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THE THEORY OF WIDER TERRITORY ECONOMY

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1. THE INEVITABILITY OF WIDER TERRITORY ECONOMY

The term "wider territory economy" (grossraumwirtschaft) was originally used in connection with the problems of Germany's amalgamation with Austria. But today it is employed more extensively to indicate an economic territory composed of many national economies and is considered as an intermediary or transitory economy as against national economy, on one hand and world economy, on the other. It stands midway between national economy and world economy, not only in its geographical and territorial senses but also in its composition and content.

The problems of wider territory economy are the newly risen world problems which are bound up with the new world order and the new international structure, and are related to the consequences of the Second European War and the post war problems; and are likely to give rise to most important theoretical and practical problems in the future. But in this oriental part of the world, wider territory economy made its appearance at the time of the breaking out of the China Incident. In its present-day sense it may be said to have emerged from the Far East and has become

a wider problem of world importance.

Why is it, let us ask, that wider territory economy has become a world problem and will determine the world economy of to-morrow? The answer is very simple. Its inevitability is due to the China Incident and the Second European War, especially their economic forces. For what will give order to the post war world economy will not come out accidentally; it will certainly come out of what has made the great war inevitable.

Now, our problem must go back to 1930, the year of the great world economic crisis. This crisis caused by surplus production made the expansion of world armaments inevitable in two ways, direct and indirect. Firstly, capital, labour and resources...all in surplus..were consumed in the expansion of armaments so as to absorb surplus productivity and thereby put an end to the crisis. Secondly, nations expanded their armaments for the purpose of placing themselves in a more advantageous position in an international race for acquiring new world markets for their own surplus products. Now, it may be said as a general proposition that limit for armament expansion, merely to cope with an economic crisis, will be reached when surplus productivity is absorbed. Such a limit was in evidence up to the year 1933.

Now, in the next stage armament expansion merely as a measure for coping with crisis turned into quasi preparations for war. Then, the relativity possessed by armaments had the effect of turning mere armament expansion into a worldwide armament race. Moreover, the worldwide opposition between the national front and the people's front also had the effect of turning mere armament expansion into an armament race, and thus the so-called world structure for war preparations became inevitable. Such a structure having been made, a world war became unavoidable and was fated, but there were other conditions which were necessary for its actualization.

To adjust the domestic structure for war preparations

means the adjusting of a national defense State. And for this it is necessary for a nation to maintain its maximum power for producing munitions and the power of producing the minimum amount of goods for national life. This, in turn, means the maintenance of resources for both munitions and national life. During the period of liberal economy, the so-called industrialising policy was sufficient to expand a nation's productive power, and it was possible to get the supply of necessary raw materials and food for this policy from the extensive world market cheaply and safely. But after the emergence of the worldwide structure of war preparations, such a way of securing supplies became almost impossible, due to controlled economy or planned economy in force.

Thus, the economic cause of the Second World War, unlike that of the First War, was the desire to maintain the supply of munition resources necessary for the completion of a defense State and of food provisions. This will also inevitably determine the direction of the post war order. During the period of economic crisis, every nation adopted autarchy within its own national economy, but it was unable to escape the paradox of narrowing of the world market even as a measure for coping with the crisis. After the emergence of the world structure for war preparations in the wake of the passing of the period of crisis, nations became unable to maintain the supply of munition resources and of daily necessities within the limit of national economy, as they had hitherto done. Nations having vast territories and abundant resources such as the United States and the Soviet Union are unable to meet their requirements within their own national economy. It is only too evident that other nations are totally incapable in this respect. Herein lie the economic inevitability of the Second World War and an important hint for the re-organization of the world after the present war.

The worldwide opposition between the two groups of nations, namely, the haves and have-nots, is not a question concerning capital or labour; it is principally a question of

the resources of munitions and of daily necessities. Thus, there is no doubt that the economic significance of the present war lies in the re-division of the resources of the world. But this re-division is not a simple re-division. Nor is it the re-division in the form and organization of which are those of the division of resources made during the period between the 19th and 20th centuries. It will have its modern meaning in that it will be made in a new form and organization. It will not be the territorial expansion of single nations, that is, the expansion of unitary national economies such as was made in ancient times and the middle ages. Nor will it be the expansion of colonial economy such as seen in modern history. It will mean the synthetic and unified structure of various national economies composed of a group of modern States or federations. For this reason, although it resembles the so-called bloc economy, there is an essential difference between the two economies.

