C321 Eur & overseas

2 PM Sat, play Jake
~~40th Floor~~ ~~w Women~~
Sun, ride Lenny.

European Hist.

Eng United by Henry 7 1485 - 1509. Became financially indep of Pmt. Bourgeois support., etc.

France by Louis 11, 1461 - 83. Same.

Charles 8 succeeded, ~~at~~ invaded Italy, started modern nat. power politics, 1494.

By 16th most peasants in nw Eur left serfdom, were free tenants, hired labor, or metayer.

Commercial rev., 1500 - ..., moved trade from Gm & It towns to nw nat states.

1556 - 98, Philip 2. - in Spain. Ferdinand got Aust. 1559, Cateau-Cambresis treaty, kept Fr. from Italy but let them expand to Rhine. Turks & protestants prohibited from Fr - Sp wars. 1526, Mohacs battle.

13th cent height of church power. It must have won the 12th cent. struggles?

Council of Trent, 1545 - 63, Cath. reform.

Petrarch, 14th cent, first humanist. 'Joy of living, confidence in human ability & power'. Erasmus leading humanist. Modern 'humanities'!
'historical humanities': Latin, Greek, History, belles lettres, polite & cultural learning.
Also secular, as vs divine, learning. Modern Reed & Va meaning?

National literature dev. with humanism etc.

Pym, Hampden & Cromwell controlled Long Pmt, 1640 - 60. Merchants & squires called to aid Charles, finally, when Scotch invasion busted him. Puritans dominate Long Pmt.

Whigs dominant after 1689. With Georges, Walpole (later Pitt) dominant.
Walpole est system of ministerial responsibility, prime minister.

1629 Peace of Lubeck. - 1618-48, 30 yrs war. '48, Westphalia. 1647 - 1715, Cath. beat Denmark.

Louis 14.

Henry 4, Richelieu, Mazarin.

Henry 4 encouraged commerce, Sully, his minister, reformed agric. Economy in govt.

1624 - 42, Richelieu.

~~France only taxed 3d est, so nobles did not oppose king, as in Eng.~~

Richelieu replaced governors with centralized intendants, weakened nobles, Huguenots.

In 30 yrs war, Richelieu plotted to exhaust Gy & Sp, did so.

Fronde, abortive revolt in Paris vs Mazarin, result to strengthen centralism.

1713, Utrecht, end of Louis 14's rivalry with Sp. Hapsburgs. Thence forward ~~Fr~~ France rivalled Aust Hapsb & Gy, & Eng. Louis revived at end of war, Utrecht was not so bad.

Charles 6, Hapsburg 1703 - 40, tremendous lands (all of Charles 5 & more, but not Spain). Pragmatic Sanction so Maria Theresa would succeed.

1640 - 88, Fred Wm, great elector of Brandenburg. Centralized state in own auth. Confiscated Cath (and. 1713 Utrecht, recognized as King of Prussia, outside HRE.

Eur. hist cont.

Fr. Wm I, 1713-40, grandson Great Elector, developed auth & army.

1740, Fred 2 (The Great)

Maria Theresa

1745-8, War of Austr Succession, Aust & Eng vs Fr. & Prussia. Only result: Silesia to Prussia

1754, after 'Diplomatic Revolution' of Kaunitz, Fr & Aust & Russia vs Eng & Prussia. Russia took Berlin, withdrew at last minute to save Fred. Great.

Peter Great, 1682-1725. Autocracy, centralization. Coalition vs Charles 12 of Sw., almost all Eur vs Sw, final victory, Russia got window, Denm Eng & Br. got Baltic commerce, everyone got something, Sw. never recovered.

Cath. 2, 1762-96. Centralized administration, 'secularized' church prop.
1774, following Turk war, got window on Black Sea, Treaty of Kuchuk Kanarji.

Pitt younger & Fox led ~~Chartism~~, movement to reform Pmt. Revolution scared 'em out of it.

Louis 15 had local reps, the intendants esp. - they fixed taxes, recruited army, built roads, relieved poor. Parlement de Paris, supreme court & register of local decrees, occasionally disagreed with king. No uniformity of law. Judges bought positions. Lettres de cachet. Tax farming.

1774, Louis 16. 1776, Turgot dismissed for trying to reform - breakup guilds, tax nobles, economize. Necker, same fate, 1781. 1787, had to get money, called 'council of notables' - they suggested call Estates General.

Only in Eng had guild system broken down. Elsewhere it, & mercantile regulation, blocked progress. Colbert tried to encourage progress, but in general reg. was stultifying.

Humanities, says one, is 'History, literature & the fine arts'

Rationalism - doctrine that reason without sense experience is source of knowledge. Also used to label all honest 18th cent thinkers, for Locke, who was anything but above, is called rationalist. Assoc. with pol. dem.

3rd est got control of 1789 Est Gen. Louis tried to overcome it, Paris mob took Bastille, formed commune, ruled Paris. In provinces, revolts threw out nobles & intendants.

1789-91, Nat. Constit. Ass, constructive work in est. limited monarchy, good elective govt. Bourgeoisie & liberal nobles & clergy in control. Mirabeau, Sieyes. Reformed taxes utterly, ended feudalism. Local self-govt instituted, law modified.

History, cont.

Church land siezed to secure assignats. Church opposed.

1791 const. - weak exec.

Under Const, new Legis Ass elected, 1791. The 'Mountain', radicals, vs 'Girondists', moderates. Marat, Danton, Robespierre, radical leaders.

Pillnitz declaration '91. war with Gms. 92. Paris Mob forced deputies to suspend King for his support of foreigners. - this marks end of control by Legisl. Ass. Paris Commune under Danton & Robespierre took over, authorized new Nat. Convention election. 92, Valmy. Nat. Conv. then elected, finished war, made repub const. Royalists massacred. King beheaded, 93. - this marks loss of leadership by Girondists. 93-5, under Gen. Carnot, defeated '1st coalition'. 93-4, Reign of Terror. - justified by many royalist suspects. Comm. Public Safety. Ended with Robespierre. Jacobinism. Nat Conv. also made real achievements. - separ. church & state, new code of law. price control, land to poor.

Const of 1795, Directory of 5. - the executive, of a bicameral legisl. Electors must be taxpayers who lived 1 year in 1 place. Bourgeois ascendancy. Middle of road, stayed there by violence. Inflation, repudiation. Difficulties were war, newness, etc. Directory incompetent & corrupt - terror had killed many. Losing battles. Dictator needed, Nap saved.

1802 Armens Peace breather. Admin. - freedom in all but politics - broke privilege. 'career open to talent'. Complete centralization, local officials directly responsible to Paris. Economy, exploitation of conquered, Bank of France.

Concordat of 1801, which lasted to ~~1905~~ 1905. - spiritual head to church, land & politics to state.

Code Napoleon - civil, criminal, penal & commercial law. ~~Strip~~ Broke down ancien regime in many ~~etc~~ conquered countries.

Education centralized - ~~the~~ gradually broke Cath monop.

Code Nap throughout Eur.

Continental System, 1806, opposition.

Nationalism & local reform in Aust & Prussia. Serfdom abolished, trade & ind. freed, serfdom abolished.

Louis 18 succeeded, incomplete restoration.

Speech & press still censored

- System of 'open fields', with its common, was part of feudal system. In Eng it was prolly more favorable to peasants than on continent, but still same structure.

17th cent. Eng rev. broke down both guilds & feuds. Nap did it in Eur. This + commerce & ass. growth of bourgeoisie, & science, stability, paved way.

History, cont.

1845, food canning invented. This probly starts the food processing industries, which historically one might expect to even precede textiles, but evidently didn't.

Chartism was a lower class franchise movement. Bourgeoisie opposed its having already theirs in Reform Bill.

1830 Fr. Bourg. rev, Louis Philippe.

'34 Zollverein

1829 - Treaty of Adrianople - Eur. interferes vs Turks to support Greece, Navarino battle '27.

'15 - '30, Metternichism, vs. romantics & bourg.

Legitimacy & compensations at Vienna.

Quadruple Alliance: Russia Pr Aust GB, later not GB, interfered to crush liberalism everywhere.

Charles 10 & after Louis 18. Rev land reform maintained, kept for prosperous. Constit. mon as in GB. Bitter factional spirit, rough sailing. Royalist reaction, sporadic. Charles 10 terrible, bourgeoisie taxed for nobles, Cath educ. re-est.

1822 intervention in Spain, Eng withdraws.

'23, SA revolts, Eng refuses to help suppress, Monroe doctrine.

Eng postwar repression, riots, Tight oligarchy of landowners. Bourg, romantics, Cath & Prot dissenters opposed them.

Alex I, dreamy liberal, converted to reaction.

Brit commercial interests drew them from Metternichism.

1830 Charles 10 revokes bourg. pmt. Paris revolts, workingmen financed by bourg, bourg const & King put in.

So Belg revolted from Dutch; other revolts, esp Italy & Pol., repressed. So only Fr & Eng bourgeois at this time.

First Eng reform, 1832.

Chartism '38 - '48. Movement as such failed, but all its reforms now installed.

3 rev. movements: natism, democracy const., & ec. As in '90 & '30, Rev.

'48 French rev. touched off others.

Peel & Wellington, Tory leaders, Peel a Stassen. Whigs looked for bourg. support, in '32 reform. Rotten boroughs etc ended. Voters increased from 3 to 5%. Rep made & pop. Broke Lords by threat of new peers. Whig & Tory become Lib & Cons. Toleration.

Reform, humanitarian, slight. New Poor Law 1834 est. workhouses to discourage malingering of outdoor relief.

Workers had supported '32, got nothing for it.

Palmerston ran foreign affairs, '30-'48. Kept open Dardanelles, intervened in Sp.

Louis Philippe, with Guizot, turned absolute. Truckled to Eng, dismissed belligerent Thiers.

History cont.

148, Lamartine replaced L. Philippe & Guizot. Universal suffrage declared. Depression, unemployment in Paris. Louis Blanc of the provisional govt & Paris Workshops. Nat Ass elected, stopped workshops, workers revolted, bloodily suppressed. Bourg again in control, 2d Republic. Pres. by univ. suffrage.

Italian movement purely nationist, not social or ec. Crushed in '48.

Frankfurt Ass in Ger, result of short lived successful revolt. No results.

Schwarzenberg replaced Metternich, after army loyal to various revolts.

By '71, 148 aims achieved. Poets of earlier romantic rev. replaced by Cavour, Bism, Palmerston, Disraeli.

148, Louis Nap elected. 152, made emperor.

59, Villafranca, L. Nap treaty with Austr, stopped war which had driven Austr. from Italy. But then Garibaldi, 60, took southern Italy, gave it to Cavour. N. States allied with Sardinia, for which Savoy and Nice to France. '66, got Venetia too. '71, got Rome from France.

Clericals and liberals both opposed Nap now

'48, Comm Manifest

'64, Syllabus of Errors

'70, Dogma of Papal Infallibility

'91, Encyclical Rerum Novarum

Positivism of Comte said don't explain, just describe. Humboldt, Lyell, Darwin, Spencer, Renan (Skeptical Biblical study) This is intellectual anti-clericism. Syllabus of Erors condemned all intellectual and political practices pope did not like. Anti-clericals: Kulturkampf in Prussia; Aust repealed 1855 concordat; Gladstone objected to pope; '70 capute of Rome ruined pope's temporal power. Pius 9 at this time, reactionary.

Leo 13 succeeded, 1878-1903, liberalized ideas. Pius 10, 1907, stopped idea that dogma should change with the times.

67 Reform Bill

72 Secret Ballot, 84 Representation of People Act; 1911, Nat Insurance Act, Parliament Act, 1914 Govt of Ireland Act.

67 and 84, universal suffrage achieved. No immediate political changes because masses did as told.

German competition suggested imperialism. Chamberlain's tariff movement, Disraeli, Rhodes.

Rise in real wages, after Mill's gllom.

Pre world war, New Deal reform, only war prevented more.

Gladstone, Liberal, laissez faire, free trade, gradual reform, local self govt, economy, peace. '67 put thru by Disraeli, taking Gladstone's trick. (like Bismarck with socialists) City suffrage universal. 1911 Asquith threatened to create Peers, got thru bill ending Lords power. ~~17th cent~~, many documents important to Brit "constitution"; 18th, practical parliamentary development; 19th, reform; 20th, power.

Since 1928 only is House of Commons elected by almost univeral suffrge--was that women vote?

Cabinet both enacts and administers legislation.

Chamberlain was more imperialist and socialist than Gladstone, came along on Irish Home Rule issue, '80, to split Liberals. Chamberlains was the Liberal Union, later Union. Lost in 1906. Found some common grounds with conservatives, tho was left wing of liberals.

Liberal radical wing, 1860, supported N. in civil war.

History, cont

1924, Ramsay MacDonald, firs labor PM
1895-1905, Unionist Party supreme. 1906 Liberal Victory partly due to Progress and Poverty! Also for free trade, reform, peace.
1906-14, Cambpell -Bannerman and Asquith; taxed rch. Minimum wage regulation. National Insurance, etc. Unions.
'79, Grevy President of Republic, dangerous years over, France becomes stable. Church had supported Royalists. '92, Leo 13 advised French Catholics to cease the struggle for Royalism, they paid no heed. Beginning in 1900 state started campaign against religious schools and clerical orders; 1905 Separation Law repudiated Concordat of 1801, disestablished Catholic Church in France.
French cabinet change did not result in new election, was a smaller thing. Personnel changed, policy not. Blocs the effective organizations to rule. Chamber of Deputies elected b universal manhood suffrage for 4 years. Senate indirectely elected for 9 years. Ministry needs majority in Deputies alone.
Republican bloc of parties was at the center of French Nat Ass. during this period, and by cooperating it dominated the others. Anti-clericalism held it together, mainly, X until 1910. Then tax reform, conscription, electoral reform became to the fore.

Republicans between Liberal Monarchists & Socialists.
1892-1913, social legislation, unions grow.
Ferry laws ~~radic~~ est. public secular education.
1901-7, height of anti-clerical legisl, state support withdrawn from Cath schools, Cath assoc. forbidden. Strictly enforced. 1907 Briand compromise. - let them worshp.
Aristocratic Bundesrat had realpower - democ. Reichstag little. Chancellor realpower, & emperor.
State & local Govts democratic. Also, many of Bism's opponents elected to Reichstag as Social Democrats, Catholic Center, Nat. Liberals & Conservatives support Bism. Junkers. Borrg.
Unions grow.
Can we explain Gy by saying they had econ. freedom, in some channels which is all advance requires? We say ec. freedom cannot stick without political, but that is assuming no strong desire by govt to increase mil. efficiency.
1890, Wm 2 succeeds, drops Bismarck, who had isolated France, allied with others.
1912 Socialist popular majority in Reichstag. '13

Halevy - Eng. in 1815

Land laws designed to amass great estates.

Ireland - greater estates, fewer rights manorial for tenants, than in Eng., as ownership was based on pure force, (not subtle force). 1806, → 183 when corn could be exported to Eng., rents rose. Absenteeism, agents powerful, by loaning to dissolute owners often replaced them - they were Irish Catholics (live wire principle) Grazier tenants worked on much bigger scale, & grew richer, than tillers. Long term leases, but still no good - because at end of lease farm went impersonally to highest bidder, improvements & all, so tenant at end of lease tenant relied land. Low productivity. Small subsistence farms, getting smaller at 1815. Clanny common property, west coast, which developed into tenantry. "Middleman" - Irish economic Quislings.

Agrarian anarchy: 18th century, acute Irish. But c. 1815 → organized resistance grew.

Large estates in England & Scotland.

→ 192 Details of enclosure considerably different from Mantoux. Enclosure left many with landholdings so poor & small as to be ec. ly insufficient, so they lost them, too. Agglomeration about existing nuclei. Enclosures much more rapid after 1800. Entails being abolished, however. Both done in accordance with ideas of "economists" who wanted agr. efficiency. Yeoman vanishing. But small landlords numerous, Scotland & Eng. - unlike Ireland, where only latifundia were. New man.s got land, 195 → & therewith pol. power. This reduced size of old estates.

Landowners lived in country, were sympathetic with tenants, & watched farming personally, entered into it scientifically, made great improvements. Norfolk & Scotch Lowlands the centers. 1790 - 1815, 150% increase in rent due to these → improvements. Much land hitherto sterile brought under cultivation, much to go.

203 → The farmers: improvements were made by landlord, the farmer just ploughed, manured, & rotated. ½ his produce went for rent. 300 acre

farm ~~size~~ medium size. Protective Corn Laws, gotten after 1815, when wars ceased to protect.

Paternal relationship between lord & tenant - ~~the~~ tho not bound by law, ~~land~~ would respect right to improvements. His
→ p.208 class's power rested on ~~a~~ popularity with tenants. (Popular sovereignty. But this need not be true in country like Ireland, where subjugation was complete, as it evidently never was in Eng. - or did Irish just prefer tenantry to previous clan quarrels?
Game laws (no poaching, nor protective extermination of pesky
→ 210 rabbits etc) & tithes hated. But tithes were ultimately
→ paid by landowners - Scotch rents twice as high as Eng.
→ just because no tithe.
214 top The Agricultural proletariat:

Clough, SB, Columbia, "France, a history of nat. economics", 1789-1939" NY, Chas Scribner's sons, 1939.

Ch. 3: Napoleon's nat. & war ec. policies.

He started out to please bourgeoisie, but his ambitions caused wars the bourgeouisie didn't like, they were glad to see him go. (reminiscent of Hitler, & Jap militarists. The business communit y at first goes for someone who knocks the custom bound out of their way, but when it comes to war they usually have most to lose, don't go for it)

Amiens Treaty, 1802, British relinquished some of their colonial takings & left French most of their European holdings.

Directory's bonds had to be virtually repudiated.

2 For bourgeoisie, uniform codes of law for nation, (to extend trading area), suppressed brigands, improved roads, replacing tolls with salt tax, started great military & commercial routes radiating from Paris, to Hamburg & Alps e.g. Balanced budget by economy & making occupied lands support armies, careful collection of taxes, etc. Bank of France.:"does not belong exclusively to the stockholders...also to the State, for the latter gives it the privilege of striking money". Schools of arts & crafts. Prizes for inventions. etc.

Like Colbert, thought overseas should supply raw, take manufactures. 1802, retrieving colonies in trade with Eng, tried to 2 re-establish ancien regime.--trouble. Export balance wanted. Commercial treaties with various countries, but not Eng. Fr. foreign trade increased.

Eng. refused to evacuate Malta as agreed, war renewed.

