and monetary nationalism, the Germans, under the guidance of Dr. Hjalmar Schact, went their way successfully

Hoppe further argues that

> the typical Third World cycle of ruthless government oppression, revolutionary movements, civil war, renewed suppression, and prolonged economic dependency and mass poverty is to a significant extent caused and maintained by the U.S.-dominated international monetary system.(75)

The parallel growth of domestic intervention (corporatism) and overseas intervention (empire) displays a logical unity. The national state is the middle term. Very often, the same personnel in government and business are involved in both forms of intervention. Finally, there is ideological continuity, whether we call the ideology "liberal corporatism," "interest-group liberalism," or "corporate syndicalism."

The question of whether there exists a one-to-one, industry-by-industry correspondence between the two kinds of intervention that is rooted in some real or felt "economic necessity," as some writers cited here seemingly maintain, is more problematic. Does a price-raising domestic cartelization typically lead to sectoral "overproduction," and hence to demands for overseas markets? This can be resolved only by detailed empirical research, but one case examined by Forrest McDonald is very much to the point. He notes that New Deal farm programs cartelized cotton production through acreage restrictions and parity payments, setting the domestic price substantially above world market levels. Next, American international cotton brokers demanded, and got, subsidies to make their exports competitive. By the Kennedy era, American textile producers complained that because they had to pay the supported domestic prices for cotton, they could not compete with

development tends to undermine the Hilferding-Schumpeter thesis regarding "export monopolism." That thesis may have had a certain plaus bility in its era, but for later periods it would require considerable modification or even abandonment. One of the few living insights in the writings of Lenin, Hilferding, and Bukharin is their emphasis on the centrality of bankers and financiers in the imperial process.(74) This was a relatively new development in their time, but Rothbard's essay on the creation of the Federal Reserve System suggests the crucial importance of this particular "command post" of state and imperial power. In any case, an empire founded with high tariffs remains an empire even with lower, or disguised, tariffs until or unless the historical actors retire from the empire business altogether.

Hans-Hermann Hoppe has shown that it was the "liberal" states-nineteenth-century Great Britain and twentieth-century U.S.-which rose to global dominance. Their original internal policies led to unparalleled economic productivity from which state actors could extract, even at modest rates of taxation, revenues beyond the capacity of their less economically liberal rivals. This allowed them to create superior military forces with which to build their empires even as their domestic institutions ossified and their tax rates slowly climbed. Both powers ultimately grounded their imperial projects on military power and monetary control. The lingering connection in the nineteenth century between gold and the British pound sterling set a limit on what Britain could spend to extend political control overseas. Twentieth-century U.S. leadership, having instituted a pure fiat system of paper money—something Hilferding never imagined possible—has even more freedom of action. It is, in Hoppe's words, "an autonomous counterfeiter of last resort to the entire international banking system."

> on their own, totally outside of Anglo-American control or of the confinements of what remained of the cherished American Open Door?(40)

U.S. Secretary of State Cordell Hull believed that Germany "was straining every tendon to undermine United States trading relations with Latin America." German government-to-government barter deals with Balkan states for commodities in bulk lots bypassed attempted British control of those markets through monetary means, and only considerable U.S. pressure prevented a similar barter deal between Germany and Brazil. In the end, as Secretary Hull noted, when war came, the "political lineup follow[ed] the economic line-up."(41)

Later, when World War II shaded over into the Cold War, "defense of the Free World against Communism" became the most potent slogan veiling U.S. imperial activities and justifying Open Door intervention everywhere. It did overlap reality, because the triumph of revolutionary nationalism, usually under communist leadership, could, indeed, exclude American business from certain markets. The permanent garrison state created after World War II provided further subsidies to favored corporations via defense and research contracts, while new products developed with military research-and-development funds provided one outlet for capitalwithout threatening the cartelized structure of the economy.(42)

Finally, foreign aid developed after World War II primarily as a subsidy to U.S. exporters, with American taxpayers providing loans to countries which were obligated to spend the money on American goods. Thus, despite official American antipathy to socialism, the United States became "the world's leading state trader. . . . Official American

agricultural export subsidy programs involved $3 billion annually in 1957 and 1967, with sums approaching that amount in the interim years."(43) All this, while the American state stood guard to restrict the entry of foreign goods that might injure domestic producers.

controls at home. For this view, see Charles A. Beard and George H.E. Smith, *The Open Door at Home: A Trial Philosophy of National Interest* (New York: Macmillan, 1934); Lawrence Dennis, *Is Capitalism Doomed?* (New York: Harper & Brothers, 1932); and Lawrence Dennis, *The Coming American Fascism* (New York: Harper & Brothers, 1936).

