

An aerial photograph of a large container ship docked at a port. The ship is filled with colorful shipping containers in shades of red, blue, and white. Several yellow gantry cranes are positioned along the dock, with some lifting containers. The water is dark and choppy. The overall scene depicts a busy maritime logistics hub.

JOSEPH T. SALERNO

NATION,  
MIGRATION,  
AND TRADE  
ESSAYS ON MISES  
& THE CLASSICAL  
ECONOMISTS

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# MISES ON NATIONALISM, THE RIGHT TO SELF-DETERMINATION, AND THE PROBLEM OF IMMIGRATION

## 1. INTRODUCTION

In the current discussion about immigration, Ludwig von Mises is often invoked by libertarians as a staunch proponent of free trade in the broad sense that pertains to the free movement of goods, capital, and labor. Mises has even been proclaimed by some libertarians as an advocate of open borders. However, Mises's views on the free migration of labor across existing political borders were carefully nuanced and informed by political considerations based on his first-hand knowledge of the deep and abiding conflicts between nationalities in the polyglot states of Central and Eastern Europe leading up to World War One and during the subsequent interwar period. Thus Mises did not evaluate immigration in terms of purely economic optima such as maximizing the productivity of human labor, irrespective of the political context. Rather, he assessed the effects of immigration from the viewpoint of the classical liberal regime of private property. My purpose in this short essay is to set forth Mises's views on immigration as he developed them as an integral part of the classical liberal program he elaborated.

## 2. LIBERAL NATIONALISM

For Mises,<sup>1</sup> liberalism first emerged and expressed itself in the nineteenth century as a political movement in the form of “peaceful nationalism.” Its two fundamental principles were freedom or, more concretely, “the right of self-determination of peoples” and national unity or the “nationality principle.” The two principles were indissolubly linked. The primary goal of the liberal nationalist movements (Italian, Polish, Greek, German, Serbian, etc.) was the liberation of their peoples from the despotic rule of kings and princes. According to Mises,<sup>2</sup> liberal revolution against despotism necessarily took on a nationalist character for two reasons. First, many of the royal despots were foreign, for example, the Austrian Hapsburgs and French Bourbons who ruled the Italians, and the Prussian king and Russian czar who subjugated the Poles. Second, and more important, political realism dictated “the necessity of setting the alliance of the oppressed against the alliance of the oppressors in order to achieve freedom at all, but also the necessity of holding together in order to find in unity the strength to preserve freedom.”<sup>3</sup> This alliance of the oppressed was founded on national unity based on common language, culture, and modes of thinking and acting.

Even though forged in wars of liberation, liberal nationalism was for Mises<sup>4</sup> both peaceful and cosmopolitan. Not only did the separate national liberation movements view each other as brothers in their common struggle against royal despotism, but they embraced the principles of economic liberalism, “which proclaims the solidarity of

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<sup>1</sup>*Nation, State, and Economy: Contributions to the Politics and History of Our Time*, trans. Leland B. Yeager (New York: New York University Press, 1983), pp. 34, 36.

<sup>2</sup>*Ibid.*

<sup>3</sup>*Ibid.*, p. 38.

<sup>4</sup>*Ibid.*, p. 35.

interests among all peoples.” Mises<sup>5</sup> stresses the compatibility of nationalism, cosmopolitanism, and peace:

[T]he nationality principle includes only the rejection of every overlordship; it demands self-determination, autonomy. Then, however, its content expands; not only freedom but also unity is the watchword. But the desire for national unity, too, is above all thoroughly peaceful. ... [N]ationalism does not clash with cosmopolitanism, for the unified nation does not want discord with neighboring peoples, but peace and friendship.<sup>6</sup>

As a classical liberal, Mises<sup>7</sup> is careful to specify that the right of self-determination is not a collective right but an individual right: “It is not the right of self-determination of a delimited national unit, but rather the right of the inhabitants of every territory to decide on the state to which they wish to belong.” Mises<sup>8</sup> makes it crystal clear that self-determination is an individual right that would have to be granted to “every individual person ... if it were in any way possible.” It should also be noted in this respect that Mises rarely speaks of the “right of secession,” perhaps because of its historical connotation of the right of a *government* of a subordinate political unit to withdraw from a superior one.

While championing self-determination as an individual right, Mises<sup>9</sup> argues that the nation has a fundamental and relatively permanent being independent of the transient state (or states) which

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<sup>5</sup>Ibid., pp. 36–37.

<sup>6</sup>Mises (ibid., p. 34) gives the charming example of the Italian nationalists who shouted to the imperial Austrian soldiers: “Go back across the Alps and we will become brothers again.”

<sup>7</sup>*Liberalism in the Classical Tradition*, Trans. Ralph Raico, 3rd ed. (Irvington-on-Hudson, NY and San Francisco: The Foundation for Economic Education and Cobden Press, 1985), p. 109.

<sup>8</sup>Ibid., pp. 109–10.

<sup>9</sup>*Nation, State, and Economy*, pp. 39–40.

may govern it at any given time. Thus he refers to the nation as “an organic entity [which] can be neither increased nor reduced by changes in states.” Accordingly, Mises<sup>10</sup> characterizes a man’s “compatriots” as “those of his fellow men with whom he shares a common land and language and with whom he often forms an ethnic and spiritual community as well.” In the same vein, Mises<sup>11</sup> cites the German author J. Grimm, who refers to the “natural law ... that not rivers and not mountains form the boundary lines of peoples and that for a people that has moved over mountains and rivers, its own language alone can set the boundary.” The nationality principle therefore implies that liberal nation-states may comprise a monoglot people inhabiting geographically non-contiguous regions, provinces and even villages.<sup>12</sup> Mises<sup>13</sup> contends that nationalism is thus a natural outcome of and in complete harmony with individual rights: “The formation of [liberal democratic] states comprising all the members of a national group was the *result* of the exercise of the right of self-determination, not its purpose.”<sup>14</sup> Mises<sup>15</sup> elaborates on this important point:

Liberalism does not say: Every linguistic group should form one state and one state only, and each single man belonging to that group should, if at all possible, belong to that state. Neither does it say: No state should include people of several linguistic groups. Liberalism postulates self-determination. That men in

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<sup>10</sup>*Liberalism*, p. 106.

<sup>11</sup>*Nation, State, and Economy*, p. 79n 45.

<sup>12</sup>*Liberalism*, p. 113.

<sup>13</sup>*Ibid.*, p. 110.

<sup>14</sup>However, Mises (1983, p. 37) concedes that in rare cases, “where freedom and self-government already prevail and seem assured without it,” such as Switzerland, the right of self-determination may not result in a nationally unified state.

