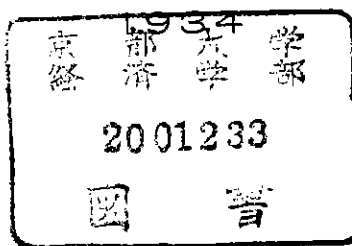


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NUMBER I

THE FUNDAMENTAL IDEA OF ECONOMIC POLICY

For years past I have been paying keen attention to the various problems of economic policy and have made certain speculations thereon. To succeed in such speculations one should search for the fundamental idea of economic policy. This is especially urgent in the present international situation: our country has withdrawn from the League of Nations, but we must continue to have economic relations with other nations and to participate in international economic negotiations and agreements. We should clearly grasp the ideals and the realities of the economic policy to be adopted by our country. I shall therefore take the liberty of setting forth the results of my studies.

SECTION 1
THE FUNDAMENTAL IDEA OF ECONOMIC POLICY
IN MODERN STATES

One may conceive the economic policy of the World

State, which will be the final and ideal state for mankind. Although it is not certain whether or not such an ideal World State can ever be realized, such a supposition, which is an embodiment of human ideals, offers a lofty objective which will assist the framing of economic policy for modern states. However, I must leave this question to be discussed later, as such an ideal policy is not suitable for the present and I shall first take up economic policy such as is appropriate to the requirements of today.

(1) Definition—Economic policy as conceived today may be defined as consisting of measures which a State adopts in its economy for the sake of harmonious existence and development. Each nation has its own economic policy adapted to its specific needs and having its own individuality; but very often the policies of different nations have something in common. A nation's economic policy undergoes changes with the lapse of time and sometimes such alterations are a matter of absolute necessity. Present-day Japan may have and actually does have her own economic policy designed to meet her own special requirements. Upon close scrutiny, however, it is doubtful whether our present economic policy is calculated to foster our national interests in the long run with the continued life of our State. It is high time that our people began to think about this problem. Economic policy in Modern Japan consists of various measures carried out in the interests of the whole nation and for the purpose of national harmony and development and which affect her economic life.

(2) The carrying out of economic policy—According to my view, it is the State only that has the right to institute economic policy, but there are those who further regard, local governments, other public organizations or bodies and even private citizens and their organizations, as justified in instituting economic policy. Such a view also has its *raison d'être*. However, the fact should be noted that, although it is often such organizations and individuals that actually carry out economic policy, it is the State that as

the supreme ruler controls their actions and whose sanction either in express terms or by tacit approval must be secured by such organizations or individuals in carrying out economic measures. No organization or individual can act in opposition to the will of the State, which controls and unifies other wills. The State either carries out its economic policy by itself or by using other organizations or individuals who thereby assist the State in the execution of its economic policy. The latter work only as the hands or feet of the State and are not allowed to disobey the will of the State. Should different organizations act according to their own will regardless of the will of the State, general confusion would inevitably result from the welter of conflicting claims, and there would be no possibility of unified economic policy. Such confused economic policy may actually exist, but when it does, the State where it exists must be considered as an imperfect State. In a well-regulated community, the State should first set forth its sovereign will as regards the fundamentals of its economic policy and should then control organizations and individuals in the execution of that policy.

(3) Its purpose and object—The purpose of economic policy like that of any other policy should be no other than to help to bring about a harmonious existence and development of the nation as a whole. Policies differ only in respect of their objects. The object of economic policy is economy, that of judicial policy is judicature, that of defense policy, defense and that of education policy, education, etc. Often it is very difficult to make clear demarcations between the objects of different policies, for often they intermingle and are not clearly defined. However, it is possible to differentiate one from the other and separate them out according to the preponderance of some particular aim. Nor does the difficulty of classifying different objects offer any serious problem inasmuch as all policies have one and the same purpose. Their classification is an insignificant issue when compared with the important question of their purpose. Again, in regard to the institution of policies also,

