

The Economic Causes of War

Condensation of the Memorandum to the World Economic Conference, Geneva, May, 1927, by the International Union for Land Value Taxation and Free Trade.

The essential objects of the International Economic Conference convened by the League of Nations are to consider means of (A) removing the economic causes which lead to war, and (B) promoting the improvement of the economic position of the peoples of all nations. These objects are closely related, and cannot be attained independently of each other.

The world of to-day constitutes a single economic organization. In the changing conditions of modern times there is no longer any nation which is self-sufficient. Even the United States of America, which constitutes one of the largest and most diverse political States in the world, is vitally dependent upon foreign countries for a great variety of things which are essential to modern industrial process. . . .

Even more vital than the obstructions to the transport and exchange of raw materials and manufactured articles are the conditions affecting the production and distribution of wealth. The impoverishment of the peoples of Europe, the growth of unemployment, the reduction of wages and the gross inequalities in the distribution of wealth give rise to problems of more than national importance. They create a state of mind among the masses of every country which on the one hand threatens the stability of governments and on the other hand encourages the idea of economic improvement by means of territorial expansion. The improvement of the material condition of the people is essential not only from a purely national standpoint, but also because it will produce that psychology of belief in the advantages of rewarded toil which will make possible the intellectual and spiritual emancipation of mankind and make the idea of war alien to their thoughts.

(A) Economic Causes of War

Apart from the general influence

of the economic condition of the peoples, the specific economic incentives to war may be roughly classified into two groups:—

(1) The antagonism and friction caused by interference with exchange and especially by tariffs; and

(2) The struggle for new markets and sources of raw materials, especially the demand for colonial expansion, concessions and protectorates.

The Tariff Problem

The economic difficulties of Europe are in a large measure due to tariff barriers. The new States which have been set up since the war have in many cases had basic industries separated from the source of raw material which remained in the parent State, or vice versa. In the absence of a tariff, this might not have had much economic effect. It is the tariff which forms the frontier and makes effective the separation.

The detachment of territory from one State for the benefit of another or to form an independent State will inevitably cause some resentment in that State whose area is reduced. But if the transfer of territory is accompanied by no interference with the economic life of both States the feeling of resentment is less likely to persist and to become a menace to the peace of the world. . . .

From the point of view of war or peace there can only be one conclusion as to the desirability of abolishing all tariffs, and other barriers to international trade. The removal of the tariff is in the best interests of the peace of the world . . .

The Colonial Question

It is a truism of historical study that the struggle for raw materials and new markets, expressing itself in colonization, annexation of territories, establishment of treaty ports, and in wars for colonial possessions, has been one of the chief sources of international jealousy and discord. . . .

It is true that the possession of a certain colony by one country rather than by another need not necessarily be to the advantage or disadvantage of either. But at present fiscal and other discriminations are made in favor of the traders, settlers and industrialists of the possessing country. Most important of all, grants of concessions to work raw materials over large areas of the most productive territory are often made to individuals and companies who may be able to establish a virtual monopoly and become enriched, while neither the colony nor the parent country gains any appreciable advantage.

It is, therefore, the duty of those who desire to remove the economic incentives to war to make certain that the citizens of all nations receive equality of treatment in respect of access to raw materials. . . .

(B) Improvement of Economic Position

The removal of the causes of the present stagnation of trade and the improvement of the economic position of the peoples depends upon three main factors:—

(1) A sound system of public finance;

(2) Removal of obstacles to exchange, particularly tariffs; and

(3) Increasing the opportunities for the production of wealth.

Public Finance

The more violent fluctuations of the foreign exchanges have been mainly due to the inflation of the currency as a substitute for taxation. If means can be found to balance the budget, the currency can be stabilized and with it the rate of exchange.

The difficulty of balancing the budget is to find sources of taxation which will be adequate to meet the national expenditure. The repercussion on industry of the main existing sources of taxation is so serious that a further increase in the rate of taxation is dreaded. A new source of revenue must be found.

Land-Value Taxation is capable of yielding a great volume of revenue. It has no injurious effect upon production, exchange or international trade because it is not added to the price of commodities. It is a source of revenue which automatically expands as society progresses and the need of revenue becomes greater; and it falls upon a value which is unearned by any individual, but is created solely by the presence and activities of the Community.