67. Wilhelm Röpke, *International Order and Economic Integration* (Dordrecht: D. Reidel, 1959), p. 85.

68. Murray N. Rothbard, "The Origins of the Federal Reserve," *Quarterly Journal of Austrian Economics* 2, no. 3 (Fall 1999), pp. 19–20. This may be the most important essay Rothbard ever wrote on the interplay between state, business, and empire.

69. Rothbard, "The Origins of the Federal Reserve," pp. 25–35. Rothbard speculates that U.S. pressure on Mexico in favor of the gold-dollar system was a factor in setting off the Mexican revolution of 1911–1927. A similar point might be made with reference to the Chinese Revolution (1912–1949). Rothbard's insights into the monetary side of imperialism may be the key to many poorly understood connections in twentieth-century history.

70. Rothbard, "The New Deal and the International Monetary System," pp. 43–47.

71. William Appleman Williams, "The Large Corporation and American Foreign Policy," in *Corporations and the Cold War*, ed. David Horowitz (New York: Monthly Review Press, 1969), pp. 88–89, emphasis added. On U.S. wartime planning for postwar neo-mercantilist reconstruction, see David W. Eakins, "Business Planners and America's Postwar Expansion," in *Corporations and the Cold War*, pp. 143–71; James J. Martin, "On the 'Defense' Origins of the New Imperialism," *Revisionist Viewpoints* (Colorado Springs, Colo.: Ralph Myles, 1971), chap. 1, pp. 1–27; and Noam Chomsky, "Intervention in Vietnam and Central America: Parallels and Difference," *Monthly Review* 37, no. 4 (September 1985), esp. pp. 1–6.

72. On U.S. "double containment" of enemies and allies, see Christopher Layne and Benjamin Schwarz, "American Hegemony: Without An Enemy," *Foreign Policy* 92 (Fall 1993), pp. 5–23.

73. Wallace, in *New Frontiers*, was one of the proponents of abandoning tariffs. His book is an unintentionally revealing account of ad hoc attempts to defy economic law, one after another, in a vain attempt to secure "just prices" for cartelized farmers. It is also a perfect illustration of Mises's notion of an interventionist dynamic. In our time, the European Union's harmonization

control of world monetary mechanisms through state-to-state barter agreements with Balkan countries helped put the United States and Germany on the path to war.(70)

With U.S. entry into World War II, government and business planners worked out the logic of U.S. domination of the world, and began planning its details. They saw, as Williams writes, that a:

> Keynesian system need not literally be confined to one nation, but when it is extended it has to be done as a system. . . . For, by its very reliance upon various controls to stabilize the business cycle, the Keynesian approach cannot by definition even be attempted beyond the limits of such central authority.(71)

The utter defeat of their wartime enemies left U.S. leaders at the height of their power, ready to implement their political-economic goals through pressure, military force, and Keynesian manipulation made possible by U.S. control of the world monetary (paper) standard. Only Soviet Russia stood in the way. The result, of course, was the unedifying triumph of statism within the U.S., coupled with U.S. imperialism in the outside world–the Cold War–ending with the Soviet collapse and U.S. leaders' proclamation of further world missions requiring their continued global dominance. An important if neglected aspect of the Cold War alliance system is the way it allowed the U.S. to "contain" not just Soviet Russia and China, but, of equal importance, two significant economic competitors, Germany and Japan.(72)

World War II resolved the debate between, on the one hand, proponents of Open Door empire with high tariffs, and on the other, proponents of empire with managed trade.(73) This

IMPERIALISM: THE HIGHEST STAGE OF STATISM?

Neo-mercantilist inroads on a once largely laissez faire economy fostered cartels and above-free-market prices. The cry of "overproduction" was raised to justify an aggressive foreign export policy. But the overproductionist thesis was actually rationalization of entrepreneurial error, an ad hoc argument for grants of privilege, or an honest but mistaken explanation of real trends in particular sectors and markets (not "general overproduction") that had some relation to prior state interventions.(44) These trends were the product of protectionism, subsidies, and cartelizing regulatory reform.