Ec. war on Eng. was to prevent her exporting to Eur. Imports not worried about. This kept her from subsidizing Eur. allies, &also was supposed to ruin her economy. Brit. Bank Restriction Act, 1797, limiting gold redemption, made Nap think Brit. short of gold. This scheme would also allow France to replace Eng. in manufactures. & agric. & commerce too. But also cut self off from needed raw materials. British counter blockade to prevent non-British ships from trading with Eur. 1806 Berlin decree indicated the old edicts would be continued & extended: all subservient countries told to blockade. British answered by refusing to let neutrals trade with Eur. except by unloading at British ports first. -- for which they charged them dear. Nap. answers with Milan decree, 1807.Declared any ship that submitted to Eng. a lawful prize, inclusding on land, i.e. at a Eur. port. --& its cargo. Thus attacked neutral shipping when most important to him, like Directory in 1798 had.

Instead of welding Eur. into ec. union, exploited rest of it colonially for France, forbidding members to trade with each other.

The Continental System was hard to enforce, smuggling common, & wars stirred up vs. it ruined Nap.

Reduced French commerce, net. Couldn't export grain & wine e.g. to Eng. Cut off wool markets, & cotton raw materials. 1809. started making exceptions to blockade, for ad hoc emergencies. British always glad to get French trade when they could. This, & Luddite riots, raised French optimism. Tought they had made Eng. renounce "the Navigation Act", real foundation of her power.

Oders in Council of Eng. were what made u.s. declare war, tho they were revoked just before war, we didn't know about it. (like battle of New Orleans)

Cont. system didn't help French textiles much. Her coal mining increased much, & chemistry. Metal trades. Dye, cotton, & sugar industries injured by cutting off raw materials. Impetus toward coal tar dyes, sugar beets, but neither developed for some time afterwards. Cotton manufactories flourished at first, but stocks of raw exhausted, they declined, & when blockade ended they couldn't stand Eng. competition. But foundations laid which later became cotton industries. (so? wouldn't they have come anyway?)

Capitalists welcomed back Bourbons in 1814, tired of superprotectionism.

At Congress of Vienna, Prussians wanted to dismember France, but others wanted to use her to keep balance of power. Besides, they had told French they were against, Nap, not France.

Returned all her colonies except Mauritius & French Santo-Domingo, which had revolted, & its dependencies St. Lucia & Tobago. Small indemnity, satisfied by domestic & local borrowing.

Chap 4: Est. of ultra-protective system under restoration, 1815-30

Changes of revolution etc: freeing peasant prop. from seigneurial dues, sale of church & noble lands, growth of certain industries, est. of nat. customs union, suppression of gilds.

But primarily things were carried on much as they had been before. (cf. with Eng, where a non-political revolution really changed life)

75% pop. still rural.

Noble & church land had been confiscated & sold, but bought primarily by bourgeoisie & its use not changed, much, tho a little increase in medium size bourgeois holdings. But still a large landless proletariat. Agric. still carried on in time-honored 3 field system, rudimentary tools. c. 1850, changes became general.

Industry little changed, but putting out system losing its vitality, & concentration appearing in mining & textiles. Produced 1/4 the coal that "United Netherlands" (holland & Belgium) did. No cities showed increases in pop. like Manchester, Leeds, Birmingham. Lost foreign commerce, by about ½, while Eng's had trebled, 1789-1815.

British merchants followed close on heels of allied armies, selling amassed goods at bargain prices. Sugar, cotton, coffee, textiles, iron. (Lucky France, to lose the war!)

Injured manufacturers demanded return to protection.

Rule of rich: had to pay so much direct tax to vote, only 88,000 voters. King might have been dictator, but Louis 18 est. rule of ministerial responsibility from Chamber, Comte d'Artois, who advised him, & succeeded him as Charles X, unable to attack it successfully. Ultra-Royalists, Royalists, Liberals, parties. Royalists wanted to return lands to former owners. Liberals were new owners, wanted to keep church etc down where concordat had relegated it. Comte d'Artois with ultra-Royalists. Louis 18 gave positions etc to ultas, but left land with purchasers & kept dues abolished.

Louis for low tariffs, but left decision to Chamber. Ultras & Liberals both for high tariff, got it. (evidently Ultras still had large agric. landowning interests, despite confiscations. I don't get it) This high tariff policy lasted until 2d Empire.

(Here is a good paper subject. 19th century wasn't so laissez faire at that. save in Eng, & there only a little & in part. unless we mean by laissez fair govt mainly influenced by bourgeoisie. &

if thatis what we mean, it existed long before 19th invarious places, e.g. Eng after 1688, patrician Holland, etc. & without free trade. Maybe we can generalize that free trade goes with bourgeois (meaning people with commercial, rather than military or religious or political, interests, free contract tendencies) dominion only when they are export interests. Free trade occurs when export interests are dominant politically seems like almost a truism. But quite different from usual generalizations about laissez fair. Might point out that idea of laissez fair has changed from "free trade" to bourgeois domination, this explains the seeming error. This subbject gives me a common opinion to blast, a general scope, & will teach me much. Good.)

(shouldn't be hard to find grandiose generalizations, as in Keynes & Hansen, about how 19th century was a special case of exparding Europe, free trade worked ok, etc ad nauseam)

Liberals interested in grain growing, e.g., & other agric. tariffs. Just about everything you can imagine was protected. Agric. protection was something new, in ancien regime France not bothered with farm competition. Before 1789, rule vs. exportation , fear of famine. Farmers & speculators didn't like this, abolished, 1814.

1818, recession. French farmers blamed combination of their poor crops & importation of Odessan wheat below their costs. 1819, tariff on grain added.

1820, ultras came to power, wave of reaction. Lasted to 1827, increased income qualifications on voting. Increased tariffs still more. Added export bounties. The most complete protective system in W. Eur, & highest from Nap to WW 1.

Colonial system & navigation acts went with tariffs to form national system. Colonies strictly forbidden to manufacture, or trade with other than France.

Bordeaux shippers led group trying to get industrial raw materials p oduced in French tropical colonies: W. Indies, Madagascar, Senegal, Guiana. Little success, 1821 ultras abandoned.

Algiers taken, not as colonial, but because Chas. X needed a military success to justify himself, get support, for his autocratic domestic policies. Rich were against the campaign.

French W.Indies only colonies used successfully. Sugar etc, forbidden to manufactureat all, or trade in non-French vessels. Planters somehow had some political power, convinced Ass. to give them reciprocal monop, so France didn't import sugar from anyplace else. (but maybe this was to encourage sugar beets at home. Doubtless involved)

No legisl. for labor & "consumers". (This guy maybe Marxist)

Shipping interests unha py about protection. But they were protected to, tax on foreign ships bringing goods to France. Later, when steam shipping came in, gave them direct subsidies so they could compete with England.

p. 105

1815-26 protective legislation of France brought reprisals. Shippers and vintners alone didn't do so well, or weren't so happy, under Restoration protection: export & trade interests. Colonies smuggled, to avoid buying from France.

1824, reactionary Charles X succeeded Louis 18, antagonized bourgeois liberals.

Tried to establish primogeniture to prevent morcellement, failed.

Secured indemnity for emigres whose land was confiscated in revolution.

1830, Chas. clamped down, bourgeois revolt, overthrow.

Ch. 5: Ultra-protective system under July Monarchy, 1830-48

Distinction of feudal and bourgeois rich disappearing.

Wine growers, shippers, iron & steel consumers, & academic economists wanted free trade. Protected interests not. Govt. "kept its ear to the ground", & protection won.

1834, Duchatel, minister of commerce, made investigation, discovered conclusively that tariff opinion was formed by considerations of personal interest alone, national interest neglected. Big Gen. Banks probly took Greater view.

There were strong assaults on protection, led by export interests, & perhaps sympathized with by govt to prevent smuggling etc, but mainly failed.

Anti-corn Law League of England, with intellectual backing, had been successful. Similar movements in France didn't get over.

Military argument for protection strong, in Thiers. Only Eng, who controlled seas, was safe with free trade -- a big point.

Nationalism, at height in Nap, was on defensive to liberalism until c. 1850, but recrudesced strongly.

Socialists thought in terms of state action, tho priding selves on internationalism. Labor legislation sold to bourgeoisie on grounds that it would improve health hence military efficiency of labor. 1841, first labor law.

State had built roads, canals, bridges, for years. Under Louis Philippe (July Monarchy), such works expanded. Built electric telegraph lines, too. & esp. went into r.r.s. Until 1842, only local lines. Got behind UK, US, Gy, Belgium. Duties on steel maybe responsible. General apathy, but businessmen got interested; & military. German Rhine roads looked like a threat -- "German Confederation".

~~X~~ 1840 c., great military expenditures, govt couldn't finance r.r.s all alone; but private people wouldn't do it alone either, as much as wanted. So 1842 finally got thru compromise, govt bought land etc, regulated rates, privates furnished capital & management, govt had option to buy out. Govt ended up furnishing half cap, too. But had to keep up militarily etc.

Merchant marine monop. of foreign trade had been removed to avoid retaliation. Gave other subsidies now. Forgave duties on iron etc, when steam shipping came in. Postal contracts. Direct state shipping. but fell behind all same, way behind, : high cost of materials; slow general industrial development, relatively small colonail trade, etc.

Her colonial empire was to eventually become lucrative source of shipping, & trade.

1830-48 saw conquest of Algeria. In spite of policy of peace

with Eng. Algerian adventure commended in Restoration "for political reasons". (it had been started by Chas. X, to gain support for his home policies. Economic potentialities of Algeria unknown. Campaign unpopular in wealthy circles.

When Liberals came to power in 1830, many wanted to stop campaign. But it was under way, and was finished. Military people, wanting to keep up France's prestige, establish outlet for "surplus population", motivated some -- he's not too clear. It was colonize, 12 hectares given to settlers. Argument of outlet for goods also used.--which it proved to be.

Most successful colonizations when you actually settle the land.

July monarchy continued to expand, not too enthusiastically, bourgeois not caring for expensive wars & projects. Senegal trading posts, not much; Madagascar, no progress; 1844, got trading privileges at Canton after Opimu war; 1847, Tahiti Protectorate.

Domestic ec. expansion took up energies of nation. 154

1848 revolution, again bourgeois & Paris mobs, Louis Phillippe having gone vs. bourgeois.

1848 provisional govt. Est. labor legislation, 10 hr day, first labor legislation. National workshops, to be producers' coops, failed.--only soothed labor while bourgeoisie consolidated their control from revolution. Helped set up banks in country. --had been a depression in '46-7.

Bourgeois got firmly in saddle again, despite extending suffrage, won elections. But was pressure against socialists -- this must explain much that happened subsequently. Finally bourgeois got strong enough to put military authority with Gen. Cavaignac & have him crush proletarians.

But had to put up Nap for election, failed to control him, he got supreme power in '51. i.e., "bourgeois" -- meaning petty monop. I suppose — over

Bankers were conservative, lending to govt & conservative industry. Nap. used "Comptoir d'Escompte", banks founded to meet '48 crisis, to expand, also as instrument of nat. policy. penetration in colonies. Also founded new mortgage bank, with state aid, gave it monop., the "Credit Foncier".

Used foreign lending as imperialist or poltical device, lending to friends, not to Gy. Intervened in Mexico on excuse of loans.

Nap financed r.r.s, & encouraged merger. 180

Free trade vigorously advocated by professors etc, and they made a strong political force. Chevalier, Blanqui (disciple of Say) Wolowski, Bastiat. For peace & competition they argued.

(We might postulate that when the dominant interests of a country are interested in expansion, they will go for free trade; when satisfied to remain at home, like protection. Hence imperialism & free trade may stem from same root. And imperialism may be caused by capitalists who are expansive, like English, not by home loving ones like French. Clough says French cap-ists like this. How about Japs?)

50s, Nap. tried tariff lowering, got somewhere a little.

1860, Nap got thru Cobden Treaty for freer trade with Eng., Chevalier instrumental. Manufacturers threatened revolt, but what could they do? Nap. perhaps did it just to get English friendship, so they wouldn't oppose his taking Nice & Savoy, which he proceeded to do. It was in accord with British free trade policy, & they let in most French goods scot free, while French retained some

turned to a military dictator to keep their control. & He didn't take orders just from them, by any means.

duties. British also dropped export tax on coal, which had hit French.

It seems fairly clear that Nap. did this as a dictator, & "Corps Legislatif" opposed it.

France imported much, benefited -- r.r. iron e.g.

Also many most-favored-nation agreements with other countries, meaning they got same rates as GB. Agric. duties brought esp. low, & manufacturing not prohibitive. This is as close to free trade as France has ever come, 60s.

He promised to make payments to unprotected industries. Not clear if he did it.

Subsidized shipping. But made ship-builders compete with foreign ores, allowing companies to buy ships where they pleased.

Nap. pushed colonization vigorously, wanting military glory. (the desire of the nation for military glory must have been involved) But I hear nothing of bourgeois urging Nap. to do this for them, he seems to have pushed out for self. Algeria pacified, Senegal taken, Cochin China, Cambodia, New Caledonia, Madagascar -- last 4 to protect missionaries. Naval demonstrations opened Japan. March with British on Pekin opened China. Failed in Mexico.

Antilles made freer, slaves freed, or left free, 2d Republic having freed them. Freed all colonies to free trade.

Effects of free trade

After 1860, all unprotected industries except cotton & ship-building continued to grow, despite competition. Wave of imports at first, then imports subsided to normal -- suggesting local people simply got on ball, dropped rents, competed. But expansion was slower than in 50s. But 50s were upswing of cycle - so where are we?

Developed an import balance, from export balance, which continued to grow until 1881 tariff.

Did make low interest loans to injured industries, but not terribly much.

Nap expensive, big debt, high taxes, wars. Placated labor by allowing unions, picketing, etc.

But his military & diplomatic reverses still brought opposition. 1868 he allowed more press freedom etc.

Bismarck imposed ec. measures mostly: took A-Lx for iron, matallurgical industries. Indemnity for capital. Imposed most-favored nation agreement, stopping tariff reprisal.

Radical Socialist party, representing lower middle class, became largest & pole of policy, lasted so to present. Devoted to socialist ideal, but offered no real challenge to capitalism or its interests.

Thiers, arch-protectionist & patriot, who had been around so long, still dominant, instituted higher indirect taxes to keep govt credit good without raising property taxes; & returned to protection.

prop. tax decline

1871-3 business boom, kept protectionism from returning. But 1873-9 depression. Bismark, & other countries, were turning to protectionism, encouraged France to.

1881 tariff more protective to industry than agric. 1882-93, mild depression.

Bounty-fed Austrian & German sugar competed. During 1880s, gradually, agric. got protection too.

1880s, most countries also protectionist trend. Industry united with agric, asking protection for ag. too. Academics many for protection now.

Clough

1892, Meline tariff, very high, on many things. (10 years before Em. high tariff.)

3d Republic started with sentiment vs. colonies. But investment opportunities at home not good, depressed 20 years, expansion seemed necessary. (but note this expansion did not lead to war) (or did it?) Military rivalry, necessity to keep pace, involved. (with France we always have feeling of struggling to keep up, not spontaneously getting ahead)

244

One motive for imperialism was desire to find foreign places to invest. Investors often preceded government in foreign lands, protection of investors was excuse or reason for taking over. (this is a form of acquiring property -- acquiring the right to invest in certain areas. Thus outright landownership needn't be motive for expansion, but simply desire to join complements in production -- a very worthy motive. Except as it involved keeping others out. Each nation could secure for certain groups in it better deals by keeping others out, then, too -- tho for everyone, probly in most cases interest better served by letting in foreigners. But they didn't see this, & this is vital to their actions. Besides, the advantage of letting in foreign investors would have gone to landowners in colonies, and the power was with investors in homeland, hence free investment probly not allowed.

So we have the modern imperialistic motive, or one of them: get land, not necessarily to own, but as complement to investors; and to get place to trade with; and for military security; etc. The nat. govt represented certain interests who wanted these things. In France it was seeminly not so much the desire of labor to emigrate, as with Japan; but of capital. But even capital was backward about it.)

Berlin Conference, 1884-5, set the rules for grabbing Africa.

Those who took weren't always sure they wanted it, but they wanted to keep pace with rivals, and get something for future. So speculative motive, even as in private life, was involved -- complicated by national rivalries.

National pride a big motive.

Many enterprises in colonies were of questionable ec. value.

Bismarck encouraged French expansion, to take their thoughts from Alsace-L.

1879, definite triumph of Republican party, made peace with high finance. Big business interests representatives came into control.

These politicians (like others) looked on colonial successes as one way of keeping selves entrenched. (but this is only a way of saying that the people of France, the electorate, wanted imperialism.) Or could be stirred up by it.

Ferry was imperialist, during his ministries imperialism got going. 1880-5, off & on. Monarchists opposed imperialism, Clemenceau & radicals, Gambetta, the left-Republican, dubious, Ferry's followers not 100%.

Ferry appealed to country with argument that France needed markets & investment outlets. To get production and industrialization, which he took as goals. He also appealed to bringing French culture to backward peoples.

Meline philosophy

(of course investment may become landownership. One of the things that can be invested in is land, which will be cheaper

(relative to yields in foreign capital hungry countries)
Tunis first. French had landholdings, r.r. & telegraph concessions, defaulted bonds. & feared Italians would get it.

Ferry took the step of sending troops to Tunis pretty much on own hook. Parliament voted him funds to protect Algiers, he used them to invade Tunis. Parliament on reconvening was unhappy, voted him out. 1882, Parliament refused to intervene in Egypt when occasion presented. (but they didn't leave Tunis. Why? Committed? Is "stubborn pride" what prevents imperialists from ever turning back?

Ferry operated by not declaring war, and asking Parliament for small sums periodically, which it grudgingly gave. 2d time in, 1883, he took Cochin China, and succeeding govt, presented with fait accompli, didn't disturb it.

1892-1912 filled with colonial conquests. Need for raw, for markets, intensified national feeling, need for investment outlets, he mentions. In this period, popular opinion never took initiative in demanding imperialist war. Opposed some, earnestly -- the fiascos. Neutral to others. But masses could be brought into line in crises by patriotic appeal. Businessmen & ambitious statesmen were imperialists.

1893, Ivory Coast, Guinea, French Sudan. 1894, Dahomey Rounded out Africa & Indo-China.

2 Nap 3's liberal colonial policy reversed. He had given Guadeloupe, Martinique & Reunion tariff autonomy, they had put up tariffs on French as well as other goos, foreign countries got into trade. 3d republic reversed this, 1879-85. And assimilated Algeria & indo-China into customs union, putting tariff on their outside imports. Assimilation became watchword, which meant each colony had to trade with France: Algeria, Martinique, Guadeloupe, Reunion, Guina, St Pierre, Miquelon, Mayotte, Gabon, Indo-C, New Caledonia. Other colonies non-assimilated because of internat. agreements, as with Congo- Morrocco, or scatteredness, India, inability to collect customs, West Africa. But kept trying here, too. Tunis, e.g.

