

The Forbes logo, consisting of the word "Forbes" in a white, serif font centered within a dark gray square.

## Book Review: Marc-William Palen's Essential 'Pax Economica'

John Tamny

February 26, 2024

Years ago I asked Ed Crane about an upcoming Olympic Games, and he expressed indifference. While he's a big sports fan, Crane is not a big fan of the Olympics. His reasoning was and is that games pitting countries against countries promote the very nationalism that drives so much needless (and bloody) global conflict.

At the time of my question to Crane, I was very much taken aback by his response. Who wouldn't love the Olympics? It's like saying you hate Beagles. Except that Crane was making a very good point.

His thinking came to mind while reading University of Exeter historian Marc-William Palen's essential new book, *Pax Economica: Left-Wing Visions of a Free Trade World*. In this brilliantly detailed history of the free trade movement, Palen reveals something that will be eye-opening to members of the left and right, but arguably not surprising: free trade was historically an ideology most passionately embraced by members of the left. In Palen's words: left-wingers "all shared the belief that economic interdependence could foster democratization, economic and social justice, and world harmony."

Why is it not surprising that free trade took fire so prominently within left-wing movements? The answer can arguably be found in Crane, and the libertarian Cato Institute that Crane co-founded with the great industrialist, Charles Koch. Crane has long corrected those who referred to Cato as a conservative or Republican think tank. He's not. They're not. *They're liberals*. As Crane has always made plain, he's one of the original non-interventionists. Crane is for liberty first and foremost, and because he is, he's long made the parallel point that limited government can't be had in concert with a massive U.S. military presence around the world.

In which case, free trade is one way that true, classical liberals like Crane seek to bind the world together peacefully. If we're engaging in mutually-enhancing trade, nationalism and its bitter, sometimes warring fruits aren't as likely to rear their ugly heads. Seriously, who wants to shoot at or bomb their best customers? True liberals are for peace, and there's no more free or peaceful activity on the planet than trade.

Sadly, this embrace of the greatest *foreign policy* mankind has ever conceived is under attack right now, and from all sides. “Globalism” is a bad word to Donald Trump-supporting populists on the right, and Bernie Sanders-supporting redistributionists on the left. Palen notes that “left-wing free traders were the leading globalists of their age,” but lately neither of the dominant ideologies wants to be associated with globalism. Supporters of Trump and Sanders have already been mentioned, but this rising illiberalism expands well beyond them. If you doubt this, consider how Nikki Haley and Ron De Santis routinely bickered over who was closer to China and who disdained TikTok more when both vied for the Republican presidential nomination, consider how supply-side happy talkers clamor for the remarkably obtuse notion of “energy independence,” and then don’t forget how President Biden has maintained the mindless tariffs that Trump foisted on China, all the while supporting rising U.S. protectionism rhetorically.

The left-wing liberals of old would be disappointed in the state of the present economic policy debate, and likely very worried. Palen quotes 19<sup>th</sup> century free-trade hero Henry George as powerfully observing that protectionism “sanctifies national hatreds,” while another 19<sup>th</sup> century liberal (Rev. Thomas Parker Moon) disdained economic “independence” or autarky given his view that “pleas for a policy of national self-sufficiency” disconnect a world that is connected in peaceful fashion by trade.

What makes Palen’s book so routinely engrossing is how upside down the whole discussion is today. Think tax revenues. According to members of the modern left, and particularly the U.S. left, government doesn’t tax us nearly enough. To succeed electorally on the left, a politician must endlessly talk of making sure that the rich are taxed even more than they already are. Contrast the present with the 19<sup>th</sup> century, when Palen notes how left-wingers wanted tariffs (the main tax at the time) to be low as a way of limiting “government expenditures on imperial defense and militaries.” In other words, governments largely taxed to fund military expansion, which means left-wingers leaned toward limited government. Conversely, frequently right-wing protectionists sought tariffs “to pay for expanding their nation’s militaries and empires.”

