Land Booms and Peace Dividends
By Dr. Mason Gaffney

This article was first published in *Georgist Journal*, a publication managed by the Henry George Institute. The Robert Schalkenbach Foundation has received approval from the Henry George Institute to republish this article at no cost for educational purposes.

Article citation:
Gaffney, Mason. “Land Booms and Peace Dividends.” *Georgist Journal*, Issue 106, Winter 2007.

The Robert Schalkenbach Foundation’s Digital Collections and Archives is an extension of the Robert Schalkenbach Foundation’s Engel Georgist Library. It collects, organizes, preserves, and provides free online access to researchers and the general public of Georgist literature including books, newspapers, pamphlets, scholarly articles and archival materials.

RSF is particularly proud to offer free online access to the works of the late Georgist scholar Mason Gaffney, made possible through the generosity of the Danica Foundation and with the consent of the Mason and Letitia Gaffney Trust.

Robert Schalkenbach Foundation: https://schalkenbach.org/
Engel Georgist Library: https://www.librarycat.org/lib/EngelGeorgistLibrary
RSF Digital Collections and Archives: https://schalkenbach.starter1ua.preservica.com/

Georgist Journal

from the Henry George Institute

Georgist Journal

News & Views from the International Georgist Movement

Land Booms and Peace Dividends

by Mason Gaffney

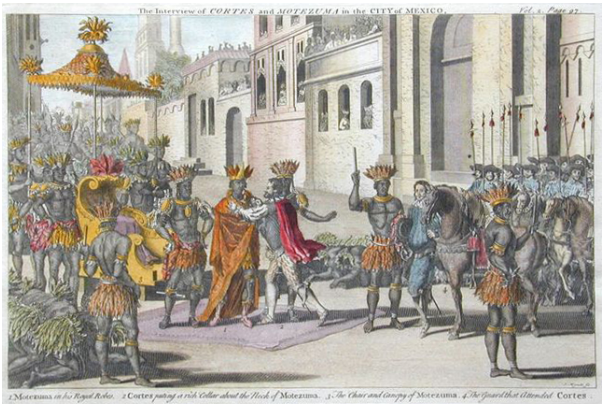
Over many centuries we can observe that major peace and disarmament treaties have kicked off land booms by lowering taxes — all kinds of taxes. We also often observe that the booms lead to busts. A few examples follow:

I. 1259. Louis IX (St. Louis) gives up warfare, makes peace all around by compromising with James I of Aragon, and Henry III of England. A skilled arbitrator, he also brings peace to Flanders, Hainault, and Navarre. This stands in well with the Pope, who gives him Sicily. Previously, 1229, France had made honorable peace with Raymond VII of Toulouse, ending Albigensian "crusade" (or perhaps coopting Raymond into it, for Louis cooperated in the papal inquisition). Louis's skilled

administration brings to France unprecedented peace and unity. As to "prosperity," he raised land values; yet the quarrelsome city-states of northern Italy, Flanders, and southern Germany forged ahead in trade, industry, banking, art, science, and letters.

II. 1431. The French, under Jeanne d'Arc lift the siege of Orleans. Land values there rise from 16 to 92 francs per hectare (converted from ancient units then in use).

III. 1509-29. Cardinal Wolsey, counselor to young Henry VIII of England, advised "Greatness through Peace." This held down taxes and raised English land values — and helped kick off the enclosure movement. Mania of land speculation: era of Peace and Poverty — inducing some emigration.



Cortez meets Montezuma

IV. 1519. Cortez conquers Mexico. Looted gold and other treasures flood into Spain, raising Spanish land values.

V. Charles V defeats and captures Francis I at Pavia, 1525, freeing Charles to return to Germany and suppress Anabaptist rebels under Munzer, slaughtering 100,000. Martin Luther supports Charles in this. Thus, a peace dividend of victory lets the ruling rentiers wage class warfare to the max, maintaining the power of landlords to collect rent, and enclose the commons. With regard to religion, the suppression of the landless was ecumenical: in Germany, Catholic Charles V, with Luther's

approval, suppressed and dispossessed rebel protestants; in England, Henry VIII confiscated church lands and suppressed Catholics.

VI. 1529. German states vote to help Vienna hold out against the Turks, who are finally stopped. Charles V accommodates with Lutherans for unity against the Turks. Inter-Christian religious wars were deferred for 89 years. VII. 1536-40. Henry VIII confiscates vast church lands. Accompanying this is a major "exclusionary shift" in nature of class war. Previously, landlords sought to tie people to land; now, they seek to evict. Thus the modern age was "born in agony" (Heilbroner), but the agony of the many was the enrichment of the few.