2. WIDER TERRITORY ECONOMY AND BLOC ECONOMY

Wider territorial economy is the synthetic and unified structure of many national economies. It resembles the so-called bloc economy in several respects. Both embrace national economies and are composed in their mutual relations; in respect to the factors of geography and structure they stand in common midway between national economy and world economy. However, wider territory economy has a special character which does not permit of identity with bloc economy.

As is universally known, bloc economy is the world economic movement which evolved as a measure for fighting the worldwide economic crisis which became prevalent after 1930. All the characteristics of bloc economy are determined by this origin...a measure for coping with an economic crisis. But wider territory economy comes from the period of war preparations or war period in the later times. Thus,

whereas the former had the negative object of coping with an economic crisis, the latter has the positive aim of preparing for war or of completing a national defense State. It is not accidental, therefore, that the one economy was evolved in such nations as Great Britain, France and the United States, all of which wished the maintenance of the status quo; while the other economy was originated in Japan, Germany and Italy, each of which wishes to break up the status quo.

Next, bloc economy is organized on existing political conditions. In other words, the attempt is made in this economy to form definite economic relations among the countries having definite political relations, especially between a home country and its colonies or dominions. For this reason, the formation of bloc economy in many cases was made in peace through some agreement among the countries concerned. But in the case of wider territory economy, its formation, of course, is predicated on some definite political relations, which, however, are not necessarily existing ones. Nay, new relations are often established in the process of the formation of this economy. Or, it may be said conversely that new political relations are created in anticipation of the formation of wider territory economy, and within its necessary limit and sphere. It is because of all this that bloc economy was formed without any relations with the World War, while demand for wider territory economy led to the World War, as a result of which this economy is being formed.

The two economies thus having different processes of formation and development from each other, they have necessarily different contents. Bloc economy which was originated in a worldwide economic crisis inevitably had as its object the disposition of the surplus products by means of promoting the commodity trade within its area, and evolved concretely around reciprocal tariff. On the other hand, wider territory economy which is being evolved in the period of war preparations or of wartime conditions, is

intended to cope with the deficiency of materials, especially those resources which are necessary for the completion of a national defense State. It, of course, will tend to stimulate trade within its area but this will be its result rather than its cause. Thus, it will be noted that the scope of wider territory economy is far more extensive than that of bloc economy.

Wider territory economy, therefore, includes not only its internal commodity trade, but also the movement of capital, labour and technique among its component parts, thereby forming a special type of economic relations along all lines. But what is more important is the exploitation of resources which is made through the export of capital and technique and the opening up of natural resources to all component parts. Should the exploitation of resources from the standpoint of national defense be excluded, the significance of wider territory economy would be largely lost.

Further, special relations should be established among its component parts, not only in respect to its economic problems but also to the problems of national defense, diplomacy, politics and culture. Although the central problem of wider territory is economic, it cannot exist in isolation from national defense, diplomacy, politics, or culture. Compared with bloc economy, wider territory economy naturally includes problems whose scope is much wider than those of the former economy.

Wider territory economy is different in nature from bloc economy not only in respect to the entirety of its economic scope but also because of the fact that it may be considered as a synthetic and unified entity. In other words, the former enters into the relations of production which it intends to mould into a unified structure under synthetic planning; while the latter consists only in the relations which it attempts to adjust among its component parts. True, even wider territory economy does not intend to mould the entire relations of production into a synthetic and unified structure. There must be a limit that comes from its objective or aim;

but within this limit are found the elements of planning which never could be found within the unitary national economy of the period of liberal economy. In this respect, wider territory economy stands in a stage higher than that of bloc economy. Roughly speaking, it may be said that bloc economy is an international development during the stage of transition from liberal economy to controlled economy, while wider territory economy is an international development during the stage of transition from controlled economy to planned economy.

3. THE AIM OF WIDER TERRITORY ECONOMY

The inevitable development of wider territory economy leading to the federal completion of a high-degree national defense State, it is clear that the aim of this economy is to perfect a high-degree defense State through the formation of a planned synthetic and unified structure of many national economies. By "high-degree" here is meant "synthetically planned". Synthetic planning must first of all be carried out within a nation. This is the general mobilization of all forces. But today, the general mobilization of all forces is not limited to a single nation; synthetic planning must be carried out as a synthetic and unified structure of many national economies.