one may point to the existence of manifold personalities within a given State and to the possibility of division and opposition; but the fact remains that their purpose is unified and organic and is common to them all. When personalities other than the State carry out policies, they not only work as the instruments of the State but also for the common purpose of promoting the harmonious existence and development of the State as an organic whole. Because of this common, unified purpose, different policies are made into an organic whole, their mutual inconsistencies are eradicated, their functions are harmonized and they are given a life and a spirit. This common purpose gives harmony to different policies having different objects and such harmony is indeed a necessity. Economic, judicial, defense, educational and hygienic policies having different objects are treated as different policies simply for the sake of convenience. They are unified and harmonized by their identical and common purpose. Thus, a given policy will have to show restraint in the pursuit of its object instead of promoting it alone at the expense of others. This may be likened to the human body: the different parts of a man's body exist for the common purpose of the whole body, although their functions differ and at times some of them must be sacrificed for the good of the whole body. For instance, a man may have to sever a hand or a foot to save his life. Economic policy may have to exercise restraint instead of being allowed to have free play. Education policy may not necessarily promote nothing but education all the time: some educational institutions may have to be abolished; educational standing may have to be lowered; certain facilities may have to be reduced; the direction of educational policy may have to be changed. Defense policy may not at all times be directed toward increasing armaments; on the contrary it may have to reduce or limit defense forces. All such matters will be decided from the standpoint of the national interests, from the consideration of what will be of most benefit to the nation

as a whole. If each policy is allowed to pursue its course unchecked and unlimited, inconsistencies will inevitably arise, eventually resulting in the decay and even the destruction of the State.

(4) The synthesis and analysis of purpose—Economic policy, like other policies, is to be carried out for the good of the State. But before taking up the question of what is the good of the State, let us first consider what a State is. A State is not merely an aggregation of members; it is an organization of persons organically unified, and has a life of its own and an independent will. Although a State is composed of its members and is organized for the benefit of its members, once it is formed, it stands over and above the members and is a unified entity whose will is independent of its members. Nor is its existence temporary. While individuals live on the average only fifty years and very seldom attain more than one hundred years, a State has the possibility of existing for tens of thousands of years. Its continued existence is a necessary presupposition. For this reason, a nation's policies should consider the needs of the remote future—millions of years ahead—and should not be content with the solution of existing problems only, although their external elements may change from time to time according to the particular demands of the times. We should exert our efforts in order to formulate policies which will bring eternal benefits to the nation, though they prove disadvantageous for the time being and even entail considerable sacrifice. I stated before that the purpose of policies is to foster for the harmonious existence and development of the nation as a whole. In another place I used the phrase "in the interests of the whole nation". I fear this phrase may be misconstrued. It should not be taken as implying material interests only. It should be taken as including also the moral elevation of the State. To avoid possible misunderstanding I said that the policies are for the sake of the whole nation. The purpose of policies is to promote the tangible as well as intangible

elements of the whole State; in other words the harmonious existence and development of the State. Although this purpose forms an inseparable, synthetic organic unity, it may be analyzed into the following component parts for the convenience of explanation and practical treatment: the purpose of right, the purpose of authority, the purpose of culture and the purpose of welfare and happiness. I do not mean to imply that the sum total of these purposes makes up the purpose of the State; there is nothing mechanical about it. But where they gather together in mutual assistance, there is the unified purpose of the State and its policies. Their synthesis and analysis will point to the fact that within a nation the rights of individual citizens are secure, finance and industry are developed, appropriate economic distribution is made among individuals; public hygiene is maintained at a high level; culture is advanced; people are at mental peace; the authority of the State is maintained in both domestic and foreign affairs; and the State is given due respect and its dignity is maintained. Of the foregoing four purposes, those of rights and happiness are exclusively for the members of the State. But the purpose of culture is not only for the members but has an effect on the character of the whole organization. Authority is maintained for the whole State and this results in indirect benefits for the members. There is the question of order of precedence for the four purposes. In an ideal state, each of these four purposes would be fulfilled equally well, but in reality a certain inequality exists. The nature of the inequality of the importance attached to these purposes varies according to place and time. Further, different persons in the same place may differ as to relative importance to be attached to these purposes. But actual policies will be decided after all by the prevailing thought of each age. In primitive societies, the purposes of rights and authority preceded the other two: in other words, the judicial and military affairs were the important State functions. However, as human culture advances, the purposes of culture and happiness

