



**HAL**  
open science

## Market economy, war or peace

Jacques Fontanel

► **To cite this version:**

Jacques Fontanel. Market economy, war or peace. Nuclear questions, IPPNW, Sep 1993, Stockholm, Sweden. hal-03277717

**HAL Id: hal-03277717**

<https://hal.univ-grenoble-alpes.fr/hal-03277717v1>

Submitted on 4 Jul 2021

**HAL** is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

## Market economy, war or peace

Jacques Fontanel

IPPNW (International Physician for the Prevention of Nuclear)  
University of Stockholm  
September 1993

Résumé : Les économistes modernes rangent rapidement la question des conflits internationaux dans les réflexions de sciences politiques, malgré l'usage accru des armes économiques. La guerre devient alors un choc externe aléatoire que les variables économiques utilisées ne peuvent prévoir. L'hypothèse de base est de considérer que l'économie de marché et le capitalisme conduisent normalement à la paix. La plupart des économistes depuis le début du XIXe siècle considèrent que le progrès de la connaissance économique conduire nécessairement à la paix. Or, la permanence des guerres interrogent et mettent en évidence l'impuissance de l'économie de marché à maintenir la paix internationale. Les économistes hétérodoxes contestent le rôle futur d'un capitalisme inégalitaire et peu soucieux de l'environnement, du climat et des inégalités croissantes entre les pays et les hommes. Le capitalisme s'est arrangé avec le colonialisme, l'impérialisme, l'esclavage, alors qu'il prône la liberté du commerce et de l'industrie.

Summary : Modern economists quickly relegate the issue of international conflict to the realm of political science, despite the increased use of economic weapons. War then becomes a random external shock that the economic variables used cannot predict. The basic assumption is that the market economy and capitalism normally lead to peace. Most economists since the beginning of the 19th century have considered that the progress of economic knowledge necessarily leads to peace. However, the permanence of wars questions and highlights the powerlessness of the market economy to maintain international peace. Capitalism has come to terms with colonialism, imperialism, slavery, while advocating free trade and industry. Heterodox economists question the future role of a capitalism with little concern for the environment, the climate and the growing inequalities between countries and people.

Mots : guerre, guerre économique, paix, économie de marché, capitalisme  
Economic war, market economy, capitalism, peace, war

The collapse of the Soviet Union marked the triumph of the ideological conflict between capitalism and Soviet communism. For Francis Fukuyama (1993), the expansion of democracy and liberalism constitutes a decisive progressive factor in the reduction of conflicts between people and nations, to the point of predicting the end of history. The Western democracy becomes the completed universal form of all human government. Scientific and technological development eliminates the fundamental contradictions that form the basis of conflict between people and the violence of change. Economic development has become accessible to all societies, as has the universal emergence of the market economy and private property. Capitalism opens up new ways for developing countries, defining liberal democratic principles, which strengthen both a stable organisation of society and guarantee individual freedoms.

In this liberal perspective, capitalism leads both to the liberalisation of the world economy - the establishment that strengthens the economic development potential of all countries participating in international trade - and to the establishment of a lasting peace. More generally, liberal economists perceive war as a purely political phenomenon, as if the normal functioning of the market economy were disrupted by mercantilist overtones and the temptation of predation. However, trade pacifies human behaviour, whereas the quest for power leads to the preparation of armed conflicts, which favours the indebtedness of the state and increases the violence of inter-state relations. Finally, the cost of modern wars is so high that it leads to the ruin of nations. Wars are counter-productive, they lead to an irreversible loss of human capital, to the destruction of industrial equipment, to the military monopolisation of research and development and to the disruption of trade. This liberal view has been contradicted by some analyses that highlight the hypothetical positive short-term effect of militarism. Preparing for war can temporarily stimulate economic activity, with military Keynesianism (Keynes, 1939). However, other public expenditures are considered more socially useful, with positive long-term economic effects, such as the financing of health, education or public transport infrastructure.