The completion of a national defense State through synthetic planning undoubtedly includes the general problems of various phases such as armament, diplomacy, politics, culture, etc., but their fundamental factor of course is its economic completion. And the object of wider territory economy is to complete the economic defense State. This means at once the expansion of productivity which is necessary for such a State. But the expansion of productivity, as has been experienced in Japan, becomes at once a question of material goods and ultimately that of resources. True, capital, labour and technique are necessary for the expansion of productivity, but all these factors do not make

development into wider territory economy inevitable. What makes such a development inevitable is no other than the factor of resources.

The aim of wider territory economy to maintain productivity, which is necessary for the planned completion of a high-degree national defense State, in the form of resources consists in the maintenance of resources for both munitions and daily necessities. By a national defense State one is apt to think of the productivity of munitions or munition resources, but it can never be brought to completion without regard to the daily economic life of the nation. For this reason consideration must be given to the productivity of daily economic life and resources of daily economic life, side by side with the production of munition industries and munition resources. Of course there should be this difference: whereas the productivity of munition industries should be expanded to the maximum that of daily economic life should be maintained at the minimum. This is an inevitable consequence of the very nature of the national defense State.

Now, the question may be asked as to what is the object and what is the degree of the maintenance of munition resources, and resources for daily living. In other words, what is the aim of wider territory economy? It is to maintain the self-sufficiency of supply. In other words, the aim of this economy is capability of self-sufficiency in the supply of munition resources and resources for daily living within its own area. The ultimate aim of wider territory economy is the self supply of defense resources.

This self supply of defense resources means the synthetic self supply of the whole area of this economy. Demand for such a synthetic self supply originated in the incapability of individual economies to possess such self supply; such self supply will be lost if component economies are taken individually. Synthetic self supply is especially important in the case of munition resources. In the case of living resources, especially food resources, individual self supply may be adopted as the aim for the time being. Inasmuch

as resources or raw materials in some case are found in all parts of a give area in comparatively equal amounts, while in other cases are found in concentration in some parts, the maintenance of self supply is both possible and necessary by taking the whole area as one structure. On the other hand, living resources, especially food resources, possess, on one hand individualistic changeability, and local dispersiveness on the other. For this reason, these, except the raw materials for clothing, possess individualistic self supply within the limit of national economy. It is clear that if individualistic self supply is maintained, the synthetic self supply will be also maintained for the whole.

The self supply of wider territory economy is one of the aims and it is not an easy task to perfect self supply in actual practice. Constant efforts must be made in order to maintain the absolute self supply as an ideal object, but in actual practice only relative self supply is possible in many cases. On the other hand, in some cases it is possible to maintain the self supply of resources more than necessary for actual needs.

Granting that the exploitation of resources is to be made under synthetic planning, there arises the question as to whether the exploitation should be limited to the degree of self supply even when the resources are deposited in excess of the amount of self supply. True, in the case of mineral resources the amount of which has a natural limitation, their exploitation must maintain self supply from the present to the future, under a planning including the needs of the distant future; and in consequence their exploitation in excess of self supply is unthinkable under planned economy. However, there are many animal and vegetable resources which will prove literally inexhaustible almost everlastingly, if their exploitation is made according to some plan. Their exploitation in excess of self supply will be both possible and necessary in some instances.

This is due to the fact that the self supply of wider territory economy is not necessarily absolute, and in conse-

quence this economy does not necessarily mean blockade economy. None of the existing four wider territory economies possesses perfect self supply when viewed from the standpoint of a high-degree national defense State. Nor are defense resources equitably distributed among them. Mention may be made of petroleum in the United States and rubber in the South Seas as an example of such resources. Therefore it becomes necessary for wider territory economies to remedy among themselves what is lacking in each and thereby complete their national defense States by means of their mutual supplementation. This economic relation or commodity trade will necessarily become very much more restricted than in the period of free trade, but it will possess the element of planning within its sphere. It becomes necessary for a wider territory economy to make up its deficiency by exploiting its abundant resources in excess of the amount of their self supply, the surplus being used for the supplementation of its deficient resources. But since such surplus has the object of supplementing what is lacking, the whole system may be said to be an attempt to maintain the self supply of defense resources.