become more and more complicated and developed; and primacy is given to cultural purpose, followed by the purpose of happiness. In the last named purpose, too, a change has taken place: at first economy and industry were stressed, but they have been pushed back by the consideration that it is necessary to make a more equitable distribution for the masses. Thus, social policy has come to assume importance. There has arisen a tendency to use an increasing amount of money for the purposes of culture and happiness and to reduce expenses for judicial and defense affairs; and attempts are now being made to lower expenses for defense purposes by means of international agreements. Thus, the purpose of culture is given the first place, closely followed by that of social policy. The precedence accorded to the purpose of culture happily coincides with the ideal of individuals, whose primary purpose in life is to perfect character and to elevate human virtues. Now, in the case of States we regret to note their utter neglect of character building and their refusal to observe moral principles in their international dealings. There can be no just ground for the failure of the States to live up to moral principles, when the individuals who make up these very States are successful in this respect. The States should attach importance to the building up of their character and the maintaining of moral principles. This is why I stated when analysing the purposes of a State that a State should build up character and that the supreme purpose of the State is to possess fully rights, authority, culture and happiness. I have also stated that where culture has made sufficient progress, it is given primary importance. Now, culture should not be confined to individuals; it is highly desirable that the whole State should engage in cultural activities and in cooperation with other countries. A State should aim not so much at becoming wealthy and powerful as at becoming a paradise for the mass of the people and at possessing a high culture and character both as individuals and as a collective body. A State should contribute towards the

welfare of the whole world even at a considerable sacrifice of its own interests, instead of being self-centered and engrossed in the advancement of its own interests only. However, in actuality the nations of the world have not yet attained such a level of ideal perfection and are more egoistic in their conduct than individuals, as the prevailing international monetary and tariff warfare clearly indicates.

SECTION 2 THE PRINCIPAL ECONOMIC MEASURES IN MODERN STATES

I have discussed the main problem in question, namely, the fundamental idea of economic policy in Modern States. I shall now proceed to a consideration of the actual measures of economic policy in the light of my introductory discussion.

(1) Economic policy based on existing realities—As I have already stated, the ideal policy of a State should place cultural purpose at the top of all other purposes and should sacrifice both economy and defense in order to uphold the nation's character and should adopt the principle of international cooperation even at the loss of its own economic interests. In reality, however, the nations are far from being so virtuous and do not hesitate to resort to a combative attitude in order to uphold their respective national prestige and to promote their respective economic interests. They dare to act in defiance of their moral conscience. On the other hand, the same States, in educating their peoples, insist upon the principle of social solidarity and the need of mutual help and mutual concession for the solution of various domestic problems. The States throw these principles overboard when dealing with one another and aim solely at the advancement of their respective interests. The monetary war and the tariff war among the nations are some of the most conspicuous examples of this egoistic conduct.

Let us make a closer study of the conduct of nations in their economic relations. The attempt is being made by many nations to erect a high tariff wall against the importation of foreign goods in order to protect their own domestic goods in the home markets against foreign competition. On the other hand, the same nations attempt to devalue their respective currencies in order to reduce the prices of their exports in foreign markets, in order to overwhelm foreign goods. Again, some countries carry on a violent boycott against the goods of other countries, which then are forced to use coercion in order to cope with such a boycott. Calm reflection will show that these actions are not consistent with international moral principles and are injurious to national character. At the most they can justify such conduct only on the ground of self-defense. If possible, they should reconsider their present policies and exercise restraint in the interests of mutual cooperation and help; and in the end this will promote their economic interests. However, quite apart from the question of economic interests, it is desirable that the nations should reconsider their present policies from the moral standpoint. Why is it that nations fail to show a moral attitude in their mutual relations, although the individuals composing them are quite moral in their conduct? Individuals may show an attitude of modesty and concession and still be able to make a decent living, provided they are men of ordinary ability. They can make a living without opposing others. And if others should resort to some unjust action, the sovereign State will interfere and restrain such action. For this reason the lives of the individuals of good character are not threatened. But in the case of nations, if some of them should show a conciliatory attitude, others would take advantage of it in invading the former's field of economic interests; and the effects of such a transgression of rights will be very damaging because of the absence among nations of any organization capable of inflicting punishment on the transgressor. Thus, nations are allowed

