

PROGRESS

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- POLICY 1. COLLECTION OF LAND VALUES OR GROUND RENT AS PUBLIC REVENUE.
2. THE ABOLITION OF TAXES NOW IMPOSED UPON LABOR AND LABOR PRODUCTS.
3. PROPORTIONAL REPRESENTATION FOR ALL ELECTIONS.

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BASIC ECONOMICS AND WORLD PEACE

By Geoff Forster

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INTRODUCTION

Australia has had a long military tradition, but in a less publicised way there has for a long time existed what is known as a peace movement. In recent years this has expanded considerably, being connected to concern about the nuclear arms race and the threat to global survival. Strange new words have appeared — such as "onnicide", "mega-deaths" and "terricide". To be sure, conventional weapons, as well as chemical and biological weapons, are alarming enough, but clearly it is the nuclear threat that evokes most concern. The superpowers possess enough nuclear weapons to kill off the population of the main centres of civilisation something like ten times over. As the armaments race, largely unchecked, continues, there is also concern at the diversion of resources away from humanitarian purposes of healing, feeding and teaching.

Such concerns have been manifested in massive turnouts at Palm Sunday marches in Australian capital cities in recent years, as well as similar mass rallies throughout the world.

However, it should be asked: why this drive towards militarism? It is surely good to affirm peace, but also the causes of war must be sought.

My contention is that certain basic principles are a necessity, but not sufficient condition, to achieve world peace that is, I am repudiating economic determinism.

Consider as an example the collapse of the Weimar Republic and the rise of Nazism in the thirties. Bruno Heilig, in his little booklet *Why The German Republic Fell*, gives an illuminating account in terms of land monopoly, with the resulting poverty and unemployment. But psychological factors are also relevant.

ILLUSTRATIVE EXAMPLES OF ECONOMIC FACTORS

Vietnam

Seldom has an issue divided the Australian community as our involvement in the Vietnam War. However, the basic economic facts are clear.

Under French colonialism, land monopoly was rife in

Vietnam. After the French were defeated in 1954, the Geneva Accords provisionally divided Vietnam into two zones — north and south. Unification was to take place after the elections in 1956. Those elections were never held. In the north, land tenure was arranged on a collectivist basis. In the south, with the Saigon military dictatorship propped up by the U.S. and her allies, landlordism was prevalent, though there were noises about land reform. As the war escalated in the 60s, numerous writers stressed the need for land reform, especially as the rebels opposing the Saigon regime — the National Liberation Front — redistributed land to the peasants who worked it. Despite the official U.S. policy of WHAM — winning hearts and minds — the U.S.-backed Saigon regime did nothing really effective about land reform. Indeed, towards the end of the war the landlord interests were reversing any land reform that had taken place in the south.

Noam Chomsky, in his *American Power and The New Mandarins*, quoted a Rand Corporation survey that discovered a correlation between "inequality of land tenure" and "extent of government control". Note the strange terminology. Nothing soft-hearted like the rights of peasants to land, or questioning the ethics of unbridled land monopoly.

Here let it be pointed out that there are several options for implementing land reform. There is, for instance, collectivism, but this entails loss of legitimate personal freedoms. There is redistributing land to more new "owners", but this effectively pushes the problem further into the future. The effective remedy is, as indicated before, collection of site rents for public revenue, accompanied by the removing of taxes on labour and industry.

Ireland

This country has had a long history of land-related problems. Karl Marx wrote on the topic. Henry George came to fame by speaking on this topic at an important period in Irish history.

Raymond Crotty has made a significant contribution to this topic. He mentions that every second person born in Eire during the past 140 years has emigrated from it. Eire's so-called economic miracle was based on massive, unsustain-

able borrowing. Violence in Northern Ireland costs Britain \$1.3 billion annually, yet no worthwhile investigation into its causes and into the means of avoiding conflict has apparently been made. The relation between sectarian violence and job discrimination needs disclosing (as well as decline in jobs); the causes of the loss of jobs in Eire need revealing; methods for reversing loss of jobs need to be pursued. Nearly all the loss of jobs has been occurring in Eire; little in Northern Ireland. The Republic since 1921 has generally been following policies which raise land values at the cost of loss of livelihoods. Too many Irish nationalists simply blame Britain and Protestantism.

Earlier I implicitly warned against attaching too great a weight to economics. With the Irish question, however, not enough weight has been given to this aspect. Sectarian differences are usually blamed, and while they are factors, the need for economic justice, especially as regards land tenure, desperately needs adequate attention.