<sup>15</sup>*Omnipotent Government: The Rise of the Total State and Total War* (Spring Mills, PA: Libertarian Press [1944] 1984), p. 101.



the exercise of this right allow themselves to be guided by linguistic considerations is for liberalism simply a fact, not a principle or a moral law.

It should be noted here that, in contrast to many modern libertarians who view individuals as atomistic beings who lack emotional affinities and spiritual bonds with selected fellow humans, Mises affirms the reality of the nation as “an organic entity.” For Mises the nation comprises humans who perceive and act toward one another in a way that separates them from other groups of people based on the meaning and significance the compatriots attach to objective factors such as shared language, traditions, ancestry and so on. Membership in a nation, no less than in a family, involves repeated, concrete acts of volition based on subjective perceptions and preferences with respect to a complex of objective historical circumstances.

According to Murray Rothbard,<sup>16</sup> who shares Mises’s view of the reality of the nation separate from the state apparatus:

Contemporary libertarians often assume, mistakenly, that individuals are bound to each other only by the nexus of market exchange. They forget that everyone is necessarily born into a family, a language, and a culture. Every person is born into one of several overlapping communities, usually including an ethnic group, with specific values, cultures, religious beliefs, and traditions. ... The “nation” cannot be precisely defined; it is a complex and varying constellation of different forms of communities, languages, ethnic groups or religions. ... The question of nationality is made more complex by the interplay of objectively existing reality and subjective perceptions.

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<sup>16</sup>Murray N. Rothbard, “Nations by Consent: Decomposing the Nation-State,” *Journal of Libertarian Studies* 11, no. 1 (Fall 1994): 1–3.

### 3. COLONIALISM AS THE DENIAL OF THE RIGHT OF SELF-DETERMINATION

Unlike many late nineteenth- and early twentieth-century liberals, Mises was a passionate anti-colonialist. As a radical liberal, he recognized the universality of the right of self-determination and the nationality principle for all peoples and races. He wrote powerful and scathing indictments against the European subjugation and mistreatment of African and Asian peoples and demanded a quick and complete dismantling of colonial regimes. It is worthwhile quoting Mises<sup>17</sup> on this at length:

The basic idea of colonial policy was to take advantage of the military superiority of the white race over the members of other races. The Europeans set out, equipped with all the weapons and contrivances that their civilization placed at their disposal, to subjugate weaker peoples, to rob them of their property, and to enslave them. Attempts have been made to extenuate and gloss over the true motive of colonial policy with the excuse that its sole object was to make it possible for primitive peoples to share in the blessings of European civilization. ... Could there be a more doleful proof of the sterility of European civilization than that it can be spread by no other means than fire and sword?

No chapter of history is steeped further in blood than the history of colonialism. Blood was shed uselessly and senselessly. Flourishing lands were laid waste; whole peoples destroyed and exterminated. All this can in no way be extenuated or justified. The dominion of Europeans in Africa and in important parts of Asia is absolute. It stands in the sharpest contrast to all the principles of liberalism and democracy, and there can be no doubt that we must strive for its abolition. ... European conquerors ... have brought arms and engines of destruction of all kinds to the

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<sup>17</sup>*Liberalism*, pp. 125–26.

colonies; they have sent out their worst and most brutal individuals as officials and officers; at the point of the sword they have set up a colonial rule that in its sanguinary cruelty rivals the despotic system of the Bolsheviks. Europeans must not be surprised if the bad example that they themselves have set in their colonies now bears evil fruit. In any case, they have no right to complain pharisaically about the low state of public morals among the natives. Nor would they be justified in maintaining that the natives are not yet mature enough for freedom and that they still need at least several years of further education under the lash of foreign rulers before they are capable of being left on their own.

In those areas where native peoples were strong enough to mount armed resistance to colonial despotism, Mises<sup>18</sup> enthusiastically supported and cheered on these national liberation movements: "In Abyssinia, in Mexico, in the Caucasus, in Persia, in China — everywhere we see the imperialist aggressors in retreat, or at least already in great difficulties." To completely phase out colonialism, Mises proposed the establishment of a temporary protectorate under the aegis of the League of Nations. But he made it clear that such an arrangement was "to be viewed only as a transitional stage" and that the ultimate goal must be "the complete liberation of the colonies from the despotic rule under which they live." Mises<sup>19</sup> based his demand for the recognition of the right of self-determination and respect for the nationality principle among colonized peoples on the bedrock of individual rights:

No one has a right to thrust himself into the affairs of others in order to further their interest, and no one ought, when he has his own interests in view, to pretend that he is acting selflessly only in the interest of others.

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<sup>18</sup>Ibid., p. 124.

<sup>19</sup>Ibid., p. 127.

#### 4. THE BREAKDOWN OF LIBERAL NATIONALISM: MAJORITY RULE AND NATIONALITY CONFLICTS

This brings us to Mises's key insight into the irreconcilable "conflict of nationalities" bred by majority rule — even under liberal democratic constitutions. As a keen observer of the pre- and post-Great War polyglot states of Central and Eastern Europe, Mises<sup>20</sup> notes that "national struggles can only arise on the soil of freedom." Thus as prewar Austria approached freedom, "the violence of the struggle between the nationalities grew." With the collapse of the old royalist state, these struggles were "carried on only more bitterly in the new states, where ruling majorities confront national minorities without the mediation of the authoritarian state, which softens much harshness." Mises attributes such a counterintuitive outcome to the fact that the nationality principle was not respected in the creation of the new states.<sup>21</sup> Mises's point is illustrated in the modern ethnic conflicts that erupted in the wake of the collapse of Communism and the breakup of the Soviet Union and of Yugoslavia.<sup>22</sup>

Mises<sup>23</sup> maintains that two or more "nations" cannot peacefully coexist under a unitary democratic government. National minorities in a democracy are "completely politically powerless" because they have no chance of peacefully influencing the majority linguistic group. The latter represents "a cultural circle that is closed" to

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<sup>20</sup>*Nation, State, and Economy*, p. 46.

<sup>21</sup>Mises (*Liberalism*, pp. 87–88) refers particularly to the Poles, Czechs, and Magyars, who substituted an "aggressive nationalism" for "the liberal principle of self-determination" with the aim of "domination of people speaking other languages." German and Italian nationalists and other nationalities quickly followed suit.

<sup>22</sup>On the ethnic-religious conflicts in the former Yugoslavia see Murray N. Rothbard, "Hands Off the Serbs," (*RRR: Rothbard-Rockwell Report*, 1993): 1–5 and "Nations by Consent," pp. 1–10.

<sup>23</sup>*Nation, State, and Economy*, pp. 48–49.

minority nationalities and whose political ideas are “thought, spoken, and written in a language that they do not understand.” Even where proportional representation prevails, the national minority “still remains excluded from collaboration in political life.” According to Mises,<sup>24</sup> because the minority has no prospect of one day attaining power, the activity of its representatives “remains limited from the beginning to fruitless criticism ... that ... can lead to no political goal.” Thus, concludes Mises,<sup>25</sup> even if the member of the minority nation, “according to the letter of the law, be a citizen with full rights ... in truth he is politically without rights, a second class citizen, a pariah.”