VIII. 1550. Dudley (Northumberland) controls young King Edward VI, makes ignominious peace with France, suppressing Ket and other rebels against enclosures. Thus, peace won by retreating can free the ruling class for class warfare, just as Charles V used peace won by victory. Dudley replicated Wolsey, and anticipated Buckingham, Walpole and Chamberlain.

IX. 1553. Queen Mary I of England, loyal Catholic daughter of Catherine of Aragon, marries the future King Philip II of Spain, cements alliance, continues era of Peace and Poverty.

X. 1555. Peace of Augsburg, Charles V compromises with France, avoids religious warfare in Germany — and continues providing security for landowners. Enclosures continue; land values rise.

XI. 1556-98. Under Philip II, Spaniards considered it their duty to preserve political order and religious orthodoxy in Europe. "Political order" is code for affirming and supporting private

property in land. Thus they were something like Americans today. Their Mission dissipated much of their dividend of booty from the New World. It also stirred religious civil wars in France, where Spain intervened, and provoked rebellion in the lowlands by tyrannizing and taxing them. All of that tended to cap land values.

XII. 1558. Under Elizabeth I, a reign of low taxes, peace, and desperate poverty. Poor laws, 1563-1601, recognize great poverty. It had not always been so: previous century had been one of higher wages, greater security for peasants. Elizabeth builds up surplus. Land values are high — but Spain threatens.

XIII. 1588. The English fleet, and bad weather, defeat the Spanish Armada. Rents and land values rise sharply in Southeastern England.

XIV. 1589-1610. Henri IV, King of France, brings internal peace with Edict of Nantes, 1598; also peace with Spain, by Treaty of Vervins, 1598. Sully reforms finances, builds public works. Land rents and values rise in France (until bust arrives in 1620).

XV. 1603. James I, new joint monarch of England and Scotland, seals peace with the Scots. James is related to the powerful French Catholic Guise family, helps keep peace with France and Spain, avoiding sharp cleavage on religious lines. Arch-enemy Philip II of Spain had died in 1598. Privateering stops. Buckingham sways James I to lower spending on the navy, letting Dutch and French expand. James puts down Irish revolt, plants Scots in Ulster. Spain makes peace with United Provinces. Peace dividends all around; land values rise.

XVI. 1618. The 30-years war begins in Germany. It involves most of Europe, and costs are high. In 1630, Richelieu supports

protestants in Germany to curb Spain. He raises taxes, and French land values fall.

XVII. 1609-48. Holland is left alone to enjoy its commercial successes, and capitalize them into land values. Peace with Spain. France preoccupied in Germany. Rival English navy underfunded by Buckingham. Rival City of Antwerp betrayed and suppressed by Spain. Great wealth-seeking outlets leads to the tulip bubble, 1634-37, a matter of great publicity, but the same search for wealth-storage and speculation made Dutch land values rise, too. Recent research by Professor Piet Eichholtz of Maastricht and Robert Shiller of Yale confirms this.

XVIII. 1620-40. Immigration and a land boom in New England.

XIX. 1637. Capt. John Mason massacres the Pequods and frees Connecticut from Indians, capping off a long "Great Migration." England was paying for military defense, levying no taxes. Yet, land speculation on the Patroon pattern sterilizes main north-south valleys of Connecticut, and of course the Hudson Valley of New York, aborting the immigration boom, leading to crash in 1640, and a reverse migration. Settlers are diverted to the thin, rocky soils, frigid winters, steep slopes, and precarious tenures of New Hampshire.

XX. 1648. The Peace of Westphalia ends 30-years war, ushering in era of peace, lower taxes and rising land values. France (and Holland) were the major beneficiaries, but French landowners rebelled. The Fronde, 1648-53, is a series of outbreaks by rural landowners against taxes. Louis XIV and his ministers and a series of influential women advisers solve this problem by moving the feudal landowners to Versailles, leaving them their rents while relieving them of feudal obligations and taxes: they

become pure parasitic rent-takers without owing the state or their local people anything.

XXI. 1660. The English tire of Cromwell's wars and high taxes. They restore the Stuarts under Charles II, who makes peace, which makes land values rise. Thomas Hobbes sways Charles and the succeeding James II to substitute sales and excise taxes for land taxes.