Under Meline, French still exploited some colonies.

Colonies had to take French goods but French didn't have to take colonial goods. Their interests sacrificed, their home prices rose. Even so, their external trade increased.

1900, stopped giving financial aid to colonies govts, made them be self-supporting, save for military expenditures. 252.

Govt invested c. 36b francs in empire by 1914, mainly for military, but also for roads, r.r., ports, water works, shipping subsidies colonial. Private capitalists spent 4b. Private interests did the best paying projects, interest guaranteed (on r.r.s at least) at that. Colonial banks were private, but state reserved right to name governors. Also est. land banks. (like Credit Foncier?)

Est. 1/3 to ½ French savings invested abroad. 44b francs by 1913.

Govt controlled investments abroad, at least had power of forbidding them. Used this in politics. Used investments to wean Italy away from Austria & Gy, to get into Morocco, to keep Russia an ally. (this supports Robbins)

In view of figures, it is hard to look on colonies as important investment outlet. 4b. francs invested in them,

cf to 45 b total French private abroad investments. p. 255. Russia 11b; Turkey 3.3; Spain & Portugal 3.9; A-H 2.2 Balkans 2.5; Italy 1.3; Sw, B-m, Neth 1.5; Egypt-Suez-S.Africa 3.3; USA, Canada, Australia 2.0; Lat.Am 6.

This suggests to me main idea in getting colonies was not investment outlet, but trade & military security and land speculation, Idea for keeping Ferry in power

Over ½ French fore. inv in govt securities. Very risky ones at that, of govts who were borrowing to meet current operating expenses, not for capital improvements. Great losses on them counterbalanced high interest. Banks made more on risky ones, & passed risk along to buyers, went for this.

After 1909, govt tried to get orders for French goods in return for loans. Kept USSteel off Bourse because they refused, e.g.

Stresses usefulness of loans in getting allies as govt motive. Foreign loans of course were tough on the non-investing French, but they were, as such impo ent or unaware.

(Perhaps the intervention that has come about in 20th has been with regard to labor; other kinds of intervention well established)-- & not getting more so?)

German social insurance laws well "ahead" of any French legislation.

Growth of socialism forced attention to labor.

1841-74, nothing done for labor. 1874, employment of children under 12 probibited. working day of 12-16 yr olds max 12 hrs. 1892, further reductions, by groups. 1900, 10 hr max for all. 1898, employer responsible for labor accidents. 1910, optional social insurance. 1890, abolition of worker's pass book; mine inspection; 1893, safe & hygeinic conditions; 1899, 6 day week1892 conciliation of labor disputes; 1905 old age relief.

Labor also favored protection and no immigration, got these.

Socialism thus accepted national state as instrument. This was precursor of fascism. ("National Socialism" a good title)

Chap 8: The world war — Free Trade movement

Legenda

See: W. Cunningham, The Rise & Decline of ~~Laissez faire~~

JMKeynes ~~The end of laissez faire~~

~~Ropke, German commercial policy.~~

At outbreak, laisser faire was not dominant any longer.(was it ever?) War accelerated. It & revolution are high spots of nat. ec. control in French industry.

At outbreak of war were debating heavy income tax & repeal of 3 yr mil. service.

Stumbled into war with no overall war production plan, or anything. Not til 1915 began to control production, prevent luxury, etc. No attempt to curb high profits or wages. Even state financial support proved inadequate to get muntions, had direct intervention, direction, by state.

Labor leg., interallied ec. cooperation, interesting.

9. Postwar

290 French determined to use victory to build up selves ec-ly, tear down Gy. Maintained war measures that infringed German patents; got reconstruction materials; shipping; coal; chemical & dyestuff option.

(Then there is idea that war does not come from internal expansion, for this involves no disputes over space, only from external. First world war from expansion into Balkans, e.g. 2d one from Gy's expansion, Japan & Italy's. --into all neighbors, in Gy's case, but esp. the "uncivilized" east.

This is very simple & sef-evident, yet often overlooked. It gives us principle that any culture that stresses internal development will not cause war; any that requires extensions of territory will cause it. Capitalism leads to war only in expansionist phases; Communism fails to only in ingrown stages.

But the ingrown culture, faced with the others, is apt to defensively be expansionist also.

And the outgrowing cutures may contribute more to peace in long run by extending national boundaries.

Once they got Gy down, they doubtless took from her much more than the war was originally fought about.)

(Countries can build their own capital, or import it, but can only acquire land by war)(only answer is to make land acquisition unnecessary: i.e. free trade, free migration. But latter has drawbacks too.)

France took some of ~~Frenchxxx~~ E. Africa & Togoland, Cameroon. Syria, wanted trade & Mosul oil. San Remo agreement, 1920, divided with Eng. petrol resources of near east.

France's industrial areas had been ravaged severely in war, and some of best agriculture, too. She wanted Gy to pay for it. But also she wanted to keep Gy down as ec. rival.

Postwar, property interests united in "Union of Economic Interests", monop, low tax on prop, govt aid to them, no govt hindrances to them, etc etc. CGT split into international & national branches, former joined 3d international, latter dominant, wanted national socialism.

Starting with 1930s, tariffs & inflation proving inadequate protection, quotas grew.

c. 1924, polity to Gy changed. Didn't want German imports, & wanted to export to Gy. Gave up idea of collecting more reparations (1932 finally, Lausanne) and so on.

Aided exports with many drumming up & information agencies, (like U.S.) and also subsidized a bank, to help exports. This bank both lends and insures for exports.--insures foreign credits, up to 60%.

Govt promised then, had an obvious interest itself in, making foreigners pay.

Colonies postwar not expanded, save internally. (those who were in a position to expand internally would not cause war, but others)

Algeria has been made part of France. Tunis given tariff autonomy, save for important French exports.

Imports from overseas empire, 1931, exceeded those from UK & Gy; exports greater than to 3 best customers: UK, B-m, Gy. Empire trade was 12%, 1910-13; 15%, 1929; when depression came, stood up best of all, rose to 25-31%. (This suggests that trade outlet, more than investment outlet, is where colonies have been useful, and esp. an outlet that will stand up in times of stress, internationally, which includes depressions and war.)

1932-6, unusual import balance from colonies -- but then, a country needs imports too. Save that they were pretty easy to get in those times anyway.

Paying high prices for imports was a means of subsidizing colonies.

In general, people have concluded that colonies cost France more than they returned, tho accounting is hazy. Arguments of enthusiasts are that potential value is great -- so here is land speculation again -- war being nations' way of competing for land --.& in crises they are handy, & France has civilizing mission.

1875-1900, French foreign trade rose 20%; ~~/X~~ 1900-1913, 75%.

1929, French foreign investments were ½ what they were in 1914. Had lost much in Russia, repatriated some, and not invested abroad any more due to reconstruction.

Still used them for political purposes, as when refused to save Kredit Anstalt unless Austria shied from Gy.

Direct subsidies have gone out of vogue. Still used for failing industries -- silk -- and nat. defense -- aviation.

State loans at low~~e~~ interest more popular form of subsidy now. Merchant marine, starting in 1928, existing subsidies like mail, tariff forgiveness being inadequate, direct subsidies running out. It was not keeping pace with rivals, carried 40% French trade. In depression, all French lines asked for help, got it on condition of some direct govt control.

Depression, administered restrictions of ag. production, usual stuff. Paid for pulling up vines, financed holding out, etc.

Wheat, export bounties, reduced production, bought wheat, etc etc.

R.r.s appealed for aid, govt got closer control of them. By 1883 agreement it guaranteed interest, still held.

A good deal of reconstruction expenditure was made by govt. Evidently it guaranteed losses suffered by private individuals to some extent.

R.r.s, govt cancelled debts they owned it, 1921, & put lines back in pre-1914 shape. In return r.r.s gave up guranteed interest. And put revenues in common fund, by which poorer lines could be operated from richer.

1937, in response to depression difficulties, ~~stat~~ Popular Front organized all roads in national monopoly, owned 51% stock, will gradually buy out rest.

Until recently, no intervention in oil.

(I should say it is rash to conclude that economy has become more controlled. It is true there is more control, but there is also more economy. New developments now have more importance. I suppose tho in general labor unions & foreign trade control are stronger, percentagewise of total economy)

Before 1903, a tariff protected French refining, it grew, was cartelled. But in 1903 tarif taken off, amazingly enough, he doesn't go into it further. Cartel became distributor for S.O. 1920s, state got busy, encouraged local refining, Syrian supply, tankers, etc, France became pretty self-sufficient.

(note that in international it is commonplace that govts have come to intervene more in domestic affairs, e.g. not letting price level drop, thus preventing gold standard's working

(nations can get capital from others, but itis easier to produce it themselves than to fight for it, and more encouraging to national production, they even refuse to accept capital when it is offered to them in indemnities, but they never refuse land)

(Nations didn't need land for primarily capitalistic reasons: i.e. investment outlets & pop outlets & depression curers (try to show emigration was greatest in booms); but for reasons common also to communist states: expanding national economy, preparing for war.)

In Banking, state supreme. Banque de France first, Credit Foncier second, it finances urban properties too, floats public loans, . Many other banks: to aid exports, hotels, small enterprises, colonial enterprises. (In short, Keynes' idea that the state should socialize investment has been in force for a long time in France)

By means of lending to businesses, state becomes interested in them (r.r.s e.g.).

Gobelin & Beauvais tapestry, Vichy thermals, Sevres porcelain, time-honored state enterprises. Gunpowder, match, & tobacco are state monops. 1936, nationalized all war industrie,s or decided to. Operates postal, tpne, tgph; owns 2 r.r.s; builds bridges canals, roads, dams, harbors. Alsace potash won in war made state enterprise. Shipping on Danube & Rhine. Supported hydro-electric industry, by buying stock & giving mortgages. Invested in river towing co.s

With depression, national expenditures to prevent unemployment increased govt's role. (another way laissez fair dies -- unemployed factors find complements from govt.)(autarky desire another prime reason for its death. Use of public credit the tool. Desire to prevent p from falling accounts for death of international free exchange.

Pre-1914, French labor legislation less than Gy ϕr Eng, partly because she was less industrialized. Postwar, 8 hr day, 48 hr week. Public employment agencies. Social insurance tried to extend. Alsace-Lorrainians refused to surrender social insurance benefits they had had under German rule, so, 1928, extended social insurance in France.

20s, many foreign workers in France, 30s kicked them out. Public works, unempl. benefits, & short hour share the work plan.

1936, labor-management accord, higher wages & shorter hours, govt subsidized industries to do it, if "they could prove they could not bear the added charge". Retired state employes earlier, made children go to school later (to 15, instead of 13. Haven't I said this is a prime motive of our educational system?)

1938, production having suffered & prices risen, Daladier tried to lengthen work week, general strike, he mobilized workers and made them work under military, strike broken.

CGT now for national ec. planning -- not internatinal so much.

French rev. marks rise to power of middle class. It had its troubles with later monarchs, but generally was in control.

A central govt with what we would consider few functions does not nec. mean laissez fair, for rest of economy may have been bound in other ways, e.g. agric. custom.

Directory gave protection, industr. subsidies, invention subsidies.

Nap. wrote nat. commercial code, est. bank of Fr, built roads, encouraged technology. (tried to do consciously, i.e., what Eng. was beating them to unconsciously, by laissez faire. Eng's pre-eminence not a gift of god, but because Eng. let people do new things.)--the whole culture as well as laws being involved)

Nap. wars, Continental system, etc, injured France, she was not an ec. rival to Eng, after, had been before. Nap. days saw greatest state intervention until w.w.1

Chap 3: The revolution

1787-9, worst ec. depression of 18th century, precipitated revolution.

Assignats & direct repudiation ended France's great debt heritage.

Stein reforms - hard on peasants.
Junkers, free trade, grain.

E. Elbe, large fms.

1870, compact of iron & rye.
Raiffeisen movement.
1890 - 1902, Caprivi interlude

1902 von Bülow, protection.

War blockade, desire for self sufficiency

1923, debts gone.

1931 - Osthilfe. Desperate struggle of obsolete class to survive.

Gy.

18th, enlightened despots, slight reforms.

Nap. revolutionizes

Prussia.

Enclose commons, deprive peasants unfairly, but free land for commerce

Extreme laissez-faire.

France

Physiocrats & Louis 16. Frustrations of Turgot, Necker.

Revolution:

Confiscates & redistributes much land, some of it permanently

Sweeps away residual feudal servitudes. But leaves parcellement.

= inheritance of Code Nap.

abolishes gilds

Manifests rural strength – & note all later revns have had to involve outraged

fmrs to be radical, city commune revns never changed much.

Leaves much land tenuous titles, hence great conservatism

Cities & commercial & rational ec. spirit never strong. Peasants strong.

No force operates to rationalize agric.

Central govt. efforts to maintain peasants: Credit Foncière

Exploits colonies. Nap. requires all trade thru France (cf. Louis XI & Lyons)

Bastiat etc. & free trade drift. Chevalier, Louis Nap.

Meline Tariff. 1890.

3-17

Thurs. p.1

England, cont. & concluded.

15th Political chaos, end feudalism – but hi wages.

16th Enclosures. Dear wool. Soil exhaustion?

Paradox of ec. progress & falling real wages, unemployment. Tudors pro-employer?

Vagabonds. Robin Hood.

Settlement acts

7-yr apprenticeship requirement

Confiscations – & change to rack rents

Tudors, mercantilists, conscious effort to build up home industry, forbade raw wool export, imported Flemish & Huguenot craftsmen. Cottage indy – cheaper haul wool out than food in.

17th. Quiescent tenure-wise.

Civil wars. Diggers, Levellers – returned in 19th.

1660, Restoration, wool law?

1688, Squirearchy in saddle. [Bring in Dutchman for king – cf. de Medicis in France, banking power] No king to protect peasants, way cleared for enclosures.

18th. Wool industry stagnates, over protected, coddled, regulated.

Enclosures & ind-l revn, proceeding together, ruin small fmrs, for good. Lose common & side-income. Xptn rev-n, too, allowed concn in cities,

Ctn indy blossoms – imported raw mtrl, fn mkts. Former a new wrinkle

Eng.
19th.

← French revn frightens. Speenhamland, 1798-1832. [Outrelief.
Means of attracting labor to ind-y. Price discrim. Skip]

Nap. wars. Stimulate enclosures: hi wages, cut off Baltic corn, & demand.

Cf. Punic wars. Nap. did what Hannibal did w/o even invading Eng.
Shows power of ec. forces.

1815, Corn Laws, maintain postwar the price structure of prewar.

Looting India, creates fortunes, as looting Spain had in 16th.

Other sources fortunes: mfg; commerce; urban l.v.; minerals; etc.

1832 Reapportionment begins.

1846, Irish famine precips repeal corn laws. Opens free trade era.

Triumph of A. Smith

1846-70, hi fm. prices anyway, growing demand.

"High" farming

Entail, concentration. Enclosures never freed land for commerce.

From one servitude to another.

Absentee ownership universal

Growing resentment vs pretensions of gentry.

~~Growing dissatisfaction with English farming~~

Indl.
1 Ptnsp. with colonial & overseas regns: ctn, grain, wool.

Thurs., p. 3

1870 - 1901 Disraeli's gloom of 1846 comes true.

price revolution. Beginning of long depressions & deflation, also. Cobweb theorem on grand scale.
(Kondratieff)

Eng. agric. fails to adjust. Despite free trade, too rigid.

2 schools of thought:

1, Tariff reformers blame free trade. But New England & Dk. refute.

2. Land reformers blame: Tncy. & conc-n of holdings. Wallace, ~~Fabians~~, George, ~~Marx~~
Entail & primogeniture.
Tax system & exemptions
Social system - & political

Grassland increases. Sloppy dairying.

Land reformers almost win, 1907.

Tariff reformers finally win, 1932 et seq.

W.W.2, abandon mkt, dragoon agric. 1947 act.

Eng. 2.

Land nationaliz movement: Wallace, Fabians, George, Marx. Squires hvg. cast off all tax burdens, & extreme conc-n.

1870 price revn - effects of free trade wait on that. Grain fmg declines, pasture & recreation replace it. (Import feeds like Dk?)
Ptnsp with colonial agric: U.S. etc. Canada wheat. Australia wool

✓ Squires wage campaign vs industrialism. Here is what Ashton failed to say. Much history written at this time, watch it: origins of property, enclosures, Work & Wages.

✓ Squires campaign re ecs of scale in fmg (even tho own-p > ops) Strange bedfellows: Marxists, Gm. Social Dems (cf. Gerschenkron). ~~Webb~~ ~~Labour~~ Write much ag. ecs., overstate. (H. Levy). All our ag. ecsts. rationalizes of scale, & tenancy also pushed this period - see H.C. Taylor. Laughable, talk of being new.

✓ Squires push income tax etc — anything to stave off land tax. (Cf. Livingston, U.S.)

1932, Ottawa, protection returns
WW2, abandon mkt, dragoon agric. 1947 or so act. perpetuates.

Gravier, J.F. La Mise en Valeur de la France. Le Portulan, 1949

Data on low productivity Fr. eg. — less per ha. & per cap. (altho data not very carefully defined nor documented) than neighbors, many crops. But more than U.S. & eastern Europe.

p48 Paris, pop 5m, 4th city of world after NY, London, Tokio — but not a seaport! Has 13% pop. of France, cf. 6% NY, 6% Greater Berlin, 4% Madrid, 2-3% Moscow, etc. Rest of France relatively undeveloped.

p47, Names & contracts developed vs. undeveloped Départements

(Cf. the b.s. in Griswold about ~~underdeveloped France~~ overpopulation in France. Whenever there are tiny farms, several jackasses are bound to throw up this allegation — w/o looking at vast undeveloped lands.

Fact is, France is least densely populated country in Europe. No wonder she is attacked — same as Australia. A small, backward popn holding the most desirable site in Eur. — & a vast colonial empire. Mostly underdeveloped.)

p30

Country	Pop/km²
France	76
Ity	147
Bm	215
Denm	89
Pays Bas	267
Suisse	103

Gravier, 2

Source The Monnet plan evidently included a good study of French economy, including agri's., detailed data on output/acre, etc.

p. 31 French use much less chemical fertilizers than Gy & Pays Bas. etc (impôts en cascade at fault?)

p 31 Gravier is a protectionist, admires Méline.

p 32 & passim: U.S. way below in outputs per acre, various crops.

la viande, – meat
les viandes – food

Among other things Gravier does not consider are that countries of high output/ha. import much feed, fertilizer, etc. France & U.S. don't.

Source Bulletin de la Statistique Générale de la France, supplément avril–juin 1948, Etude de M.H. Brousse.

p. 34 above study shows U.S. gets less per man than Dk, & same as Holland !!