Basically, Fukuyama wanted to simultaneously revive Adam Smith's famous 'invisible hand' and the Kantian idea that humanity is inexorably moving towards the pacification of international relations. Unfortunately, neither modern

mathematics nor the permanent stubbornness of warlike events supports these two hypotheses, which are nevertheless spiritually satisfying in their optimism. Conflicts are always present, not always armed, but often just as lethal. The facts are stubborn and wars are still very present in the 21st century. De facto, national economies that present themselves as the most liberal and economic warfare actors practise mercantilism (Fontanel, Bensahel, 1993). The theory of liberalism as a factor of universal peace has always been firmly condemned, especially by Marxist or heterodox analyses, for which capitalism leads, on the contrary, ineluctably to economic crises, inequalities, the exploitation of man by man, class struggle and war and major international conflicts of sovereignty, predation or power.

German thinkers and economists have always been passionate about the question of wars. Hegel presented violence as a necessary step in the process of transformation of societies; in this context, wars and revolutions are necessary to advance human society. Friedrich List considered that war was sometimes unavoidable, as long as "natural frontiers" were not finally established, especially in Europe. For Marx, capitalism engages in a form of permanent civil war (class war), in a system with strong systemic contradictions with questions of capital accumulation, the tendency of the rate of profit to fall, or the worsening of relative and absolute impoverishment.

The "cosmopolitanism" of the liberal school of open borders is particularly detrimental to the interests of the proletariat, by delaying the aggravation of the internal contradictions of capitalism. As an observation, it is observable that the spread of liberalism has not helped to avoid the great wars and economic crises. The German historical school took up the principles of mercantilism, which favoured economic intervention by the state, public support for a country's economy and the virtues of wars when they promoted the national interest. In this respect, it also often insists on the virtues of war in promoting the national interest. Today, capitalism is taken for granted, but it is beginning to reveal its shortcomings, particularly in the areas of ecology, the environment, the climate, but also inequalities of income and power between countries or in relation to a group of industries.

The peaceful nature of capitalism is a questionable thesis; democracies have often gone to war. Why then is the peaceful nature of capitalism still supported by its supporters, despite the permanence of wars?

Jean-Baptiste Say (1803) believed that economists, by discovering the true laws governing the economy and enlightening the public about its true interests, would demonstrate the widespread benefit of free trade, which would lead to the end of militarism. Public opinion, better listened to and represented, would allow for the establishment of a peaceful international system. The idea that scientific efforts would solve the issues of conflict clashed with empirical observation, which highlighted the behaviour of power or greed that exacerbated the passions of men. Jean-Baptiste Say's pacifism is only a generous hypothesis, because public opinion can just as easily be won over by the warring parties

For the apostles of liberalism, economic globalisation opens up unprecedented opportunities for economic growth. It promotes the economic development of all countries, albeit at different rates depending on the evolving comparative advantages of each country. Economic intervention by the state must be minimal in order to ensure sustainable prosperity for all countries. The market economy reduces political and social tensions, it is a powerful screen for the emergence of conflicts and its spatial extension favours disarmament procedures. The neo-classicists consider that violence is mainly due to the lack of global achievement of capitalism, in the face of areas that refuse to accept the conditions of international competition. It is not the generalised system of free trade that produces conflict, but the presence of state interventions to deny its realisation or limit its effects. A new orthodoxy has even developed based on the idea that American military, political and economic power encourages the spread of a democratic model that simultaneously ensures the permanence of economic progress and the reduction of national and international conflicts.

Democratic peace theory supports the growth of international economic and political organisations, presenting them as fundamental infrastructures necessary for the globalisation of markets. Indeed, they create an international environment conducive to free trade and democratisation processes of countries. Furthermore, the rapid and permanent economic development of the major capitalist powers leads national economies to initiate, by imitation, new democratic rules in their countries. Within the framework of the liberal economy, autocratic systems can even be threatened with severe economic sanctions.

However, the idea of a "pax democratica" is still not confirmed by historical experience. The assumption that liberal democratic systems are inherently peaceful and do not go to war with each other remains to be confirmed by historical experience. The Cold War led to strategic interdependence among Western democracies, which limited the opportunities for conflict among them. It is true, however, that democracies historically engage in wars mainly with autocratic countries. Neither democracy nor the global spreads of free trade are guarantees of peace, even when coupled. At the end of the 19th century, the commercial and financial interdependence between all countries, including their colonies, did not prevent the terrible First World War, which only Engels in his time had foreseen, considering, rightly, that a communist society could be substituted for it, but wrongly, that it would lead to the end of capitalism.