While the modern right tends to associate its ideology with economic growth, the one of old sought bigger government than a left wing that was laser-focused on limiting the flow of funds to national capitals as a way of limiting wars.

Palen notes that even socialists cheered on free trade “as a necessary pre-condition for a more peaceful world.” After which, it might interest readers that Karl Marx and Friedrich Engels were on board. As Palen describes it, “For Marx, free trade was a progressive condition of industrial capitalism, moving it a step closer to socialist revolution.” As for Engels, Palen writes that Marx’s partner in the promotion of communism felt that “free trade was preferable to protectionism, as the former would ‘expand as freely and as quickly as possible’ the capitalist system and thus hasten the destruction of ‘the whole system.’” Translated, open lanes of trade would speed the very division of labor so instrumental to progress and prosperity, and thus the eventual revolution as a response to all the prosperity.

More from Engels on trade, Palen has unearthed from the communist a classic line about how protectionism is “an endless screw,” that by “protecting one industry, you directly or indirectly hurt all others, and have therefore to protect them too. By so doing you again damage the

industry that you first protected, and have to compensate it, and so on ad infinitum.” Yes! At the same time, it was hard not to read the Engels line without thinking of Steve Bannon. Bannon is closer to Marx and Engels than he realizes given his regularly expressed (and unfortunate) support for much higher taxes on the rich. Where Bannon parts ways with the communist duo is on the matter of protectionism: Bannon is a protectionist, and they weren’t. Maybe Palen’s book will convince him? One can hope.

Translating Engels’s “endless screw” observation to actual tariffs, it’s useful to pivot to Palen’s own description of the thoroughly shameful Smoot-Hawley tariff bill that the U.S. imposed on itself in 1930, and due to the endless screw, ultimately on the world. Palen writes that the bill “created a domino effect, as one desperate country after another, seeking economic self-sufficiency, turned to tariff retaliation alongside formal colonialism.” Record tariffs imposed on 20,000 different foreign products bound for the U.S. were eventually felt around the world in the form of slower growth. About Smoot-Hawley, the Socialist Party of America referred to the bill as “the most monstrous tariff legislation in the history of the country” that has “declared economic war on the rest of the world.” They don’t make socialists like they used to...

Where did the free trade movement originate? It’s an interesting question, and it is because Adam Smith leads with the genius of labor division in the pin factory example that he employs in the opening pages of *The Wealth of Nations*. David Ricardo, famous proponent of comparative advantage, was born about four years before Smith’s most essential book. Which is why it’s a little bit surprising that Ricardo only rates one mention in Palen’s book, and Smith not too many more.

In Palen’s case, he’s making a case for the old left as the driver of the trade movement, which means he dates the movement’s flowering to Great Britain’s Richard Cobden, and the so-called “Manchester School” that he brought to life. About this, it should be made clear that per Palen, Cobdenites were building “upon the international dimensions of Adam Smith’s and David Ricardo’s trade theories,” though even there he might be overstating things a tad. Indeed, neither Smith nor Ricardo “invented” capitalism (didn’t Marx himself coin “capitalist”?) and comparative advantage as much as both were reporting on it in action. It can’t be stressed enough that trade is a natural state of mankind, and it’s natural precisely because it’s so enriching.

This is in no way meant to minimize the great Cobden’s certain achievements when it came to abolishing tariffs on food imports to England (Corn Laws), as much as it’s to say that free trade’s genius was already evident. No less than George Washington was clear that the U.S. would be friendly with all nations, allied with none; a powerful statement in favor of free trade if there ever was one. Maybe Palen would agree Cobden didn’t invent the wheel as much as he internationalized a crucial economic truth? The view here is likely. Figure that his book is about the left’s embrace of what’s so enriching, but with its embrace rooted in Cobden’s view that open trade “would eventually erode national rivalries, and perhaps, some day, even national boundaries, resulting in a more peaceful and prosperous world federation.” Put more simply, the left wanted an end to all the warring. Or in Cobden’s words, free trade and peace “are one and the same cause.”