to adopt measures for their self defense. Moreover, differences in race, nationality, history, sentiment give rise to mutual suspicion and animosity which, in turn, lead the nations to struggle rather than to cooperate. Thus, the nations are carrying on tariff war and monetary war, although they are aware to some extent of the moral question involved therein. The nations also are compelled to possess armaments in order to back their voice in international dealings.

It must be noted, however, over-stress on military preparations will restrain and check economic progress rather than promote it. We should be willing to maintain vast armaments in case of necessity for a brief period of national emergency; but as soon as normalcy has been restored, expenditure for defense should be reduced to an appropriate figure. When, during a period of national emergency, a vast sum is appropriated for the requirements of defense, retrenchment should be made in other items of national expenditure. Moreover, to build up strong armaments is not the only means of strengthening national defense. Wise diplomacy is also a potent weapon of defense. There is no definite limit to the expansion of armaments and no single nation can possess armaments powerful enough to enable that nation to oppose all other nations; for no single nation is economically capable of building up such armaments. For this reason, a nation should be content with armaments of reasonable strength and resort to diplomatic means, whereby she opposes only one or a few nations, instead of many nations. Moreover, a nation should assume an attitude of cooperation and friendliness towards other countries and promote her own economic interests in a peaceful atmosphere.

(2) More progressive economic policy—I have so far dwelt on economic policy based on existing realities. Now, even in this present age of national division of the world, it is possible for nations to practice a policy of mutual help and cooperation and to adopt an attitude of morality and

peaceful intention much as the individuals who compose them are wont to do, if only the nations can attain mutual understanding. An attempt in such direction was made by the World Economic and Monetary Conference held at London last year. This conference ended in failure and nothing resulted therefrom. The work of the conference was left to the future. Idealistically speaking, such an international gathering could profitably take up the following proposals:

(A) *As regards tariffs.*

(a) Each nation should limit its special relations with its overseas possessions to political matters, abolish most-favoured nation economic arrangements, and open them to free and unmolested commerce with other nations.

(b) Each nation should completely abolish tariffs. The abolition, however, to be made gradually over a certain period of time (say twenty years), in order to meet the financial and economic difficulties involved.

(B) *As regards finance.*

(a) A unified, international currency based upon gold (silver may be used in part as conversion reserve) should be established and a unified convertible note should be issued by an international bank, which also is to be established. Before the foregoing plans are actually realised, the international settlement bank should be maintained and expanded through the cooperation of the central banks of the world, in order that the former may accommodate credit to the latter and may reach an agreement on a ratio which shall be as close as possible to the actual state of currency in each country.

(b) To promote international financial accommodations, by adjusting old loans and by floating new loans based on the new international currency.

(C) *As regards immigration.*

(a) All legislation embodying unfair treatment based on differences of race and nationality should be abolished.

(b) Attempt should be made to resort to all conceivable means in order to eradicate racial prejudices.

(D) *As regards armaments.* They should be reduced as far as possible according to a suitable ratio.

If the foregoing proposals were put into actual practice, considerable improvements would be made even under the existing system of division into nations: the relations of the different countries would be ameliorated; each nation would be enabled to earn revenue appropriate to her economic ability; and would be able to live comfortably and morally and enjoy liberty, equality and human brotherhood. And, when the nations have lived thus for a considerable period of time, the emergence of an intelligent World State would become possible, though, it should be admitted, that there is much doubt as to the possibility of the nations ever attaining such a level of development.