In 1915, Veblen (1915) had highlighted the tendency of modern capitalist societies, of the Anglo-Saxon type, to become more peaceful because of the predominance of commercial interests over political interests. In contrast, dynastic societies, characterised by specific practices inherited from the feudal era, involve continuous power relations, both within and outside the national system. The warlike tendencies embedded in the collective unconscious are likely to resurface at any time, bringing back to power leaders with dynastic behaviour. Economic rationality is not always dominant in modern conflict situations.

For John Kenneth Galbraith (1974), the central importance of the US military can be traced back to the origins of the US state, which was established by merchants who pursued a mercantilist policy in foreign markets (according to the rules laid down by Hamilton), despite their attachment to Jefferson's liberal philosophy. The famous report on the utility of wars is still in the collective world memory (Galbraith, 1984, 1993). The development of the military sector was also used to maintain their economic and political power on the national and international scene. Adam Smith (1976) had already mentioned the possibility that the state could be induced to wage war under pressure from certain classes or particular interests. Thus, colonial conquest policies were carried out under pressure from merchants. Adam Smith was against the colonial trading system established by Britain, the protectionist privilege of landowners and slavery. Groups interested in war can manipulate public opinion to support an aggressive foreign policy that is detrimental to the public interest. Adam Smith proposed

the control of state warmongering on the basis of financing war through direct taxation, not borrowing, to weaken potential public support for armed conflict.

Washington has launched a major 'geo-economic' offensive to strengthen US national power in world markets through the spread of 'soft power' (Nye, 1990), characterised in particular by the application of US laws in international trade. In this context, pressure is exerted on other states through the simultaneous threat of military and economic action and political and diplomatic negotiations on the development of a market economy dominated by US-based multinational firms. The state's support for American national companies, in direct or indirect forms of protectionism and subsidies, is no longer in question (Fontanel, 1984; Fontanel, Smith, 1985).

Militarism is often presented as the result of the misuse of the state apparatus, which from the beginning discredited the Soviet system (Colard & al., 1981). War is also the consequence of particular interests of nations, without immediate reference to the concept of predation. Adam Smith (1976) had already mentioned the possibility that the state might be incited to wage war under pressure from certain classes or particular interests. Thus, colonial conquest policies were carried out under pressure from merchants. Adam Smith was against the colonial trading system established by Britain, the protectionist privilege of landowners and slavery. Groups interested in war can manipulate public opinion to support an aggressive foreign policy that is detrimental to the public interest. Adam Smith proposed the control of state warmongering on the basis of financing war through direct taxation, not borrowing, to weaken potential public support for armed conflict.

Dominant politicians seek to influence public opinion according to their own interests or those they represent. They can maintain high defence budgets, even in peacetime, by rekindling the warlike tendencies of the population. For Hobson (1902), imperialism is an inevitable feature of capitalism, as this system leads to overproduction, an unfair distribution of wealth, a system of under consumption and the occurrence of recurrent economic crises. The most powerful states seek both to develop their foreign markets and to secure their supplies of raw materials. Patriotism is then used for particular interests.

Pareto (1897) sees the military sector as an instrument for the plundering of the common people by the upper classes. Military

expenditure, financed by taxes and public debt, depends on the usefulness of external threats to social cohesion, but also on the megalomania of the upper classes. The decline of state intervention in the national economy should therefore be recommended as a remedy for militarism. This analysis prefigures the concept of the military-industrial complex used by President Eisenhower in 1961. Citizens no longer have any democratic control over decisions concerning the military, which applies the rules of military secrecy to give only useful information to parliament. The external threat is exaggerated and used to strengthen the power of the military establishment (Galbraith, 1974). The links between members of Congress and the arms industry are close, through campaign finance and local employment. Militarism and war are thus the result of a failure of American democracy.