Francis B. Thurber, President of the United States Export Association, explained the fundamental reason for an informal, Open Door empire in 1899 by: "We must have a place to dump our surplus, which otherwise will constantly depress prices and compel the shutting down of our mills . . . and changing our profits into losses."(45) English liberal John A. Hobson answered the crucial questions–who are "we" and whose are the profits?–as follows:

> The economic taproot of Imperialism is the desire of strong organized industrial and financial interests to secure and develop at the public expense and by the public force private markets for their surplus goods and their surplus capital. War, militarism, and a "spirited foreign policy" are the necessary means to this end.(46)

36. On the notion of virtual cartels, see Murray N. Rothbard, *Power and Market* (Menlo Park, Calif.: Institute for Humane Studies, 1970), p. 31.

37. Williams, *The Tragedy of American Diplomacy*, p. 76.

38. Martin J. Sklar, "Woodrow Wilson and the Political Economy of Modern United States Liberalism," in *For A New America*, p. 80.

39. Williams, *The Contours of American History*, pp. 449, 452–62.

40. Murray N. Rothbard, "The New Deal and the International Monetary System," in *Watershed of Empire: Essays on New Deal Foreign Policy*, ed. James J. Martin (Colorado Springs, Colo.: Ralph Myles, 1976), pp. 43–47, quotation from p. 43.

41. Cordell Hull, Memoirs (New York: Macmillan, 1948), vol. 1, p. 81. For more on this important matter, see Lloyd C. Gardner, Economic Aspects of New Deal Diplomacy (Madison: University of Wisconsin Press, 1964), esp. pp. 85–108.

42. See Charles E. Nathanson, "The Militarization of the American Economy," in *Corporations and the Cold War*, ed. David Horowitz (New York: Monthly Review Press, 1969), pp. 205–35.

43. Kolko, *The Roots of American Foreign Policy*, p. 68.

44. On overproduction as a rationalization, see Ludwig von Mises, *Planning for Freedom* (South Holland, Ind.: Libertarian Press, 1962), pp. 64–67.

45. Quoted in Williams, *The Roots of the Modern American Empire*, p. 439.

46. John A. Hobson, *Imperialism: A Study* (Ann Arbor: University of Michigan Press, 1965), p. 106, emphasis added. Cf. his remarks on U.S. imperialism in *The Evolution of Modern Capitalism* (London: George Allen and Unwin, 1926), pp. 262–63.

47. Winslow, *The Pattern of Imperialism*, p. 109. For a refutation of overproduction and underconsumption, see Rothbard, *America's Great Depression*, pp. 55–58.
48. Hobson, *The Evolution of Modern Capitalism*, pp. 192–201.

49. Quoted in Williams, The Contours of American History, pp. 326–27.

50. Schumpeter, Imperialism, pp. 79–90. See also Rudolf Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development* (London:

level of a world outlook or ideology, it became so pervasive as to go unnoticed by many commentators. It took the genius of William Appleman Williams to grasp Open Door imperialism as both an attempt to solve perceived economic problems and as a completed ideology.

Rothbard, another great student of U.S. imperialism, saw that the Leninist theory of imperialism had been developed:

> not by Lenin but by advocates of imperialism, centering around such Morgan-oriented friends and brain trusters of Theodore Roosevelt as Henry Adams, Brooks Adams, Admiral Alfred T. Mahan, and Massachusetts Senator Henry Cabot Lodge.(68)

By socializing the costs of finding, opening, and securing foreign markets through an active foreign policy, the U.S. government would guarantee prosperity, float all boats, and–just incidentally–benefit personally some of the advocates of the so-called "large policy." For example, Rothbard also sheds light on how certain advocates of central banking personally profited by imposing the U.S. "gold-dollar" system on its only formal colony, the Philippine Islands, displacing the existing, working silver standard with which the Filipinos had been happy enough.(69)

This early use of the monetary unit as a tool of imperial control and corporate extra-market profit was a forecast of later phases of the U.S. elite's global project. In the crisis of the Great Depression, all major powers abandoned the interwar semi-gold standard in favor of fiat money, adopting simultaneously the Keynesian program of monetary manipulation. As Rothbard pointed out, U.S. leaders' anger over Germany's successful end-run around U.S.-British

U.S. IMPERIALISM: HISTORY AND THEORY

Ludwig von Mises and Murray Rothbard put great stress on the cumulative character of the statist process. The failure of one economic intervention typically calls into being new measures to "fix" the results of the initial intervention. Over time, more and more influential men in government and business came to see the securing of foreign markets as the best fix of all.(66)