All of which unearths some commentary from your reviewer. Cobden was so right. The free traders fearful of rising imperialism were so right. A free-trade stance was naturally anti-imperialism because if you're trading freely, you're already taking in the best of the world's production in return for your own, and without any bloodshed. Taking this further, how about we apply the oft-stated economic truth that there's "no such thing as a free lunch" to imperialism? If so, it can be pointed out that stealing and warring cost money, and most impoverishing of all, they cost lives. Since they do, better to just keep markets wholly open so that the only "cost" associated with getting the world's immense plenty is individual productivity. Along these lines, Palen quotes a 1910 open letter from soap manufacturer Joseph Fels to Andrew Carnegie, that there would have been no need for U.S. control of the Philippines, nor would there have been a Russo-Japanese war if "if conditions of absolute free trade had prevailed." But sadly the "need of foreign markets" which "is so frequently used as an argument to justify wars" was carrying the day. Say it over and over again that trade is the way to *get* in abundance without any of the pain.

Not only does exchange among individuals foster brilliant, *peaceful* harmony, it's the figurative equivalent of having every entrepreneur and business residing right next door to you. So long as you're productive, you'll have the best of the best from around the world, and without any expenditures in terms of guns or lives. Along these lines, Palen observes how Cobden so rightly ridiculed the notion that unless England "occupied India there would be no trade with that country, or that someone else would monopolize it." *Absolutely*. No one produces just to produce. The act of production is a summons for the production of others, period. It cannot be stressed enough that if you're producing, you're trading with the whole world, and the only limit to your getting is your own production. In which case, why war for land and commodities when you can literally "have it all" without all the dying, along with the massive costs of associated with eventually dying? As Palen explains it in his description of *The Great Illusion*, a 1910 book by liberal thinker Norman Angell, "war was bad for business in such an interdependent world marketplace; that even the 'winners' would lose." Yes!

Yet there's more to the genius of open trade. Sadly, however, much of this genius is absent from modern discussions. To give readers a sense of where this is going, Palen writes that disciples of Cobden in Spain "argued that the importance of access to cheap bread for Spain's hungry masses" muscularly informed the free-trade movement there. Which was the point. Manchester School proponents didn't just make trade about peace. Trade was equally about "the eradication of hunger by expanding the global food supply and lowering food prices." Think Adam Smith again here. What was the pin factory example but a way of conveying the crucial truth that production of market goods soars and the prices of market goods plummet the more specialized hands and machines that are cooperating in the production of everything. Free trade loves the proverbial "working class" type more than any other economic concept on earth.

This is where it's useful to bring Steve Bannon back into the discussion. Bannon's expressed disdain for free trade is rooted in what he believes is an embrace of the common man who is allegedly harmed by open markets. Except that the common, poor, or both clearly see their economic situation improved by open lanes of trade since the latter makes it most likely that more and more producers near and far will be competing to feed them. About Cobden, Palen reports that "he became a hero among the working class" because open lanes of exchange led to much more plenty at lower prices, but also because free trade "mollified conflict" that invariably

was paid for with the lives of the poor and working classes. Palen adds that the “socialist fight for free trade promised to provide cheap food for the working classes” and – Bannon would love this – “to undermine the power of the landed elite” who were frequently the biggest proponents of protectionism.

Sure enough, Palen reports that the most powerful protectionist rhetoric in the U.S. came from an institution that most readers might assume would have sided with the free traders: the Wharton School at the University of Pennsylvania. As Palen describes it, the “base camp” for an academic assault on the Manchester School was Wharton, founded by protectionist industrialist Joseph Wharton. So, while the view here is that Palen overgeneralizes in his effort to tie the early free-trade movements to the left, it’s useful to point out that free traders weren’t uniformly the rich or ivory-towered as the Bannons of the world would suggest modernly. The working classes needed less expensive goods and services, plus they wanted to avoid wars that would at least theoretically burden them the most. Free trade is the gift that keeps on giving.