SECTION 3 ECONOMIC POLICY IN THE WORLD STATE

As I have stated, there is much doubt as to the possibility of an ideal economic policy such as I have just outlined, and certainly the creation of a World State is still more difficult of realisation. Some would welcome the rise of such a World State, but there are many who oppose it. But it would be well nigh impossible for some countries whose peoples are intensely nationalistic and where many national peculiarities exist, to abolish their States in favour of a World State; so that one may say that it is a waste of time to discuss the question of economic policy under a World State. On the other hand, such discussion, however utopian it may be, will be useful in considering the ideal economic policy for the existing States. I shall therefore take up the salient features of such an ideal economic policy.

(1) Its definition. Economic policy in a World State consists of measures which the World State effects in the

edonomic life for the sake of the whole world.

(2) Its possibility and the process of its formation. It is almost impossible to forecast when a World State will come into being. However, it may be supposed that, when it has been established, the general level of the world's culture and welfare will be much higher than under the present system of national division. There is in human nature that which wishes to see a World State established and craves for ideals and for what is just and right. Persons having such an inclination will cooperate throughout the world and bring about the establishment of such a State. When this age has come, the scope of judicial and military affairs will be greatly reduced and this in turn will make it possible for the peoples to devote more leisure and money to the promotion of culture and human welfare, and economic efforts could be made more rationally than at the present. Rationalization of economic efforts, moreover, will give rise to more leisure and to a richer cultural life. A World State will be harmonious with the purpose of culture and the elevation of virtues as the primary object of human life. If, therefore, men truly understood the real nature of such a World State, they would come to cooperate in order to bring about its formation. On the other hand, such an understanding of a World State will be very difficult of realization, inasmuch as some of the peoples of the world can not free themselves from their inherent racial prejudices and antipathies. But the existing relations of division into many different States, among which racial prejudice and racial hatred prevail, will inevitably in the end lead to conflict and to absorption of all other nations by some single powerful nation. At first there will remain a few strong States but war among them will reduce their number to one. The formation of a World State through such process of a series of wars will prove costly to mankind, who will have to experience unspeakable sufferings. Conquest and absorption will inevitably drive some of the subjugated races to break away from the yoke of the con-

queror, and the repeated wars will have disastrous effects on the welfare of mankind. Thus, it is clear that the formation of a World State through the process of mutual understanding is far more desirable and moral and will give promise of a more lasting existence. But so long as the present order of division into separate States remains,—while the process of amalgamation of States by the process of war and conquest lasts—each nation will have to be prepared. Thus, the nations, the great powers in particular, have to shoulder an excessive burden of armaments in anticipation of external dangers.

(3) Economic measures of an ideal World State. The economic measures of an ideal World State will be directed towards the advancement of culture and welfare for all mankind; efforts for economic success will not be so intense as under the existing economic order; and the pivotal question at issue will be the rationalisation of industry. As there will be no necessity of economic or armed conflict in different regions, greater efforts will be made towards equity in the distribution of wealth rather than towards the simple increase of wealth; and the peoples will use their leisure for the promotion of culture to a far greater extent than at present. Tariff walls now existing will have been swept away, men will have been emancipated from class caste and each nation or people enabled to engage in what best suits them; competing and mingling freely, but under the rational control of the World State. Even those inhabiting regions having scanty natural resources and otherwise disfavoured by Nature, will be much better off, because they will be engaged in a comparatively favourable industry. Moreover, if they so prefer, they will be able to migrate to wherever they may find better economic opportunities; and in case there be any people whose lot is intolerably hard, the World State will be able to relieve them and ameliorate their conditions.

When such a time comes, currency systems will have been unified, a unified convertible note will be issued, and

the speculative elements born of the fluctuation of monetary values will have been reduced to a minimum. Each person will be able to make achievements according to his own ability and efforts; the economy of the entire world will be considerably advanced; the welfare of mankind will be enhanced and their culture will be promoted.

MASAO KAMBE.