Free-market economist Wilhelm Röpke responded to such frontier- expansionist ideas as follows:

> The idea that capitalism is only possible as long as its geographical sphere of influence can be regularly expanded is entirely unfounded. The decisive factor for the success of capitalism is not the number of square kilometres that it covers, but the amount of purchasing power, which again is determined by the amount of production and by a smooth exchange of the goods produced on a basis of division of labour.(67)

Such a construction of the issue did not find wide favor among those historical actors in politics and business who built the American empire. They did, however, sell imperialism, under misleading names, as a "public -spirited" program to cure problems which were allegedly endogenous to the market economy. Once their program of domestic corporatism and overseas Open Door empire rose to the

Unfortunately, Hobson and his followers (notably, Charles Austin Beard) sought to explain such "surpluses" on the basis of an "overproduction/underconsumption" theory. Commenting on Keynes's similar theory, E.M. Winslow wrote that Keynes should have concentrated on "such obvious barriers to investment as monopolies and tariffs" instead of worrying about "underconsumption."(47) Surpluses in specific markets or sectors and shrinking investment opportunity at home cannot be laid at the door of aggregate demand or other Keynesian reifications, but must–to the extent they exist–be traced to state-monopolism at home. Hobson himself, discussing the sources of monopoly, laid bare the central role of the state, citing tariffs, patents, franchises, licenses, and railroad subsidies as prime examples.(48) Had he stayed with the critical analysis of monopoly, he might have arrived at a quasi-Schumpeterian or even Austrian analysis; instead, he treated big aggregates as co-determinant. Thus, Hobson correctly understood imperialism as an effort by a predatory alliance of state and businesses to engross new markets, but he failed to explain the underlying economic problem (if any) that these actors faced.

Joseph Schumpeter, building on theses advanced by Austro-Marxist writer Rudolf Hilferding, analyzed the phenomenon of "export monopolism" and argued for its atavistic, pre-capitalist character. Behind a nation's tariff walls, cartelization proceeded apace. Tariffs made possible home prices which were well above free-market ones. At the same time, the tariffs created artificial gluts, since the full quantities produced could not be sold at the protected prices. Yet, in order to realize the lower unit costs, the full amounts had to be produced. As Andrew Carnegie put it, "The condition of cheap manufacture is running full." The resulting dilemma–specific, sectoral "overproduction" relative to what could be sold in the home market at tariff-enhanced prices–was

met by selling or "dumping" the excess product abroad "at a lower price, sometimes . . . below cost."(49)

In Schumpeter's view, when existing "cartels successfully impede the founding of new enterprises," foreign investment is absolutely necessary. Once export-hungry monopolists of different states collide, "the idea of military force suggests itself" both "to break down foreign customs barriers" and to "secure control over markets in which heretofore one had to compete with the enemy." The resultant empire, formal or informal, exploits the nations by making its members pay the costs of empire on top of higher prices at home. Yet, a firm which could not survive in the absence of empire was "expanded beyond economically justifiable limits" and should be allowed to fail. There was nothing inevitable about imperialism since, in truth, "the rise of trusts and cartels . . . can never be explained by the automatism of the competitive system." The whole syndrome arose from state interference. (50)

We may agree that export monopolism and imperialism are indeed partly pre-capitalist phenomena: they are intimately connected with institutions and ideas associated with feudalism and mercantilism, e.g., tariffs, eminent domain, patents, property taxes (a single feudal rent), and–to be thorough–the state apparatus itself. But to argue, as Schumpeter seems to, that neo-mercantilist and imperialist policies undertaken under modern capitalist conditions are essentially pre- or anti-capitalist is to substitute for historical capitalism an ideal free market (to which we all might aspire). If all such measures were literally pre-capitalist atavisms, it would be hard to understand how, in Murray Greene's words,

> American capitalism, which developed unimpeded by monarchical power, and German capitalism, where the

Wiarda, "Creeping Corporatism in the United States," chap. 6 in *Corporatism and Comparative Politics: The Other Great "Ism"* (London: M.E. Sharpe, 1997), pp. 128–51. For a comparison of U.S. and German corporatism in the 1930s, see John A. Garraty, "The New Deal, National Socialism, and the Great Depression," *American Historical Review* 78, no. 4 (October 1973), pp. 907–44.