Bringing Henry George (protectionism “sanctifies national hatreds”) back into the discussion, it’s notable that his “single tax” similarly caught fire with the left. *Yes* yet again, the world is upside down. Many on the 18<sup>th</sup> century left sought tax simplification. They were Georgists. Call them the original “flat tax” proponents, consumption tax religionists, or name your movement meant to shrink the act of paying taxes to filling out a small card. In Palen’s words, Georgists “argued that placing a tax on the estimated value of land would break up land monopolies and undermine the political power of militant aristocratic elites.” The passions informing Georgism aside, free thinkers of the moment like yours truly would lustily embrace a single tax on land not to “get” the rich, but as a way of promoting the crucial Adam Smith truth that if you own land you’re a citizen of the plot of land, but if you own stocks and bonds, you’re a citizen of the world. At its core, Georgism would have promoted the mobility of human capital so essential to progress. Bring it back! Maybe even the Bannon-style populists would like it.

All of which brings us to women and early feminists. Jane Addams saw post-WWI European kids up close, and because she did she had to endure the horrors of seeing young people who gave off the appearance of “moving skeletons.” Addams’s solution to immense want and starvation was a “new international system of free labor and exchange.” Palen adds that feminists cheered “free trade’s dual promise of peace and cheap food meant putting an end to the violence, poverty and starvation of women and children” that invariably follows wars.

What about gauzy notions of “food security” that hapless protectionists hide behind today? Let’s just say that people who actually suffered these foolish ideas felt differently. To feminist Harriet Martineau, free trade was “food security” personified as the latter would arrive in abundance at low costs from all over the world so long as people were producing.

Were there quibbles with this most excellent book? There’s always something, or a few things. Toward book’s end Palen writes that as the 20<sup>th</sup> century came to a close, “Free enterprise displaced the welfare state as the economic handmaiden of human rights. But while the world was perhaps becoming more humane, it was also becoming more unequal, as the developing world fell deeper into debt.” This analysis failed in many ways. For one, it supports the false perception that inequality is a pejorative. In reality, the freer the society the more inequality there

is as people pursue their specialties. More specific to Palen, obviously one of the quickest ways to shrink inequality would be for countries to close their borders to foreign goods in pursuit of autarky. Not only would the latter cruelly sap specialization, it would also eviscerate the very markets that enable the commercially brilliant to serve the world. After which, country debt doesn't drive economic growth, rather it's a consequence of it. Without defending the tax that is government spending for even a second, the fact that country debt followed a broader embrace of free enterprise reads as very much a statement of the obvious, as opposed to the negative way in which Palen described it.

*Pax Economica* will also read as repetitive to some. To me the repetition was a positive, as it was easy to get lost in names and countless abbreviations for organizations. Still, all the names and abbreviations have given the book a stream-of-consciousness quality, including lines like "After the First World War, an even stronger global swing towards economic nationalism and imperial retrenchment encouraged the widespread left-wing socialist internationalist backing of capitalist supra-nation initiatives..."

Still, these quibbles are small in relation to the extraordinary global importance of *Pax Economica*. People of all ideologies need to read it as a reminder of just how humane and peaceful free trade is. And of how important stable money values are to free trade.

A quarter of the way through the book Palen quotes 19<sup>th</sup> century Italian professor Giuseppe Montanelli calling for "A Cobden for law codification, standardization of money, weights and measures." Yes. Money is an exchange medium, nothing else. A revival of free trade must include good money that facilitates the exchange. Here's hoping Palen follows his essential book with a history of fixed exchange rates as a crucial ingredient driver of peaceful, mutually-enhancing relations among people.