Pastoral economies – Argentina, Australia, N. Zealand – get much more per man than those involving cultivation. (Thus, thru history, sheep replace men, as do grazing cattle. Is this not a factor in growing farm size in U.S.?)

Grain, 3

p. 34 Dutch peasant produces as much per man from 4 ha. as Am. four from 40 — by his data.

And in U.S. his output per man achieved at cost of soil depletion, very great, unlike Eur.

p 35 et passim, p.37 Bodiens mechanization will not replace men but require more. Intelligent & minute labor to ameliorate the soil, he stresses.

p. 35 Pays Bas are not as adapted as France to products that favor intensive culture: vines, fruits, horticulture. & yet are much more used for same.

Wheat yields (~~liters~~ Quintaux/ha) -- ~~omits not given~~

	1880-84	1406-10	1934-38
France	11.6	14.8	15.3
Danemk	20.7	27.9	29.2
PB	15.8	23.9	29.5
E-U	8.9	9.7	8.5

p. 36 France output shows up better in money than calories, bec is more luxury products, wine & volaille. ( ) Fr. attributes to French love of good food, but it may be export of luxuries.

~~Bun is more~~

Holland imports cereals & exports dear products.

Bun. is more like France, self-contained.

p. 38 The farm popn of France is least dense of W-n Eur.

Chapter 4

Returning to Paris — its inland location & disprop. size reflect the introverted Narcissism of France; its unec. location reflects dominance of politics over ecs in French life.

p 48 But London also has c. 13% popn of Eng.

A better crossroads than Paris is Dijon.

Paris was center of Frankish colonization. Frank kings wanted to keep contact w. their base on Rhine (cf. Washington) &c If Chas. the Bold had won, Dijon wd. have bn capital.

Before Romans, York & Lincoln were most imptnt. English cities. Caesar & Wm. Conq. made London, to keep contacts w. south.

If Normans had conquered Gaul, Rouen wd. be capital — near mouth of Seine, site like London.

Lyon, another center. Romans governed from there. (I can't find statement, maybe he never said it.)

All of which manifests imptnce of politics over ecs in France?

(Once one takes a world view, free trade and anti-restrictive policies follow immediately. So the big job is the creation of such a view)

Condliffe, The Commerce of Nations, Norton, N.Y., 1950

(a burden of my paper: it is often rather vaguly asserted that nations have exchange controls etc due to some crisis situation, for this reason or that reason. My idea is they chronically have national interests divergent from world interests, only occasionally do these lead them to free trade; so free trade is dependent on establishment of world govt.)
Same as my attitude to land misallocation: chronic, not crisis.

Ch.8' The Fight for Free Trade.

GB emerged from Nap. wars a creditor, and London replaced Amsterdam as commercial financial center of world. In 1793, i.r. had been lower in Amsterdam than anywhere in Eur. During Nap. wars, London financed them, developed money mechanisms. Postwar, it loaned to Eur. for reconstruction, having been allowed to accumulate capital due to its isolation. parallel to U.S. now. London money mkt cosmopolitan, it allowed immigrants, & Rothschild & Baring Bros. were two of biggest. (this probly symbolizes its non-restrictive character)

Dutch had invested in many other countries, e.g. canals & drainage in Eng.

The money market grew there because England was saving, Eng.ish people bought the bon s etc. that were issued. Many of the loans were to governments -- per aps most.

Foreigners got to conducting their international transactions in Ls, which they held in London. Or which were loaned to them in London. Condliffe stresses this. Short term trade credit advanced all over the world by London banks & brokers, those middlement with intimate knowledge of conditions of trade all over the world. Similar mechanism needed today.

1820, a boom, which collapsed in 1825. Based on capital export, to be invested in land and mine development projects. Foreign investment was usually direct, or by immigrants. Facilities for investing in shares of foreign enterprises did not grow up until after 1862, when limited liability was somehow encouraged -- he's deliciously vague, as often. Earlier, even canals, roads & docks had been financed by private subscription. Stock exchange for other things (shipping, &c)

Capital export closely connected with human & techn. export after Nap. wars. To France, Latin American, U.S., etc. Abortive attempt by Brit. govt to prevent export of knowhow -- she being far ahead of all due to wars -- but failed. This export of skill made Eng. a trading leader -- she had close personal connections with all the world thru this, overseas Englishmen could come back to London to work in banking etc., know the markets. Unrivalled system of commercial intelligence -- for judging credit risks, e.g.

(In a sense, then, Britain allowing other nations to trade freely was for a long time of little consequence. Because the

British network was probably fairly exclusively British. British credit financed only Brit sh trade Iiimagine. Germans, maybe, had to sell for cash?) (Eng. merchant marine discriminated vs. other sellers?)

Eng. capital in foreign lands build mines & raw material & commercial towns utilities, I imagine mostly complementary to Eng -- since they knew that if the export was for Eng. market it was sure to pay out, while another market might turn protectionist?

She found her markets in colonies, Asia, U.S., not Europe -- lesson for us. Nap. wars had impoverished Eur., & turned it very protectionist. & Europe refused to lower her duties while Eng. kept her Corn Laws. esp. Prussia. Saying there would be no way to pay for Brit. imports, (meaning terms would turn vs. Eur.)

After 1846, trade among Eur. countries was fastest growing.

Merchants of Manchester organized, financed campaign for free trade, won out. Had to patiently apply to administration, too, not just pass law. "Administrative regulations, executive decisions and interpretations often at a subordinate level of administrative authority, and the spirit in which they are applied, can be themselves among the most important barriers to trade".

They did not merely abolish corn laws, but simplified whole procedure of examining imports & exports wonderfully.

Free Trade movement had made some legislative headway in 1790s, but wars nullified. But Navigation Acts were repealed for U.S. at least -- because U.S. took reprisal, GB had more to lose by losing trade to U.S. than by letting U.S. compete for Eng. shipping.

In 1820s, Huskisson simplified administrative procedure much & thereby freed much trade. But had imperial preference leaning. Later free traders were cosmopolitan -- imperial preference did not revive until w.w.1.

Reoform Bill of 1832 gave middle class votes. Depression of 1837 evoked Anti-Corn Law Leauge; and Irish famine caused victry.

Chartism had originally been with Cobdenism. But was an industrial working clas movement. Left free trade for inflation, land reform, & Poor Law repeal. Collapsed, 1848. Then working classes merged with merchants to make Liberal Party.

Condliffe gives Anti-Corn Law League as ideal example of a reform put thru by patient education, practical examples, single minded purpose. Contrasts to Chartism, which wasted self in firy mass meetings, rode off in all directions of vague reforms.

1849, repeal of Corn Law became fully effective; and simul. Navigation Acts were repealed.

Repeal of Corn Lawsmeant new sources of finance must be found. Gladstone carried thru further reduction of tariffs, new budgets that replaced them. p. 215

Gladstone's budgets replaced the tariff revenue with income tax.

Came very quickly to almost absolute free trade. Everyone sold to Eng., & thus she became entrepot of world, giving commercial services -- insurance, shipping, lending -- to all. & these became a major export. (indeed, is it not possible that the relative decline of English mfr. was because English resources at this time found their best opportunities in commercial enterprise? Rather than that Eng. was more restrictive?)

19th c. network of commercial treaties, which Eng. led, was basis of working international law & friendship. Because worked out in practical detail. Interwar, was broken, most serious loss.

It used to be one could travel all over Europe with no visa, own property, employ labor, & receive "national treatment", i.e. be treated like a national. Now, as power of state has grown, discrimination against foreigners has grown too. Main point of commercial treaties used to be not just tariffs, but national treatment. Growth of state power has ended it. Taxation is levied vs. foreigners in particular, their property is expropriated. In other words, growth of govt. power has made it a matter of moment what nation one is a citizen of, where under laissez faire it didn't matter so much. p. 218

International law really meant something, in commercial relations. Network of treaties, that stuck. Patent rights recognized, e.g.

Cobden held that tariffs should be reducedunilaterally, in the national interest. That treaties were unnec.

1860 treaty with France important. It started a series of others, France making them with all Europe except Russia, & Eng., despite having unilateral free trade anyay, making with Bm., Zollverien, Italy, Austria.

1860 moreimportant yet because it used mfn clause -- by which your treaty partner agrees to give you unconditionally whatever tariff concessions it ever giv s anyone else, & you the same -- and the clause thenceforward was standard, and did much good, slowing down the tariff increases of late 19th.

French after 1860, mfr.s got loans from Louis to tide over, they were soon specializing in what they had special skills for, competing successfully in world market.

Ouch

Thinks bilateral negotiation to establish multilateral trade is most effective form.

After 1846, was rise of money wages as employment opportunities increased, and fall of food price. Other Eur. countries led to follow suit by success of Eng.

Free traders also fought for conciliatory foreign policy, reduced military & naval expenditure.

Opposed successive "Factory Acts", which shortened hours.-- in factories. Such acts to a degree supported by landlords (to keep labor forced back to farms?)

Condliffe, 4

Factory workers were making twice as much as farm workers, when the legislation for factory workers was passed.

Free Traders -- esp. Cobden & Bright -- were anti-imperialist, opposed the "clamor of special interests for more aggressive diplomatic support of trading ventures .. " p. 227 But they failed, nationalist imperialists won out.

U.S. started return to protectionism, with post civil war duties. During war, high duties had been countervailed by domestic excises. Postwar, excises repealed.

Democrats, with Cleveland, lowered tariff, in both his administrations, McKinley tariff of 1890 intervening. West was hostile to protection. But after McKinley election, 1896, Republicans stopped free silver & free trade. Dingley tariff, 1897.

(Was inflation compatible with free trade? Consistent? .. Both were for agric.

1923, we shifted from conditional to unconditional mfn treatment in our treaties. 1934, Recip. trade agreements act.

Our protection was primarily a domestic economic issue, little affected by power politics. In Europe, was always a question of international relations.

Napoleon had reduced the number of German states from 300 to 39 -- thus paving way for further consolidation. He really shook them up.

Terms of trade were turning vs. Eng., c. 1910, due to protectionism elsewhere.

Cause of late 19th Imperialism.

Return to protectionism meant scramble for foreign colonies. Africa, Pacific Islands, Burma, Siam, Indo-China, parts of Latin America partitioned. "Open-door" in China meant mfn treatment by China -- she could give no special concessions to anyone.

Thinks the returns from the colonies were meager, in general. I disagree.

INTRODUCTION

Chap.I : The Beginnings of Trade

Merchants have historically been appeasers, trying to avert war. & those who wanted to expand power of state have always accused them of all sorts of crimes of lacking patriotism.

"Merchants of Peace" a history of the International Chamber of Commerce

Ancient trade, due to high cost of transport, was in items of small bulk & very high value, luxuries. So trade depended on gwoth of rich -- hence was often regarded as immoral. (even as today in some countries)

p. 20

Decay of Mediterranean lands accentuated by Moslem conquest of near east, for they wouldn't let European traders thru.

But what was lost of Rome was her administration & law, & peace. The culture stayed with the Moslems, grew.

Trade did not await the restoration of law & order, but preceded it. Traders came from landless, those with no vested interests in old society. Regarded with snobbery, which persists. They struggled vs. Canen Law. Being runaway serfs, apprentices, Jews, foreigners, as they accumulated money they were looked on with suspicion & avarice.

Crusades reopened routes to east -- this their permanent contribution.

Bruges, later Antwerp, where Italian traders met Hanseatic.

13th, Papacy extended its hold on W. Europe, & trade stimulated by remittanced of Papal revenues to Rome.

It seemed that the revival of world commerce might begin, 13th. Urban growth in S. Gy., lowlands, and N. Italy. But it was a false start, checked by urban protectionism.
The Atlantic development was what finally overcame protectionism. (but it, too, subsided to protectionism. What will be next?)

Chap. II: Tolls, tariffs, and the nation-state

Local merchants always antagonistic to importers, latter had to pay for protection from local authorities.(we still do in Arabia, s. Am., etc. Leftists call it exploitation)
Tolls raised costs of transport, inspired search for new routes. Thus Portuguese found route around Africa, because Venetians had to pay high tolls overland.
As nations grew, they got rid of petty tolltakers, & commer ce grew. As older central powers had broken up, local magnates could levy tolls, and trade fell.

After 1066, English monarch stronger than elsewhere in Europe, had more authority over barons. Took away local power to tax trade, took it unto king,.~~/\/\/\/\/\/\/\~~ 13th-14th, due to war, king allied with towns, increased their local self-govt., and gave them nat. revenues as security for loans. For this there had to be nat. rev. in primo, which had previously been income from royal estates. Now customs, national.

Gild Merchants, gradually grew more restrictive, overreached selves, drove trade & industry away to countryside, & other towns. A continuous process, but he mentions 14th c. when Norwich, Exeter, York, Winchester, drove wool industry to Worsted, etc.

The outsiders, intruders, interlopers, looked to royal authority for support.

By c.1350, Eng. power to regulate trade moving to Parliament more, from Gild Merchants.

In process of establishing customs duties, Parliament got the power of the purse -- as it had no land revenues -- thus paving way for democratic govt.

By c. 1400, king, allied with merchants, was in sway vs. petty local tolltakers.

Merchants developed a custom which was subsequently written into law. "Law Merchant"

13th, highest authority of Popes.

Canon Law tried to regulate tried, and interest taking -- allowed interest for demonstrated damage, or foregone gain. But in fact this didn't hinder more advanced forms of commerce -- the regulations designed for a simpler set up were evaded by the new forms, a pattern repeated thruout history.

14th c. urban decline thru monop, parallel to present decline of national states thru protectionism.

Were many leagues of cities, like Hanse, but they did not evolve into national states. In fact, they evidently obstructed national states. Would not give up hard won urban liberties to support some upstart prince. Hanseatic League fought & won wars, etc. But was strongly monopolistic, in later years esp., & it sacrificed interests of some fringe members to those of bigger, stronger cities like Lubeck. Gradually lost trading posts to national states.

Later middle ages, by use of credit facilities, expanding trade escaped church & local regulation -- princes encouraging.

Goes with Unwin, not Cunningham.

1150 yet, bills of exchange used. 13th, great fairs, bills cleared to replace metal movements. (replace, reduce, avert, forestall ...?)
Was also organized money changing, their being all kinds of coins issued by localities.

Lombards replaced Jews as moneylenders -- both to finance trade & kinds. Medici e.g. Flemings & S. Germans also participated. An internat. money market, with deposit banking, acceptance loans, marine insurance, investment banking, & public loans.

Italians pioneered in finance; also in corporate organization; & in accounting. But local people, strengthening, threw them out. (like British today)

Jacques Coeur, c. 1400, typical of new local financiers. Ruthless, outsiderules of church & town.

By 1450 Antwerp was replacing Bruges as meeting place of Medit. & Baltic. It grew rich on Portuguese spice trade.

Condliffe, 7

16th, Gresham's ability laid foundation of London money market.

In reviewing for history prelim, make out a chart of all the important things happening in each century -- broken down by nations & subjects.

15th, kings often got revenue by debasing coinage.

1500, Antwerp the center of world trade. Due to a liberal policy, breaking local gild monop.

Increased wealth thanks to trade was dissipated in wars until the 19th.

Chap. III The Expansion of the world

Portuguese chose Antwerp as their entrepot, because they could get better terms there. This made Antwerp.

1580, Spain & Portugal united, dominated trading world. But 1588, knocked open.

p. 56

It was Catholicism combined with statism that enervated France & Spain, Eng & Holland went ahead with Prot. & freedom. 1562-98, religious wars in France, kept her from progressing while Eng was moving ahead. 1618-48, in Ger, embittered & divided for centuries. Flanders (incl. Antwerp) weakened by Spanish exactions, merchants moved to Amsterdam, fought Sp. from N.

Luther a peasant mystic. Calvin urban, & broke ec. restraints of church, made business respectable. (I de-emphasize) Emphasized frugal living, no ostentation. & ec. liberty. & new science, & application.

Eng. beat Span. traders & settlers by having access to better credit system. -- it was very expensive to trade.

Span, subject to tight govt discipline, had no hope of gaining much from trade, but could by gold & robbery.

1560, Eliz., on Gresham's advice, 'recoined' sterling, gave much stability to £, -- but real development of £ came in 19th. stopped debasing it.

Ever since Rome, trade with orient had drained gold from Eur. -- sent it there for spices etc. Even into 19th, east remained a liqu. trap, "a sink for world's precious metals." Dutch & Brit. E. India Co.'s imported more than they exported, paid in gold, were constantly attacked. Opium War, 1840, was when British tried to pay in Opium instead of gold.

Actual mining of gold in S. Am. of Span. done by private enterprise.

Phillip II, inheriting great empire & adding Portugal. But tried to prevent any leakages of gold, thereby with minute regulations prevented intercolonial exchanges, prevented development of colonies (probly

Condliffe, #8

✓ bound all to trade directly with Spain, not with each other.

✓ Encouraged sheepraising in Spain, to free from Eng wool -- caused erosion from overstocking.

Strong & expensive central bureaucracy to ~~finance~~ control regulations &
✓ wars. High taxes hampered trade.

✓ (Spain had a tradition vs merchants, I guess, because they were Moors. as Eng vs Jews, & French vs Huguenots)

Spanish tried to suppress & regulate commerce in Netherlands,
✓ out of which gold was leaking. (Evidently Spain tried to prevent gold exports)

✓ 1565 -- c. 1600, Neth. revolt, drained resources of Spain, & she finally lost most productive part of empire.

(I suppose need for revenue by kings was big original source of customs -- & that was easiest place to get it, as it could be made to appear to hit foreigners -- & often did -- & could muster some protected local interest behind it.)

✓ Chronic state of war, carried on now by nation states, led to acceptance of nat. regulation. Nat. trade regulated in interests of war-making state, & to hurt potential enemies. War Chronic -- the freebooters vs Spain, e.g.

Merchant adventurers were group growing in 16th c. Eng, in connection with new state supplanting or by basing local monop. (mcht of staple)
Were objections to Adventurers exclusiveness, ~~cutsiness~~ -- & 13 ~~colonies~~ colonies succeeded in protesting tea monop of E. India Co.

Germans, in rationalizing their methods, say freedom from state intervention was a luxury Eng. could indulge only after gaining power by mercantilist state. Condliffe thinks they gained it by having more freedom all along.
As they had fewer wars to fight than continental states, their state regul-
✓ ation lapsed. Partly by state disregard for "labor"; as cf. to France, Eng. had many fewer regulations.

Magna Carta, originally for barons, was interpreted by courts as protecting merchants (hence its fame & importance?)
Common Law worked up tradition vs monop.

✓ British, 18th, profited by admitting foreigners, & using their inventions. Quaker Abe Darby's work, e.g., had German forbears.