In a later, unpublished paper dealing with the post-World War II reconstruction of Eastern Europe, Mises<sup>26</sup> put the matter even more strongly: “To be a member of such a linguistic minority means to be an outlaw. ... There were and are autonomy and democracy only for the members of the ruling linguistic majorities. ...” It is no wonder, then, that Mises<sup>27</sup> portrayed linguistic minorities as “bearers of permanent unrest ... and hatred.”

Mises<sup>28</sup> thus characterizes majority rule as a form of colonialism from the point of view of the minority nation in a polyglot territory: “[It] signifies something quite different here than in nationally uniform territories; here, for a part of the people, it is not popular rule but foreign rule.” Peaceful liberal nationalism therefore is inevitably

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<sup>24</sup>Ibid., p. 51.

<sup>25</sup>Ibid., p. 47.

<sup>26</sup>“An Eastern Democratic Union: A Proposal for the Establishment of a Durable Peace in Eastern Europe,” in *Selected Writings of Ludwig von Mises: The Political Economy of International Reform and Reconstruction*, ed. Richard M. Ebeling (Indianapolis, IN: Liberty Fund, 2000), p. 184.

<sup>27</sup>Ibid., p. 181.

<sup>28</sup>*Nation, State, and Economy*, p. 50.

stified in polyglot territories governed by a unitary state, because, Mises<sup>29</sup> argues, “democracy seems like oppression to the minority. Where only the choice is open oneself to suppress or be suppressed, one easily decides for the former.” Hence, for Mises,<sup>30</sup> democracy means the same thing for the minority as “subjugation under the rule of others,” and this “holds true everywhere and, so far, for all times.” Mises dismisses “the often cited” counter-example of Switzerland as irrelevant because local self-rule was not disturbed by “internal migrations” between the different nationalities. Had significant migration established the presence of substantial national minorities in some of the cantons, “the national peace of Switzerland would already have vanished long ago.”

With respect to regions inhabited by different nationalities, Mises<sup>31</sup> therefore concludes, “the right of self-determination works to the advantage only of those who comprise the majority.” This is especially true, for example, in interventionist states where education is compulsory and “peoples speaking different languages live together side by side and intermingled in polyglot confusion.” Under these conditions, formal schooling is a source of “spiritual coercion” and “one means of oppressing nationalities.” The very choice of the language of instruction can “alienate children from the nationality to which their parents belong” and “over the years, determine the nationality of a whole area.” The school thus becomes the source of irreconcilable national conflict and “a political prize of highest importance.” With respect to the debate over compulsory education, Mises<sup>32</sup> emphasizes, the only effective solution is to depoliticize schooling by abolishing both compulsory education laws

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<sup>29</sup>Ibid., p. 56.

<sup>30</sup>*Nation, State, and Economy*, p. 50.

<sup>31</sup>*Liberalism*, p. 113.

<sup>32</sup>Ibid., pp. 114–15.

and political involvement with schools, leaving the education of children “entirely to parents and to private associations and institutions.”

Compulsory education is only an extreme example of how interventionism exacerbates the inevitable conflict between different nationalities that are living together under the jurisdiction of a single state. In such a situation, Mises<sup>33</sup> argues: “Every interference on the part of government in economic life can become a means of persecuting the members of nationalities speaking a language different from that of the ruling group.” Perhaps Mises’s most important insight, however, is that even under a *laissez-faire* system, where government is rigorously restricted to “protecting and preserving the life, liberty, property and health of the individual citizen,” the political arena will still degenerate into a battleground between disparate nationalities residing within its geographical jurisdiction. Even the routine activities of the police and judicial system in this ideal liberal regime “can become dangerous in areas where any basis at all can be found for discriminating between one group and another in the conduct of official business.”<sup>34</sup> This is especially true in states where “differences of religion, nationality, or the like have divided the population into groups separated by a gulf so deep as to exclude every impulse of fairness or humanity and to leave room for nothing but hate.” Mises<sup>35</sup> gives the example of a judge “who acts consciously, or still more often unconsciously, in a

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<sup>33</sup>Ibid., p. 116.

<sup>34</sup>Rothbard (1994, pp. 5–6) makes a similar point about the unavoidable political conflicts that arise in a situation where different nationalities are bound together under the jurisdiction of a single, *laissez-faire* liberal government: “But even under the minimal state, national boundaries would still make a difference, often a big one, to the inhabitants of the area. *For in what language ... will be the street signs, telephone books, court proceedings, or school classes of the area?*”

<sup>35</sup>*Liberalism*, p. 116.

biased manner” because he believes “he is fulfilling a higher duty when he makes use of the powers and prerogatives of his office in the service of his own group.”

Not only is the member of a national minority subjected to ingrained and routine bias in the political sphere, he is unable to grasp the thought and ideology that shape political affairs. His social and political worldview as well as his cultural and religious attitudes reflects ideas formulated and discussed in the national literature of, in effect, a foreign language, and these ideas diverge, possibly radically, from those of the majority linguistic group. According to Mises<sup>36</sup> even though political and cultural ideas are transmitted and shared among all nations, “every nation develops currents of ideas in its own special way and assimilates them differently. In every people they encounter another national character and another constellation of conditions.” Mises gives the example of how the political ideal of socialism differed between Germany and France, and between the latter two and Russia.

The result of this natural “nationalizing” and differentiating of even similar ideas and intellectual trends is that the member of the minority nation confronts a linguistic and intellectual barrier that prevents him from meaningfully participating in the political discussion that shapes the laws under which he lives. Explains Mises<sup>37</sup>:

Cast into the form of statute law, the outcome of [the majority’s] political discussions acquires direct significance for the citizen who speaks a foreign tongue, since he must obey the law; yet he has the feeling that he is excluded from effective participation in shaping the will of the legislative authority or at least that he is not allowed to cooperate in shaping it to the same extent as those

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<sup>36</sup>*Nation, State, and Economy*, pp. 47–48.

<sup>37</sup>*Liberalism*, pp. 119–20.



whose native tongue is that of the ruling majority. And when he appears before a magistrate or any administrative official as a party to a suit or petition, he stands before men whose political thought is foreign to him because it developed under different ideological influences. ... At every turn the member of a national minority is made to feel that he lives among strangers and that he is, even if the letter of the law denies it, a second-class citizen.

