ECONOMIC PROBLEMS
OF
PEACE AFTER WAR
ECONOMIC PROBLEMS OF PEACE AFTER WAR
(SECOND SERIES)

THE W. STANLEY JEVONS LECTURES AT UNIVERSITY COLLEGE, LONDON, IN 1918

BY

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Never doth an important truth spread its roots so wide, or clasp the soil so stubbornly, as when it has braved the winds of controversy. There is a stirring and a far-heard music sent forth from the tree of sound knowledge, when its branches are fighting with the storm, which passing onward shrills out at once truth’s triumph and its own defeat.

S. T. Coleridge.
PREFACE

In the previous course of lectures an effort was made to indicate some of the chief principles which should guide us in contemplating the economic future. The general conclusion which resulted was that emphasis should be laid upon general rather than on particular tendencies. It is to be feared that much of the planning which has been undertaken during the war has been weakened, and some of it wasted, through an undue concentration upon details and the neglect of wide and comprehensive principles, many of which are psychological, rather than purely economic. It may seem almost a paradox to say that what is most important in facing the future is first to reach the right point of view. Accordingly, all that was possible in the former series of addresses was to seek for the proper attitude of mind towards the problems with which the country will be confronted. It was not possible upon that occasion to do more than to suggest in a tentative manner how the general principles should be applied to special cases.

In the ensuing pages concrete illustrations are afforded of the working of this method. It has been by no means easy to select the particular topics to be treated. Many economic problems arose and were alluded to in the course of the previous discussion. From amongst these it seemed, on the whole, that it would be most advantageous to concentrate attention upon two groups of questions. One of these is concerned with the economic considerations connected with the project of a League of Nations—partly as to its feasibility, partly (assuming it to be possible)
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as to its consequences upon commerce and particularly in relation to communication by land, sea and air. These and other matters of a similar character are discussed in the first two lectures. The remainder deal with problems of finance. There is no field of economic enquiry where the need for investigation is more urgent. Here, in particular, according to the saying of Leibniz, "the present is full of the future." To a large extent what we do now is determining what we must do in the future: while what we abstain from doing now will have no less striking effects. Finance since the beginning of the war and until a number of years after peace has been re-established constitutes a unity, but it is a unity part of which (namely the interval between the present time and the cessation of hostilities) is partly hidden from us. In dealing with the position as a whole an attempt has been made to allow for this inevitable uncertainty. Several aspects of the position have been grouped together for separate treatment—as, for instance, the principles which should govern war finance in relation to the debt for which we shall be liable when the war is ended, next various schemes for the reduction of the war debt are discussed, and after that certain characteristics of what may be termed the period of financial transition, that is the interval from the declaration of peace until the finances can be considered normal again, finally if the imagination be carried forward into the earlier years of peace, certain of the problems which will then be pressing can be anticipated. As regards this part of the work it may be mentioned that the manuscript was in the hands of the printer before the Budget statement was made. Under the circumstances it did not appear that any alterations, beyond the inclusion of some later figures, were called for; since I judged it best to present what had been written in its original form as an independent review of the situation. It may perhaps be of
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interest to state that the calculations, which led to fixing upon the sum of 900 millions as the amount which should be aimed at from taxation and State services in 1918–19, were made in September-October of last year and this result was announced at a lecture given to the Royal Philosophical Society of Glasgow in November. That happens to be the sum which Mr McKenna and the other members of the House of Commons, who have given special attention to financial questions, estimate as the revenue in a complete financial year under the present Budget (Hansard, 103, pp. 724, 780).

The expansiveness and the solidity of the British finances have been remarkable. Hitherto any reasonable estimate of future revenue, however optimistic it may have seemed at the date it was made, has fallen short of the reality. At the same time due weight must be given to the present exceptional circumstances. From the financial point of view the situation may be compared to that of a person who has to make extraordinary efforts and is kept going by a powerful tonic. The disbursement of immense sums of borrowed money and the state of the currency as well as the exceptional nature of war time trade may be compared, not inaptness, to the tonic in the illustration. But the question arises what is to happen to the revenue and to the financial system generally when the time comes at which the tonic can no longer be given? An earnest effort has been made to face this problem in the last two lectures; and, given reasonable care and prudent management, the result is far from discouraging. But war time extravagance has become almost the habit of some of the great spending Departments of the Government, and the restoration of reasonable economy will be necessary, indeed the financial position after the war cannot justly be described as normal until this has been accomplished. The country has ample resources for the maximum necessary
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expenses of its defence against a system which would render its free development in industry impossible, but it has not resources to waste, unless its recovery from the material losses of war is to be unduly and even painfully protracted.

As the great struggle works itself out to the one inevitable end, the nation like Sir Beaumains in the Morte D'Arthur must win through "the pass perilous," not once but many times. Finance is an essential element in the contest. Its function is to maintain the fullest efficiency of the fighting forces with the least detriment to the future. The former condition must of necessity be supreme, but at the same time due attention should be paid to the second.

The final result of the financial investigation shows that, if the system be used judiciously, there are no grounds to fear interruption of a vigorous conduct of the war through failure of adequate resources. Still less is there reason to expect that the burden of taxation which the war will leave behind it—heavy as this must be—will prove intolerable. It appears as clear as any thing can be during the uncertainties of a state of war that, given prudence in the use of our financial resources, those who predict either financial exhaustion during the war or financial collapse after it are ill-informed in their despondency. Theirs is that sad failure of vision which may be imagined almost to repeat the words of Timorous and Mistrust "the further we go the more dangers we meet, wherefore we would turn, and go back again."

W. R. S.

April, 1918.
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MARE LIBERUM—AER CLAUSUS?

In previous wars enemies, who felt the effects of British sea power, have advocated “Freedom of the Seas”: only a few years after the end of the Napoleonic wars I. Disraeli included an account of the French arguments on this subject amongst his “Literary curiosities”: the German conception as developed by Schulze-Gävernitz and Reventlow: the position of Grotius: his anticipation of aerial navigation: Gronovius on the jus gentium and free passage through the air: the question of the use of the air over the land by foreign nations: the ideal of making navigation by air as free as that upon the sea before the war: the danger of territorial exclusiveness aiming at a doctrine of aer clausus: international regulation of navigation by air: Kipling’s A.B.C.: the proposed League of Nations and regulation of aerial traffic: the limitation of the air service, if impeded by territorial exclusiveness: possibilities of political friction in relation to trade routes: the function of the proposed League regarding these: the League and the use of the air for purposes of war: the effect of control of communication by land, sea and air in enforcing peace. p. 1

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