Condliffe, 9

Portuguese spice trade, until union, was a state monop.
1640, Portugal regained independence, & in process of defending it lost empire

✓ Late 17th, struggle of Brit. & Dutch, resolved in 1688, when Brit. withdrew from E. Indies & Japan, Dutch from India. Right up to 1854, Dutch were only Europeans who could trade with Japan.

French colonies in Acadia, St. Lawrence land, in great seigneurial estates. In 1756, only 60,000 French vs 2m Eng. Autocratic royal governors.

British only wanted trade in India, had to take it in 18th to keep from Dupleix. 1858, after mutiny, took govt from Co.

Chapter IV The instruments of Ec. Nationalism.

✓✓✓✓✓ 1700, France had become leading industrial nation of Eur. -- twice as much iron as
✓✓✓✓✓✓ Eng, more cotton. 729 Nef? Not rec. Nef says 1st ind rev in Eng was c1600. Post then over
✓ Colbert regulation stressed freedom from local control -- tho he also allied with it -- & prop pattern of regions of production, classes, techniques.

✓ Mun, an E. India Co. official, trying to defend co. vs. charge of exporting specie, justified 'reexport trade', took account of invisible items, & of course reexport.

✓ Mercantilisms pulled all tricks Navigs used. -- not general tariffs, or anything so crude, but discrimination, retaliation, sometimes exchange control -- overvaluation (devaluations of 30s just a peculiar incident. Mercantilism leads other way to overvaluation) p. 84

it evidently stopped, under Stuarts, & 17th France drew ahead again, until 1688 released Eng for big push. 17th, Colbert released much French energy, before freezing it again with nat. restrictions, by -ding local restrictions.

Condliffe, 10

Mercantilists discouraged export of raw materials, encouraged their import -- wanted mfr.s at home. (a means of increasing the lands of the kingdom, really -- & shows that landowners as such did not dominate completely -- e.g. encouragement of wool industry, even probibitions on wool export -- tho perhaps wool landowners thought growth of domestic industry was their best protection too. -- and, as to its absorbing labor, that was always desirable for them, to avoid revolution -- they weren't much concerned with wages on their sheep runs anyway)

They gave drawbacks, for re-export. They discriminated freely, among industries they wished to encourage or discourage, & among countries -- favoring those who sent gold, took export balance. In short, 17th Eng as bad or worse than Colbert's France. 18th, moved ahead.

The discrimination led to bilateralism.

In Eng., 17th, shift from export duties to import duties. The export duty was mainly on wool. (export duty on raw material logical, to discourage foreign industry, encourage local -- mercantilists encouraged local mfr.) Exports also a convenient source of revenue, kings relinquished reluctantly. & before money economy, people not so aware of national interest in overvaluation. More concerned with keeping important raw materials at home. "Policy of provision".

17th & 18th, joint-stock co.s, did most of the colonizing & fighting between rival countries. &the joint-stock form of organization grew up to be type of modern industrial org., But at that time it learned the ropes in colonizing & commerce. Eng. got more practise in this because of greater trade. (thus, the organization that one learns in one activity can be used in another. As Germans applied military organization to industry, & Russians. But those countries with no experience in organization, save the negative protective reactions of exploited people, they will not be able to organize effectively soon.)

Merchant Adventurers, from 15th, fought & got expelled from Eng. the Hanse & Venetians.

Joint stock co.s needed capital to make loans to king to gettheir monopolies. (a royal means of revenue: make a monop. & sell it. Is that why politicians today love to make monopolies? So they can collect bribes, or just keep their jobs, thus in effect selling their monop.?); to fortify outposts; to finance big undertakings. But by & large each man traded independently, joined in cost of "overhead". Interlopers got advantage of overhead without sharing cost of it. (no just complaint there: if they had admitted them freely, & assessed them equally, they could have complained had they not paid. But it s the old story about original organizers of new ways taking part of theirrecompense as monop. power)

Kings did not have the financial resources to fight colonial wars. Hence welcomed the merchants, who not only fought the wars for them, but paid them for privilege of doing so. (this certainly goes against Viner thesis that govt. always pushes merchants into colonial projects against their will, etc.)

Condliffe, 11

"Privateers" like Drake were also joint-stock. Plunder, not trade, sometimes objective.

Where co.s planted colonies, these generally reverted to crown. He's vague on reasons, but one was that investment in land settlement was too long & protracted. (the old story about land speculation)

After 1688, because of peace, was a capital accumulation, a development of credit facilities, goldsmith deposits & checks, & joint stock enterprise financing, crashed in S. Sea Bubble, 1720. The s.Sea Co. led, issuing fraudulent securities on no real assets, mainly promises of future taxes. Law's bubble swept over from Paris. Then Bubble Act, ~~fwix~~ not repealed until 1825, and full limited liability not allowed until 1862. (so early industrial revlution done w/o the corporation.) In this era, tho, you could charter co.s by charter or Act of Pmt.

Navigation Acts designed to reduce Dutch shipping, thus injure Dutch naval power. McCulloch claimed that they did not do so, it was high taxes in Holland that ruined Dutch shipping. That English shipping grew because Eng. commerce grew, that this was cause, shipping the result.

Chap. V: The Emergence of Ec. Theory

Stresses Hume's description of price-specie-flow mechanism, which showed how a country could lose money and would then naturally get it back again.

Ricardo's law of rent was basis of classical economics, which concerned distribution. Its object to show that increased productivity redounded to landowners -- & thus, I guess, to discredit rural landowners politically, so corn laws might be repealed, tho Condliffe is fuzzy on this. Ricardo made the capitalist a benefactor, by increasing resources, giving opportunities to labor (Wages-fund theory a further development of this Iguess) (so ec. theory developed to justify merchants & mfrs., who raised real wages by making work -- very good)
(So labor intensive industry grew, & fact that it was labor intensive & good for labor was urged in its favor, so labor must have had some power -- or was feared)
& he made landlords villains.

Economists also vs. poor relief. Tories, whom he styles "paternalistic & sentimental" wanted to keep it. (they probly had vested interests in it) Much invective vs. them because they wanted to get rid of it. Freed labor by setting it on its own resources.

Part II: The 19th Century

Chap. 6: laissez-faire, practice & theory

"Experience demonstrates that capital and population alte nat vely take the l ad, and wages in consequence are liberal or scanty" -- Ricardo. Heart of him.

Outdoor cash relief proportioned to size of families was something Malthus aghast at (me too).

Ricardo probly applied his rent law just to rural landowners because he was int. in general subject, like H.E, but in showing corn laws just helped rural landowners, not labor & capital. He probly not wished to stress urban landowners were big beneficiaries.

Condliffe, 12

1834, Poor Law Reform Act, workhouses instead of outdoor relief, stigma on paupers, made things rough.

Meantime, post Nap. wars, govt. chose deflationary policy, at instance of Ricardo & others. He blames various crises & unemployment on this. 1849 gold discoveries alleviated -- he says. Studying the crises, Marx predicted end of capitalism.

Under Walpole, 1721-42, long period of English peace, capital accumulated & much good done.

p. 148 Bill of exchange invented in 12th c. Italy.

Were many central banks before BE. Amsterdam & Hamburg particularly good for traders, helped them much. BE was first to issue bank notes, extensively, & use them to control money market. Goldsmiths had been issuing notes sometime before BE formed. BE in 1709 given exclusive right to issue notes. This was same as exclusive right of jt. stock banking, & no other jt.stock bank in Eng. until 1826.

Only in last ¼ of 19th did BE accept public responsibility over money supply. 1873, Bagehot wrote "Lombard Street", famous analysis, to say BE should take this function. But BE regarded itself as private outfit, with a monop., powerful friends at court, secured by lending to govt. But an 1844 Act had constituted it the gold repository.

1793, Indemnity Act, legalized bank's lending to govt. w/o limit, on Treasury Bills as security. Private (not jt.stock) country banks were developing at this time, they too issued money notes (inconsistent with above). Inflation, run on banks 1797, suspended convertibility until 1819-21.

Small country banks grew up with industry after 1860 -- financing commerce I judge, not construction. These could issue notes, were partnerships with unlimited liability. Periodic crashes & failures. No regulation. Gradually merged with joint stock banks -- thereby losing right of note issue incidentally, for a while.

Banks invested their surplus funds in commerce often thru "bill brokers", who wrote "inland bills", modelled after bills in use in foreign dealings. Growth of these brokers important.

After 1797, due to abundant currency, BE didn't want cash, stopped paying interest on deposits of country banks, so they invested them thru these bill brokers in commerce & industry. (thus that war, too, was fought at low i.r.)

over

BE got stiff-necked, held its discount rate at 5%. But brokers could lend for less, knowing the particular markets & risks better. So they took the business. But in bad times they called on BE to rediscount -- thus the bank grew up as lender of last resort, to keep up m in depression.

Out of the bill brokers -- the discount market -- in London, grew the various specialized financial mechanisms thatmade london great: insurance, acceptance, underwriting, foreign exchange, bullion-booking , commodity exchanges.

Nap wars, bill brokers developed, who would pay more to get M, & lend it for less, than BE. They took the risky & mgnl business; BE became lender of last resort.

Condliffe, 13

With growth of r.r.s about 1840, they were jt.stock, & Stock Exchange revived to peddle their shares. 1862 Companies Act, made corp.s again legal compl tely, generalized unlimited liability, so Stock Exchange could function again.

Ricardo had labor theory of value. He had reservations. His popularizers, James Mill & McCulloch, no reservations. They are targets of critics of extreme laissez faire.

If labor was value, would industry migrate to cheap labor? Ricardo devised cf. cost argument for this. JS Mill worked this into reciprocal demand explanation of terms of trade.

So Ricardo's theories had two bases: domestic theory of labor value; international theory which stressed demand -- the two not integrated, his work not completed.

Liberals were anti-church & anti-landowner. Ricardo's theory directed vs. landowners. (so George was just a good logical outcome of this movement in Eng. -- as well of course as his own environment & thought)

Industrial development camein n., where church weakest, Wesley strongest.

Chap. 7: The classical theory of international Trade

(after Mill) 3 questions to answer: 1, why are commodities cheaper in some places than others
2, how are currencies converted into one anothe
3, what are gains from trade, how divided.

Modern economists tending to treat i.t. as special case of inter-regional He's moderately receptive. I'm against -- internat. differs on account of currency, national powers to regulate trade.

Major ass. of classical theory: No internat.movement; perfect internal mobility; gold m, "automatically adjusted to needs".(?)

As to 3d, they thought that govt. had no control over money supply, that only gold & silver were money, that govt. could only issue warehouse receipts, anything beyond that would not be accepted. That precious metals moved in & out of hordes according to "needs of trade". Govt. helpless, might as well have no monetary policy. p. 177

("Money accomodated itself to the needs of trade" sounds meaningless, but its meaning is in expressing the very real attitude of the classicists. Money was purely a medium of exchange, had absolutely no independent meaning or function. Hence they were unconcerned with money as a factor of production, had deflationary bias -- which probably encouraged saving & bonds in Eng. no end)

Classical analysis of foreign trade highly simplified: two countries, two commodities; constant costs; no transportation costs; value proportional to labor time.

Answers to 3 questions. Why trade? Cf. costs. How payments made? Price specie flow;(also shows how precious metals distributed). How gains divided? Reciprocal demand.
Until quite recently, this was the only complete & rigorous logical system to explain i.t.

Ricardo's followers made much of theory of cf. costs, it was considered the basis of free trade argument -- hence its historical importance.

Every country that trades will gain -- some more, some less, don't know exactly. But all gain, that is why they trade.

An protectionist argument vs. free trade was that labor & capital would move to other countries. A. Smith had conceded this too. Ricardo avoided it by assuming international immobility.

By taking just two countries, he avoided mentioning the harm done to competitors who were isplaced.

1816 & 1819, when Eng. resumed coinage, was on gold. alone. No more silver.

1849, et seq., gold fell. Eng. exports b omed. Latin Union, after 1865, mainly France, to keep silver in circulation. But then silver cheapening from Rocky Mt. mines, terms changed the other way. & countries went off silver. U.S. in 1873.

Growing use of checks in Eng., early 19th.
Bank Charter Act, 1844, made note issue of B.E. just warehous receipts for its gold. Most other countries followed the general principle. In other countries it was a definite proportion that gold must bear to note issue. In Eng. was one issue with no backing, other issues must be 100% backed.

BE notes used as cash by other banks, c. 15% reserve by custom. Thus gold flows regulated money supply -- somewhat.

And bank of Eng. gradually came to lower d.r. when gold flowed in -- and buy securities in open mkt -- thus raising prices & lowering mr in Eng., i.e. raising prices of both goods & securities, causing m ney to flow back out.

Condliffe, 15

Chap. 9 The Dissenters

US turned to protection at first for revenue; and to prevent the drain of specie caused by import balance from Eng., due to its imposing tariffs, just after Rev. war. Our landowners wouldn't accept direct taxes, customs was a revenue measure. Also, as individual colonies had them vs. Eng., they could only be induced into union by federal tariff.

In 40s, was reaction vs. Jacksonian low tariff & hard money policies. In west, which turned to protection, joined n.e.

Since 1793 to 1815, war prosperity in U.S., no interest in protection. postwar, great flood of Eng. mfrs into U.S., interest in protection. (a vested interest had been build up to demand it t en)

Jackson oriented us internationally: reduced tariff, & checked credit expansion at home which was expanding mfr.

Unemployment of workers was a big stimulus to protection after 1815. (i.e. the workers, as well as the capitalists, had vested interests in the industries)

In Eng., au contraire, unemployment was an argument for free trade, in same era. (because in Eng. free trade meant shifting to labor intensive industry; in U.S. meant the opposite) *This suggests labor-intensive ind. pr. is stronger than payments balance point, re imp. restn. helping empl.*

Wakefield's policy of having lands sold for a higher price was not to discourage settlement so much, says Condliffe, but to avoid large sales to "monopolists". I wonder. He advocated generally enlightened -- in elementary ways -- colonial policy -- such as not sending exclusively convicts & paupers to get rid of them, keeping ties with mother country, giving Dominion status & eventual self government, etc. Agitated long & effectively. Wanted cheap labor in colonies -- sell the land for a good price, have immigration fund, & reproduce in Australia etc. the class structure of Eng.

Wakefield, Condliffe interprets as beginning of imperial preference, sterling bloc, etc.

As to Gy., Condliffe argues that her rapid industrial growth was due to great stress on education, esp. technical, -- publicly subsidized, far ahead of GB. & this he thinks was basis of rapid industrialization in U.S., Japan, & Russia, too. Eng. relied on apprenticeship to teach. (& probly sent the young fellows running errands)

It was the small dynastic states that led the way in educational revival, before unification. Cultural revival e.g. music involved.

(Marx & Hegel's description of history as thesis & antithesis, the continuing struggle, & all progress as a battle of two ideas, probably indicated more how their own minds worked, than how history worked. Because pure constructive thought is also possible. The process of resolving contradictions often occurs

in it, but are other processes. And the more mature the personality, the less he has to think in such terms)

Hegel's thesis & antithesis had ideas dominating facts, institutions. Marx "turned it on its head", as he said, had the ideas reflect the economic structure.

List, like Hamilton, could see that free trade would maximize the satisfactions to be derived at any one time. But was interested in development, and that on a national basis, emphasizing nationality strongly. Wanted to encourage mfr. in Gy. to train Germans in more mfr.; saw education, stability, just laws, as sources of national strength.

German industry was from start integrated with the state. In its drive for export markets, state helped -- & this provoked retaliation.

I still don't begin to understand the mystery & enigma of Gy. Talk to Martin about it more. Doubtless there is no one simple key to it all.

Chap. X The Network of World Trade

Tropics to U.S.; U.S. to temperate Latin America & British dominions; Temperate Latin America & British Dominions to continental Europe; continental Europe to Eng.; Eng. to tropics.

London, the center of finance & commerce, in later 19th outstripped Manchester, center of industry, as Eng. turned to commerce & finance her best resources.

In 1913, a German study, classifying world into agric. & industrial nations, showed that 50% of world trade was between industrial & agric., --59%, that is -- 11% between agric. countries, 30% between industrial countries. p. 291 v. Weltwirtschaftliches Archiv. XXXVI, July 1932. And Hirschmann, Albert O., National Power and the Structure of Foreign Trade, Berkeley, 1945.

But share of mfr. goods, presumably muchly among industrial countries, was a growing segment of world trade to 1931. (when study made. May e after, too)

Condliffe sympathizes with view that trade between industrial countries is more than between different countries, that as the other countries industrialized they got more of our trade. (more of complements' trade too). But after 1931, he observes, this trend was reversed, by ec. nationalism, and the industrial countries reduced their trad with each other, as they prepared for war.

Stresses the technological progress that became possible due to world commerce -- introducing new plant species into areas not previously haunted by them, cross bredding plants from different parts of the world, the stimulus to ideas from contacts of men all over world, the mingling of processes & ideas in free contact of all people all the time -- not just a few book readers -- on level of daily existence.

Th

Gen compl.

Condliffe, 17

After c. 1870, as countries demonetized silver, its price fell, prices in silver rose in China, which stuck to it.

He stresses how many goods had world prices, and local prices depended on international conditions. And so when it became desired to stabilize, regulate, etc., local prices, it became necessary to shut off from world market.

(also: socialism means things belong to "the community". What community? The nation usually. And must be therefore nationally administered. And having built up such a national administration, it is possible to use it to discriminate against foreigners, it is the mechanism for doing so, & distributing the gains from it to a voting majority, that was missing in 19th century England.)

Stability

p. 310 "The statistical facts prove conclusively that prices and employment were more stable under this competitive system than they have been since nation l governments began to make such strenuous efforts to stabilize them." no ref.

19th century free trade system has been accused of instability, spreading boom & bust. But in fact this spreading was part of spreading of risk -- bad times in one area assuaged by good times elsewhere, crop failures in one area ok because of good crops elsewhere. Reduced need to store things, because they were coming in all the time from all over th world with differen seasons, e.g. wheat into London

Th ?

But let's face it, people wanted nat. govts. to take certain functions to stop changes in amount of credit, and international organization was sufficiently primitive so nat. govts. had to do it if it was to be done. If this were the main demand for nationalism, then this could be stilled by an international monetary authority . And it is abig one, hence the good that might come from international money. Recall the favorable reaction of Leigh's International Class to the international monetary prop anticyclical proposals in Graham buffer stock plan.

Price fluctuati ns, e says, have been much greater , e.g. in U.S. wheat, after than before 1914.

In Burma, & N.Z., e.g., natives still own poorer, hilly land, Europeans have bought out rich, river bottom, etc. land.

Chap. 11: Investment & Enterprise

(France had lowest i.r. in world in 19th, but not greatest industrial development at all)

Lim. Liab. from 1862 on, '40s.

British Act of 1862 that legalized limited liability merely recognized afait accompli. The financing of r.r.s in Eng. in 40s et seq. called forth limited liability corps.