XXII. 1675. Louis XIV opens wars for the lowlands. Dutch land values sink (Eichholtz). Colbert had held down taxes and opposed extravagance. Louis, displeased, replaced him with Louvois, an ambitious general, 1672. His heavy spending, subsidized the English and other foreign governments, helping to raise their land values. French land values fall after about 1675. Europe gangs up on France in League of Augsburg, from 1686, to protect Holland and maintain the balance of power.

King Philip's War

XXIII. 1676. Death of the New England Wampanoag Indian King Philip ends King Philip's War, which was very costly to the English settlers. Maine was ravaged and took years to recover. The victory drives Indians from most of New England, opening it all for settlement.

XIV. 1678. High water mark for Louis XIV; Netherlands menaced and stressed. Peace of Nijmegen.

XV. 1682. William Penn arrives in Pennsylvania, and promotes settlement. A huge migration to Pennsylvania follows, rivaling the earlier Great Migration to New England of 1630-40. We may surmise a land boom accompanied the migration.

XVI. 1685. Louis XIV revokes Edict of Nantes, opens a religious-civil war against Calvinists which was also a kind of class war, as the rich Calvinists (Huguenots) had already been coopted by Louis. Massive emigration of Huguenots. Effects on French industry somewhat comparable to effects of Spanish Inquisition.

XVII. 1688. Glorious Revolution: Britain dumps James II, whom Louis XIV had supported and subsidized. William and Mary, then Queen Anne, lead long wars against Louis XIV. Issues are now drawn sharply on religious lines of cleavage, Protestant vs. Catholic, probably reinforcing the emotional war spirit on both sides. All nations are drained financially.

XVIII. 1689. In New England, "King William's War." French stir up Indians again against English settlers, especially in northern New York, and New England. Massacre at Schenectady; Maine overrun. England withdraws financial and military aid; Massachusetts (including modern Maine) bankrupt, high taxes, low land values, low spirits.

XIX. 1704 and onwards. Marlborough rampages around Europe, humbles Louis XIV, but Brits fear his ambition and high taxes, finally rein him in. France revives, drives Brits from Spain, leading to …

XXX. 1713. Peace of Utrecht ends War of Spanish Succession. Britain gains the slave trade, or "Asiento." Peace followed by land booms, and then (Mississippi and South Sea), busts of

1720. George I and Walpole continue to keep the peace to 1742; era of "salutary neglect" abroad, rising rents and land values in England. Meantime, France under Cardinal Fleury recovers, bullies Holland and much of Europe.

XXXI. 1740-48. War of Austrian Succession, a standoff.

Cartoon lampooning the South Sea Bubble, ca. 1720

XXXII. 1748-56. Peace

XXXIII. 1756-63. Seven Years' War, England takes over Mississippi Valley, France is set back but still strong.

XXXIV. 1763-76. Peace.

XXXV.1776-81. American Revolution. France allies with the former English colonies, and recovers some ground

XXXVI. 1783. Peace of Paris. American land values rise, especially in the West, which is now open to speculation and settlement

XXXVII. 1789. French Revolution begins: huge expenditures, confiscations of some lands and threats against all, morbid fears exaggerating threats of future confiscations; land values fall precipitously. French introduce levée en masse, raise cost of warfare permanently. European land values suffer. Europe's internal struggles leave America alone to prosper, and undergo the land boom and bust of 1781-98.

XXXVIII. 1787. US unites under new constitution, which contains elaborate safeguards for private landownership. American land values rise; speculation in western lands goes wild.

XXXIX. 1792. Short bust; more severe bust in 1798 helps drive Federalists and Hamilton from power, opening the door for Jefferson, whose expansionism and egalitarian land-disposal policies hold down eastern land values for many years.

XL. 1803. Napoleon sells Louisiana to Jefferson, doubles area of US, opening vast new frontiers

XLI. 1800-13. Napoleonic Wars. Europe, preoccupied with itself, leaves the US alone, except for the War of 1812, a standoff punctuated by a final American victory at New Orleans

XLII. 1814 — ushers in long period of peace. Minor downturn in 1819. 1823 Monroe Doctrine, germ of US imperialism. In US, westward expansion at high speed. Peace dividend takes two forms: financing federal government from sale of public domain, and cheap land for settlers, who also fight Indians, protecting the border tax-free. New York State finances Erie Canal from State g.o. bonds, showing all states how to raise enormous capital. Andrew Jackson also distributes surpluses to the states, letting them build public works without raising local taxes. That leads to the extreme rise of speculative western land values, culminating in the crash of 1837. Peace followed by boom followed by bust is a common pattern.