The result of the political impotence of the national minority in a majoritarian democracy is that it perceives itself to be a conquered or colonized people. For as Mises<sup>38</sup> points out: “The situation of having to belong to a state to which one does not wish to belong is no less onerous if it is the result of an election than if one must endure it as the consequence of a military conquest. ...” In the 1920s Mises had already identified the phenomenon of what today is misleadingly called “institutional racism” — because the problem lies not with all institutions, only political ones — but is better described as “democratic subjugation.” In the 1960s, Malcolm X<sup>39</sup> gave poignant expression to the yearning for self-determination on the part of minority African nationalities in the U.S. saddled with an interventionist state controlled by peoples of European extraction:

This new type of black man, he doesn't want integration; he wants separation. Not segregation, separation. To him, segregation ... means that which is forced upon inferiors by superiors. ... In the white community, the white man controls the economy, his own economy, his own politics, his own everything. That's his community. But at the same time while the Negro lives in a separate community, it's a segregated community. Which means it's regulated from the outside by outsiders. The

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<sup>38</sup>Ibid., p. 119.

<sup>39</sup>“Malcolm Explains the Difference between Separation and Segregation.” Transcribed text from audio excerpt from “The Race Problem,” a speech at Michigan State University, East Lansing (January 23).

white man has all of the businesses in the Negro community. He runs the politics of the Negro community. He controls all the civic organizations in the Negro community. This is a segregated community. ... We don't go for segregation. We go for separation. Separation is when you have your own. You control your own economy; you control your own politics; you control your own society; you control your own everything. You have yours and you control yours; we have ours and we control ours.

Malcolm X<sup>40</sup> later explained the concept of separation in terms more congenial to the liberal concept of national self-determination:

A better word to use than separation is independence. This word separation is misused. The thirteen colonies separated from England but they called it the Declaration of Independence; they don't call it the Declaration of Separation, they call it the Declaration of Independence. When you're independent of someone you can separate from them. If you can't separate from them it means you're not independent of them.

## 5. LIBERAL CONSTITUTIONS AND *LAISSEZ-FAIRE* POLICIES ARE NOT ENOUGH

In analyzing the causes and solution of nationality conflicts, Mises<sup>41</sup> coined the terms “militant” or “aggressive” nationalism, which he contrasted with “liberal” or “peaceful” nationalism. Thus for Mises, the choice was never between nationalism and a bland, atomistic “globalism”; the real choice was either nationalism that was cosmopolitan and embraced universal individual rights and free trade or militant nationalism intent on subjugating and oppressing other nations. As pointed out above, he attributed the rise

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<sup>40</sup>“An Interview by A. B. Spellman,” in Malcolm X, *By Any Means Necessary*, 2nd ed. (New York: Pathfinder: [1964] 1992), pp. 31–32.

<sup>41</sup>*Nation, State, and Economy*, p. 39.

of anti-liberal nationalism to the failure to apply the right of self-determination and the nationality principle consistently and to the utmost degree possible in the formation of new political entities in the wake of the overthrow of royal absolutism by war or revolution. The consequence was peoples differentiated by language, heritage, religion, etc., arbitrarily and involuntarily bound together in artificial political unions. The inevitable outcome of these polyglot, mixed-nation-states<sup>42</sup> was the suppression of minorities by the majority nationality, a bitter struggle for control of the state apparatus, and the creation of mutual and deep-seated distrust and hatred. This state of affairs often culminated in state-sanctioned physical violence, including the expropriation and expulsion and even the murder of minority populations.

Mises argues that all of this could have been avoided if only the *complete* liberal agenda had been implemented. This includes, in addition to an economic policy of domestic *laissez-faire* and international free trade in goods, the crucial right of self-determination and the nationality principle to which it gives rise. Mises<sup>43</sup> does not mince words in describing the plight of minority nationalities in an illiberal, interventionist system:

If the government of these territories [inhabited by members of several nationalities] is not conducted along completely liberal lines, there can be no question of even an approach to equal rights in the treatment of the members of the various national groups. There can then be only rulers and those ruled. The only choice is whether one will be hammer or anvil.

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<sup>42</sup>A more felicitous term than “mixed-nation-states” for these political entities would be “multinational states” but, given its current connotation, the latter term is likely to be misleading.

<sup>43</sup>*Liberalism*, pp. 22–23.

Mises goes further, however, and argues that even an end to interventionism will not resolve the conflict of nationalities. Almost alone among classical liberals and libertarians of his era and ours, Mises clearly recognizes that *laissez-faire* capitalism and free trade are necessary but *not sufficient* to ensure peace among different groups of individuals forced to live under a unified political system, each of which voluntarily and naturally self-identify as different peoples or nations on the basis of language, shared customs and traditions, religion, ethnic heritage or any other objective factor that is subjectively meaningful for them. As Mises<sup>44</sup> states:

All these disadvantages [experienced by minorities] are felt to be very oppressive even in a state with a liberal constitution in which the activity of the government is restricted to the protection of the life and property of the citizens. But they become quite intolerable in an interventionist or socialist state.

For Mises<sup>45</sup> the best that can be said of a government whose functions are strictly limited to protection of person and property and enforcement of contract is that it does not “aggravate artificially the friction that must arise from this living together of different groups.”

Mises defends the complete liberal agenda—the *laissez-faire* and self-determination principles — against those who vacuously attribute the “violent antagonisms” between nations inhabiting a single political jurisdiction to an “innate antipathy” between different peoples. To the contrary, argues Mises,<sup>46</sup> despite the hatreds that may naturally exist between various groups of people of the same nationality, they are able to get along peacefully when living under the jurisdiction of the same state, while different nationalities that

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<sup>44</sup>Ibid., p. 129.

<sup>45</sup>Ibid., p. 118.

<sup>46</sup>Ibid., pp. 120–21.

are forcibly bound together under common political arrangements are in constant conflict:

The Bavarian hates the Prussian; the Prussian, the Bavarian. No less fierce is the hatred existing among individual groups within both France and Poland. Nevertheless, Germans, Poles, and Frenchmen manage to live peacefully within their own countries. What gives the antipathy of the Pole for the German and of the German for the Pole a special political significance is the aspiration of each of the two peoples to seize for itself political control of the border areas in which Germans and Poles live side by side and to use it to oppress the members of the other nationality. What has kindled the hatred between nations to a consuming fire is the fact that people want to use the schools to estrange children from the language of their fathers and to make use of the courts and administrative offices, political and economic measures, and outright expropriation to persecute those speaking a foreign tongue.

So it is not natural antipathies between peoples — which may or may not exist — but the political denial of the right of self-determination that is the underlying cause of national conflicts. In this vein, Mises issues a dire and, in hindsight, prescient warning: “As long as the liberal program is not completely carried out in the territories of mixed nationality, hatred between members of different nations must become ever fiercer and continue to ignite new wars and rebellions.” This is certainly true of today’s world, particularly in Asia and Africa, where European imperialists and colonialists dragooned different “nations” (tribes, chiefdoms, linguistic groups, ethnicities, religions) into deeply dysfunctional political unions. Most of the 37 wars being waged in 2015 on these continents were “intrastate” or civil wars and, of these, most are “fueled as much by racial, ethnic, or religious animosities as by

ideological fervor.”<sup>47</sup> At their root lie the attempts of minority groups to resist or end oppression by the majority by seizing the existing state apparatus, seceding from the state, or creating an entirely new state, e.g., ISIS.