German banks designed -- with active work of govt. of course -- to finance new industries. Then, if they worked out well, to sell the securities to the public. Investment banking,

that is, involving creation of new deposits I judge, and closely watched by govt. No other country did this.

About 1875, British foreign inv. lagged. ~~1~~ 1905-14, it revived some. Also, at that time she began to invest more in her local industries, divert some resources from shipping, commerce & finance to that. War intervened.

Real source of London't power over gold standard rate stabilizing was that it was source of capital for world, and could controlthe rate at which it flowed out.

After 1900 esp., Germans used their investment banks for foreign investments. Their Turnkish r.r.s & Rumanian oil wells didn't turn out nearly as well as British Argentine r.r.s & Persian oil. But they did compete in lending, often gave better terms than British.

They developed lending corporations, like our inv. trusts & funds, which bought the foreign securities and marketed their own securities at home, I judge. British never did this, had direct subscription to foreign securities. French had pioneered German method, with their Credit Mobilier, which however died in 1867.

p. 340

U.S. also used the bank-to-finance-the industry construction. Eng. never did. Such banks may be important in future too.

Was tradition in Eng. that directors of BE were not on any other bank directorship. That theywere not on industry directorships.

(perhaps the German experience shows in part that monopolies, at least some kinds of them, do not nec. restrict production!)

Some suggestion that informal restrictive practises grew up by common understanding & agreement among the "gentlement" of the market -- i.e. as they became "gentlemen", they became able to restrict production.

Court of Directors of Bank of England held the ultimate cash reserves of the nation, and the national money policy ruled the world. So the few directors of this private bank were in effect the most important element in international government of the time. They threw the burden of adjustment onto other nations usually, but, I judge, also England made some adjustments.

Art of central banking developed by manipulating short term i.r. paid by borrowers in short term commodity markets -- e.g. those buying cotton. Manufacturers who borrowed to buy were not very sensitive to i.r. But dealers in commodity mkts were very sensitive to it, since it was one of their major costs. So a rise in it would quickly reduce the L demand for foreign exchange, e.g.

c. 1875 on, BE reluctantly accepted responsibility of regulating reserves of other banks in accord with gold flows, i.e. regulating its own loans accordingly. It worked with a very small gold r serve, much smallter than FRB today, or bank of France & Spain in 18th. Already in 19th, other country's CBs were keeping their gold reserves as deposits in London, where they might earn interest, and thus ~~kxxx~~ BE's gold was

final reserve for many of countries of world.

Chap 12: The International gold standard

As world left silver in late 19th, deflation, hit agric. regions esp. hard. Various govts., e.g. Gy. & Russia, going onto gold standard, had to import gold, thus drove other prices down.

Deflation in Europe, and on other hand inflation in Asia, as silver poured into Asia.

China held onto silver until 1935, when U.S. silver purchase policy raised silver price, forced them off. (they feared deflation?)

Eng. had actually been on gold alone since c. 1700, officially since 1816

U.S., until 1914, had no central reserves. And the "independent Treasury" had erratic influence on money mkt.
p. 372

In U.S., country banks kept balances in N.Y. banks; and the N.Y. banks invested in call loan market, which went to finance domestic investment, often in stock market. He speaks as tho the N.Y. bankers invested the deposits of the country banks as such in call loan market, but of course "they aren't labelled". What he doubtless means is that the N.Y. banks counted on the call loans as that of their assets which they could most quickly liquidate in emergenc .

When London raised d.r., short term credit in N.Y. was restricted. Thus we took the adjustment from London. We had no organization. But we followed gold standard rules just the same -- indeed, for that very reason. We had no choice.

Gy. had not developed check banking. (In Eng., checks used widespread in 19th). But Gy. had a very efficient state and it used this to provide a substitute for what free enterprise had not yet provided. Small payments were widely made with "postal clearing accounts" -- all cleared thru one central govt. office. And in many other aspects of Germany, administrative efficiency was used to compensate for lack of functions privately performed.

Germany had a central bank with a monopoly of note issue. It was private, but govt. dominated -- since its monop. came from govt. (& was revocable by govt., a strong one) it had to do what govt. said. It fostered certain jt. stock banks -- which were also then beholden to govt. These banks were often compelled to invest in foreign enterprises which were not nec. profitable, but in power interest of German state.

Germany came to compete with London in financing foreign trade. And it did not respond always to pressures of London money market. Beginning of 20th, London coming to have to share with Berlin the control of "regulatory power" -- whatever that means -- he gets rather vague.

As early as 12th, Venetians using bills of exchange in trade with Levant. To reduce sending precious metals. They would pay

Levantines -- Syrians e.g. -- in bills of exchange, with which a Levantine could then buy Venetian goods. Markets for bills existed in both countries, I judge.

It is only natural, I guess, that the bill of exchange shoulc be the first international currency. Syrian, accepting Venetian paper money itself (if there had been any, which probably not) would have been making a loan with risk in effect, for which interest. By bill of exchange, he draws interest. So the bill of exchange is the first paper money probably. Besides, was no paper $ in those days!

Imagine the elements of trust, mutual confidence, involved. Thus trade encourages peace.

Today, banks, institutions, have squeezed out the brokers as specialists in buying bills of exchange in the domestic markets implied above, which flourished in trading world in 19th. And the banks are more amenable to govt. control, being institutions. And thus it has evolved that national credit policy is amenable to govt. pressure.

(so the international gold standard worked, not because central banks made it work, but because they did not prevent its working. And when they got the power to make it work, they also got power to fudge it up, which they did. U.S. in 19th, e.g. before FRS, had little conscious control over quantity of money.)

Banks of many countries held balances in London, which they would transfer to each other. e.g. if American importing from Japan, he -- thru chain of banks -- simply transferred some Ls from one London bank to another, or perhaps between accounts in the sam bank. Thus London served the world. And you can see where this might have been simpler than for Japanese to accept $s -- that might have involved their having accounts in American banks which they did not wish to bother to hold, etc. -- cheaper to let London do it. So instead of gold flows, offers of accs in London.

So I suppose a large element in Eng's present difficulties is the reduced demand for one of her major exports, financial services. Due to growth of financial services elsewhere.

Condliffe in his conclusion ~~despairs~~ puts most hope in cooperation among nations "on technical matters" to build up their unity. And no hope in Russia.

(Russia I should say differs from Gy. as cause of war, in that Gy. was competing with Eng. for leadership of Eng's world, while Russia is not so directly challenging us for our world)

(Don't worry now about what you are going to do later. Enjoy now the fact that you have liesure to study as you wish. When thru studying, time enough to worry about working)
(Others, you say, have made much money when young. True, perhaps. But I have enjoyed myself when young, which is why one makes money. I have now the liesure that others spend their lives striving for)
(If I have ~~s~~ to start off at 29 without practical experience, that is all right, I shall be perhaps 21 in practical knowledge, but the lost years have not been lost, but rather enjoyed)

Condliffe, 21

Taussig last to try to systematically restate classical doctrine -- not just that he believed in free trade, but the old dogma about labor cost, two countries etc extended to more, price-specie-flow, etc. Not generally accepted.

In 20s, gave up explaining value as either from supply or demand, took to general equilibrium, in which all were interdependent -- including I guess idea that demand depends on supply price, from which fallacy underconsumptionistm sprung, and to which underconsumptionism contributed no doubt.

Weber, studies in industrial location, left idea that international trade should be treated as a special case of inter-regional trade. (which is wrong)

Taussig, & the 3 famous studies madeunder him, did recognize international capital flows, and incovertible paper currencies, thus moving beyond traditional classical assumptions.

Ohlin's work was avowedly to apply g.e. idea to i.t. He didn't really change things much.
(Condliffe on theory is no damn good)

Chap. 14: The End of Laissez-Faire

p. 596, chart showing wholesale prices in GB 1800-1950, they aremuch steadier until 1914, then they fluctuate madly every since, including interwar.

Chap. 18The Framework of world order

The interesting technical agencies of UN like IMF etc are all directly under Ec. & Social Council, which is under General Assembly, like everything else.

FAO grew from Hot Springs conference in 1943. Grandiose words, actual aims not clear. Was a strong proposal to set up a World Food Board, to stabilize agric. prices, purchase & allocate supplies, set up food reserves. At instance of U.S. was rejected. Condliffe talks as tho "agricultural depression" were a genuine postwar danger. (I don't think that depressed food prices are bad at all. Production not reduced. Just a redistribution.)

"Issues were not clear". So FAO just went ahead to build an organization & do research & provide means of giving recommendations to nations. Organ for international consultation, understanding, political education. Give technical advice.

During Reciprocal Trade negotiations, well, 1935-9, trade with agreement nations increased twice as much as with others. Exports to these countries increased far more than imports from them. p. 660

Negotiations at Geneva in 1947, greatest tariff negotiations ever, series of interlocking trade agreements negotiated , 23 countries, ½ world imports affected. U.S. lowered duties on ¼ its imports, promised not to raise them on ½ more.

Power of executive to make such agreements, given by Recip. Trade Agreements Act, was what allowed him to enter these agreements.

Our lowered duties were extended to all nations which extended mfn treatment to U.S.

The GATT was before Havana, which came in late 1947. The GATT was temporary, could only be permanent as part of the charter. The Havana charter has not yet been reatified.

S. Am states, led by Argentina, insisted on being allowed not only tariffs, but all sorts of state trading etc. , discrimination, Schacht's bag of tricks. -- ostensibly to develop their infant industries, but I wonder. Finally agreed that these countries should continue to honor their committments under GATT &any subsequent recip. agreements on mfn basis. But aside from that they were pretty free.

Part IV A modern theory

Adam, Smith, to ridicule mercantilists, found little examples where they seemed to identify money with wealth. But they didn't, really, in general. They were concerned about deflation, for various reasons.

Take an American job abroad -- good American pay, and many of the comforts of life -- including women -- are cheaper abroad.

Clearing: first agreements on it originated from a conference of central banks at Prague in 1931, how they could combat growth of exchange restrictions. And a main theme turned out to be how to keep debt payments coming thru. Clearing originated in this. (English so used it vs. Germans also) Then came Schact's "New Plan", 1934.

In theory, he's hopeless. His history was pretty good.

Economic Impact of Imperial Gy.: Hans Rosenberg, Brooklyn College

(Cameralist: a 17th-18th century economist who gives undue attention to state revenues as measure of prosperity of nation. Or, I suppose, who stresses the state as active agent in causing ec. development?)("cameralism", anyway, was the tradition of central Europe in early 19th, and led into state-ism)

Here protectionism not designed to protect or foster industry, but to slow it down

Ag. protectionism was not simply designed to protect the 20,000 or so holders of large Junker estates. But to maintain a rural population as a conservative voting block. (something the English forgotto do)

Iron, wheat & rye allied for the 1879 tariff. (you can see where iron would have wanted the conservative political strength of small peasants.)

Junkers, producing carbohydrates, were at first harder hit by ag. revolution than were peasants, producing fats &meats. Protectionism was more for them, in that sense.

Russian tax system forced peasants to export grain, to get money.

(I'm sure the industrial interests put up with the Junker's only because it seemed the best way to keep Gy. conservative. For, as export interests, they certainly suffered. Tho, to be sure, as importers of things other than food, they benefited. Also, in our treatment of the south postwar, we wanted to keep it conservative, hence did not destroy the conservative interests.)

Caprivi interlude, he reversed protectionism. But Junkers got him out.

Ag. resettlement policy much advertized; but actually slow & neglected, & seasonal Slavic labor allowed to immigrate freely.

Even tho Germanfood production increased greatly to 1914, so did imports, even more, about 4fold.

Ag. protectionism antagonized Russia, especially.

Relative Prices of Exports & I mports Singer

For 50 years preceding w.w.2, primary prices have been falling relative to mfr. goods.

Postwar 2, they have risen again, probably just cyclically. Author implies this may make things tough on underdeveloped, but dubious: it means underdeveloped can divert resources to mfr.

Foreign trade is more important relatively in less developed countries -- relatively to total n.i. This suggests that the recent % drops in foreign trade as % of n.i. over the world is partly due simply to development of home markets, etc. Also probly in part due to monetization of income previously not recorded.

After 1929, terms of underdevelopeds fell c. 25%.

1913-28, non-food raw materials fell more than food.

Postwar II, price appreciation has been much more in foods than minerals. Textiles move with foods.

Since war, U.S. terms have deteriorated c. 10%, as cf. to 1937

Coffee has risen more than most primary imports; U.S. suffers, Brazil gains.

It looks as tho terms of U.K. deteriorated slightly during war -- which is natural, as it is the most industrial exporting & food importing of all countries. So, altho over last 50 years, terms have not been turning vs. Europe, during w.w. 2 they certaintly did, and this is big part of postwar Eur. troubles -- altho I seem to remember something in Ellis to effect that ~~Eur~~ terms not so bad in Eur. now, but he probly was not cf.ing to 30s, but to much earlier times.
But U.S. terms also worsened -- but we of course didn't suffer from it as much.

Since U.S. & U.K. terms worsened, this means better chances for underdevelopeds to get capital goods, they can pay better.

I doubt if U.S. terms worsened so much, since we are also a food exporter.

We can help Britain best by reducing restrictive practices in agric. production, for this keeps Britain's imports expensive. No way to treat a friend and ally.

Underdeveloped countries accumulated much foreign exchange in war time, and postwar inflations reduced its value considerably.

Foreign investment in underdeveloped countries for increasing their primary products for export over last 50 years was cause of reduced terms.

This pamphlet goes into greater detail on these subjects, but most of the detail is unnecessary. But might be useful for this

Industrialization & Foreign Trade, by Folke Hilgerdt.
Random notes -- see text for marginal emphasis.

If we send capital abroad, we are hurting ourselves by sending p.p. to areas where it is less likely to be spent for our goods than if at home. Hence it is dead wrong to say, as sometimes is said, that developing underdeveloped nations is good for us because we can create demand for our goods by sending $s there. This is the opposite of the truth. The gain to us, ultimately, will be that we can import things cheaper, because they are producing them. Hilgerdt is rather mixed up on this. He says we will benefit from their increased demand, due to their increased income, but will suffer because of their exports competing with us in our home market. But their increased demand is simply their increased production of things we can import, that is what it means.

Hilgerdt implicitly has this syllogism: if we get better terms vs. another country, we reduce their prosperity & p.p., and thereby get worse terms. While, in a very general way, this contains a good moral, yet it is fuzzy thinking. For any one country is probably not going to have much effect on prosperity of another anyay. And, insofar as it does, not all the reduced ~~xxx~~ real income of the other country due to our better terms is going to reflect itself in reduced demand for our exports in terms of the foreign currency. It is true that by offering poor terms, we will drive foreigners, politically & economically, to our enem ies. Thus ultimately injure ourselves.

A nation tied to one or a few industries -- obviously export industries, for for local consumption you would have diversified industries --- and those industries dependent on the caprice of irresponsible consumer countries like U.S. which do not recognize their responsibilities -- and, even beyond the political irresponsibility is the variability of the economy. This variability hits primary producers in our own economy too, but they can migrate to other sectors of economy (besides getting political handouts etc); but from a small export oriented country, they cannot emigrate. So, naturally, they would like to get away from producing that particular export. And this is perfectly economical -- there is a preference to produce things for which demand is steadier. So for multilateral trade, we must have multilateral migration, not just among countries, but among professions. And mitigate the vast fluctuations in terms of trade among different forms of production -- this would be considerably helped by integrating national currencies into a world -- or a free trade bloc -- currency, thus ending exchange difficulties, so that, e.g., as cyclical inv. ceases into a country, its terms don't fall so drastically. And it involves reducing monop. here, to prevent drastic cuts in production -- involves other sorts of stabilizing activity, but that should be the main one.

Hilgerdt, 2

His figures show that in 1896, and again in 1931-5, prices of mfr. goods rose esp. sharply relative to primary prices. While world trade in primary goods relative to mfr. goods rose sharply. This reflects, I should say, the curtailed production of manufactures in depressions, the increased production of primary products, with resultant (or causal) price changes.

And illustrates a major ~~xxxxxx~~ contrast: reacting to world deflation, & other cumulative depressant movements, mfr. areas react with monop. restriction, which means unemployment, stagnation, & drives toward socialism. While primary areas react with more or as much production, indicating their relatively unorganized, self-competitive set up.

And incidentally a major power for my idea that low i.r. of depression cause primary products to be produced slower. Perhaps, in primary areas, depression causes i.r. to rise, as outside capital is withdrawn, while it lowers it in mfr areas?

But the main thing to notice is that prices of manufactures were rising relative to primary products all this time. -- insofar as it is possible to make such comparisons over many years. (I wonder if production figures would show that production of primary products increased faster. Probably -- not likely that demand shifted from them to mfr. goods.

The relatively reduced "world trade" in mfr. goods is by no means synon. with reduced production.-- nec. To some extent it represented increased autarky.

Hilgerdt's general line: industrialization of backward areas is desirable on all counts. In first place, they couldn't increase their exports of primary products enough to import enou h mfrs. to increase their consumption per head to Eur. level anyway. 2d, by developing mfrs. they will increase their prosperity in general, and thereby import more mfr.s from Eur. -- a dubious thesis in general I think. If they increased their production of things for which they were better suited, and for which Eur. more complementary, less competitive, Eur. would be better off.

Saving rises as income increases, true. But this may not mean, as Hilgerdt & most say it does, that if income of poorer is increased they will also save more. It may just be that the type of individual who earns a higher income also saves more, being, say, a more responsible type.

H. concludes that higher ave. incomes will increase saving, thereby make local financing of cap. development. Sounds likely

Richer also spend more on mfr. articles, strikingly.

He implies, also, that the richer the co ntry, the more its demand is for imports, since poor people demand only staples, which are locally produced, & the richer want more varied things, which can only be supplied by tapping world markets.

If Hilgerdt's thesis is correct, that new growth of mfr. in colony is more complementary than competitive with old, then it is probably also true that, in a city, suburban development is more complementary than competitive, & building in general is -- tho in city we have complication of limited space -- & localities, like nations, have nothing ~~x~~ to gain by restricting production. In which case my thesis is incorrect: the problem is not to take aw y local sovereignty to restrict; but just to convince people of the true fact, that their interest is never restrictive. But I'm afraid it isn't that simple. Still, Hilgerdt's points are of considerable weight -- they are relevant to what I have called the era when the town or locality is motivated to grow because it wants to finance large opt. size impro ements. This era also marked by all improvements being more complementary than competitive to each other -- itis a situation, more than an era, it can appear at most any time, but usually in town's youth.

Interesting contrast: Hilgerdt realistically talks in terms of capital shortage, and adjustments to that fact; contrast those who speak of shortage of investment opportunities as the chronic problem of the world.

