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International relations and industrial society

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Chapter 9

International Relations and Industrial Society

Introduction

The emergence of new ideas on state and nation in the early years of the nineteenth century cannot be understood in isolation from the socio-economic changes that were also characteristic of that era. The term 'industrial revolution' is no longer widely used by economic historians who, today, point to the slow and uneven nature of change in the period, but, nonetheless, it can hardly be denied that major changes were taking place in the productive capacities of societies and the lives of ordinary people. First the factory system and the application of steam power to production, then, later in the nineteenth century, industrialism and mass production proper, transformed, directly or indirectly, the lives of most of the inhabitants of the planet. Part of this 'Great Transformation' involved increasing importance for trade and international financial transactions (Polanyi, 1975). Whereas before the nineteenth century foreign trade in bulk goods such as foodstuffs rarely accounted for more than a small percentage of domestic consumption, by 1900 a full-scale international division of labor had been established, with a number of countries specializing in manufacturing products and no longer capable of feeding themselves without imports. That this became a possibility reflected the revolution in transportation and communication during the period, in particular the development of the electric telegraph, the steam ship, and techniques of refrigeration. Britain in particular had ceased to be a predominantly agricultural country in the middle of the nineteenth century, and by

1914 was living off the earnings of her manufacturing sector and the interest on her enormous portfolio of foreign investment. Her rather more successful industrial competitors, the United States and Germany, still had large agricultural sectors, and most other European and non-European economies had experienced even less the great domestic changes of the Transformation, but all alike - 'developed' and 'underdeveloped' - found themselves caught up in the new global economy.

What would be the implications of this new situation for the general conduct of international relations? In the pre-industrial world, international economic activity had been judged largely from the perspective of the power of the state. The underlying assumption of this world was that trade always produced winners and losers, and that states should manage their international activities with a view to ending up as the former: Generally this meant having a positive trade balance and an inflow of gold, although some argued that any flow of goods out of the country, even if paid for in bullion, represented a weakening of the state. Either way, from this mercantilist perspective, the emergence of higher levels of trade and a global division of labor could only be regarded as a source of potential dissension.

One of the major achievements of liberal political economy was to undermine the intellectual foundations of this approach. The process was begun by David Hume, who, in a short essay 'Of the Balance of Trade', showed that the desire for a continuing trade surplus and inflow of bullion was self-defeating; inflows of gold would raise price levels and cut exports and make imports more attractive (Hume, 1987). Adam Smith continued the process by demonstrating the value of an extended division of labor, suggesting that, in principle at least, trade could be beneficial for all parties - see Text 1 below (Smith,

1954). However, the figure who put the crucial building block of liberal trade theory into place was David Ricardo (1772 - 1823). Ricardo's great achievement in his *Principles of Political Economy and Taxation* was to demonstrate that trade could raise the general level of welfare even under circumstances which appear to make this outcome highly unlikely (Text 2). Everyone can imagine that in some circumstances trade will be beneficial; if one country is better than another at producing one good, while the situation is reversed for another good, the benefits of trade are obvious. Ricardo demonstrates that trade is beneficial not just under those conditions, but even when one country is more efficient at producing *all* goods than another. All that is required is that a country should have a *comparative* advantage in the production of one product or another - hence this is often termed the Law of Comparative Advantage (or Comparative Costs). In practice this means that trade will always raise the general level of welfare, since it is highly unlikely that comparative costs will be identical in two or more different countries. The argument is extracted below.

Ricardo's law does not guarantee that trade relations will be harmonious. Although he shows that the general welfare is served by trade, the division of the gains from trade remains indeterminate, and there is certainly no guarantee that any particular exchange will produce equal benefits. Moreover, although this is one of the few propositions of this era which still commands support amongst modern economists, the current version of Ricardo's law is surrounded by so many qualifications as to dampen its revolutionary impact. Still, the achievement remains of great consequence, and modern trade theory - especially the neo-liberal orthodoxy promoted by institutions such as the IMF - rests on its foundations; the underlying assumption of the contemporary trade

regime, the assumption that free trade is a desirable state of affairs - is Ricardian. All-in-all, his work is still at the heart of cosmopolitan readings of the international implications of industrial society, and thus deserves to be studied at its source.