60. Jane Jacobs, *The Economy of Cities* (New York: Random House, 1969), pp. 244–48, and 217–29.

61. Schumpeter, *Imperialism*, p. 65; F.A. Hayek, *Studies in Philosophy, Politics, and Economics* (New York: Simon and Schuster, 1967), p. 173; and Oskar Lange, "The Economist's Case for Socialism," in *Essential Works of Socialism*, ed. Irving Howe (New Haven, Conn.: Yale University Press, 1976), p. 711.

62. Winslow, *Pattern of Imperialism*, p. 193. On trade cycles, see Rothbard, *America's Great Depression*, pp. 16–21; and Rothbard, *Man, Economy, and State*, pp. 850–77. On laissez-faire banking, see Murray N. Rothbard, *What Has Government Done to Our Money?* (Auburn, Ala.: Ludwig von Mises Institute, 1990).

63. Robert A. Brady, *Business as a System of Power* (New York: Columbia University Press, 1943), pp. 239–58. Brady's classic book is a pioneering study of corporatism. A growing literature on corporatism spreads across the boundaries of several disciplines, but there may not be, as yet, a satisfactory synthesis. For a sample, see John P. Diggins, "Flirtation with Fascism: American Pragmatic Liberals and Mussolini's Italy," *American Historical Review* 71, no. 2 (January 1966), pp. 487–506; Philipe C. Schmitter, "Still the Century of Corporatism?" in *The New Corporatism: Social–Political Structures in the Iberian World*, ed. Frederick Pike and Thomas Stritcher (Notre Dame: University of Notre Dame Press, 1974), pp. 85–131; J.T. Winkler, "Corporatism," *Archives Européenes de Sociologie* 17 (1976), pp. 100–36; Thomas J. McCormick, "Drift or Mastery? A Corporatist Synthesis for American Diplomatic History," *Reviews in American History* 10, no. 4 (December 1982), pp. 318–30; and Michael J. Hogan, "Corporatism," *Journal of American History* 77, no. 1 (June 1990), pp. 153–60.

64. Lange, "The Economist's Case for Socialism," p. 342.

65. Jacobs, *The Economy of Cities*, p. 229.

66. See, e.g., Henry Wallace, *New Frontiers* (New York: Reynal and Hitchcock, 1934). Wallace saw exports as an important remedy for the American "farm problem." However, there was a split in the ranks of the Depression era corporatists. Some, fearing that the political pursuit of foreign markets would lead to unnecessary wars, advocated instead autarchy and increased economic

> in his interest the decisions of the organs of the state (in regard to tariffs, government subsidies or orders, advantageous import quotas, etc.). . . . What formerly was regarded as a special trait of the munitions industry becomes in interventionist capitalism the general rule.(64)

Some have argued that, under such centralized corporate statism, innovation and founding of new enterprises can be so discouraged that, as Jacobs puts it, “there is nowhere to export the embarrassing superfluity of capital except abroad.”(65) The structure of the economy limits domestic investment, thereby promoting aggressive capital export. Simultaneously, monopoly prices foster artificial “surpluses” of specific goods. As the American economy became systematically corporatist, a sense of crisis and stagnation, as well as a desire to further rationalize and perfect the system, strengthened the hand of those who wished to universalize the new political economy through world empire.

> monarchical element was a factor, were both characterized by strong tendencies toward protectionism and monopolism.(51)

Thus, Schumpeter weakened and obscured his analysis with both an a-historical use of concepts and an unreasonable Anglophilia.

Mises discusses export monopolism as follows:

> If the industry concerned exports a part of its products, it is in a special position. It is not free to raise the prices of the exported commodities. But protectionism provides another way out. The domestic producers form a cartel, charge monopoly prices on the domestic market and compensate for the losses incurred in selling abroad at low prices by a part of the monopoly profit. This was especially the case with Germany. . . . Its much admired and glorified system of Arbeiterschutz [worker protection], social insurance, and collective bargaining, could work only because German industries, sheltered by all-round protection, built up cartels and sold on the world market much more cheaply than at home. . . . Cartel and monopoly were necessary complements of German interventionism.(52)

Mises then generalizes his analysis to more nations:

> That the governments and the parliaments favor monopoly prices is clearly evidenced by their actions with regard to international monopolistic schemes. If the protective tariffs result in the formation of national cartels in various countries, international cartelization can in many cases be attained by mutual agreements between the national cartels. Such agreements are often very well served by another pro-monopoly activity of governments, the patents and other privileges granted to new inventions. However, where technical obstacles prevent the construction of a national cartel—as is almost always the case with agricultural production—no such international agreements can be built up. Then the governments interfere again. The history between the two world wars is an open record of state intervention to foster restriction and monopoly by international conventions. There were schemes for wheat pools, rubber, tin, and sugar restrictions and so on. Of course, most of them collapsed soon. But this failure was rather an outcome of government inefficiency than of government preference for competitive business.(53)

On the relationship between cartels in the exports sector on the one hand, and tariffs on the other, English economist

depression and credit expansion, Winslow, in quasi-Austrian fashion, recommended "social control of the monetary aspects of the economic process" as the solution. Certainly, the gains for statism afforded by the 1929 depression show that a desire for stability could account for part of the drive to corporatism. Even here, the state bears primary responsibility, since statesponsored credit expansion is at the heart of the business cycle. Paradoxically, real laissez faire, non-fractional-reserve banking would provide the "social control" that Winslow felt was necessary.(62)

Still, anti-depression remedies only account for a portion of interventionist measures. In 1943, Robert A. Brady wrote that a movement toward neo-mercantilism, beginning with the Bismarck tariff in 1879, had been the main drift in the industrialized nations. In each country, lobbying by trade associations and pressure groups had produced "a generalized system of state aid" which embraced protection against foreign competition, against domestic competition, and against becoming extra-marginal, that is, failing (thus being protected through use of taxpayer funds to bail out failed firms, and to finance public works and armaments). At the end of this road was corporatism, which was already arrived at in the fascist form in Italy, Germany, and Japan. The United States was well down the same path.(63)

Brady was right, for America's modern mercantilists use tariffs (disguised, these days, to the extent that they even exist), quotas, subsidies, and regulatory "reform" to foster "stability" and reduce "waste" (i.e., to reduce competition and losses for firms within the charmed circle). Oskar Lange observes that:

> With interventionism and restrictionism, the best businessman is he who best knows how to influence

We have seen that the piecemeal passage of cartelizing legislation produced, in time, an American corporatism, albeit a “pluralistic corporatism” relative to that of such corporatist nations as Sweden, the Netherlands, or Austria. That the Interstate Commerce Commission (ICC) fostered cartelization of transportation services, for example, is now widely understood.(59) The actors’ motives seem reasonably transparent. The ICC as such is gone, but its work lives on.

Jane Jacobs writes that “[t]he primary economic conflict . . . is between people whose interests are with already well-established economic activities, and those whose interests are with the emergence of new economic activities.” Vested interests, she notes, “must win” because “governments come to derive their power” from them. The result is economic “stagnation” for the benefit of the powerful.(60) Schumpeter similarly observed that, “put in terms of the economic interpretation of history,” imperialism arises “from past rather than present relations of production.” F.A. Hayek, too, writes that “[m]ore than by anything else the market order has been distorted by efforts to protect groups from a decline from their former position.” And Oskar Lange, paladin of market socialism, put the matter this way: “[I]n present capitalism the maintenance of the value of the particular investment has, indeed, become the chief concern. Accordingly, interventionism and restrictionism are the dominant economic policies.” Interestingly, Lange adds in a footnote that, “The protection of monopoly privileges and of particular investments is also the chief cause of the imperialist rivalries of the Great Powers.”(61)

E.M. Winslow, a thorough student of imperialism, wrote that business and labor seek monopolistic privileges partly to protect themselves against the hazards of recurring trade cycles. Grasping the connection between economic

Lionel Robbins had this to say:

> Nevertheless, if we were offered the choice between a world parcelled out into national sales areas by international cartel agreements with no tariffs, and a world split up into national markets by high protection, it is probable that we should choose the former. We have already seen that the choice is not offered. In real life, if not in the speeches of delegates to world economic conferences, the cartels depend on the tariffs. Still, if we were offered the choice, the cartels would have it every time. But why? Not because there is any important analytical difference between a market protected by duties and a market protected by agreements. But simply because, in the absence of tariffs, we could be pretty sure that the sales quota agreements would break down. Tariffs tend to stick. Monopolies tend to break. Sooner or later, the low-cost producers would find the situation intolerable, and the labour of the world would come to be more rationally divided.(54)

Tariffs, in other words, are enforceable by states, as law. Unless backed by force, cartels enjoy an untroubled life only for a short time. Further interventions are called for. It follows, then, that only the most powerful states could sustain such policies. As we shall see, the most powerful state in the world system might even craft a new framework for imperial

state "capitalism" which put relatively little reliance on tariffs as such. But that is to get ahead of the story.