Japan

There are indications that the so-called Japanese economic miracle is on the wane, that unemployment is significantly increasing, that militarism is becoming more vocal, and that nationalism is intensifying. All this could, of course, have disturbing consequences.

However, I want rather to focus on the pre-World War II situation. In this *Free Trade, Free World*, Oswald Garrison Villard describes how Japan approached Britain and America with three requests in 1940: end of colonialism; free trade and the abolition of tariff barriers; and fair distribution of natural resources. The requested conference was not held. If it had taken place, may not Japan have stayed out of World War II, and countless lives saved?

To add my own item of oral history: I recall years ago, J. M. Atkinson, a past Secretary of the Victorian Henry George League, relating how he had been approached by some Japanese businessmen who pleaded with him to use his influence to have Australian tariffs lowered against Japanese goods, for, they warned, otherwise the Japanese military influence would gain influence towards resorting to war so as to obtain those necessary materials and commodities that were denied by trade barriers.

At this stage, it is worth generalising about tariffs and war.

In *Ends and Means*, Aldous Huxley commented on the war-provoking tendency of tariffs. During the 19th and early years of the 20th centuries economic exchanges occurred very smoothly. Yet national planlessness in economic matters resulted in international economic co-ordination.

After World War I, governments began using tariffs, export bounties, quotas, and exchange devaluation as devices for conferring benefits on sections of their subjects; these plans, however, appeared to other nations as acts of ill-will meriting reprisals in kind. Reprisals led to counter-reprisals. The upshot was that comprehensive planning by individual nations gave rise to international chaos.

He wrote: "The manufacturers of armaments are not the only 'merchants of death'. To some extent, indeed, we all deserve that name. For insofar as we vote for governments that impose tariffs and quotas . . . we are all doing our bit to bring the next war nearer.

Today, the overall picture is complex. Various U.N.C.T.A.D. gatherings (United Nations Conferences on Trade and Development) have been rather disappointing. Tariffs may not today be such a direct cause of conflict as they were earlier in this century, but they do not expedite peace either.

Iran

It is worth noting that in the 60s, 70 per cent of the land

in Iran was held by 2 per cent of the population. Because the Shah, or more likely his advisers, had taken action in this area, he was deposed. He was, of course, followed by the notorious Ajatollah Khomeini.

Latin America

In many Latin American countries, where strife and revolutions are frequent, it is a common pattern for a small minority to own a large percentage of the land. Time precludes presenting details. However, El Salvador is worth special mention, not only because of the tragic situation in that country, but also because of apprehensions that this could become the Central American equivalent of Vietnam for the United States. There is a desperate need for land reform in El Salvador, but attempts to implement changes have been unsuccessful. Deadlocks over land reform have hindered any progress towards democracy in that country. Strife is initiated not only from Marxist-influenced guerrilla groups, but also from right-wing terror squads, which target in upon any groups attempting socio-economic redress or change.

Caciques

In 1971 Mason Gaffney presented a paper entitled "The Arms Budget and The New Absentee Landlords". He referred to "caciques" — native landowner administrators who co-operate with U.S. forces and firms, and in return enjoy the tenure of land free of taxes that might be otherwise needed for defence, and other public functions.

Caciques were identified in Saigon, Iran, Nicaragua, Jordan and elsewhere. Cacique turnover was said to be very high, but under and around them are the less visible, more permanent landowning military oligarchs, such as the 14 families who owned El Salvador; Pakistan's 22 families; Iran's 1,000 families.

Caciques, according to Gaffney, facilitated America's buying up of large amounts of raw materials for military purposes from around the world. Gaffney explained the operations of the international corporations involved, and most importantly why social reform is deferred.

Gaffney concluded: "The net effect of military contracting is to concentrate wealth and power, and destroy the free market system. Military contracting has proved to be corrupting, wasteful, inefficient, anti-democratic and anti-competitive. This is incongruous with the alleged goal of promoting a free world!

THE ECONOMIC ASPECTS OF WAR AND DEFENCE BUDGETS

Under this heading I refer to several different sources.

The Cost of the Vietnam War

A remarkable article appeared in *The New York Nation* of 26th May, 1969, entitled "How the Cost of War is Underestimated". At that time, it was estimated that by the end of the next financial year, it would cost double the cost of World War II, and more than three times the Korean War. However, it was argued the greatest costs were to come. Veterans' costs might drag on for at least two generations. At the time the war was officially claimed to be costing 13 per cent of all Federal expenditures, but it was argued by the writer that the correct figure was nearer 25 per cent. It was also estimated that the war had cost one-fifth of the current personal assets of all living Americans. Each of the major wars of the preceding century (the Civil War; World War I; World War II) had cost initially about 10 times more than the previous war. Since World War II, major conflicts have tended to double in price.