These non-controversial analyses of capitalism are obviously opposed by economic theorists who believe that conflict and war are consubstantial with capitalism.

For Marx and his epigones, war is ultimately the result of class war in a system that exploits the proletariat. In the capitalist mode of production, the internal contradictions linked to capital accumulation, overproduction and the tendency of the rate of profit to fall are temporarily resolved by opening up new outlets abroad, with an expansion of its space of action, notably through colonisation. The Russian pre-revolutionary analyses show that war between the national capitalist economies will be inevitable due to increased competition on the international markets. The main reason for armed conflicts is the change in the distribution of markets between the imperialist powers, in a context of permanent and conflicting changes in the international economic hierarchy, due to disparities in national economic growth rates. It is not only a question of capturing commodity markets, but also of gaining access to new sources of raw materials and protecting active and accumulated capital. The developing countries are challenging the power relations and domination that the colonialist and imperialist powers still want to impose on them. An international confrontation between the great powers should lead to a social and societal revolution (Lenin, 1916).

This analysis, partially validated with the First World War 1914-1918 and the advent of the Bolshevik revolution, did not, however, ultimately stand up to the facts. Despite wars and violent economic crises, capitalism survived, showing an



unexpected resilience. For Kondratiev (1935), wars are the result of phases of economic expansion in the advanced capitalist countries, which lead to additional demand for raw materials and markets, thus fostering increased national and international economic and political tensions. This theory of long cycles shows that capitalism can overcome major economic crises, despite the considerable human cost.

For Hilferding (1910), the interests of financial capitalism, like those of Adam Smith, are capable of reaching national and international agreements in order to limit economic disputes and the risk of armed conflict. He notes the growing power of big business and foreign investment, supported by states. Increased militarism, especially to secure supplies of raw materials and to expand spheres of influence in less developed areas, was initiated by colonial policy. The growth in the size of companies and the internationalisation of their activities favoured agreements between the most powerful, beyond national borders. If international trust is established in the world economic system, capital exports can stabilise capitalism, through an organised exploitation of the world by a united international finance capital (Kautsky, 1910). This presentation was partially confirmed after the Second World War.

International economic organisations (International Monetary Fund, World Trade Organisation, World Bank, European Union, etc.) were created to reduce the possibility of open conflicts between capitalist powers (Fontanel, 1981), without preventing the rise of peripheral conflicts. Several Marxist-inspired theories have been developed? Among them, Baran and Sweezy's (1966) theory presents military expenditure as unproductive expenditure that allows the absorption of the economic surplus created by monopoly capitalism. The arms race is thus consistent with the logic of capitalism, stimulating collective values without increasing the incomes of citizens whose productivity is considered low. In this context, disarmament is not compatible with capitalism.

According to Schumpeter (1942), wars, territorial conquests and conflicts over raw materials have little impact on economic change: only technical progress is really decisive. The success of capitalism is due to the actions of business leaders and innovation, not to state intervention. There is little significant economic benefit from militarism or war, including the emergence of major innovations. This analysis is often refuted. Today, much military

production is based on dual technologies; more and more products used for the armed forces are commercialised and made available to civilians. With the privatisation of many activities previously controlled by the military, there is more interaction between military and civilian research than ever before.

The large budget for military research and development in the United States has sometimes been interpreted as aid to the private sector to develop advanced technologies. As the military sector is not subject to WTO rules, public funding for military projects is an indirect means of supporting US industries. The question of the future of capitalism has worried its supporters a lot in past major crises, especially in the inter-war period, but it has survived several major wars in the past and the military sector sometimes produces innovative effects that lead to decisive technological revolutions.

Wars are periods that favour this rise in power of the state in the economy, with a ratchet effect that means that when peace returns, the state does not fully disengage. In this analysis, wars can be both the consequence and the cause of the disappearance of the spirit of capitalism in industrialised countries. Opposed to this perspective are the proponents of interventionism, for whom capitalism can only survive by limiting the excesses of the market with social policies and regulations that avoid a major economic crisis that could weaken the system.