## 6. IMMIGRATION AS A POLITICAL PROBLEM

This brings us to the vexed question of immigration. For Mises, immigration is entirely a political problem. Mises<sup>48</sup> summarily dismisses the strictly economic arguments against free immigration as fallacious. He points out that, from the global point of view, migration raises the productivity of human labor, the supply of goods, and standards of living because it facilitates the reallocation of labor (and capital) from regions with less advantageous natural conditions of production to those with more advantageous natural conditions. Barriers to labor migration therefore cause a misallocation of labor and its geographic maldistribution, with a relative oversupply in some areas and undersupply in other areas. The effects of migration barriers are thus exactly the same as the effects of tariffs and other barriers to the international trade of goods: the reduction of productive efficiency and real income because comparatively unfavorable opportunities for production are exploited in some regions while comparatively favorable opportunities remain unutilized in others.

Although Mises argues that free movement of goods, capital, and labor tends to maximize the productivity of labor and the total output of goods and services, he does not envision this as the ultimate goal of liberalism. As Mises<sup>49</sup> argues in another connection, it

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<sup>47</sup>GlobalSecurity.org 2019. Retrieved August 27, 2019

<sup>48</sup>*Liberalism*, pp. 138–39; *Human Action: A Treatise on Economics*, Scholar’s Edition (Auburn, AL: Mises Institute, 1998), pp. 160–63, 742–49.

<sup>49</sup>*Critique of Interventionism*, trans. Hans F. Sennholz, 2nd ed. (Irvington-on-

was a mistake to believe “that the essence of liberal programs was not private property but ‘free competition’ [i.e., free of the ‘economic power’ of large business enterprises].” The same also applies when evaluating the social desirability of labor migration: the welfare standard for Mises and classical liberals is not the “economistic,” Chicago-school goals of production efficiency or maximum labor productivity measured in objective terms but the securing of a full private-property regime. For it is the operation of the unhampered market based on private property that best satisfies consumer preferences for both exchangeable *and* non-exchangeable goods, which is the ultimate goal of all economic activity.<sup>50</sup>

In his brilliant but neglected analysis of the labor market in his economic treatise, *Human Action*, Mises<sup>51</sup> points out that even the completely unhampered migration of labor across political boundaries does *not* lead to maximum labor productivity and a distribution of labor that equalizes wage rates for the same kind and quality of labor services throughout the global economy. The reason?

The worker and the consumer are the same person. ... Men cannot sever their decisions concerning the utilization of their working power from those concerning the enjoyment of their earnings.

Descent, language, education, religion, mentality, family bonds, and social environment tie the worker in such a way that

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Hudson, NY: The Foundation for Economic Education, 1996), p. 35.

<sup>50</sup>On the crucial distinction between “exchangeable” and “nonexchangeable” goods, see Murray N. Rothbard, *Man, Economy and State: A Treatise on Economic Principles with Power and Market: Government and the Economy*, Scholar’s Edition, 2nd ed. (Auburn, AL: Mises Institute, 2009), pp. 214–18, 1323–24) and Philip Wicksteed, *The Common Sense of Political Economy and Selected Papers and Reviews on Economic Theory*, ed. Lionel Robbins (New York: Augustus M. Kelley, 1967), pp. 132–34.

<sup>51</sup>*Human Action*, p. 622.

he does not choose the place and the branch of his work merely with regard to the height of wage rates.

In discussing labor migration Mises therefore shifts the focus from the analytical abstraction of the “laborer” seeking the highest wages consonant with his leisure preferences to the real human actor who demonstrates preferences across a broad range of goals that include non-exchangeable goods like close proximity and association with members of the same family, religious affiliation, ethnicity or language group. Hence, Mises<sup>52</sup> explicitly recognizes that once the outdated assumptions underlying the free-trade doctrine advanced by Ricardo and the classical economists are dropped, and the international mobility of capital and labor as well as goods is considered, the case for free trade, while it remains valid “from the purely economic point of view ... presents a quite changed point of departure for testing the extraeconomic reasons for and against the protective system.” Mises thus takes the analysis of migration beyond the realm of narrowly economic considerations and brings it into contact with the concrete political reality of the democratic mixed-nation-state and its characteristic suppression and violation of the property rights of national minorities by the majority nationality.

This analysis leads Mises to view mass “immigration,” that is, labor migration across state borders, even when it occurs for purely economic reasons, as posing an inherent problem. Mises<sup>53</sup> maintains that the creation of mixed-nation-states resulting from the immigration of workers of a foreign nationality “gives rise once again to all those conflicts that generally develop in polyglot territories” and “to particularly characteristic conflicts between peoples.”

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<sup>52</sup>*Nation, State, and Economy*, p. 64.

<sup>53</sup>*Liberalism*, p. 123; *Nation, State, and Economy*, p. 59.



Mises<sup>54</sup> does recognize that peaceful cultural and political assimilation can take place “if the immigrants come not all at once but little by little, so that the assimilation process among the early immigrants is already completed or at least already under way when the newcomers arrive.” He cites the example of Chinese immigration to the United States in the nineteenth century, which did occur in a manner amenable to assimilation. Mises<sup>55</sup> remarks, however, that “perhaps” the Chinese would have “achieve[d] domination in their new home ... in the western states of the Union if legislation had not restricted their immigration in time.” But this is strictly a positive observation and Mises draws no policy implications from it.

Indeed, Mises<sup>56</sup> exposes the economic arguments to restrict immigration put forward by protectionist trade unions in relatively high-wage countries like the U.S. and Australia as transparently self-serving and injurious to the economic interests of their fellow nationals as well as contrary to the teachings of sound economic theory. But Mises<sup>57</sup> takes a more measured tone when considering the extra-economic argument in favor of immigration restriction that is disingenuously resorted to by the protectionists as a fallback position. According to the latter argument, in the absence of immigration barriers “hordes of immigrants” of non-English-speaking European and Asian nationalities would “inundate Australia and America.” Because these immigrants would arrive rapidly and in great numbers, the argument asserts, they could not be assimilated and Anglo-Saxons in the host countries would find themselves in a minority and their “exclusive dominion ... would be destroyed.”

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<sup>54</sup>*Nation, State, and Economy*, p. 61n. 33

<sup>55</sup>*Ibid.*, p. 61.

<sup>56</sup>*Liberalism*, p. 139.