Free Trade and Liberal Internationalism

David Ricardo did not attempt to work through the wider implications of his account of the gains from trade. Most likely his views on these wider issues would have echoed those of Adam Smith, who was always conscious of the need to moderate the cosmopolitan policy implications of the laws of political economy by giving due weight to the requirement to preserve national power. From neither Smith nor Ricardo is it possible to see a sense in which the whole nature of international relations has been changed by the new economic order. To find the view that it had elaborated at length we have to turn to Richard Cobden, the most intellectually powerful propagandist for free trade of the age. Cobden it was who asked the key question:

Can the “States System” which was applicable to the international affairs of Europe a century ago be suited to the circumstances of today? – or, on the contrary, do not those portentous events which have intervened – in the rise and paramount commercial importance of free America, the downfall of the colony system, and the applications of the doctrines of free trade – demand reforms of proportionate magnitude in the foreign policy of Great Britain? (Cobden, 1836)

Cobden (1804 – 65) was a self-made man who put his formidable intellect at the services of the newly important manufacturing interests of the North of England. These interests came to be summarized by the name of the town at the center of manufacturing,

Manchester, whence the 'Manchester School'. Cobden's most prominent campaign, in and out of Parliament, was to bring about the repeal of the Corn Laws, protectionist legislation which served the interests of agriculture by limiting the import of grain from abroad, thereby keeping the price of bread high – and, of course, requiring Manchester to pay higher wages to its workers. The campaign was successful in 1846 but Cobden remained active in public affairs, promoting the cause of free trade in general - and negotiating a free trade treaty with France in 1860 in particular - and also as a leading light of the mid-nineteenth century peace movement in Britain.

The great cause with which this peace movement was primarily engaged concerned Britain's involvement in the so-called Eastern Question, that is to say, the complex political ramifications of the steady collapse of Ottoman power in the Balkans. To put the matter in a nutshell, the official line, promulgated by most of the political class, and especially by Lord Palmerston who dominated British foreign policy from the early 1830s to the mid 1860s, was that Russia could not be allowed to take advantage of this collapse by extending her influence into the Balkans and capturing Constantinople and the Straits. Such a move would disrupt the balance of power in Europe and threaten British rule in India. The need was, therefore, to buttress Ottoman power and to resist Russian expansionism.

This position was popular with militant patriots and chauvinists, with those attracted by the exotic romance of the Levant, and with many progressives and radicals for whom Russia was the oppressor of Poles and Hungarians, the most reactionary power in Europe. Indeed, the great revolutionaries Marx and Engels were so committed to the anti-Russian cause that they were even prepared to give credence to the views of the pro-

Turk enthusiast David Urquart, whose particular contribution was to suggest that Palmerston was in the pay of the Russians, a view akin to the American Militia movement's apparent belief that Ronald Reagan was an agent of a conspiracy to impose UN rule in the United States in the 1980s. Even the Soviet editors of Vol. 12 of the *Marx-Engels Collected Works* which covers these writings felt obliged to distance themselves somewhat from Marx on this point, but, eccentricities aside, the idea that one should judge international events in terms of their impact on the revolutionary cause in general rather than from some other, less instrumental, viewpoint was, and is, basic to Marxist thinking on international relations (Marx & Engels, 1979; Brown, 1992).

The liberal peace movement, however, denounced the official line from the point at which it first emerged in the 1820s and 30s right through to Gladstone's campaign against Turkish atrocities in the 1870s. One of the most vociferous advocates of peace was Cobden. Part of his argument, which is to be found in a number of speeches and pamphlets over a thirty year period, consisted of a denunciation of Ottoman backwardness and vice and a corresponding whitewashing of the Russian record, the only excuse for which can be that it simply represented a turning on their head of the equally specious arguments of his opponents. However, the more thoughtful aspect of his case is to be found in his critique of the 'balance of power' - that centerpiece of conventional international theory discussed in Chapter 5 above - and of the notion that Britain's prosperity and security required her to pursue an active engaged foreign policy.