An essential element in business cycles is people producing capital in anticipation of actual demand. A country with no capital would not have cycles, therefore. Where there is no planning for the future, no m stakes are made.

Capital imports, he stresses, are important not just for the capital, but for allowing particular vital capital building imports w/o hurting terms -- or, as more usually expressed, creating bad pressure on balance of payments.

In countries like U.S. & Brit. Dominions, it is true that manufacturing is combined with a demand for Brit. products. But the mfr. is not the cause. It is the production of primary products that gives us something to export which they want -- & if we didn't have that, our money demand would be uninteresting to them. It is because Canada etc. produce primary products that they increase demand for Brit. products. Only insofar as their local mfr. increases their primary production, & produces things that couldn't be imported anyway -- heavy things, electriciy, etc.-- does it help Brit. This business of "increasing income" and "increasing demand" is no good. You have to increase supply of things British want to import. Tho he has a point that, as general real inc. rises, demand tends to shift toward imports more. This is true of Canada at least -- wouldn't be true of a wheat importing country.

But just because higher incomes mean more demand for Brit. goods-- if they do --- this doesn't m ean industrialization is good for Eng., because maybe incomes could rise faster if the country developed industries for which it was better suited.

Note that the higher "distribution costs" we have, the more specialization, the less autarky, the less local industry etc etc., the more susceptible to cycles. For the pipe lines are longer, and cycles are filling & emptying pipe lines, to much extent.

The thing that makes a country import, besides demand for foreign products, is having an exportable surplus. India doesn't import much because she produces little beyond what she consumes at home. Because she has little capital in trade, and little orientation of production toward trade. Creation of mfr. concerns that produce for local consumption won't change this orientation. It may create capital -- but the capital could also be created in other ways.

In one sense, mfr. development goes with foreign trade. Because mfr., esp. large scale, demands wide mkts. So mfr. means specialization. But the sort of autarkical mfr. development that is frequently conceived means the opposite of specialization, it means mfr. production for local consumption only, to reduce specialization.

Which is inspired in some measure to be free of world cyclical influences. Hence plans to reduce fluctuations will have good effects on world trade.-- provided they are good plans.

I imagine industrializing Japan, with its keen competition with English textiles, has hurt Eng. more than helped. To say industrial countries trade more with each other doesn't prove too much, for they are all bunched close together & are small countries, would trade much with each other under most any circumstances. But to industrialize a nation on other side of the world is another matter.

He concedes p. 77 that protectionism of 30s made industrial development of one country an expense to others. But this was "abnormal". The "normal" relationship is that industrialization speeds foreign trade. (He would then disparage forced & protected industrialization? He hasn't sounded as tho he would in past pages)

The process of industrializing a country, he stresses -- as vs. the results --- causes increased imports capital goods from metropolitan countries. -- tending to drive down exchange of new country, encourage its exports, etc., thus help metrop. countries. True enough. Provided they actually do import capital goods. As perhaps Japan didn't?

Ch. 6: Comparison of Mfr. & Trade in Various countries. This is wherein he attempts to prove his thesis that industrial development of backward countries causes them to trade more, not less, with other industrial countries.

He never states this, but essentially it is a proposition that mfr. in new country will be more complementary to old than competitive with it. Is also a proposition that mfr. development will increase production in general in country, more than other kinds of development -- which isn't nec. so. Also, tends to ignore rivalry for trade of 3d countries -- i.e., altho Eng. probly traded more with industrial Gy. than with other Gy., still Eng. might have been better off w/o Gy., due to trade rivalry. Trade between two countries only expresses their complementary relations, not their rivalry; their rivalry is in dealing with other countries. So Hilgerdt's approach conceals all the disadvantages, ~~xkxy~~ is a study of the advantages only.

Even so, I am for him & his conclusion. I just think he probably overdoes it some. & I wish he would state more clearly the causes: general complementarity, etc.

Also, he makes no attempt to distinguish imports caused by the development itself, i.e. capital goods imports; and those resulting from the development.

In general, I imagine, increased foreign production will be more complementary to any nation than competitive. Hilgerdt's error is in inferring from this that mfr. production in particular in foreign lands will benefit mfr. countries. It may -- but not nearly as much as more compl., less competitive, production. Generally, tho, foreign mfr. will be quite different from local, as U.S. is from Eur..

Certainly the mfr. development of USSR has hurt Eur., for now food is more expensive to them.

As a country develops, its dealings with all other countries are disadvantageous to your terms, only its dealings with you help you. If it is a neighbor of yours, it may well prove more compl. than competitive; if on other side of world, where your goods command high prices, is likely to compete with you like Japan, hurt you.

Bigger countries import much less than smaller, his figures show. Which is natch. & suggests that the smaller ones also get most of their imports from nearby. These are per capita figures. 1926-9, UK, which was largest exporter of mfr. goods, also largest importer of them (tho this includes much semi-finished, & processed foodstuffs, etc)

Australia & Gy., 1929, make a nice contrast. Each had about the same mfr./cap., according to table. But Australia was a tremendous net importer of mfr. goods, Gy. a net exporter. Australia imported far more per cap. than Gy., exported far less. Wherever you have two countries of comparable incomes -- & Australia & Canada show that primary producers need not have low per cap. incomes -- then the primary producer imports far more mfr. goods per

cap. than the mfr., and exports far less. Hilgerdt builds up his thesis only by associating ~~mrf~~ mfr. with high production.

Take, for contrast, mfr. country with low income: Japan. It exports far more mfr.s than it imports, and imports very few per cap., fewer than Poland, Rumania, Spain, Italy, Denmark, Finland, Hungary, Netherlands, -- in fact, fewer than almost every country shown except India, which is about the same, and USSR. And, cf-ing it to India, income in Japan is higher, so India imports more per cap. income than Japan.

The countries with outstandingly high imports of mfrs are: in order of magnitude: Australia; Canada; Switzerland (the only high importer which exports more mfr. goods per cap. than it imports); Netherlands; Denmark; Sweden; Austria, Finland, Belgium, UK, about same. (& remember these figures include processed foods etc) Generally, these countries look like exporters of primary products with good trade connections with mfr. countries. Not notably mfr. countries themselves. (only a few countries are shown.

So his own figures, p. 84-5, show him pretty wet.

Again, on changes in mfr. & imports of mfr. articles. p. 88-9, he has figures for various countries. For some of them, the growth of mfr. & of mfr. imports are closely parallel. For most of them, growth of mfr. exceeds growth of mfr. imports. This is always ascribable to "special circumstances" -- protection etc. & he has a point that if a country simply developed its mfrs. & other production in framework of world economy, naturally that would mean more trade -- tho not nec. with the old mfr. nations, to be sure.

"Manufactures" is such a vague term. When new countries develop competitive mfr.s, that hurts old rivals, & is no point in trying to disguise that fact. To be sure, it often is overstressed by the few old vested interest victims, when it might be best for nation as a whole -- & certainly for the world as a whole. Eng. might have been better off had Gy. gone ahead & taken world mkts in former Eng. mfr.s, & Eng. had shifted to something new to which, in new circumstances, she was better adapted. But of course all the vested interests in existing forms of production didn't want to undergo such a transition. a labor union member, e.g., would lose his privileged position. Hilgerdt is performing a good office by playing down this sort of loss, therefore. But is missing I think the main point by not stating what the gains & losses are like, & who gets them.

Countries in which mfr. grew strikingly faster than imports: France, after 1920; Italy, after 1920, also in 1890s, tho this trend subsequently reversed; USSR, after 1920; Japan, after 1920; India, after 1920.

Hilgerdt, 7

Countries in which mfr. grew slightly faster than imports: U.S., after 1920; Gy., after 1920, & esp. after 1930; U.K., but not until 1933 or so; Belgium, after 1920; Canada, after 1920;

Furthermore, for all these countries, it is notable that the postwar level of international trade in mfr. goods was much lower than prewar, relative to mfr. development. W.w. is the turning point, extremely so. During that war, international trade declined immensely relative to mfr. development and in most cases absolutely (only exceptions amongxx 12 nations listed: U.S., Japan, Swden, in which foreign trade rose absolutely, but still declined relative to mfr.) And after the war, the trend continued. So it was the end of Pax Brittannica that made the change. The protectionist waves before the war must have been nothing compared to the postwar situation.

Nations in which imports of mfrs. rose as much as mfr: Sweden -- in early 20s her internat. trade rose faster than mfr., and in 30s also. But prewar, from 1870, her mfr. had risen a little more than her trade; Finland: in 20s, her mfr. rose faster than imports, but by 30s imports caught up.

1890s wave of higher tariffs, as McKinley in U.S., hurt trade.

It is more clear from this study, I think, that it is war which makes socialism grow. For it is in war that we come to accept the state. Hence we need not worry that a world govt. will be socialistic. (it would be too big for that anyway) The function of such a govt. would be to keep nat. govt. weak, prevent war. The international security of world govt. would itself break down national barriers, weaken nat. govts, minimize state intervention in economy. international immigration would lessen blows from changing world demands, etc.

(Another reason why primary producers have less capital in depression times, and are thus forced to produce more, is that much of their "capital" is in their yearly cash incomes. As these fall, their personal i.r.s rise, and they produce more today, abandon conservation measures. Thus it is not only that possibility of borrowing from outside falls, as I stressed before. Their own internal sources of capital also wither up.)

Eng. esp. hard hit by growth of competing cotton textile industries in the non-industrial countries to which she used to export. This was her largest export -- "piece goods". In w.w.I, backward countries developed some of these industries -- (textiles are the first sort of mfr. to develop, remember) -- & Japanese competition became severe. Britain failed to adjust.

Examines question whether developing industrial countries injured Eng. by competing in mkts. of Eng.'s old customers. Observes a triangular trade, where Eng. had export surplus to Brazil, India, e.g., which these countries financed by surpluses to U.S., Gy. -- & Hilgerdt therefrom concludes that U.S. & Gy. helped Eng., by allowing Brazil to have import surplus from Eng.!

Seems fantastic. He doesn't consider that by buying from Eng.'s customers they were also taking raw materials from Eng. As thru-out, he observes complementarity, refuses to take account of substitution at all.

It is true of course that ~~xxxx~~ Brazil, by selling coffee to U.S., has more p.p. with which to buy British goods. But does Britain get more? If Brazil had to trade with Britain exclusively she would not grow coffee, but something the British wanted. Is it certain that she would produce something as advantageous to Eng. as the cotton they can buy with the $s they get from the Brazilians? Here is an advantage from complementarity overcoming a disadvantage from competition.

I don't know why I fight vs. Hilgerdt so hard. He is on my side. But I think he fails to prove his point by adequate intellectual analysis of situation, & he seems to believe he is right before he starts, is a bit narrow & dogmatic all the way thru.

This Brazilian business is really a question of the terms on which Eng. can get cotton from U.S., & how that is affected by U.S. development of mfr. Brazil presumably would have no trade to offer Eng., as Eng. don't drink coffee. But Americans give $s for it, as they do drink it. But they would do this regardless of mfr. development. &, w/o mfr.s, have more cotton for Eng. So his point is unproved.

Japanese textile exports, following w.w.1, cotton, boomed vastly, & by quantity became greater than British c. 1930. While British declined absolutely. This definitely hurt Eng.

Hilgerdt even tries to turn this to an advantage. (which he might do b a correct analysis. But he continually reasons in terms of money demand, rather than real trade terms) He says Jap. mfr., having lower spread, increased bidding for cotton, thus increased prosperity of cotton countries, thus they could buy more from Eng. But of course they buy from Eng. with cotton, & if cotton is higher, this means worse terms for Eng., no 2 ways about it.

Finis

JLPuE Oct'26 S398

Same issue: Wynne, Public Land Policy in Australia.

First, free grant theory. Then Wakefield theory that free grants kept wages up, thus kept capital out, he would auction land at a high min. price. 1831, free grants abolished, auction with min. est., Wakefield thought the min. too low to do any good. Would finance immigration by proceeds of land sales, & do some model colony planning, [illegible]

Insecurity of tenure a big cause of underuse of land, failure to make permanent improvements. e.g. squatters of Australia w. of Blue Mts. This was after 1813, when first possible to cross to S Blue Mts. to pastures beyond. Crown tried to prevent settlement, reserved right to take land back at any time.

1846, Squatters got thru Australian Waste Lands Act øf, by which NSWales had leases of 1, 8, or 14 yrs, 14 yrs in the least settled areas. Squatters got pre-emption right & security of S improvements. They immediately started to improve. (Victoria was then part of NSW)

1851 gold rush, abortive, gold seekers then looked for land. Squatters stood in their way. Now here is an interesting situation: even tho ag. might be highest use, squatter would'n't want to S sell because he didn't own it anyway, but he'd want to continue using land, -- so there was no way for the higher use to take over, save thru political action, which took time, esp. as squatters with their intrenchment, & identifiying their usufruct with a particular form of use, would fight.

In Victoria (which became indep. unit), squatters held areas suitable for colonization. In rest NSW, not so much so. Eng. gov. of Vict. evaded act, kept squatters an annual licenses, set aside lands for colonization.

S General view, widely held, is that long term leases to squatters were serious barrier to settlement. author disagrees, thinks they were too far out. Lack of r.r.s & surveyors he emphasizes. (latter ridic, survey unnec)

Latrobe, gov. of NSW, to have land for colonization, "set aside nearly 1m acres of good land" -- because once squatters were on it, couldn't get them off. Here is another reason for idle land -- institutional difficulty of getting temporary lower users off.

1855, Colonies got self govt. Squatters power had been from British govt -- except Latrobe, who was an administrator -- it was Brit. Pmt. passed laws that hurt.

(was it because of Latrobe's policy that subsequently Victoria did not enact lvt?)

Squatters had most votes tho. Big battle for reapportionment, 1861 towns got more, immediately voted thru Robertson land program: Squatters leases limited to 5 yrs, pre-emption rights curtailed sharply. Any person might homestead 40-320 acres at 1L/acre, residence required, & improvements. Lasted to 1884. 23m acres sold, of which 6m reverted by forfeit etc. 16m sold at auction I guess. But despite this alienation of 33m acres net, only c. ½m acre addition to "arable land" -- meaning cultivated land I guess. The homesteaders stuck to sheep.

diff. mns ~ BI S398

Squatters resisted settlement. They were "freely accomodated by the banks", while others couldn't bid much, so squatters bid in choice water lands at actuion -- & if they hadn't, they would have been frozen out. Lax adminis ration of law, dummy entrymen common, etc.

Robertson's principle was "free selection w/o survey", which meant anyone could buy land anywhere.

Keynes, The Ec. Consequences of the Peace, 1920

Burst of European pop. growth just before w.w.1. Could be supported at higher standards of living due to organizational & technological advances, but these are being lost, & reaching dim. returns anyway, so look out for future. Tremendous pop. of central Eur. at high standards depends on certain things, world trade, don't destroy it.

300 m people in 3 empires destroyed by w.w.1, which had given unprecedented security of prop. & person in 1870-1914, letting economy grow. Transportation network grew. Gm coal production, 1871-1914, grew from 30m to 190m tons.

(India was Eng.'s best customer. So devaluation thru falling silver price would have helped India, as monopsonist. Gy. was Eng's 2d best)

Gy was the key to this organization. She supplied trade, capital, & organization. Her increas ng production meant ever cheaper imports for the other countries, & more for the r exports.

Increased industry, abroad, which both competed in selling industry stuff & buying ag. stuff, hurt Europe.

Peace terms on Gy. stopped commerce from her ports by taking her merchant marine away; took her colonies & also expropriated the prop. of her nationals there w/o compensation, including in Alsace Lorraine. Also threatened to expropriate Gm. capital in Balkans etc., to pay reparations. (you can see where Gm.s would be dissatisfied with being under the jurisdiction of the Allies. All outlets closed to them. I still can't excuse them for starting w.w. 1 in primo)

In short, everything Gy. owned or influenced outside her own frontiers was taken from her.

France also wanted to strike at Gy.'s coal supply. (Clemenceau represented the French thought that Germans were hopeless monsters, besides that French scared of them because of numerical superiority & ec. strenth) By taking Saar, & giving upper S lesia to Poland, took 1/3 Gy.'s coal.-- 60m tons per year. Besides, 25m demanded by France to compensate loss of production in northern France mines destroyed in war. & the 190m prewar figure would be low r now, due to destruction & exhaustion in Gy., leaving little for Germans. Besides, those to whom Gy. previously exported coal will put pressure on for coal, make the r exports of essentials depend on coal from Gy. Thus international trading & barter replace free trade.

With Alsace-Lorraine went 75% German iron.

Also, but for only 6 mo.s af er treaty, Gy. must allow imports. Keynes fulminates, but this it seems to me was the way the punishment should have been meted ent rely. Make Gy. a mercantile-ly exploited colony, this would only require taking control of foreign trade from her. Let Allies get their pound of flesh that way, and by imposing a tax on German land, rather than by disrupting the world, as they did.

German rivers, originating in other countries, put under control of other countries, her river ports trade thus somewhat regulated by them. Her r.r.s for international shipments fouled up.

Her economy thus in general ruined. A purely negative, destructive peace. & besides all this, the reparations.

France & Italy were nearly bankrupt, couldn't balance budgets, needed promise of German indemnity -- even tho they knew it never would come -- to make people think all would work out.

Reparations being so large & indefinite, they are in effect asking Gy. to hand over everything she produces above maintenance forever.

Of course K. was wrong about its being impossible to pay the reparations. They would simply have a double burden, since Gy. would have to depreciate the mark so far in process of buying foreign exchange. Keynes line here is same as in Ohlin debate, ~~that Gy cannot~~ the exports must come first to earn the exchange to pay reparations, & Gy. cannot do it.

(I suppose what changed attitude toward Versailles most was when Russia turne communist, and it suddenly appeared desirable to have Gy. as a shield -- that is probly why we stopped reparations, & started lending to Gy.

Keynes, Ec. Consequences of Peace, 2

Perhaps K's book was just the rationalization of this change of attitude.

In England, the war was financed by taxation mostly. France increased expenditures, but not taxes, inflated madly.

Eng. borrowed 8b$ from U.S., all after our entry, loaned 4b to others.

Keynes wants to rebuild Gy., & turn her towards ~~education~~ educating Russia. If Gy. can trade east, he says, she need not trade west, & compete with Eng. for raw materials of Atlantic world. Wants to keep raw materials of Russia in capitalistic trade orbit, to keep Eng.'s trade terms better.

My present belief that we will not go to war with Russia stems from my general position that countries do not go to war for reasons often asserted, such as belligerency of certain forms of govt., but because of ec. strangulation, to prevent it, & no one is strangling Russia now. So buy peace stocks. My present expectation of peace is dependent on my belief in how to obtain peace, my belief that wars are not the fault of those who seem to start them, that peace may be secured by fair treatment better than by suppression -- esp. that last.