<sup>57</sup>*Ibid.*, pp. 139–40.

In evaluating this argument, Mises<sup>58</sup> emphasizes the political problems that would arise in a mixed-nation-state created overnight by mass immigration:

These fears may perhaps be exaggerated with regard to the United States. As regards Australia, they certainly are not. ... If Australia is thrown open to immigration, it can be assumed with great probability that its population would in a few years consist of Japanese, Chinese and Malaysians. ... The entire nation [not just workers] is unanimous, however, in fearing inundation by foreigners. The present inhabitants of those favored lands [the U.S. and Australia] fear that some day they could be reduced to a minority in their own country and that they would then have to suffer all horrors of national persecution to which, for instance, the Germans today [1927] are exposed in Czechoslovakia, Italy, and Poland.

While Mises does not take an explicit position on the desirability of a policy curbing massive immigration flows that are induced by economic opportunity, he acknowledges that “these fears” of the nationality inhabiting the receiving country “are justified,” especially in a world of interventionist states.<sup>59</sup> Mises,<sup>60</sup> who for many years observed firsthand the egregious maltreatment of national minorities in Central and Eastern Europe, vividly expresses the basis of the majority nation’s fear of being transformed into a national minority:

As long as the state is granted the vast powers which it has today and which public opinion considers to be its right, the thought

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<sup>58</sup>*Liberalism*, pp. 140–41.

<sup>59</sup>Writing during World War II Mises (*Omnipotent Government*, p. 114; “The Fundamental Principles of a Pan-European Union,” in *Selected Writings of Ludwig von Mises: The Political Economy of International Reform and Reconstruction*, ed. Richard M. Ebeling [Indianapolis, IN: Liberty Fund, 2000], p. 47) did strongly argue against admitting immigrants from the Axis states of Germany, Italy, and Japan.

<sup>60</sup>*Liberalism*, p. 141.

of having to live in a state whose government is in the hands of members of a foreign nationality is positively terrifying. It is frightful to live in a state in which at every turn one is exposed to persecution — masquerading under the guise of justice — by a ruling majority. It is dreadful to be handicapped even as a child in school on account of one's nationality and to be in the wrong before every judicial and administrative authority because one belongs to a national minority.

Thus, Mises<sup>61</sup> views immigration as always and everywhere a “problem” to which there is “no solution,” as long as interventionist political regimes are the norm. Only when the crossing of state borders by members of a different nation portend no political dangers for the indigenous nationality will the “problem of immigration” disappear and be replaced by the benign migration of labor that creates unalloyed and mutual economic advantages for all individuals and peoples. From Mises's perspective, then, the solution to the immigration problem is not to legislate some vague, *ad hoc* right to the “freedom of movement” between existing fixed-boundary states. Rather, it is to complete the *laissez-faire* liberal revolution and secure private property rights by providing for the continual redrawing of state boundaries in accordance with the right of self-determination and the nationality principle. Then — and only then — can the continual and wealth-creating global reallocation of labor generated by a dynamic capitalist economy be peacefully accommodated without precipitating political turmoil and conflict.

## 6. CONCLUSION

Mises was a radical liberal nationalist and cosmopolitan whose overarching goal was to promote policies that facilitated the

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<sup>61</sup>Ibid., p. 142.

peaceful extension of the social division of labor founded on private property to all individuals and nations. He acknowledged the reality of separate nations and its meaningfulness for political and economic policy analysis. He recognized that political borders that were not formed according to the nationality principle were an insurmountable impediment to the fullest realization of the concept of free trade and an important source of national conflicts and protectionism that destroyed wealth. In particular, Mises realized that “immigration” was not the solution to the problem of the uneconomic spatial distribution of labor, but the very cause of the problem. The problem of immigration would be solved only with the consummation of the classical liberal revolution in the universal recognition of the right of self-determination. Then the problem — and the very phenomenon — of *immigration* would disappear, as the borders of states would move with the migration of peoples and nations.

### EPILOGUE: DID MISES CHANGE HIS MIND?

Mises laid out his radical liberal program of self-determination and peaceful nationalism in two books written during the interwar period, *Nation, State, and Economy*<sup>62</sup> and *Liberalism*,<sup>63</sup> originally published in German in 1919 and 1927, respectively. Later, however, during the dark days of World War II, Mises<sup>64</sup> wrote a number of works in which he abandoned hope that the liberal program would ever provide a workable solution to the problem of national minorities in Eastern Europe. Given the intellectual trends

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<sup>62</sup>*Nation, State, and Economy*.

<sup>63</sup>*Liberalism*.

<sup>64</sup>*Omnipotent Government*; “Postwar Reconstruction,” in *Selected Writings of Ludwig von Mises: The Political Economy of International Reform and Reconstruction*, ed. Richard M. Ebeling (Indianapolis, IN: Liberty Fund, 2000); “An Eastern Democratic Union.”

of economic nationalism and interventionism that had taken hold among the political leadership and public intellectuals in all nations, Mises<sup>65</sup> had come to believe “that the principle of nationality, as developed in Western Europe, is simply inapplicable in Eastern Europe, where the linguistic groups are inevitably mingled.” In lieu of the nationality principle as a guide to political organization, Mises<sup>66</sup> proposed an Eastern Democratic Union (EDU), a highly centralized and supranational democratic state to rule over all nationalities residing in the area “between the eastern boundaries of Germany, Switzerland, and Italy and the western borders of Russia ... from the shores of the Baltic to those of the Black, Adriatic, and Aegean seas.”

Mises<sup>67</sup> was remarkably forthright about the nature of the EDU: it would involve “a total suppression of local sovereignty” with “the whole territory of Eastern Europe ... organized as a political unit under a strictly unitary government,” with the “foremost aim” being “to eliminate the problem of national minorities.” In the territory of the EDU, the largest linguistic group would be the Poles, comprising 20 percent of the population. There would thus be no national majority to lord it over minority nationalities. Under these politico-demographic conditions, Mises<sup>68</sup> believed that the constitution of the EDU would be able to effectively ensure every citizen equal treatment under the law and the right to free movement and choice of occupation within the union.

Without delving further into the details of Mises’s proposal, we may make three observations. First, although desperate times may have moved Mises to change his mind about the nature of

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<sup>65</sup>“An Eastern Democratic Union,” p. 184.

<sup>66</sup>*Ibid.*, p. 176.

<sup>67</sup>*Ibid.*, pp. 182, 183, 186–87.