XLIII. 1848. Treaty of Guadelupe-Hidalgo, opens the rest of the west for settlement, sale of public lands, another land boom — lead up to a crash in 1857. Again the pattern of Peace, Boom, Bust.

XLIV. 1854. As the Crimean War removed the likelihood of European interference in US affairs, greater security bolstered a land boom in the US. Japan opened, 1854. Whale fishery thrives. China and California trade open. Clipper ships; steam navigation. All signals go! But, a sudden large increase in military spending, by England especially, and France, competing with investments in railroads (US and worldwide) could have triggered the US bust of 1857.

XLV. 1861-65. Civil War, huge casualties and costs, high taxes and debts, land values depressed. Southern land values are nearly wiped out.

XLVI. 1865. Civil War taxes repealed; land boom in the north and west, the original "Gilded Age," up to the crash of 1873.

XLVII. 1871. The Franco-Prussian War is short and decisive, hence cheap. It leaves France with bearable reparations, so land prices rise even there. Germany gets new horizons and ambitions.

XLVIII. 1873-1898. long period of peace, in spite of a deep depression in 1873-86. Capitalization rates on land fall to low levels in Europe, price to rent ratios rise to high levels; European surplus capital seeks outlets worldwide.

XLIX. 1898. America's easy victory in Spanish-American War leads not to a peace dividend, but to the US joining worldwide naval and arms races. 1900-14, rearmament worldwide; world naval race. Britain introduces the dreadnought class of battleship, obsoleting the world's fleets, opening furious building boom in many maritime nations including Italy, Japan, and the US. World girds up for World War I. Taxes of all kinds rise, holding down land prices. Meanwhile, new urbanization

calls for much more local spending, paid by local property taxes.

L. 1919. Treaty of Versailles launches era of intense reaction to war. Mutual disarmament treaties all around. Taxes fall sharply. US taxes fall more than European taxes, because the US had been more influenced by the philosophy of paying for WWI from current revenues, rather than debt. US land values skyrocket — until softening in 1927, and crashing with stocks in 1929.

LI. 1945. When World War II ends, land values in the US lag rising rents for a while. A pessimistic generation sets the mood. The 1950 Korean War, and ensuing cold war, keep taxes up and dampen land values, which recover only slowly. 1965-73, Vietnam war depresses spirits, maintains taxes, depresses land values. Oil shocks transfer rents from most of the US to oil states, and other nations. 1979, Volcker revolution spikes interest rates, damps land boom.

LII. 1945-90. Defeated Japan outlaws military spending. Its economy thrives under a US military umbrella, with low taxes; Japanese land values rise to be the highest in the world. Land values rise throughout southeast Asia.

LIII. 1981. Reagan revolution and collapse of USSR kick off peace dividend, finally. Lower tax rates and crowing triumphalism replace balance and moderation. Major shift of tax burden from property to labor. Growing national debt rendered less visible, as Republicans switch to favoring deficit finance. Sharp land boom, marked by a pause and setback around 1990.

LIV. 1993-2001. Clinton raises taxes to start paying down national debt, and turn capital flow back into private sector

("reverse crowding-out"). Holds down land boom, although stocks boom.

LV. 2001-present. US rentier class firmly in power. Lower taxes on property income; huge national debt and trade deficits are shrugged off. Stocks fall, but not to 1990 levels, while the mother of all land booms grips the nation.

Consider this possibility: Peaces do not last, because they lead to booms followed by busts. Nations struggling to recover from busts turn to imperialism, and/or defense against the imperialism of others. The buildup of the Axis Powers in the 1930s is a prime example, near enough to be remembered vividly.

The challenge for economists, of course, is to show how to make peace work. By "work" I refer to more than "prosperity" in the Hoover sense, to full employment with high wages and less division into classes.

Posted in: Booms & Busts, Economic theory, History of Ideas | Tagged: Issue #106, Mason Gaffney

---

← Benefits of Military Spending

Seattle, Real and Feigned →

Leave a Reply

Your email address will not be published. Required fields are marked *

Comment *

Name

Email

Website

Post Comment

Search …

Categories

Agriculture
Art and Poetry
Booms & Busts
By the Way
CGO News
Development Issues
Economic theory
Editorials
Georgist education
Globalization and Trade
HGI News
History of Ideas
Implementing LVT
IU News
Movement history
New Media
Political Economy
Population Issues
Reviews
RSF News
Spiritual
Top Ten Lists
Tributes
War and Peace

2025 Georgist Journal | Powered by WordPress | Theme Mon Cahier by Bluelime Media