4. THE CONSTRUCTION OF WIDER TERRITORY ECONOMY (1)

Theoretically speaking, the natural and geographical construction of wider territory economy must provide a definite rule from the standpoint of natural resources or economic geography, so as to maintain the self supply of defense resources which is its aim. An examination of the actual construction of the existing four great wider territory economies reveals the general inclination that each of them runs over the earth vertically from the frigid zone to the temperate and torrid zones. Whether this came inevitably from the desire of maintaining defense resources in each of these zones, or is merely accidental, is a question which requires further examination. At any rate, it is totally dif-

ferent from bloc economies which run over the earth horizontally, some being confined to the frigid zone while others to the torrid zone. Thus, their natural elements lacked variety. On the other hand, the vertical division of the earth includes natural elements with a high degree of variety, and is bound to maintain the self supply of various natural resources.

Greater importance must be attached to the political element of the construction of wider territory economy, when the characteristics of this construction are taken into consideration. As has been noted, the political-characteristic shown in the process of constructing wider territory economy is that in many cases its formation is accompanied by the creation of new political relations, although this does not mean the relations of political domination; whereas in the case of bloc economy existing political relations formed its basis.

The internal political relations of wider territory economy are adjusted by the so-called leader principle, which is the fundamental idea of the new structure. Although the leader principle was originally a conception of the domestic new structure, it is obvious that the domestic structure cannot exist in separation from the international or world structure. I shall not here dwell on the general arguments of the leader principle, but I wish to consider what will be its political constitution, if it be applied to the countries forming a wider territory economy.

To begin with, the countries composing wider territory economy cannot exist side by side on the basis of liberty and equality as they were under liberal economy. Nor will they form the relations of domination and obedience such as is shown by conquered possessions. One of these countries having definite objective conditions should take the leading position and carry out the role of leadership in disposing of political, economic and other affairs within the sphere. The remaining countries should cooperate with the leader country and thereby give birth to their combined efficiency. Thus,

there should exist between the leader country and the cooperative countries the relations of leadership and cooperation, instead of those of dominion and obedience. Such, indeed, is the idea of the leader principle, as applied to wider territory economy.

Now, the formal political construction of the leader country and the cooperative countries need not be uniform. All of them, however, should be able to possess territorial integrity and enjoy sovereign rights such as autonomous and independent nations are entitled to possess. None of them is to be dominated, nor is obliged to show obedience to any other. In this respect they all are independent nations. But they differ from liberal nations in the following respect: each nation is included in the economic sphere as its constituent part under a synthetic planning and must obey to the whole system. Thus, although each nation is independent in its horizontal relations with others, it is neither free nor independent in its vertical relations. The leader nation exercises its power in the interests of the synthetic whole and not in its own interests.

It should be noted in this connection that this political construction is not to be applied uniformly to all parts of the whole structure, but that variation should be permitted to exist according to the actual situations of the constituent parts. Let us take our East Asia economic sphere, for instance. We may say that the relations between Japan and Manchoukuo are different from those between Japan and China, and, for that matter, from our relations with French Indo-China or the Netherlands East Indies. Moreover, within the last named, our relations with Java will be different from those with Borneo or Sumatra. Different countries may exist side by side in different political forms such as a full-fledged independent nation, or protectorate, or dominion or colony. But what is all important in all cases is that there should exist among all the constituent parts special political relations which are sufficient to assure the formation of a synthetic and unified structure of wider territory

economy. So long as such political relations are maintained, formal political constitution is a comparatively unimportant problem.

What is by far most important about this economy is its economic construction. This is an inevitable outcome of the fact that the object of this wider territory economy is the completion of an adequate national defense State as a whole, and its objective is to maintain the self supply of necessary resources. The geographical and political construction already noted are but means and basis for economic construction.

5. THE CONSTRUCTION OF WIDER TERRITORY ECONOMY (2)

Wider territory economy is formed as a complex synthetic economy. Its economic construction should be made above all as the synthetic and unified structure of the whole. True, national economies composing it exist separately and make up the synthetic whole structure. Hitherto, these economies were absolute in themselves; they formed walls of their own and directly constituted the world economy. Now, wider territory economy does not break up this synthetic structure of national economies which, as a matter of fact, is left intact and on which is built another structure, namely, wider territory economy. In other words, one may say that wider territory economy is the synthetic economy of synthetic economies; it is thus a synthetic structure of dual senses and may be said to be a complex synthetic economy. Or, we may further say that the walls of national economies are encircled by more extensive walls by means of which they form world economy indirectly.