Thus, John Maynard Keynes supported the development of state interventionism to overcome the Great Depression of the 1930s. However, he also considered that the liberal model was no longer adapted to his time, criticising in particular capital outflows that hindered the efficiency of national economic policy or the separation between ownership and management within the company. The search for international specialisation and global distribution of capital favours aggressive policies to protect national interests in order to create new markets and develop economic imperialism. Keynes remained sceptical about the usefulness of foreign capital inflows on national economic structures and about the close dependence of the national economy on the fluctuations of foreign economic policies. Thus, international economic interdependencies should be limited, as disagreements between states can then lead to new wars.

Today, military spending supports US economic power, especially in a period of heightened nationalism. The role of the US as the undisputed global superpower that is at stake today:

confidence in US leadership determines both its attractiveness to foreign investors and the effectiveness of soft power, i.e. diplomatic influence, useful in influencing international rules and trade agreements.

A world war could ultimately result from the economic crisis caused by the exhaustion of the capitalist mode of regulation, due to the progressive aggravation of international tensions. Economists have so far paid little attention to environmental issues (Fontanel, 1979). Liberal theory has, since its inception, glorified industrial production and productivity growth, considering that wars motivated by predatory strategies were a thing of the past. According to Malthus (1798), overpopulation is a factor of war and insecurity; population control is a precondition for peace. Offensive policies often find their origin and support in economic difficulties and poverty or pauperism. Convinced that limited food resources, Thomas Malthus states that nothing can prevent the exhaustion of the soil, and thus the inevitable race of the economy towards a stationary state, will hold economic growth back.

In the early 1970s, the Club of Rome report "Limits to Growth" was a first reminder of the fragility of the Earth. Those who believe that humanity can adapt to resource scarcity through technological progress challenge this idea that global growth is unsustainable. The idea of restricting the pace of economic growth to reduce the depletion of natural resources is ruled out by international institutions such as the IMF, World Bank and OECD. Thus, the concept of sustainable development that emerged in the 1990s does not match the pessimism of the Club of Rome ideas of the 1970s. Yet the logic of economic and financial globalisation encourages a constant search for productivity gains, increased production volumes and the generation of industrial innovations to create new markets. The idea that economic growth in the North should be reduced to compensate for the demand for natural resources due to accelerated growth in emerging countries is rarely taken up, despite the growing trend towards environmental scarcity and conflict in developing countries. Economic and energy shortages are strategic issues that have a strong impact on the likelihood of war. The idea of disarmament for development, which had been advocated by the UN in the context of the arms race between the US and the USSR, now seems to have been abandoned (Fontanel, 1993).

Wars and crises have punctuated the history of capitalism since its origins. Even if international agreements and institutions have limited the risk of war in the contemporary period, this risk cannot be considered as definitively eliminated, especially in times of economic crisis and disruption of the hierarchy of powers. History has shown that economic interdependence is no guarantee of world peace. War or the threat of war forces a re-evaluation of the current economic model and highlights the need to adopt new norms that are particularly difficult to apply in a capitalist system that believes primarily in self-interest as a basis for action. Environmental and climate issues can no longer, in a short time, suffer the throes of an exacerbated search for profitability that progressively destroys the earth's resources without moderation. Then war can again arise with the appearance of new rarities.

The absence of major conflict between capitalist countries since the end of the Second World War has reinforced the idea that wars are becoming progressively obsolete with the widening application of the rules of capitalism, mainly because of the proliferation of international institutions designed to resolve trade disputes peacefully, in order to avoid major economic crises and increase economic and financial interdependence between the major powers. But wars have not disappeared with the spread of capitalism in the world and their appearance in the future could be a consequence of both the growth of inequalities in the world, climate and environmental issues, the widespread depletion of arable land or economic wars.

## **Bibliography**

Aglietta, M. (1976). *Régulation et crises du capitalisme*, Paris, Calmann-Lévy, 1976.

Baran, P., Sweezy, P. (1966), *Le capitalisme monopoliste*, Maspéro, Paris, 1968

Boyer, R. (1986), *Théorie de la régulation, une analyse critique*, La Découverte, Paris.