As a practical matter, recent state interventions in the U.S. have not been incompatible with "capitalism" understood simply as an economy based on production for profit, price mechanisms, free labor, and rational accounting. Some features of statism may, indeed, be pre-capitalist holdovers, but others are new and, thus, "postcapitalist," relative to nineteenth-century U.S. capitalism.(55)

Before considering the ultimate motives and sources of empire, we must touch once more on the topic of monopoly. Perhaps the greater part of the literature on this subject–liberal and Marxist alike–relies on the unproven assumption of an inherent tendency toward monopoly endogenous to the market economy. There is every reason to reject this notion. Schumpeter wrote that "capitalism leads to large-scale production, but with few exceptions largescale production does not lead to the kind of unlimited concentration that would leave but one or only a few firms in each industry." The rise of cartels was "a phenomenon quite different from the trend to large-scale production with which it is often confused."(56) Mises commented, "The important place that cartels occupy in our time is an outcome of the interventionist policies adopted by the governments of all countries."(57) Murray Rothbard has argued powerfully that monopoly (in any meaningful sense) cannot arise on the free market, and that it is most consistent with economic logic to define monopoly as an exclusive grant by the state to some person, firm, or business group, reserving the production of a certain good, directly or indirectly. He adds that all government regulation discourages innovation, produces inefficiency, and promotes cartels. Rothbard includes tariffs, quotas, licenses, patents, eminent domain, franchises, immigration laws, and safety codes in this indictment.(58)

Routledge & Kegan Paul, 1981), pp. 288–336; Ludwig von Mises, *Human Action* (Chicago: Henry Regnery Company, 1966), pp. 365–68; and Ludwig von Mises, *Omnipotent Government* (New Haven, Conn.: Yale University Press, 1944), pp. 66–72.

51. Murray Greene, "Schumpeter's Imperialism: a Critical Note," in *The New Imperialism*, ed. Harrison M. Wright (Boston: D.C. Heath, 1961), p. 64. Cf. F.A. Hayek's remarks on Imperial Germany and the United States in *The Road to Serfdom* (Chicago: University of Chicago Press, 1965), p. 46.

52. Mises, "Autarky and its Consequences," p. 147. For more on the Imperial German pattern, see Mises, *Omnipotent Government*, pp. 74–78, esp. p. 77, where he concludes that "*[w]hat the worker gained from labor legislation and union wages was absorbed by higher prices. The government and trade-union leaders boasted of the apparent success of their policies: the workers received higher money wages. But real wages did not rise more than the marginal productivity of labor*."

53. Mises, "Autarky and its Consequences," p. 148.

54. Lionel Robbins, *Economic Planning and International Order* (London: Macmillan, 1937), p. 116.

55. This minimum definition of capitalism rests on Weberian criteria; cf. Max Weber, From *Max Weber: Essays in Sociology*, ed. and trans. Hans H. Gerth and C. Wright Mills (New York: Oxford University Press, 1958), pp. 67–68. Mises, in *Human Action*, p. 718, comments that "*[t]he system of interventionism . . . is still a market economy*." For the term "post-capitalist," see Peter F. Drucker, Post-Capitalist Society (New York: Harper-Collins, 1993).

56. Schumpeter, *Imperialism*, p. 88.

57. Mises, *Human Action*, p. 366.

58. On the impossibility of monopoly in an unhampered market, see Murray N. Rothbard, "Monopoly and Competition," in *Man, Economy, and State* (Auburn, Ala.: Ludwig von Mises Institute, 1993), chap. 10, pp. 560–660; Mises, *Human Action*, pp. 386–87; and Rothbard, *Power and Market*. For a typology of interventions, see Rothbard, *Power and Market*, pp. 9–61.

59. On the ICC, see Robert Fellmeth, *The Interstate Commerce Omission* (New York: Grossman Publishers, 1970); and Yale Brozen, "Is Government the Source of Monopoly?" *Intercollegiate Review* 5, no. 2 (Winter 1968–69), pp. 67–78. Most political scientists who theorize contemporary corporatism tend to find it in Europe, Latin America, Egypt, Turkey, and elsewhere, and deny the relevance of the concept to the United States. A noteworthy exception is Howard J.