The fact is that national economy and wider territory economy are alike synthetic economies, the former being a unitary synthetic structure or an individual synthetic economy as against the latter's complex economy, or synthetically synthetic economy. But both differ from each other in

respect to the character of their construction, and therein lies their reciprocal relationship. In other words, national economy is a unit of construction and by its synthesis wider territory economy is constituted. This may be likened to the formation of national economy with individual economies as units of construction. The only difference is that the units of construction are individual economies for the one and synthetic economies for the other.

Another marked characteristic of wider territory economy is that its synthetic economy is constituted by means of planned control. Synthetic economy hitherto was conceived as an anarchic existence without subject or will, and neither planning nor control on the whole was ever anticipated. It was considered to exist as an unconscious phenomenon which was formed as a result of the synthetic activities of wills in individual economies constituting the unified structure of wills. The *laissez faire* policy of capitalism is an outcome of this conception. In the case of wider territory economy, individual national economies have already passed from the stages of liberal and controlled economies and attained that of planned economy. Thus, they are totally different in nature from the anarchic, unconscious synthetic economy of the liberal regime, although both are alike synthetic economies. In consequence, the synthetic unified structure of wider territory economy, which inevitably comes from these national economies, is absolutely different, for instance, from the so-called synthetic unified structure of world economy, so long as the former is a synthetic economy established as a result of deliberate planning and control.

The principle governing the construction of wider territory economy is based on synthetic unified structure or synthesis structure principle. It does not stand on the cooperative structure principle having as its object the promotion of mutual interests among the countries concerned. Under the cooperative structure principle, nations concerned independently develop their respective national economies of liberty and equality which are linked horizontally for the

purpose of adjusting mutual discrepancies and of promoting mutual interests. This principle stands on the principle of liberal economy which, in turn, stands on individualism and liberalism; and only adjusts its own discrepancies. On the other hand, wider territory economy rolls all national economies in a given sphere into a unified structure which transcends individual economies. For this reason, it must stand on the principle of synthetic structure which we advocate. So long as wider territory economy is constituted according to the synthetic structure principle, individual national economies must be also constructed according to the same principle. It is because of this relational necessity that the so-called new structure movement...a movement for establishing new domestic structures...has made such a rapid development recently.

However, the relations between the synthetic whole and its component parts in wider territory economy must differ according to the existing conditions in each of these parts, especially in the stages of its economic development. The principle governing the political relations between the leader nation and the cooperative nations which we have already examined will also hold true in their economic relations. There should be a functional distinction between the leader nation and the cooperative nations. The former should be in the position and should have function for carrying out its role of leadership to realize the planned economy for the whole sphere, and the latter should show their whole-hearted cooperation in the same task. Accordingly, the economic function of each component part must differ from those of other parts. What is important in this connection is that the leader nation should not carry out its economic guidance in the interests of its own national economy; nor should the cooperative countries show their cooperation in a similar spirit. On the contrary, both the leader nation and other members of the sphere should carry out their respective tasks so that the object of the whole economic sphere may be attained. The leader principle of the new structure

should be extended in its external aspect from national economies to wider territory economy, and should be developed in its content from the cooperative structure principle to the synthetic structure principle.

The object of wider territory economy as a synthetic, planned and unified structure, is to expand productivity necessary for the completion of a perfect national defense State, and to preserve the supply of resources by its own hand. For this reason, the work of synthesizing, planning and unifying need not extend over the entire field of national economies. The same may be said of each national economy: planned economy is not to be applied to very corner of national life, but only to those parts which are necessary for the realization of a perfect national defense State. However, in actual practice, planning and control cannot be restricted to those which are directly necessary, if success is to be achieved in planning and control, inasmuch as the planning of one phase often requires that of other phases; and a synthetic policy extending over a considerably wide field will be required. This will be more so in the leader country as compared with the cooperative countries, for which the degree and sphere of economic planning will be of high variation. For instance, there must be a great difference in content between the economic planning of Japan and that of the Netherlands East Indies. In consequence, the synthetic planning for the whole economic sphere should be restricted to that extent which is necessary from the standpoint of the perfection of a national defense State and the conservation of indispensable natural resources. In actual practice, the exploitation of national defense resources should be made the axis of economic planning.