Colard, D., Fontanel, J., Guilhaudis, J-F. (1981), *Le désarmement pour le développement*, Vol 19, , Fondation pour les Etudes de Défense Nationale.

Fontanel, J. (1979), *Ecologie, économie et plurigestion*, Editions Entente. Paris.

Fontanel, J. (1981), *Organisations Economiques Internationales*, Masson, Paris.

Fontanel, J. (1984), *L'économie des armes*, La Découverte, Paris.

Fontanel, J., Smith, R. (1985), L'effort économique de défense, *Ares, Défense et Sécurité*, Supplément n° 4

Fontanel, J., Smith, R. (1985), Analyse économique des dépenses militaires, *Stratégique*.

Fontanel, J., Ward, M. (1993), *Military Expenditures, Armaments, and Disarmament, Defence and Peace Economics*, Taylor & Francis (Routledge), 1993,

Fontanel, J., Bensahel, L. (1993), La guerre économique, *Ares, Défense et Sécurité*, 13(4), 9-50.

Fontanel, J. (1993), The economics of disarmament, in *Handbook of Defense Economics*, Vol.1. (Hartley and Sandler eds), North Holland, Elsevier Sciences,

Fontanel, J. (1993), *Economistes de la paix*, Presses Universitaires de Grenoble.

Galbraith J.K. (1984) *Introduction à La paix indésirable ?* Rapport sur l'utilité des guerres, Paris, Calmann Levy, 1984.

Galbraith J.K. (1974). *La science économique et l'intérêt général*, Paris, Editions Gallimard

Galbraith J.K. (1989), *L'économie en perspective, une histoire critique*, Paris, Le Seuil.

Galbraith, J.K. (1993). "Le pouvoir économique autonome, in Jacques Fontanel *Economistes de la paix*, Grenoble, Grenoble.

Hilferding R. (1910). *Finance Capital*. Routledge and Kegan Paul, 1981.

Hobson, J.A. (1902), *Imperialism. A Study*. George Allen & Unwin, London, 1961.

Homer-Dixon T.F. (1991), "On the threshold: environmental changes as causes of acute conflict", *International Security* 16.2 (1991):

Kautsky, Et maintenant?, *Neue Zeit*, 2, 1910

Keynes, J.M. (1939) "Will Rearmament Cure Unemployment?" in *The Collected Writings of John Maynard Keynes*, Volume 21, 1992.

Keynes, J.M. (1942) "Inter-Departemental Committee on Reparation and Economic Security", *The Collected Writings of John Maynard Keynes*, Volume 26 (1992).

Kondratiev N.D. (1935) "The long waves in economic life", *The Review of Economic Statistics* (17 Nov. 1935) 105-115.

Lénine V, O. *L'impérialisme, stade suprême du capitalisme*, Paris, Editions Sociales, 1971.

- Malthus T.R. (1798). *Essai sur le principe de population*. Flammarion, Paris 1992.
- Nye, J.S. (1990) Soft Power, *Foreign Policy*, N° 80.
- Pareto, V. (1897) *L'Etat actuel de l'Italie, dans Libre-échangeisme, protectionnisme et socialisme*, Genève, Librairie Droz, 1965.
- Pigou A.C (1921). *The political economy of war*, Macmillan, London.
- Say J.B. (1804). *Traité d'économie politique*, Calmann Levy, 1972.
- Schumpeter, J. (1942 ) *Capitalisme, socialisme et démocratie*, Payot, Paris 1990.
- Smith Adam (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations*. Methuen and Co., Ltd., 1904.
- Smith, R. P., Humm, A., Fontanel, J. (1987) Capital-labour substitution in defence provision, *Defence, Security and Development*, Frances Pinter.
- Smith, R., Humm, A., Fontanel, J. (1985), The Economics of Exporting Arms, *Journal of Peace Research* 2(3).
- Veblen T. (1915). *Imperial Germany and the industrial revolution*, New York, Augustus M. Kelley, 1964 (originally published in 1915).
- Weber Henri (1983) "*Kautsky, Luxemburg, Pannekœk, Socialisme, la voie occidentale*", Paris, Presses Universitaires de France, Paris, 1983