An Australian Viewpoint

John Langmore, a Canberra economist, in *Australia and Nuclear War* (edited by Michael Delkeman) gives some

informative insights into the economic aspects of military preparations.

Langmore describes how military expenditure can stimulate inflation. Also, the price of military equipment rises faster than consumer prices. There is a "bidding up" of prices arising from a rapid increase in military expenditure. There are usually no constraints on military spending. Military forces are more concerned with destructive efficiency than cost effectiveness. In America, the Pentagon subsidises research and development for military forces.

Israel provides a striking example of the damage to an economy of high military expenditure, where 30 per cent of the G.N.P. is spent on defence, and where the economy has many difficulties.

Obviously, opportunities are foregone for the alternative use of resources devoted to military expenditure. There are also questionable social and political consequences. Militaristic attitudes are engendered. Military-industrial firms are inevitably not autonomous. Langmore comments that they have "the worst characteristics of nationalised industries with none of the benefits".

Henry George's Treatment

George's main treatment is to be found in *Social Problems*, although in *Protection or Free Trade?* tariffs and wars are linked, at least implicitly. (George stressed that tariffs imply that national interests are essentially antagonistic, whereas the free trade viewpoint is that they are mutual.)

In *Social Problems* (1883) George comments on the destructive powers of contemporary weapons. What would he say today? He points out that the financing of wars comes from current production and the current stock of wealth. Governments, of course, by various stratagems can place future generations in debt. George also stresses that the waste involved in military expenditures should be compared with the waste with idle resources due to land monopoly. George also has some perceptive insights into the public debts arising from rulers embarking on wars, and points out that indirect taxation is often related to this. And he also has a powerful passage warning against the primitive passions aroused by warring propensities. Thus:—

"The passions aroused by war, the national hatreds, the worship of military glory, the thirst for victory or revenge, dull public conscience; pervert the best social instincts into that low, unreasoning extension of selfishness miscalled patriotism; deaden the love of liberty . . . They so pervert religious perceptions that professed followers of Christ bless in his name the standards of murder and rapine."

A Generalised Viewpoint

R. L. Outhwaite, a British Liberal Member of the House of Commons earlier this century, predicted that, after World War I, unless there were land value taxation, the end of the war would bring higher taxation than ever known before; economic collapse; revolution backed by the bayonets of returning soldiers.

The first two predictions were largely true; however, Outhwaite over-estimated the willingness of the British people to resist its ruling class.

Outhwaite probably better than anyone else developed a clarification of the relation between George's economics and wars.

Just as a morbid economy parasitically feeds on a healthy economy through privilege, pressure group activity, etc. (protectionism is a notable example), so likewise there are businesses that have a vested interest in war and war preparations — an attitude illustrated by Cecil Rhodes' state-

ment: "We shall not make war in the future for dynastic reasons, but because it is good business."

Outhwaite provided numerous confirmatory instances. This, incidentally, shows up the naivety of Ayn Rand's belief that wars are due to governments only and not to business interests. Certainly governments do initiate wars, but Ayn Rand overlooks the fact that, while peace is ideally the proper state for commerce and industry, some forms of these enterprises do latch on to militarism, and are prime initiators of military activities.

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

This expresses admirably the main thesis of this paper, viz., that necessary, but not sufficient, conditions for peace are as follows—

1. All should have equal right of access to land or natural opportunities; or more generally, to sites or locations — the best way to ensure this being to collect the annual rental value of land for public purposes.

2. Subject to Henry George's qualifications of safety, health and morals, people should be able to trade freely without being hindered by tariffs and similar restrictions.

CONCLUSIONS

1. The peace movement needs to give greater attention to certain economic factors among the causes of war, notably access to land and resources — in other words, land reform, which, to be effective, requires collection of site rentals.

2. The Henry George movement usually emphasises poverty, unemployment, housing and unfair taxation as social ills that its proposals would remedy. The relevance of such proposals to world peace can and should receive greater attention.

3. One of the great challenges to the human spirit is to persist with an ideal even though there is little progress towards its attainment in one's lifetime. No doubt an adequate philosophy of life is a necessary adjunct here. However, be that as it may, there can be little doubt that war and economic injustice remain major obstacles to human well-being, and that to participate in the struggle to remove these scourges undoubtedly involves what William James described as "the moral equivalent of war".