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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. i

A LEAGUE OF NATIONS AND COMMERCIAL POLICY.

The universal wish for a stable and abiding peace, but the question at once arises as to how it is to be guaranteed: the conception of a League of Nations: in several respects the programmes of the proposed League represent the Canadian Industrial Disputes Act of 1907 writ large: the conditions precedent to the formation of a League of Nations (1) the defeat of aggressive militarism, (2) a just peace, (3) industrial peace after the war: assuming these conditions are satisfied, it remains to inquire what may be inferred concerning the consequences of the establishment of such a League upon commercial policy: the power of control of trade as it may be exercised by the League: the least sufficing State will be most subject to economic pressure by the League: variations in the economic contribution by different States to the economic power of the proposed League: if it were established, at first it would encourage economic self-sufficingness: the consequences as regards Great Britain and the British Empire: if a League were founded, it is probable that members of it would be compelled to refrain from discriminating against the trade of other signatory States: this would tend towards checking the rise in tariffs of signatory States as regards the goods of other signatory States, while, conversely, duties would be higher against non-signatory Powers: to that extent the latter would be drawn together in commerce and the economic power of the League

would be weakened: if the League succeeded in facilitating the trade of its members, there would be distinct economic advantages in joining it: the difficulties of the economic weapon in the case of powerful States, through smuggling and in the rationing of small countries contiguous to the one against which an economic boycott is to be applied; the centrifugal force within the League, in so far as it restrained the activities of the more progressive countries: Statesmen rather emphasize the economic side of the League: economists expect more from its political activities: the prospects of the future, without a League of Nations, can only be described as an unfavourable certainty: with it, perhaps these may be transformed into a favourable uncertainty

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THE FINANCIAL BURDEN OF TODAY AND OF TOMORROW.

There are few economic questions upon which opinion has been divided so much and for so long a time as the respective proportions of loans and taxes in meeting the cost of war: there was a British school which urged that all war expenditure should be raised within the year in which it was incurred—the views of Petty, Davenant, Archibald Hutcheson, Hume, Decker, Fauquier, Adam Smith, Ricardo, Chalmers and J. S. Mill: another theory advanced by Berkeley, Sir J. Steuart and J. McArthur: a change in British opinion was shown in the finance of the South African war as well as in the growth of local debt: as distinguished from the view of earlier English writers German economists advocated reliance upon borrowing to meet war expenditure—the views of von Justi, von Jacob, Nebenius, Dietzel, von Stein: the place of indemnities in German financial theory—Cohn, Roscher, Wagner: the relative places of borrowing and taxation, Adams, Leroy-Beaulieu, Pareto and Einaudi: Adam Smith's conception of the amount of war expenditure as a multiple of normal expenditure: theory of the ratio between loans and taxes: (a) taxes sufficient to meet interest on the net war debt at the end of the financial year, (b) to provide a contribution to meet a part of the war cost, (c) the duty of the Chancellor of the Exchequer not to injure future productivity of taxation and trade but to increase taxation up to the verge of this limit: estimate of the amount of taxation in 1918–19 upon these principles .

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CONSCRIPTION OR PROSCRIPTION OF CAPITAL.

The future liability for taxation will depend on the amount of debt: hence schemes to diminish it must be next discussed: proposals for confiscation of a part of the National Debt are very old, *e.g.* A. Hutcheson's 10 per cent. levy, schemes of Asgill, Barbier and Menier: Ricardo's condition before sanctioning a general contribution for reduction of the Debt: in modern schemes all that is new is the analogy to the Military Service Acts, hence the idea of conscription of wealth or capital: the extent to which this analogy holds and how far it is defective: already the State has demanded the use of many hundreds of millions of wealth, but the element of risk is not the same as in the case of personal service: the logical development of the conception of conscription both of service

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William Robert Scott

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and wealth, the whole population deemed to be minors for the period of the war: the impracticability of this idea: partial approximations to it—(a) a possible tax upon all persons not serving in the forces, (b) a tax upon deficient subscriptions to War Loans, (c) suggested lower rates of interest for domestic loans: the idea of conscription of the more durable kinds of wealth: the relatively small amount that would be obtainable: the Capital Levy of the Fabian Society: the convertibility of taxes on capital and on income: this scheme a differential income tax upon wealth used productively: the paradoxes which would result—a bonus upon unpatriotic expenditure, “the paraphernalia of the house,” “immaterial capital,” the check to accumulation, objections to large debt redemption in the early years of peace: the need to prevent taxation assuming the appearance of a proscription of Capital p. 65

THE PERIOD OF FINANCIAL TRANSITION.

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