<sup>68</sup>*Ibid.*, p. 187.

the solution, he never wavered in his view of the essential problem, namely, the impossibility of the peaceful coexistence between majority and minority nationalities under a unitary government, especially a majoritarian democracy. Second, Mises anticipated criticism that his plan was an attempt to restore the old Austro-Hungarian Empire on a larger scale. In partially conceding this point, Mises<sup>69</sup> emphasized the liberal aspects of the empire: “This is true as far as old Austria ... was the only power among those ruling in this area which tried to treat all citizens on an equal footing.” While admitting that the Austrian system had failed, Mises argued that his proposed constitution for the EDU embodied details “based on precisely the lessons the Austrian failure teaches us.” Finally, after World War II, Mises stopped writing about nationality conflicts because the problem had been rendered moot by the forcible incorporation of the warring nationalities of Eastern Europe — with the connivance of the other Allied powers — into the sphere of influence of a rigidly centralized despotic state, the Soviet Union. Mises restricted his focus to a strictly positive analysis of immigration barriers as an interventionist policy of economic nationalism that was designed to raise wage rates for domestic laborers, especially those belonging to labor unions. In sum, despite his EDU proposal, Mises<sup>70</sup> never later expressed any departure from his interwar views about the source and nature of nationality conflicts and the insurmountable political problem they pose for mass immigration.

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<sup>69</sup>Ibid., p. 198.

<sup>70</sup>*Human Action*.

## The Nationalist Case for Free Trade, in the Words of Classical Economists

**T**he founders of classical economics, namely David Hume (1711–1776), Adam Smith (1723–1790), and David Ricardo (1772–1823) and their British followers were fervent advocates of the principle of free trade between nations. Even more so were J.-B. Say (1767–1832), Frédéric Bastiat (1801–1850) and their Continental disciples of the liberal school (who for simplicity I will broadly classify as classical economists because of their link to Adam Smith). Despite their devotion to free trade, the classical economists were nationalists. They viewed free trade as one of the most important means for advancing the security, prosperity, and cultural achievements of their own nations. In this sense, they tended to be what Ludwig von Mises described as “peaceful” or “liberal” nationalists,<sup>71</sup> who recognized the existence of profound differences among nations and nationalities and loved their own nations above all others, yet discerned that the economic and cultural flourishing of each nation was inextricably linked with the flourishing of all other nations. In recognizing this international harmony of interests, the classical economists were naturally thoroughly cosmopolitan and anti-war.

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<sup>71</sup>For Mises’s description and defense of liberal nationalism, see the previous essay in this book.

The cosmopolitanism and pacifism of the classical economists has in the past been misconstrued — often deliberately — by their protectionist opponents as a lack of affection and concern for their nation and its interests. This erroneous interpretation of the classical case for free trade has once again gained currency in the writings of some contemporary libertarians and free-market economists who have embraced the anti-nationalist, globalist agenda. Fortunately, eminent historians of economic thought have previously demolished this gross caricature of the classical position and clarified the rationale of the classical economists in promoting free trade. Let us take a few examples.

Lionel Robbins was a British economist who was heavily influenced by Mises, Hayek, and the founders of the Austrian school early in his career. He was also one of the foremost historians of the classical school of economics, having written several articles and books on the subject. Robbins was emphatic in defending the view that the British classical economists promoted free trade because it improved economic conditions for Great Britain:

To the extent to which [classical economists] repudiated former maxims of economic warfare and assumed mutual advantage in international exchange, it is true that the outlook of Classical Economists seems, and indeed is, more spacious and pacific than that of their antagonists. But there is little evidence that they often went beyond the test of national advantage as a criterion of policy, still less that they were prepared to contemplate the dissolution of national bonds. If you examine the ground on which they recommend free trade, you will find that it is always in terms of a more productive use of national resources. ... I find no trace anywhere in their writings of the vague cosmopolitanism with which they are often credited by continental writers [such as the protectionist, Friedrich List]. ... All that I contend is that we get our picture wrong if we suppose that the English



Classical Economists would have recommended, because it was good for the world at large, a measure which they thought would be harmful to their own community. It was the consumption of the national economy which they regarded as the end of economic activity.<sup>72</sup>

In a classic work, published just after World War II, Edmund Silberner surveyed the thought of the leading economists of the nineteenth century, including the British classical and French liberal economists, on the problem of war, its causes and solution.<sup>73</sup> Silberner pointed out that the classical economists, whom he called “liberals,” viewed war as “economically and socially harmful” and “not only immoral but stupid” because “it is in effect the natural state of men ignorant of the laws of political economy.”<sup>74</sup> Silberner summarized the classical-liberal position on the connection between free trade, prosperity, war, and the science of political economy as follows:

By favoring international accord ... [free trade] contributes not only to the material prosperity of nations but also to the intellectual and moral progress of mankind as a whole. Of all known economic systems it is therefore ... the most favorable to each nation as well as to the human race in its entirety. ... [T]he establishment of commercial freedom will bring about one of the most profound revolutions in history. Free trade will assure to all men the maximum possible of material well-being, which in fact will know no other limits than the natural resources of the globe and the creative work of men. What is more, the influence of free trade will not be restricted to the economic field:

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<sup>72</sup>Lionel Robbins, *The Theory of Economic Policy in English Classical Political Economy* (London: Macmillan, 1953), pp. 10–11.

<sup>73</sup>Edmund Silberner, *The Problem of War in Nineteenth Century Economic Thought*, trans. Alexander H. Krappe (Princeton, NJ: Princeton University Press, 1946).

<sup>74</sup>*Ibid.*, p. 280.

freedom of international commerce will also considerably increase the external security of nations. ... The role assigned by the liberals, in this matter, to political economy is most significant. This science must deal with war because peace is an essential element of public prosperity. Political economy ... is regarded by the liberals as the science par excellence of peace. The diffusion of economic knowledge thus tends, in their eyes, to prevent wars.<sup>75</sup>

Having demonstrated the profoundly cosmopolitan and pacific attitudes of the classical economists, Silberman, like Robbins, emphasized that they were first and foremost nationalists. Thus he wrote: "Though hostile to militarism, they make it clear that their attitude is opposed neither to an enlightened patriotism nor to the principle of nationalities."<sup>76</sup> In addition, the classical economists not only saw free trade as the most effective policy for avoiding war but also as the best means of preparing for a war that was impending. According to Silberman, "whatever their differences of view [on the relative effectiveness of free trade as a deterrent to war] they all take it for granted that, if war is truly inevitable, free trade, by enriching the nations, prepares them better for it than does the protective system, which impoverishes them all."<sup>77</sup> Finally, despite their abhorrence of war, the classical economists, "with a few exceptions," were "opposed or hostile" to surrendering national sovereignty to a "supernational peace organization."<sup>78</sup>

In an important recent work, Razeen Sally has investigated the views on international economic order held by classical liberals from Hume and Smith to Wilhelm Röpke and other economists of

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<sup>75</sup>Ibid., pp. 281–82.

<sup>76</sup>Ibid., p. 282.

<sup>77</sup>Ibid.