Removal of Tariff Barriers

The abolition of tolls, octrois, and internal obstacles to trade has never been regretted in any country. The constitutional prohibition of such barriers to free production and exchange over the vast and diversified territory occupied by the 48 States of the American Union is an unquestionable factor in the relatively great prosperity of the United States. If the whole world constituted one State, no intelligent person would advocate tariffs between its administrative units. There is an evident inconsistency in supporting a League of Nations pledged to world peace, while at the same time advocating the maintenance of national tariffs on the theory that the producers in different nations are (in the economic field) enemies. In fact, the whole tenor of protectionist literature is that tariffs are means of making one nation rich at the expense of another. . . .

It is true that in practically all countries the tariff supplies a large fraction of the public revenue. But it is not true that the necessary revenue cannot be obtained otherwise. The revenue of any country must be obtained from the annual produce of its land, labor and capital. The system of taxation adopted is merely a means of determining what amount shall come out of the pocket of each individual citizen and the method by which it shall be collected. The tariff is a method which imposes the load in the most burdensome way, interfering with and handicapping the international division of labor. It also has the vicious effect of concealing how much each citizen does in the end pay, and of enabling some citizens to make an actual profit out of it by setting up monopolies. . . .

Stimulating Production of Wealth

Although the removal of tariff barriers will encourage the flow of commodities and facilitate the division of labor, and the stabilization of the exchanges will have a similar effect, these measures are not alone sufficient to ensure prosperity and international peace. They might lead to a position similar to or possibly somewhat better than that existing previous to the World War. But that, although advantageous as compared with the instability of the present time, leaves much to be desired and hoped for.

The working masses, upon whose assent the present system is based, are becoming increasingly dissatisfied in the knowledge that their condition does not improve in the same ratio as science and technical knowledge progresses. Large bodies of men unemployed and great accumulations of capital lying idle are a menace to the stability of States, and consequently to the peace of the world. . . .

Modern civilization contains within itself a canker which destroys or frustrates its own progress. The increase of population, the improvement in the technique of production and the march of invention cause a stronger and stronger demand for land to supply the necessary materials and sites for industry, commerce and agriculture. The more rapid is the growth of population and the development of industry, the more rapid is the increase in the value of land.

Speculation and holding of land out of use is, therefore, most acute

just where its effects are most injurious. The result of land being held out of use is to diminish the available supply of something already limited in quantity, and, therefore, to increase the price of what is allowed to be used. The production of commodities of all kinds is then restricted, prices rise, and there is in effect an increase in the cost of production. The distribution of wealth is also affected, more going to incomes derived from mere ownership, less to active producers.

The laws of most countries fail to prevent this speculative holding of land out of use. Indeed, this is positively facilitated by the exemption from taxation which valuable unused land generally enjoys. It is not necessary to elaborate here the argument that the value of land is particularly suited to be a source of public revenue. This has been demonstrated by economists of the highest standing. What we are concerned to show is that Land-Value Taxation supplies an essential link in the solution of most economic problems.

It provides an alternative source of public revenue, by which the tariff can be abolished, a measure which is vital to the economic organizations of the world to-day and to the cause of peace.

It will enable the budgets to balance and so obviate the excuse for inflation and violent fluctuation of the exchanges.

It makes for the economic stability of international trade, and for closer co-operation between the nations.

It provides a means of stimulating production by forcing unused land into use, the essence of Land-Value Taxation being that it is levied on the full value of the land even if unused. The result will be increase of trade, more employment, less competition for work, higher purchasing power and higher wages.

Applied in colonies and protectorates this policy means that those who hold the land there will be obliged to work it and to produce the raw materials which other countries require. Monopoly based upon limitation of production will be im-

possible, because it will not pay to limit production; it will not pay to keep valuable land idle. Thus Land Value Taxation provides a solution of the colonial question, so far as it is an economic question, by ensuring that the supply of raw materials is maintained at its maximum; and these under a system of free trade will be distributed to those who require them by the ordinary machinery of commerce.

Peace, justice, security and the

progress of an ordered civilization all require that the inter-related problems of international commerce and of the economic betterment of the common man in every country should be solved.

To abolish the restrictions that now at every national frontier hinder and burden trade between peoples, is at once to remove a great impediment to the production of wealth while promoting those friendly human contacts that serve so well

to dissipate national and racial misunderstandings.

But beneficial as would be the establishment of Free Trade across national frontiers, it would not suffice to effect any permanent elevation of the economic status of the ordinary citizen in any country so long as the evils of land monopoly and the destructive internal taxation that now restricts the employment both of capital and of labor remain untouched.