

TRADE or WAR

The key to peace

WAR does not seem to have been central to Henry George's thought, despite the fact that both the American Civil War and the Franco-Prussian War occurred within his lifetime.

It is necessary, therefore, that we should construct for ourselves, from his scattered reflections on the subject, a model of what he might have written had he survived to witness, for example, the even mightier convulsion of the First World War.

For this model to be typically Georgist, it would need to be concerned with both land monopoly and artificial restrictions on trade.

Let us therefore dispose of George's least typical, though longest, utterance on the subject of the causes of war, which could have been written by almost anybody.¹ Its theme is more or less as follows.

The separation of tribes gives rise to cultural differences which, in turn, cause prejudices, quarrels and fighting. After centuries of this, hostility seems to be the natural relationship between societies; and modern tariffs and standing armies bear witness to its persistence.

Is all this really good enough? Is it essential George?

I do not think he would have said so himself, had he had leisure and cause to reflect; for in introducing the grand theme of the law of human progress, he asks us to remember that, within the limits of his *Progress and Poverty*, he "cannot fully treat the questions which arise".

Luckily, there are brief references elsewhere, well worth searching for, to both land monopoly and protection in their relationship to war; and, after collating these, we shall find it easier to place George himself at the point of origin of a distinctly Georgist view of war.

FIRST, land monopoly. Ever seeking examples in the ancient, as well as in the modern world, George notes that many Roman farmers, supplanted by the owners of the great estates, were forced to "sell their blood for bread in the

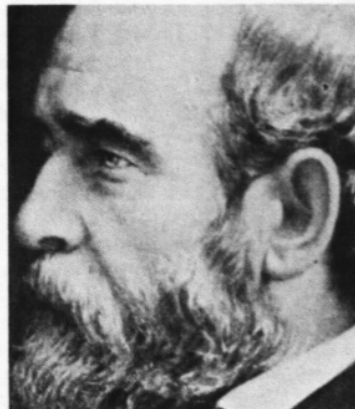
● WARS are not the unaided work of politicians, argues DAVID REDFEARN, who attempts in this article to construct a theory of war based on the socio-economic philosophy of an American philosopher, HENRY GEORGE.

ranks of the legions"; also, that time-served legionaries were allocated land in "freshly conquered foreign provinces".

Would he not have considered, after further thought, that the apparent lack of space caused by the great estates was in fact a reason for the conquests? In modern Europe, similarly, not only do standing armies "weigh down the safety valves" (i.e. keep the oppressed majority in a state of subjection), but also, while the masses waste their mental powers "in merely maintaining existence", the privileged minority wastes its own mental power "in keeping up and intensifying the system of inequality, in ostentation, luxury and warfare".

So land monopolists, in George's view, really do use war as a means of maintaining and strengthening their position.

In *Protection or free trade*, he is even more specific on the question of the inter-relationship of tariffs and wars. He allows, for example, some merit to socialism, in that it aims at the lessening of national



● Henry George

prejudices at the suppression of war. "It is thus opposed," he says, "to the cardinal tenet of protectionism that the interests of the people of different nations are diverse and antagonistic."²

Earlier on, he had both suggested a reason for this tenet and elaborated its consequences, when he traced "to confusions of thought growing out of this use of money... the belief that a nation profits by exporting and loses by importing — a belief to which countless lives and incalculable wealth have been sacrificed in bloody wars..."³

Could anything be clearer? Yes, it could; for, in his concluding chapter, he makes a pointed accusation against tariff rings who desire war-like expenditure of public money, in order to "forestall demands for the reduction of taxation — and thus secure... a longer lease of plunder". This motive it was that he saw behind the proposal of a presidential candidate, Mr. Tilden, that the coasts of the United States should be fortified — an obviously useless measure.

If only George had lived to re-arrange and refine all his powerful insights into a subject that is now a matter of life or death for everybody, effective work for peace, as opposed to a mere pleading of the lamb with the wolf, would be easier for all who follow in his footsteps.

Let us not suppose, however, that these followers failed to make their own contributions.

There was R. L. Outhwaite, for example, a member of the Liberal Party who, in 1912, won a by-election at Hanley on the platform of land value taxation. By the time the First World War was in its concluding stages, he was convinced that, unless this moderate but fundamental reform were put into effect immediately, the end of the war would bring higher taxation than ever known before, economic collapse, and revolution backed by the bayonets of the returning soldiers.

To a large extent his forecast was right, though, as we can now see, his estimate of the British

people's will to resist its own ruling class was somewhat optimistic.

All this he embodied in a book *Land or revolution*, published by the *Daily Herald*. Chapter 17 is entitled 'The origins of war'.

OUTHWAITE has nothing whatever to do with George's early undeveloped view that war began with cultural differences, but postulates fighting for the best pastures, and raids by nomads on the settled husbandmen – fighting, that is, over land.

George, while discussing contemporary war, though not while expounding his general thesis, had considered land monopoly and protectionism separately. Outhwaite unites them. "The land and capital monopolists," he says, "have raised tariff barriers to section off Europe into preserves of spoliation for their benefit."