Cobden's views of the balance of power are known to international political theory in caricature form: his famous hyperbole to the effect that the balance of power '...is not a fallacy, a mistake, an imposture; it is an undescribed, indescribable,

incomprehensible nothing: mere words conveying to the mind not ideas but sounds...'(Cobden , 1836 p. 200 /202) is better known than the arguments with which he backed up this judgement. These words come from a pamphlet entitled *Russia, 1836* the product of a war scare of that year. The first two chapters examine the issues of the day, Turkish iniquity described in detail, Russian behavior towards Poland – not to be excused of course, but the Poles were a troublesome, backward people – Russian power – always overstated in Britain for political reasons – and so on, but Chapters III and IV, which are extracted extensively below (Text 3), work at a different level. His aim in these two chapters is to challenge the two principles which underpinned British foreign policy, the balance of power and the protection of commerce. Chapter III on the balance of power sets out all the difficulties of defining the term, and has a great deal of fun with the various semantic traps into which statesmen regularly fall when they attempt to make sense of this protean term, while, at the same time, pointing out the serious consequences of attempts to put the notion to practical use. Chapter IV, on the protection of commerce, is, in some respects more interesting, for here are to be found virtually the whole array of intellectual weapons which liberal internationalists have deployed over the past hundred and fifty years. Commerce rests on the cheapness of commodities which is compromised by high spending on the military, war would be a disaster for the nation; many successful trading nations have very low military expenditures, we cannot be the policeman of the world; the most important way in which we can exercise influence is by being a moral example to the rest of the world, and so on - the sense of familiarity this document evokes is fascinating, given its early provenance.

Cobden is a supporter of non-intervention, and it is interesting to compare his defense of this principle with that of J.S. Mill, which was set out in Chapter 8. For Mill, the essential reason for a norm of non-intervention is that no people can be given freedom; they have to take it for themselves for it to be meaningful. This is an argument that centers on the victim of oppression, and takes seriously the notion of moral autonomy. Cobden is less concerned with such matters, more with the cost to the state that might actually do the intervention – thus he is prepared to ask ‘am I my brother’s keeper’ and to answer ‘no’. As we have seen, Mill himself is highly selective in the causes he is prepared to support and is all too ready to defend British imperialism, but, nonetheless, there is a meanness of spirit about Cobden's argument that deserves the invective it attracted from his critics. Marx had his own reasons, domestic and foreign, for describing Cobden as applying his peace doctrines ...'with all the sharp ingenuity of the *monomaniac*, with all the contradictions of the *ideologue* and with all the calculating cowardice of the shop-keeper' but the latter taunts, at least, strike home however much the first two seem like the pot calling the kettle black (Marx & Engels, 1979: 274).

The Protectionist Response

For Cobden, and Manchester more generally, the 'states system' that nineteenth century Europe had inherited was no longer capable of operating in the old ways. Cobden is a patriot, someone who desires to promote the interests of his country, but, as far as he is concerned, what this actually ought to involve is a passive foreign policy, or rather a foreign policy devoted to spreading the doctrines of free trade by word and deed. In his public writings at least, Cobden is more or less free of the kind of affective loyalties

envisaged by the theorists of state and nation whose work was examined in the last Chapter. In so far as Cobden expressed these kinds of feelings at all, they were directed towards the United States, which represented his ideal of a non-aristocratic commercial republic.

Interestingly, within the United States itself, the very people who Cobden admired - the Yankee traders and manufacturers - were largely opponents of free trade, while its supporters - the aristocratic slaveowners of the cotton belt - were exactly the sort of people he despised in Britain. Although the former shared Cobden's values, more-or-less, their circumstances were different, and the policies they promoted differed accordingly. Given free access to American markets, the well-established industries of Manchester might well stifle at birth the newly emerging industrial strength of the manufactories of New England, with great implications for America's future role in the world. The point had been well taken in the early years of the Republic. Secretary of the Treasury Alexander Hamilton's *Report on the Subject of Manufactures* to the US Congress in 1791 set out in painstaking detail the basis for a policy of protecting some 'infant industries' (Hamilton, 1966). However, the most fully developed critique of free trade came not from the United States but from the other great future industrial rival of Great Britain, Germany, and especially from the pen of Friedrich List.

List (1789 - 1846) was born in Wurtemberg and was a successful bureaucrat in the local civil service until his involvement with liberal and revolutionary causes led to his exile first from Wurtemberg, then from other German cities; he spent much of the 1820s in the United States where he developed excellent contacts with leading American politicians, and became involved in controversies over tariff policy. On his return to

Europe and Germany in the 1830s, he became involved in similar controversies over the tariff policy of the *Zollverein* - the North German customs union which was centered on Prussia. Partly in response to these controversies, List produced his major work *The National System of Political Economy* in 1841. *The National System* is a scholarly work but it is also a work of propaganda, designed to influence the policy of Germany's leaders in the direction of resistance to British industrial hegemony.