6. THE ECONOMIC RELATIONS IN WIDER TERRITORY ECONOMY

Unlike bloc economy, wider territory economy attempts to synthesize not only the process of mutual circulation, but

also the process of production under definite plans. And for this reason, the mutual economic relation, in which it assumes its concrete form, is bound to cover the entire phases of economic factors. Thus, economic relations cover the three phases of capital, labour and commodities. Of course, we do not mean to assert that the economic movement of capital and labour did not take place in the international relation of liberal economy. But when compared with the movement of commodities, that of capital and labour was secondary in importance. The former international economic theory rather denied the free movement of capital and labour. Excepting special relations such as those existing between a home country and its colonies, the axis of economic relations among the Powers was the movement of commodities, that is, international trade; and the movement of capital and labour was rather incidental and exceptional in both absolute and relative importance. On the other hand, because the axis of wider territory economy is the development of national defense resources, the movement of capital, labour and technique, the last named in particular, among the component parts is a matter of utmost importance. True, the movement of commodities has not dwindled in importance by any means, because a portion of capital becomes trade in the form of production materials, and the exploitation of resources also ultimately becomes trade. Nevertheless, the nature of the movement is bound to make a phenomenal change. In other words, the movement of commodities will manifest itself in connection with the exploitation of resources, as its cause as well as its result.

Secondly, the principle of international economic relation or movement is bound to undergo a radical alteration under wider territory economy. The movement of commodities, and for that matter, capital and labour as well, among the Powers under the former economy, followed the differences of prices, moving from the regions of cheaper prices to those of higher prices; and its objective was to obtain profits from the price variations. Thus, even when the movement of

commodities was left free and uninterfered with, the degree of necessity for each Power manifested itself in the form of the differences of prices, according to which commodities moved among the nations from the places of abundance to those of scarcity, or from the places of unnecessity to those of necessity. On the contrary, the movement of capital and labour in wider territory economy does not have as its object profit-making on the basis of price differences; it will be made in deliberate plans and under control, according to the actual needs of the whole sphere. Of course, this is not an uncompensated movement, nor does it mean any loss. Although compensation for the movement will be assured, it will be made only as its result, so that it will be totally different from the movement the aim of which is to make profits. All this is due to the character of capital under wider territory economy. Under capitalistic management the movement of capital...whether it be in the form of the exploitation of resources, or in the movement of labour and technique necessary for development, or in the movement of commodities in its connection...was bound to be a business movement with profit-making as its object. On the other hand, as soon as capital under wider territory economy assumes its character of totalitarian public interests, its movement will be also carried on from the necessity and public interest of the whole structure.

Thirdly, as a necessary result of the characteristic of its synthetic planning, economic relations under wider territory economy has the marked element of planning. Economic relations under liberal economy as a whole was an unbridled anarchic existence, and freely pursued profit accruing from price differences. True, nations could exercise control over the movement by means of tariff and other measures, but this restriction was limited to each nation and no control was exercised over all nations as a whole. Thus, any synthetic planning for the whole was unthinkable even for a home country and its colonies. On the other hand, since economic relations under wider territory economy takes place

as a means of carrying on planned economy as a whole, it will inevitably result in the movement of capital, labour and technique, according to some definite plans. First, those materials which are necessary for the perfection of a national defense State are set aside in a definite amount according to plans covering the entire sphere, and for this some definite amount of production is decided upon. Then, necessary materials, capital and labour are mobilized in some definite plan from all parts of the sphere, and the materials produced as a result of all this synthetic planning will be distributed among all the member countries. All these activities will assume the form of economic relations within the sphere. Thus, it is bound to have the character of planning.

Fourthly, a radical change is bound to be made in the economic relations of wider territory economy, in respect not only to its nature but also to its quantitative development. The dissolution of autarchy within the sphere of the former national economies will result in the expansion of mutual trade to that extent, on one hand, and by the result of the turning over of their trade with third countries to the sphere of wider territory economy as far as possible, the quantity of trade within the sphere is bound to make a great and absolute increase, while national economies will also register an expansion in relative quantities. This, however, will be difficult to absorb all trade in actual practice, and some part of it will continue to be carried on with third countries. This will be all right so long as it does not stand in the way of the perfecting of a national defense State. Moreover, such trade for the national defense will be found necessary in many actual cases.

