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Editor: A. W. Madsen

Assistant Editor: F. C. R. Douglas

34 KNIGHTRIDER STREET, LONDON, E.C.4

Telegrams: "Eulav, Cent, London"

Telephone: City 6701

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FEDERAL UNION AS A PEACE AIM

IT SEEMS a long time ago now when during the last European War our hearts were stirred and our hopes uplifted by the thought that on the basis of President Wilson's Fourteen Points and through the agency of the League of Nations the affairs of men and nations could be so adjusted and harmonised that war would become impossible. We have suffered many disillusionments since those days. The use of brute force for selfish ends has become more and more frequent, the cost of armaments has risen at an appalling pace, and a large part of Europe is now involved in active warfare to the detriment both of belligerents and neutrals.

These disappointments have compelled a reconsideration of the problem. Two contributions to the solution of it which have been published recently are worthy of careful attention. They are Mr Clarence K. Streit's *Union Now* (Jonathan Cape, 10s. 6d.) and Mr W. B. Curry's *The Case for Federal Union* (Penguin Special, 6d.). Both of these books find the prime cause of the failure of the League of Nations in the fact that it was a League, that its constituent parts retained their full national sovereignty. Thus the foundation of the League was simply a treaty between the associated powers, and its subsequent acts have in effect been supplementary treaties. This circumstance is exemplified by the basic requirement of unanimity in order to reach a binding decision, whereas in all democratic forms of government what is required for a decision is a majority of the votes of individuals. If treaties between nations were broken in the past, what is to prevent the breaking of treaties made in this new pattern? Experience has shown that this is just what does happen. The solemn covenants of the League are disregarded, as other treaties have been.

What is wanted in the view of these and other thinkers is a new form of association, based not on treaty between nations but upon the consent of individuals to form a federal union on the pattern of the United States or of the Swiss Confederation. The Government of this Confederation would be elected by the votes of individuals who would possess a common citizenship in it, and its responsibilities would be to its citizens and not to their state governments. The governments of the nations associating to form the Union would retain the major part of the functions they now possess, but certain functions would be surrendered to the Union government. These functions of the Union government would include its diplomatic relations with that part of the world which remained outside the Union, the land, sea and air defences of the union, the granting of citizenship of the Union and the admission of new

states to it, the coining and issuing of money, and the regulation of commerce between the member states and foreign states.

Conversely the member states would have no right to maintain armed forces of their own, nor to raise barriers against or levy taxes on interstate commerce, nor to abridge or curtail the common citizenship of citizens of the Union.

We need not go into the details of all this or of the machinery of government. A draft, based on the constitution of the United States, has been worked out by Mr Streit and is quoted by Mr Curry.

The proposal is that the first members of the Union should be powers which enjoy a democratic form of government. Those listed by Mr Streit as a suitable nucleus are the United States, United Kingdom, France, Canada, Netherlands, Belgium, Australia, Sweden, Switzerland, Finland, Denmark, Ireland, Norway, Union of South Africa, New Zealand. To achieve such a union even of these fifteen nations must inevitably be a great task. It will evoke many prejudices, and it will antagonise a number of selfish interests within each country.

Those who advocate this plan recognise that it involves, and must inevitably involve, complete freedom of trade between each of the states forming the union. There could be no equal citizenship, if trade barriers were permitted. This is one of the great attractions of the proposal, and when properly understood is one of the best arguments in favour of it. To create a free trade area of this magnitude would certainly be a great achievement, and the area of freedom of trade would be extended with each accession to the Union.

The expenses of the Union upon defence and other matters entrusted to the Union government would, it may be hoped, be considerably less than the combined expenses of the individual states are at present, and the total burden of taxation in the Union area would therefore be reduced. What forms of taxation the Union government would levy is an interesting question, to which little attention appears to have been paid. The promoters of the idea assume that the Union government would have powers to impose tariff taxation upon imports from non-union countries. There could, however, be no revenue from many articles which at present are large sources of revenue, such for example as tea and sugar, for the countries of the Union and their dependencies would be almost self-supporting in these respects. A Union income tax would be cumbersome to administer and so would a Union inheritance tax. A Union tax on land values would, however, present no administrative obstacles of magnitude and would have many advantages.

There is also the taxation problem of the states comprised in the Union. They would automatically be deprived of all customs revenue. Income tax and inheritance tax would remain, but as all citizens of the Union would be free to reside in any part of the Union they would tend to reside in parts where these taxes were lowest, especially as it would be necessary to have some provision preventing double taxation such as now operates between Great Britain and the Dominions. It may therefore be that expediency as well as justice might induce the members states of the Union to resort in greater measure to taxes on land

values. It is indeed something which ought to happen, for if such a Union means greater peace, greater security, more trade and larger production, there will be a tendency for land values within it to rise, and those values ought to be used for the common purposes of the people. Nor will it be more defensible in states members of such a Union than it is at present for them to allow natural resources to remain idle and some of their citizens to be

speculators in the land which is the primary and only source from which the wealth of their citizens comes.