The book contains two sorts of argument, which work at different levels of generality. At the policy level, his most basic point is that Britain's own prosperity and dominance was not achieved by adopting the policies she now advocates for others; with a compelling metaphor he comments that:

It is a very common device that when anyone has attained the summit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing after him.Any nation which by means of protective duties and restrictions on navigation has raised her manufacturing power and her navigation to such a degree of development that no other nation can sustain free competition with her, can do nothing wiser than to throw away these ladders of her greatness, to preach to other nations the benefits of free trade, and to declare in penitent tones that she has hitherto wandered in the paths of error, and has now for the first time succeeded in discovering the truth (List, 1966: 368).

This line of argument is, of course, extremely effective, and has been employed repeatedly since, usually by people who have never heard of List and have picked up his ideas at second- or third- hand.

List's more philosophical point is contained in his Chapter XI, 'Political and Cosmopolitan Economy' (Text 4). The free traders from Adam Smith onwards - the 'school' or the 'popular school' as he calls them - advocate policies which would make a great deal of sense if we assume a universal union or confederation of all nations. In such circumstances we would be able to think of the benefits from free trade in terms of the interests of individuals and the world as a whole, and the arguments set out by the school would hold true. Moreover, it would be in everyone's interest were such a state of affairs to come about. The problem is that the popular school has assumed as 'being actually in existence as state of things which has yet to come into existence'. If free trade were to be adopted now, before the arrival of the universal federation the result would be to preserve in place the power of England and to set up an international division of labor in which the rest of the world would be relegated to the role of hewers of wood and drawers of water for England. A *national* system of political economy, as opposed to the *cosmopolitan* system of Smith and the school, would recognize the importance of these facts and start from the world as it is rather than as it should be. Only once other nations have been raised by artificial measures to the stage of cultivation of England will it be possible for free trade to be adopted universally.

List's account does little justice to the sophistication of Smith's arguments but the general point is well taken. The root assumption of free trade theory is that the pattern of specialization produced by the operation of comparative advantage will be politically neutral, that is to say that there is no *prima facie* reason for preferring an advantage in one product as opposed to another. Obviously, looked at from the perspective of national power, this cannot be right. It should be noted that in the twentieth century dependency

theorists and other followers of the Argentinean economist Raul Prebisch, have developed List's line of argument - usually without crediting him - to make the point that there is a long-term trend for the terms of trade to move against primary production and in favor of industrial goods; this has been used to justify policies of industrialization in the South, even in circumstances where comparative advantage would mandate specialization in agricultural goods (Prebisch, 1950). This is not quite List's actual argument, but as the text makes clear, his general line of reasoning can be used to support this policy. Perhaps the difference is that List is quite explicitly statist, justifying his approach as underwritten by political as opposed to cosmopolitan political economy, while Prebisch's followers have mostly been of the left, and unwilling to acknowledge that what they are doing is advocating nationalist policies.

From Competitive Capitalism to Cartels

Whether free-trade or protectionist, the political economists of the first half of the nineteenth century shared some common assumptions about the nature of the new manufacturing interests. The most important of these assumptions was that the manufacturers would compete with each other for markets whether they were of the same nationality or not, and that the role of the state would be, at best, to provide a context in which this competition would take place, both by preserving the conditions for capitalist reproduction at home - that is, preserving the civil peace, establishing a framework of commercial law, providing services such as transport and mail systems, perhaps education - and, possibly, by opening markets abroad through the promotion of free trade, or, in the protectionist variant, by restricting entry to the market at home to local

competitors only. Either way, no one manufacturer would have the kind of capacity to be able to suborn the state to act in its interests against its competitors, whether the latter were domestic or foreign.

This picture of capitalists as competitors was shared by liberals and the contemporary left. It is striking, for example, that Marx and Engels in their extensive journalism on international relations in general, and the Eastern Question in particular, rarely if ever try to explain events in terms that might imply, for example, that the capitalist state in Britain was acting on behalf of British capitalists. Instead, they employ the conventional categories of *Realpolitik* although, looking at things from their perspective as revolutionaries, they also hold cosmopolitan views about class loyalties crossing state boundaries as expressed in the famous words of the *Communist Manifesto*, extracted briefly below. This consensus is not difficult to understand - it reflects the reality of the mid-nineteenth century most firms were still comparatively small, and managed by their owners. However, in the late twentieth century the picture changed somewhat; new technologies in chemicals and the steel industry made larger firms more viable than smaller, changes in company law and management techniques lead to the emergence of joint-stock companies which operated on a larger scale than heretofore, and, in Germany and the United States in particular, banks became involved in industrial activity, often promoting cartels or trusts - agreements between firms to restrict their competitive activities, usually at the expense of the public and, in the United States, for that reason, regulated by Federal Anti-Trust legislation. Marxist writers refer to these trends as the development of monopolies; strictly speaking this is incorrect, as comparatively few industries were dominated by one producer, but the late nineteenth

and early twentieth century certainly saw the emergence of oligopoly - a situation in which a small number of firms dominate a market and are able to be 'price makers' as well as 'price takers'.