<sup>78</sup>Ibid., p. 283.

the twentieth-century German Ordoliberal school.<sup>79</sup> In his treatment of Hume and Smith, Razeen argues that both view a person's discriminative love for his or her nation as psychologically and morally warranted:

[B]oth Hume and Smith strongly believe that human fellow-feeling (or approbation of others) — the famous “sympathy” principle in eighteenth-century moral philosophy — might apply within a nation but hardly at all between nations. Sympathy subsumes a sentiment of patriotism or “love of country,” but does not extend to “love of mankind.” ... Both Hume and Smith opine that this is right and proper, for the public interest is secured when one fixes one's attention on something limited and proximate, stretching to patriotism or love of country, rather than something vague and uncertain like love of humanity.<sup>80</sup>

Accordingly Razeen insists that Hume's and Smith's advocacy of free trade is based on their belief that it is the policy that best conduces to enhancing the wealth and welfare of their own nation. Sally is emphatic on this point:

... Hume and Smith stick to considerations of the nation and the national interest as practical objects of analysis. This is a point of absolutely vital importance. Note that Smith does not expatiate on the wealth of “the world”; rather he focuses on the wealth of *nations*. First and foremost, the interrelation of economic phenomena is examined according to the criterion of *national*, not global, wealth maximization. ... In contradistinction to the mercantilists, however, he holds that, under free trade, the national interest corresponds to the global interest. However, *as a by-product*, such a regime benefits the rest of the world through a better allocation of world resources, not to mention the dynamic

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<sup>79</sup>Razeen Sally, *Classical Liberalism and International Economic Order: Studies in Theory and Intellectual History* (New York: Routledge, 1998).

<sup>80</sup> *Ibid.*, pp. 56–57.

gains of technology transfer, competitive emulation, and a widening market that spread across the globe. ... This then is the context for Smith's advocacy of unilateral free trade which the nineteenth-century classical economists believe in as well: one or a number of nations adopt free trade independently *in their own interest*; others, also acting in their self-interest, are likely to follow the example of pioneering free trading nations once the benefits of such a policy become readily apparent. [Emphases in the original.]<sup>81</sup>

We need not, however, depend only on the interpretation of modern historians of thought on this matter for we have the words of the classical economists themselves. There is no better place to start than a famous statement by one of the first classical economists, David Hume. Hume's dictum poignantly illustrates how, in the eyes of classical economists, free trade perfectly harmonized nationalism and cosmopolitanism.

I shall therefore venture to acknowledge, that, not only as a man, but as a British subject, I pray for the flourishing of commerce of Germany, Spain, Italy, and even France itself. I am at least certain, that Great Britain and all those nations, would flourish more did their sovereigns and their ministers adopt such enlarged and benevolent sentiments towards each other.<sup>82</sup>

As Robbins pointed out,<sup>83</sup> Adam Smith "expressly repudiates" the globalist position that places the welfare of one's own nation on all fours with that of other nations:

France may contain, perhaps, near three times the number of inhabitants which Great Britain contains. In the great society of

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<sup>81</sup>Ibid., p. 58.

<sup>82</sup>David Hume, "Of the Jealousy of Trade," in David Hume, *Writings on Economics*, ed. Eugene Rotwein (Madison: University of Wisconsin Press, 1970), p. 82.

<sup>83</sup>Robbins, *The Theory of Economic Policy*, p. 10n. 5.

mankind, therefore, the prosperity of France should appear to be an object of much greater importance than that of Great Britain. The British subject, however, who upon that account should prefer upon all occasions the prosperity of the former to that of the latter country, would not be thought a good citizen of Great Britain. We do not love our country merely as part of the great society of mankind — we love it for its own sake, and independently of any such consideration.<sup>84</sup>

Ricardo's closest disciple, J. R. McCulloch (1789–1864), argued that free trade unites all nations and peoples in common interest. “Commerce embracing different nations,” declared McCulloch,

by ... making every people to a great extent dependent on others ... forms a powerful principle of union and binds together the universal society of nations by the powerful ties of mutual interest and reciprocal obligation.<sup>85</sup>

Now McCulloch is not saying that free trade will dissolve peoples and nations into a homogeneous globalist mass or eradicate the desire most individuals have for the flourishing and pre-eminence of the nationality or “people” they identify with. In fact he is saying quite the opposite: that free trade and the mutual benefits it confers on all nations are the only rational means available to sustain one's own nation and secure its desired advancement and distinction among other nations. In McCulloch's words:

It has been shown over and over again, that nothing can be more irrational and absurd, than that dread of the progress of others in wealth and civilization that was once so prevalent; that what is for the advantage of one state is for the advantage of all; and

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<sup>84</sup>Adam Smith, *The Theory of Moral Sentiments* (New Rochelle, NY: Arlington House, 1969), p. 337

<sup>85</sup>John R. McCulloch, *The Principles of Political Economy*, 5th ed. (New York: Augustus M. Kelley, 1965), p. 92.

that the true glory and real interest of every people will be more certainly advanced by endeavoring to outstrip their neighbors in this career of science and civilization, than by engaging in schemes of conquest and aggression.<sup>86</sup>

Henri Baudrillart (1821–1892) was an eminent French liberal economist and economic historian and a follower of Bastiat's. He was an avid free trader and anti-militarist, who objected to standing armies. Baudrillart however maintained that international free trade and division of labor are not only consistent with separate nations and nationality differences but require such separateness and differences. Wrote Baudrillart:

Those who do not consider at all the differences produced among men by climate, race, and institutions, are the very theoreticians of prohibitions who want every nation to be self-sufficient and devote itself to all industries at the same time. ... By endeavoring to maintain that division of labor which Providence itself has established among men, political economy is obviously not hostile to the spirit of nationality; it bases the alliance of peoples on the difference of characters and faculties; it wants each to excel under the conditions peculiar to it, and each to produce so as to have means of exchange. To generalize and extend trade, it localizes industry.<sup>87</sup>

It is imperative to emphasize the nationalist basis of the classical case for free trade for two reasons. First, modern libertarians and "classical" liberals who favor open borders and are indifferent to the dissolution of historical nations often invoke the names of Hume, Smith, and Bastiat in support of their position. But as we saw, the liberality, pacifism, and cosmopolitanism of these great

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<sup>86</sup>Ibid., pp. 92–93.

<sup>87</sup>Henri Baudrillart quoted in Silberman, *The Problem of War in Nineteenth Century Economic Thought*, p. 111.

thinkers and their nineteenth-century followers is far different from the homogenizing globalism embraced by their modern epigones. Second, without taking a position on the vexed question of immigration, it is important to bear in mind that the classical rationale for the free movement of goods cannot be simply extended to justify the “free movement of labor,” that is, open borders, especially if the result is mass immigration. As nationalists, the classical economists would hardly look on with equanimity as their nation disintegrated.

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