Perhaps in any case one may hope that if the peoples of the world were relieved of their anxieties over war and the fear of war, more determined and constructive effort would be devoted to the solution of the economic problem which confronts all countries.

F. C. R. D.

MR DE VALERA ON FREE TRADE

REPLYING TO some criticisms of the protectionist policy of his Government, Mr de Valera recently made an attack upon the whole principle of freedom of trade. According to the *Catholic Herald* (8th December) he said: "The principle of free trade is to buy wherever you can in the cheapest market, no matter what effect it may have at home, and sell whenever you are permitted in the dearest market." One would like to know whether Mr de Valera in his private capacity pursues any different policy. If he buys an article does he deliberately pay a higher price for it than he need do? If he has an article to sell, does he deliberately sell it for less than the highest price he can get for it? If not, what right have he and his Government to prevent their citizens from acting in the same manner? It is indeed self-evident that no individual conducts his business on any other basis than that of acquiring things at the lowest price possible and selling them at the best price obtainable. If they acted otherwise, they would be committing economic suicide.

Mr de Valera went on to say that free trade meant "Let there be no interference with the individual. Let the law of the jungle prevail both within the State, concerning the individuals in the State, and between one State and another." Why should there be interference with the individual? Is there any virtue in interference with the individual? Surely the primary function of the State is not to interfere with the individual but to safeguard his liberty. The law of the jungle prevails where individual liberty is not safeguarded. The law of the jungle would prevail if the people of one country could exploit the people of other countries, as the protectionists assume. As it happens most of the damage done by protectionism is to the people of the country which practises it, although incidental damage may be done to others.

Evidently Mr de Valera adheres to the philosophy which holds that the State is more important than the individual, that the individual must be subordinated to the State, and that the State does not exist to serve the individual. He said: "The gentlemen who stand for that free trade policy in its fulness would wipe out national territories because it could not work if these national boundaries were not wiped out." The assumption that national boundaries consist of tariffs and nothing but tariffs is almost too fantastic for comment. It is one of the virtues of free trade that it can be practised by any country irrespective of what other countries do, with advantage to that country, and without sacrifice of its national independence.

National sentiment is only too frequently made use of for the purpose of inducing legislators to enact tariffs for the benefit of particular interests. It is an excellent method, much cheaper than the old-fashioned

plan of bribery and draping the whole business in a veil of respectability. But tariffs never have and never can be the means of safeguarding the independence of a country.

Mr de Valera repeats the ancient story that the reduction of the population of Ireland from eight and a quarter to four and a quarter millions was due to the policy of free trade. It is conceivable that if the United Kingdom had been prepared to make the food of all its working population scarcer and dearer there might have been a larger population in Ireland employed in agriculture. But that argument has no relation to the position of Ireland as an independent State having no power to make the food of English or Scottish workers dearer for the sake of higher prices for Irish agricultural products.

It is certainly true that by means of protection it is possible to benefit one section of the population of a country at the expense of others. Indeed, protection always does so, because there are always large numbers of people engaged in employments which are not subject to foreign competition and whose trade cannot possibly be protected.

One half of the agricultural production of Eire is exported, and the export trade cannot be benefited and can only be injured by protection. It may be remarked that of Eire's exports of agricultural products about 98 per cent are the products of animal husbandry, and that Eire is a large importer of cereals and other vegetable products. If, therefore, protection had been applied to agriculture the net result would have been injurious to agriculture itself.

The policy of the present Government, as Mr de Valera clearly states, is to protect manufacturing industries. Some of these, such as brewing, are already exporters and cannot benefit by production. Those that can be advantaged by it can only gain at the expense of the majority of the population. It is, of course, easy to point to some factory employing some hundreds of people, making boots let us say, and to assert that that factory would not be there but for protection. But the statesman should also be able to see the tens of thousands of people who are paying more for their boots on that account, and who consequently are unable to spend as much as they would have done on other things. Protection does not create more employment. It shifts employment from one direction to another, and it shifts it to directions in which the net result is less than it would otherwise have been.

For countries like Germany the argument for protection can be made plausible, though still fallacious, that it is a means of securing national self-sufficiency in time of war, and particularly in respect of foodstuffs. Such an argument has no relation to the circumstances