7. EXCHANGE AND TRADE IN WIDER TERRITORY ECONOMY

Economic movement in wider territory economy, like that in national economies, will not take place as an uncompensated movement. On the contrary, all economic activities

such as buying, selling, loaning, borrowing, and transferring are carried on on the basis of compensation. Thus, all these movements will result in the formation of mutual international accounts and in this respect there is no difference whatever with the former system. But something new may be anticipated in the method of settling international loans and of clearing international accounts.

As is widely known, international accounts are settled by means of foreign exchange and its balance is paid in gold specie which is shipped from the debtor nation to the creditor nation. Although an embargo on the shipment of gold is enforced, it is applied only to shipment by private persons or concerns. Such shipment is extensively made by different governments. Moreover, payment by foreign exchange does not consist in the sending of bills of exchange to importing countries; rather it consists in the sending of bills to some centres of international finance where the bills of exchange are cleared on a world basis. For instance, sixty or seventy per cent of our bills of exchange have been cleared in London and about thirty or forty per cent at New York. This system, however, will be fundamentally affected by the advent of wider territory economy.

Within the sphere of wider territory economy, monetary systems will be also synthetically unified. Currencies within the sphere need not be the same for all the members. So long as each member exists as an independent nation, it may possess an independent system of its own. What is important, however, is that the currency of one particular member should be made the axis to which the currencies of all other members should be linked. In actual practice, the currency of the leading nation will be made the standard to which those of all other members will be linked.

If we take the spheres of the four existing wider territory economies, we may say that their centres of settlement will be located at Tokyo, Moscow, Berlin, and New York. Each of these centres will settle the accounts of its member nations within its sphere as well as those of other spheres. Thus,

the former system of two centres, namely, London and New York, will have been replaced by the new system of four centres and wider territory economy will become a new unit of international settlement.

Exchange rates will entirely disappear from within the sphere of wider territory economy, but it will remain among the different spheres. Exchange rates will be of six different kinds made up of the yen, mark, ruble and dollar. Within the sphere of each economy, foreign exchange will remain inasmuch as each member will have an independent currency as it has hitherto. But since the independent currencies of all member countries will be linked to the standard currency of the leader nation, which ideally is at par with other currencies, as in the case of the yen and yuan, there will remain no foreign exchange, which in reality will be the same as the domestic money order.

Further, if a bill-clearing agreement be concluded among the members of each sphere, their mutual trade could be settled by means of book transfer on the part of the leader nation, without recourse to exchange. Since such a system is made use of among the European countries, there is no reason why it cannot be practiced within the sphere of wider territory economy. As a result of this system, the clearing balance shown on the book can be settled either by the adjustment of mutual trade or by investments within the sphere.

The internal trade of wider territory economy will also undergo a marked change in its quality. As a theoretical issue, it may be said that, since the restriction on the movement of capital and labour...the basis of the theory of comparative costs...has already disappeared, the peculiarity of foreign trade theory has been discarded; and trade will be controlled by the same principle that governs domestic commerce. On the other hand, it may be said that the trade with other spheres will have the effect of strengthening the peculiar nature of foreign trade in which a special trade principle is embodied.

As a practical problem, the internal trade of the sphere will go further away from foreign trade and approach domestic commerce. Exchange rates forming the practical character of foreign trade have been already discarded; reciprocal tariff has been reduced and is destined to be abolished in entirety by means of tariff alliance or other methods. When tariff has been abolished and exchange rates have disappeared, the substance of foreign trade would be entirely lost.

Moreover, new trade policies and methods which are of recent development should be adopted within the sphere of wider territory economy. For instance, the barter system and quota system have been already carried on even among the Powers, and there is no reason why an ideal plan of such systems cannot be carried on under the new economy. All these are exchange trade systems the settlement of which is made by means of exchange. We may make the further anticipation that the clearing trade system under which settlement is made by means of trade instead of exchange may be planned and adopted according to the actual needs of the sphere. Thus, exchange and trade under wider territory economy will undergo a rapid development such as was never seen both in theory and practice under the former economy. However, this does not imply any social leap, because there are full social preparations and conditions for such a phenomenal alteration.