It would be plausible to expect that these changes would have an impact on international relations. Whereas previously no individual capitalist concern was capable of exerting sufficient power to change state policy, this could no longer be assumed to be the case; similarly, whereas previously the collective capitalist interest, if it could be discerned at all, lay in a passive foreign policy, this also could no longer be assumed to be so. However, thinking on these issues was somewhat confused by another change in international relations in the final third of the nineteenth century, the emergence of the so-called 'new imperialism' and, in particular the scramble for Africa, in which the major European powers divided the continent up amongst themselves. Since this seemed to represent a shift from an earlier skepticism about the value of colonies, and since it took place contemporaneously with the trend towards increasing firm size and oligopoly, it was not surprising that some writers would attempt to link the two phenomena.

The English radical economist J. A. Hobson (1858 - 1940) made this connection in his book *Imperialism: A Study* (1902) which was written partly in response to the Anglo-Boer War of 1899 - 1902. Hobson regarded British policy in South Africa as being determined by the power of special economic interests - which was not an unreasonable point, although his use of anti-Semitic rhetoric in this context is highly distasteful - but he also developed a wider theory in which imperialism was linked to 'under-consumptionism'. His argument is that the rise of capitalist conglomerations led to the phenomenon of 'surplus capital' - capital that could not find employment at home and

therefore sought 'vents' abroad, leading to imperialism and the conquest of territory wherein surplus capital could be deployed.

Hobson has been a very influential writer; his notions on the domestic economy influenced Keynes and Keynesianism, and his writings on imperialism influenced Lenin and the Bolsheviks. However, his arguments on the causes of imperialism have not stood the test of time. D.K. Fieldhouse has demonstrated that, with the partial exception of South Africa, capital did *not* flow to the new imperial possessions; British capital went to the United States, Argentina, India and Australia, French capital to Russia and Eastern Europe, German to the Ottoman Empire and the Balkans (Fieldhouse, 1961). Others have challenged the notion that there was a new imperialism at the end of the last century; British imperial possessions increased throughout the 'free trade' era, and were usually driven by security concerns or by local conditions rather than by the need to vent surplus capital (Gallagher & Robinson, 1953). In any event, it may be doubted whether there ever was such a phenomenon as 'surplus capital'; in Britain at least, most foreign capital investments at the end of the century were actually re-investments of the earnings of early investments and throughout the period the returns on capital invested abroad were only marginally higher than returns on capital invested at home, the premium being more than accountable for by the higher risk of the former (Fieldhouse, 1961 & 1973).

In short, the 'economic theory of imperialism' in its usual form as an account of the new imperialism and the extension of formal rule, simply does not stand up to scrutiny; it survives largely because of the prestige in revolutionary circles of Lenin whose 1917 work *Imperialism: Highest Stage of Capitalism* draws heavily on Hobson. The persistence of this error is particularly important since it has obscured the much more

impressive contribution of other writers on the international relations of late nineteenth, early twentieth century capitalism, in particular that of the Austrian Marxist Rudolf Hilferding (1877 - 1941). Hilferding's masterwork is his *Finance Capital* which was published in 1910 and which dominated Marxist thinking on economics until its author was denounced by Lenin for his political sins as a social democrat - *pace* this denunciation, *Finance Capital* is the most impressive work of Marxist political economy of the twentieth century, and is extracted here, Text 5, along with some characteristic comments from *The Communist Manifesto*, Text 6, to show how far the argument has changed since the heyday of Marx and Engels (Hilferding, 1981. Marx, 1996).