Here, of course, George had prepared the way by showing that the landlord was the ultimate beneficiary of protection. Outhwaite

continues beyond George, however, in claiming that the land and capital monopolists, using tribute exacted at home for the purpose of exacting more tribute abroad, clash there with their like from other countries, and thus embark on wars, persuading their victims that national interests are involved.

Quoting Cecil Rhodes as having said "We shall not make war in the future for dynastic reasons, but because it is good business", Outhwaite produces instances from the Boer War, the Russo-Japanese War and the First World War to show that Rhodes was stating but the simple truth.

Outhwaite died in 1930, at the comparatively early age of sixty-two, and must have been a great loss.

Now, of course, the old problems are complicated by the development of the Russian revolution, of which Outhwaite saw only in the early stages, the beginning of the Chinese revolution, and the counter-revolutionary movement backed by Britain and the United States. We need

THE GURU'S WRONG – from P.123

could just slash their prices rather than take the hidden losses on concessionary financing. But real estate agents and builders say that price cutting doesn't attract buyers, while mortgage-rate cuts do.

"The homeowners' ego is also an important factor. Many would much rather sell their homes for a higher price with costly subsidised financing than sell below what neighbours obtained the year before."³

During the second half of 1981, lenders repossessed 7,163 homes, more than triple the rate for the same period in 1980. And in the first eight months of 1982, Californians were delinquent on mortgages worth \$1.7 bn, more than double the 1981 figure.

THE CALIFORNIA boom was quickly emulated throughout the United States.

California accounts for almost 21 per cent of all mortgage loans, so their impact on the market was bound to be significant.

Some home occupants now have as many as three or four mortgages around their necks.

The economic prospects are appalling: "Creative financing is a razor at our throat," says William Heath, a mortgage banker.

"California today is at the same point Wall Street was in 1929 when

the big crash came. Homes have been purchased on margin, as stocks were 53 years ago.

"Eventually, the whole thing has to come tumbling down around our ears. And when that happens, it will be like the 1930s again – only this time it will be the Californians heading for Oklahoma."⁴

So the traditional pattern repeats itself: significant speculation in 1979, a downturn in construction in 1980, a slump in 1981.

President Reagan cannot be held responsible for causing the current phase of the protracted recession that began in 1974, but he could transform the fiscal policies that still continue to encourage investment in land rather than in machines.

He is not likely to do so, however, because of the deep-seated ideological commitment to preserve existing income distribution and property relations. Thus, there can be no critical review of the cause-effect chain that might generate reforms, even if these did favour a constructive strategy for economic recovery.

REFERENCES

1. Ross Davies, 'Friedman on Thatcher', *The Observer*, 26.9.82.
2. James Gipson, 'California Housing Speculation: Strangled', *The Washington Post*, 27.2.82.
3. G. Christian Hill, 'House Values: Dipping?' *The Washington Post*, 15.8.81.
4. Ronald Yates, 'California Bust: Boom to Time Bomb in the Golden State', *The Washington Post*, 21.8.82.

new material to demonstrate the golden mean between communism on the one hand and the old system of land monopoly and protection on the other, before a Third World War puts everything into the melting pot.

It must be both comprehensive in its scope, and within the reach of the ordinary public.

But whatever we say, or whatever we write on the matter of war and economics, there is one burning sentence by Outhwaite that should be constantly before our eyes and ringing in our ears. It shows him as a true inheritor of Henry George, and a summariser of his thought on war.

"When the earth is held in common by the children of men to whom it was given, and its fruits are free to pass between them, then, and not till then, will peace be assured".

REFERENCES

1. Henry George, *Progress and Poverty*, New York: Henry George Foundation, 1932 edn., pp.360-61.
2. Henry George, *Protection or Free Trade*, New York: Robert Schalkenbach Foundation, 1980 edn., p.302.
3. *Ibid.*, p.124.

KICKBACKS!

THE FAILURE to advance the campaign for a higher tax on land is explained by the historical grip that American real estate interests have over U.S. political processes.

They contributed more than any other trade association to Republican coffers, to help finance the November congressional elections... and ensure favourable treatment in Washington.

Republican candidates in marginal seats were heavily subsidised by the Realtors Political Action Committee (PAC), which includes Richard Thaxton of the National Association of Realtors who was once an employee of the Republican National Committee.

The bank-rolling of candidates is crucial in the early stages of a campaign.

In April, the Realtors PAC reported giving over \$221,000 to Republicans and \$112,750 to conservative Democrats. This strategy was aimed at preserving the right-wing coalition that gave President Reagan many of his successes during the 97th Congress.

In June, the Realtors PAC raised \$2.2m. Again, the distribution favoured Republican candidates, each of whom received donations of \$2,000 or more – compared with \$200 to \$500 for Democrats.¹

The money is not given without expectation of political kick-backs.

For example, Federal regulators once considered including real estate agents in the Truth-in-Lending Act, but they later dropped the proposal.²

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1. Thomas B. Edsall, 'Business Tries Hand at Feeding GOP Early in Marginal Races', *The Washington Post*, 12.9.82.
2. John Andrew, 'When Balloons Backfire', *Wall Street Journal*, 11.9.82.