Hilferding argues that industrial capital and bank capital have now fused together to create Finance Capital. The national economies of the advanced capitalist powers are now dominated by interlocking oligopolies in such a way that capitalists no longer compete with each other within the national economy, but instead compete predominantly with foreign capitals which have also formed into national blocks. The texts extracted below summarize this change, setting out the way in which commercial policy has been reoriented, and outlining the resulting international implications - the export of capital and the struggle for economic territory. The new monopolies are vulnerable only to external competition and they recruit the power of the state to restrict this competition via tariffs. At the same time, they seek to extend the area over which they can extract monopoly profits (their 'economic territory') and this leads to 'imperialism' in the sense of a general tendency to expand. It should be noted that a country's economic territory does not have to be under direct political control - Britain's 'informal empire' might well at this stage have included countries not ruled from London,

such as Argentina, or even, at an earlier period, the United States. It should also be noted that tariff policy is not seen simply as defensive in the manner of List, but also as a tool that can be employed aggressively to expand the national territory. Hilferding sees imperialism/expansionism as the foreign policy of finance capital, and, along with other Marxist writers of the time such as Rosa Luxemburg, is concerned by the increasing militarism of contemporary international relations (Luxemburg, 1913:454 - 469), a militarism that he sees as alien to the liberalism of the old competitive capitalist bourgeoisie. International conflict is more or less guaranteed - but it should be noted that, unlike Lenin, Hilferding does not assume that this conflict will always and necessarily lead to war.

Hilferding's account of the nature of the state and of international relations is rather more akin to that of some of the writers anthologized in Chapter 8 than it is to that of either Cobden or List or the schools they represent. Hilferding's political values are, of course, very different from those of Treitschke, but the extent to which their accounts of the world can be made to mesh together in policy terms is striking. In effect, on Hilferding's account, in the age of finance capital the national state returns to center-stage, not as the representative of a community, but as the political expression of the capitalist syndicates. How well does his analysis stand the test of time? Clearly he exaggerates the importance of the trends he identifies; in most countries the growth of firm size and the process of cartelization had only just begun prior to 1914. By the end of the twentieth century average firm size has increased beyond his imagination - but what is rather more to the point is that many firms today can no longer be seen simply as national firms. The idea that national capitals compete with one another on the world

stage may have had some resonance earlier in the century, but today the 'internationalization' or 'globalization' of capital is more noticeable. Moreover, in common with most Marxists of the period, Hilferding seems not to have understood just how resilient capitalism was; the general view was that capitalism was decadent, had reached the end of the line - virtually no-one foresaw the rise of new industries based on the motor car, 'white goods' and, later, information technology. For all these weaknesses, his is an impressive achievement, unjustly neglected over the past century.

The phenomenon of imperialism and war was, of course, of concern in this era to non-Marxist as well as Marxist political economists, and the former were understandably keen to provide their own account of the relationship of these disasters to capitalism. The best such response to Marxist writings is an essay 'The Sociology of Imperialisms' (1919) by the Austrian/American economist Joseph Schumpeter (1883 - 1950), selections of which are extracted below as Text 7. Schumpeter's position is that imperialism is a phenomenon that can be found in all past epochs, and that its roots lie in the interests of the ruling classes of each age. Although he concedes that under capitalism particular groups will sometimes be able to hijack the state in their own interests, he regards the values of capitalist society as essentially anti-militarist and anti-imperialist. Instead, imperialism is atavistic in character. It is a surviving feature of an earlier age. It is not part of the inner logic of capitalism, even of the export-oriented monopolism which he concedes has emerged in some areas - instead such new features of capitalism have been harnessed by a war machine inherited from a previous age.

Thus, the period of the long nineteenth century ends as it begins, with supporters of the new way of life that has emerged from out of the Great Transformation insisting on

its essentially peaceful character. Schumpeter is, in this respect, the natural descendant of Cobden and the Manchester School, although his awareness of the nature of modern capitalist society is more sociologically sophisticated than that of his predecessors. Schumpeter is surely right to note that all actually-existing social formations are a melange of different institutions and value-systems, and that abstractions such as the 'capitalist' state (or 'state-capitalism') are as liable to confuse as to illuminate. In so far as this is so it may be a mistake to look for specific changes in international political theory and practice that can be traced directly to the emergence of industrial society, because 'industrial society' can never be isolated from the pre-industrial forms within which it remains embedded. This is a sobering conclusion, given the faith that so many people had after 1914- - 18 that a new international order could be erected on liberal internationalist principles which owed a great deal to precisely the kind of belief undermined by this argument. The record of the liberal internationalist order of 1919 suggests that pessimism here may be justified - but that is another story, or a story for another anthology.