~~hypothecate~~

Ec. 41 Tues.

Bankhead - Eastland Bill. 1945

Wanted to get both subsidists & free traders behind it. We have subsidies now, for export, on many things.

Tariff payments are refunded to those who export 'surplus agric. commodities'. Whoever pays a tariff gets negotiable certificate & they would all find their way to exporters.

Would they always sell for face value? As long as there are surpluses, they will sell for face value, When no surpluses, no value, no tariff reduction effected. So when tariffs are reduced, exports are subsidized, just by declaring things surplus. ?

It would be export subsidy only if price was forced down, in which case it would be no tariff reduction. So? Can price be forced down?

The absolute amount of tariff is not only consideration, but also the value of item on which it was taken.

c/o	Import value	tariff	value of export	rebate	price
100	50	50	100	50	35
33	75	25	100	25	10
18	85	15	100	15	0

Of course, if all could be used, all would have a value. As you move to worse, better become more valuable. (?)

Why is a given rebate worth less, if associated with a higher import value.?

Ec 4H, Thurs.

HQ 73
S82F

Bernstein-Eastland

All agric. exports in 30s = c. $\frac{1}{2}$ our total imports. So certificates couldn't all be redeemed

The highest tariffs would be most reduced.

It was only a subsidy when it didn't lower tariffs, etc.

If -Δ inv. is so bad, why aren't countries who export capital ruined?

New country, Buchanan says, doesn't nec. import producer goods but consumer goods with which to pay local factors to produce capital goods. Best to spend it so as to get cheapest from abroad, whether cap or cons good.

Ropke - Good Stuff (File, Thesis Dope)

Tenenbaum, Nat. Socialism vs. International Capitalism
1942, Yale U. Press, Undergraduate Prize Essay

1937, Gm internal expansion ended, external expansion needed. Wanted to take over Balkans, form a security bloc there, needed trade there. Offered higher prices for certain things than Balkans could get in world markets. With Austria, Gy got upper Danube, funnel of Balkan communication with West.

Gms used American groups with investments in Gy as points of pressure on US to give concessions.

Concludes, pleasantly, that international capitalism with free trade is answer.

Ropke, Wilhelm, German Commercial Policy, Longmans Green, London, 1934

2 1833-4, Zollverien went into effect, made German development possible.

2 (I wonder if there is not more free trade within U.S. alone than there was in all of world in 19th?)(More is produced, more of it is for trade, xport & communication are better)

2 German tariff of 1879 has been blamed as initiating new era of protectionism, but others were planning tariffs at same time, or had put them on, e.g. U.S., Austria, Italy, French drafting new Act. Same after 1928: Gy appeared responsible, but others involved.

Protectionists mask their motive under patriotism, identify with patriotism. How true.

1800-1900, Gm pop increased 250%, nat. income 1000%.

Involved urbanization, also internationalization. After all, Gm agric. did not grow, the increased food had to come from somewhere else.

2 1860-1914, steady increase of Gm foreign trade. (so 1879 wasn't so decisive?)

1925-30, upward trend resumed, but then adownward trend began.(so "the great depression" was the turning point. Perhaps it is only cyclical after all?)

(I suppose it is significant that, no matter who started the protectionist wave of 30s, that all countries, seeing it, tried to become more self-sufficient, this prolonged it. And this made the industrial non-empire countries hungry. Hungry industrial people attack rural people.) The others suffered, but were not hungry.

1860-1880, Gy was being invested in, had import balance therefore .Foreign capital financed her ec. expansion. 1880, interest etc came to exceed new borrowing, & she started lending abroad, by 1914 was one of world's great lenders. (primarily not in colonies, I daresay) 1920s, started all over in 1860 position, as great borrower, . But by 1930 interest etc, esp. with reparations, was above imports, had very large export balance.

Gy now hasn't the choice to turn back to autarky with its lower standards, for the extra millions exist, & must be fed. & it cannot export men, as in Caprivi's day, for immigration is barred.(another big point) (How very closely this follows my arguments of past times. Had I heard it somewhere before?)

(It might be that free trade was acceptable to Gy before w.w.1, but she wante nat. security too. She was satisfied on west, but on e. she wanted to expand. Thus first w.w. 2d was even more inevitable, as whole world closed down to her. The first somehow seems less excusable. There was no shutdown of markets just before it. It was not an attempt to revive from a blow, but to get better off when already well off. Because Germany developed industrially, she wanted political power to match it & felt she could get it, rather than depending on free trade of Eng.)

German industrial development went on under free trade pure & simple. (interesting that the two free trade countries had the fastest development -- tho cause & effect a question. And that in Eng. free trade was because landlords were licked, in Prussia because they dominated.)

Prussia paved way for German free trade policy, under liberal bureaucracy. 1818 low tariff. 1834 Zollverein; 1862 trade agreement with France.

(You might say, of 1930s, that international interdependence developed to a large scale and all of a sudden -- the suddenness being due to depression --- countries realized that they had adapted themselves to international trade so much that they were in very risky positions, and they didn't like it -- so? Or was it just that, responding to depression, protection, along with other restrictive measures, was resorted to, & protection had its own results then?)

Germany's retreat from free trade occurred mainly in 3 great steps, each in a depression. 1870s depression brought 1879 tariff reversal, but this was moderate. Depression around 1900 brought 1902 tariff increases; 1930s depression ended ~~this~~ intermediate period of semi-liberalism. (This suggests simpler conclusion: great expansion brought great cycles, bottoms of these brought great reactions to restrictionism & paternalism, which evoked protection. Thus the system carried germs of own destruction) (However I am not satisfied that 1902 is such a depression date)

Despite the growth of trade barriers, trade has grown still more, until 1930s. He thinks capitalism has more strength than those who would repress it, will keep cropping up, & even now will once again come to fore. (note world trade week presently on in S.F. One would do well to organize big city landowners to aid world trade)

Since 1879, tariffs rising. Iron & steel & agric. have been main protectees, others being usually compensatory. At first iron & steel pressed for protection, agric. being free trade. Immediate aim of protection was vs. depression. (Keynes a typical rationalizer of such policies)

List, with infant industry arguments, forgot to consider that the internal industry might not be competitive & would not therefore bring domestic prices down to general level & make protection unnecessary. Protection bred monopoly, for only by monopoly could the growing industry of iron & steel prevent itself from making the tariffs non-efficacious.

Combinations known in free trade England, but limited by foreign competition.

Later 20s, under leadership of German & French Fe & steel, international cartels.

Ropke, 3

German consumers of Fe & steel, machine industries etc, were chief Gm. exporters, & objected to protection. Vertical integration helped, & drawbacks given.

Postwar agreement of fe with machiners, complex & didn't work very well because of fundamental conflicts, but stopped dumping of fe, helping position of machiners.

Only after Gy. regained its tariff autonomy in 1925 were attempts to cartelize whole ~ur. steel industry revived. 1926, Gy, Fr, Bm, Lux, formed steel cartel, just fixed output, ended in 1932 due to depression. Cartels for half-finished steel products worked out too. Looking more monop. as he writes.

Caused price rigidity & faulty investment that made Gy. so hard hit by depression.

Monop. apt to invest earnings in itself, even if could be better invested elsewhere. Fe. built plant in excess of possible demand! (so? as pawn in war?)

Finished products industries do not have sense to realize their own position. But in recent years "engineering industry" has begun to agitate for free trade. It is most important export industry, tho it also has large internal markets, which make it amenable to protection. (Means making machines.) But is less susceptible to cartelizati n than fe, hence doesn't favor protection. Foreign machines don't compete with it at home anyway.

Denmark, Holland, Belgium (& England), adjusted to 80s price revolution by abandoning grain production, turning to truck, fruit, stock, dairy. --using cheap grain as raw material I presume. Small farmers did it. Gy, France, Austria, protected grain. *so, are exp farms now small?*

Wholesale Prussian bankruptcies, govt subsidies given to help them carry on. Common opinion in Gy that E. Elbian estates should be broken, but couldn't do anything. *Electoral system?*

Labor left eastern estates for cities, was replaced by Slavs. Western labor tended to stick more, being landowners too.

"Einfurschein" was transferable certificate given to grain exporter, allowing import of corresponding amount duty free. Effects: Export bounty; domestic prices raised above world by full amount of duty, for if less, profitable to export and get einfurschein which had value of duty. Used to present.

Final victory of Bund der Landwirte was Bulow tariff, 1902, went into effect 1906. Duties doubled.

c. 1928, grains & esp. rye obviously falling again, Gy had chance to forget them, but instead moved on to ultra-tariff forms of protection. Politicans of left, thinking protection a good in for socialism, helped this out.

Most duties about 50% or less. On rye, 300%. Hit other farmers hard. They then given protection too. But this prevented those who imported to Gy. before from buying Gm industrial products, & industry got scared.

At present, Nazies trying to cartellize Gm agriculture, reduce production for market.

Italy & France also kept grain protection.

Brady, Robert, Economic Impact of Imperial Germany, JEH, Supplement, Dec. '43

p. 108-9, says that British impe ial preference slowly developed, in 19th, and Brit. dominions were a special British preserve to some extent -- doesn't specify. So Gy. was only growing industrial power with no politically controlled hinterland. In a free trade world, Gy would have been ok, but as Gy. invaded her domains, Eng. applied restrictions.

R.r.s were twin of Zollverein, in unifying. (thus the importance of pan-Am. r.r., hiway, shipping, etc)

But Gy's r.r. system had no reason to stop at her boundaries, they were not ec. boundari s at all. So she tried to expand along ec. lines, gain political control of areas which r.r.s would enter.

(the economic world is the one most conducive to internationalism. For in ec. world nat. boundaries are "meaningless"; in other worlds they are signifi ant)

(It was possible for Gy. to unify because the old units, tho encrusted, were only encrusted in terms of the old technology. Industrialism was new, it could only be applied on a nationwide or larger scale, so the political counterpart of the new technology was the new state, with its r.r.s, telegraph lines, etc. Thus new methods of production -- especially if they involve or necessitate larger areas of free mobility of resources -- allow new political forms. World govt. will come when some new technology requires a world govt., and allies with the outgroups of the nat. govts. Some new means of production that is only ec. when applied on world-wide basis -- what will it be? Something colossal. Ocean culture? International multiple-purpose river projects? ....

Nationalization of Prussian r.r.s started unification of German r.r.s, standardization etc. But was a big job even then - achieved by finally nationalizing all, I guess. And these r.r.s crossed boundaries, & Germans led in getting neighbors to agree to further standardization.

By 1850, GB was leading industrial nation, but industries were pretty primitive. Mostly agric. & handicrafts yet, really, & ~~thexcamazthe~~ textiles the main factory product. Then came mass production revolution. 1850s, Bessemer process for steel. & in 30 years came other necessities of mass production: cheap mineral lubricants in 1860s; open hearth steel in 80s; cheap machinery developed with cheap metals, mineral lubricants, & machine tools; steam engine & cheap coal gave cheap power, the cheap coal came from mechanizing mining. (coal was a basic Eng. export in this period)

Heavy checmical, & electrical power industries also flowered in this era.

Thursnite, John & Doug for supper

In Gy., industries moved to coal & steel, meaning Ruhr & Silesia, & these were near borders, vulnerable. So Gm. military strategy -- & r.r.s -- had to stress dominating peripheral areas, & occupying them immediately in case of war. In contrast to Eng., which could depend on the seas.

(By-products -- important elements in complementarity. The industry using the by-product is drawn to the industry using it, & v.v.)

Inner ring of ind. Eur. was Gy., & outer ring was dependent areas in surrounding countries. (perhaps they never would have grown had it not been for Gy?) The inner ring dominated the outer, the outer included 9/10 of Europe's industry.

After 80s, emerged definite regions of interdependent industry groups, producing raw materials & byproducts for each other. Drawn together by mutual interdependence.

Emphasis on producer goods in Rhineland & Silesia. & much integration -- he doesn't really say why, just refers to mutual dependence, but that is no explanation, all economies are that.

Of raw materials, had only coal & potash abundantly; & enough iron. For all others dependent on areas outside her political & economic control. (this might help explain the big combines. The political climate afforded by govt. was not secure enough to allow small specialized producers to blo som by selves. For security, union.)

Stressed utilization of by products, & developing ersatz substitutes -- hence so much chemistry, e.g. -- & thereby so successful that some of her ersatz creations she began to export, e.g. coal tar dies, fertilizers, foto, pharmaceuticals. Scientific research grew with industry, & many leading men of science were also leading businessmen. Had no truck with localism, thought of unifying things.

While Eng. stressed finished mfrs more, or turned to this, & to shipping, finance, commerce; Gy. stressed mass production of basic materials like steel & coal. (so industrialization and producing finished goods are by no means the same

Gy. took the lead in forming international cartels. At home the govt. had no laws vs. monops, but rather encouraged them, &used them as means of power political dealing with foreigners. Ownership of basic patents their most usual monop. control method. In dealing with foreigners to make internat. cartels, they were more monopolized at home to begin with.
(In other words, they chopped up world into various areas, thus preventing overseas competition. & thru patents they prevented home competition. Both these are matters of govt. policy. A non-restrictive world govt. would not allow either.)

Brady, 3

1879 tariff, return to protectionism. Brady chokes hard trying to reconcile this with thesis that Gy. wanted to unify itself economically with its hinterland. Gerschenkron makes more sense to me on this -- keeping ~~xxxxxxx~~ ec. basis of Junkers secure. But Brady might well have pointed out that this tariff, like any tariff, is supposed to improve terms for country imposing it, & this attitude kept Gy.'s environs from wanting to unite with her.

He writes with too many imposing, meaningless words, to suit me.

Mary Townsend, Colonial & Commercial Policy of Imperial Gy.

Traders, mostly from old Hanse towns, went all over world with German wares, and called back to Bismarck to protect them, to proclaim them the areas in which they dominated as traders German colonies. Which he finally began to do, at their instance, in 1884. She is very explicit on this. (Robbins-Viner to contrary)

Bismarck at first wanted to leave all details of administration to co.s themselves, use state only to protect vs. other powers. Butit was so soon obvious this would be nec., that ~~xxxxxx~~ govt. soon took over.

(You can see where Gy's protectionism would force other country's into it. For a small unimportant country, not so much difference. But a large producer with no imports becomes a huge liquidity trap. If other countries try to maintain stable exchange rates, they lose much gold, deflate etc. & terms go vs. them. Hence the guilt of Gy. in ruining the system of world free exchange, the Pax Britannica. (but France was protectionist all along. Its lesser guilt was in its lesser importance)

But wait a bit. Bismarck had depended on liberal Manchester doctrines of Eng. to give equal opportunity to German traders all over world. While Gladstone in power, ok. But after 1874, British not so open. 1874, they annexed Fiji Islands & tossed out German traders, no compensation. Spain closed up her posse sions to Germans. So Gy. adopted the famous tariff of 1879, abandoned liberal policy, grabbed some colonies, etc. Thus Bismarck lost support of "National Liberals" who had favored free trade. (strength in old Hanse towns -- commercial interests) Colonial interests, traders, saw that they had no equal opp. without state. "The flag follows trade", said Bism. Series of treaties with s.sea islands, for Gm. traders.

(Colonial interests would favorprotection because they would be inside it, but others would be outside, would give them a rent)

(World govt. means weak govt -- for main cause of strong govt. is need for military security. At least I hope this is so. Will a world govt. also go in for redistribution & stagnation?

Was tremendous opposition in Gy. to nationalist policies, but usually over-ridden by proponents' turning to nat. honor, etc. But when this no longer a factor, how different will inst. be.

Heaton on 19th c. mnp.

Gm movement started in depression of 1873, when many co.s collapsed. Courts there, unlike Eng etc, would enforce contracts in restraint of trade. Big factor.
Inv bankers power big factor. & protection.

Coal, steel, potash, big ones.

After some failures in 70s, when entry & disobedience foiled Kartel, 1893 Rhenish-Westphalian coal syndicate set up mnp. After w.w. 1, "the new republican govt forced all mines into eleven similar syndicates and placed them under (1) an Imperial Coal Union to fix quotas, allocate mkts, & est max P; & (2) an Imperial Coal Council, consisting of reps of producers, cons.s, labor, & the state, to plan & contr l the ind in the gen welf." 606-7
It closed many mines, & concentrated on others, with new equipment, rationalization. But didn't lower cost.

Steel Kartel. Stahlwerksverband, HQ Dusseldorf, 1904 formed from some preceding cartels. Dumped extensively, to get mass production economies. (coal cartel had also dumped, because its mnp was just local. Probly same reason for steel)
1926, joined with all Eur producers save Eng, Sweden, Russia, to allocate mkts.

Potash: 1879, cartel formed. Govt insisted it sell cheap to Gm farmers; but could sell high outside. But ev n so, too much competition, firms outside the syndicate expanded their production for export. "In 1910 the imperial govt stepped in to restore "order". By forcing outsiders to sell only thru the syndicate, it produced the first compulsory Kartell."
(Thus, about this time, privately organized cartels were failing, free competition was busting thru, had to get govt to stop it. Probly had govt help in original combines, but needed even more - even in Gy.)
Lost Lorraine, w.w.1, so French had much potash. '26, agreed with France to split 70-30 world mkt. -- but by then, U.S., Spain, Poland, also exporting small amts.

In Eng, most trades developed associations, late 19th. p. 609 "Most of these bodies were chiefly or solely concerned with presenting a united front in relations with labor or in handling legal, technical, or political matters." (so Eng labor mnp came first -- & was result of land values. If had no l.v., no labor unions, no mnp!)

First internat cartel was in shipping, British joined themselves, then with Dutch, French, Gmms, Japs.. Fixed rates for most ocean lanes -- gave rebates to those who did not patronize customers (cf recent order, publicized by Isbrandtsen, of U.S. Supreme Ct, that such action illegal. Pendulum swinging to competition again, after moving away in 20s & 30s?
This cartel is certainly of supreme importance in study of internat trade, should learn more of it.

1911, Brit banks, who had competed severely, joined to discuss matter of common interest with BE.

During w.w.1, Brit govt worked with trade associations & strengthened them.

Various govts struggled with coal,"encouraging, & in 1930 ordering the formation of regional cartels to restrict output, allot quotas, & fix min prices." Cartelization was supposed to lead to rationalization, but owners resisted, kept old mines. (was it owners or unions who resisted?)

1936, Pmt gave cotton industry power to amalgamate, "eliminate surplus mills & machines & to compensate their owners by making a levy on the mills which still remained in operation."

Shipbuilders already same, on shipyards. "Thus industrial associations, under govt persuasion or compulsion, strove to achieve order, or at least an orderly retreat, by plans that left little room for individual free enterprise." 610

By 1896, at least 40 internat cartels, chiefly on Gm initiative, after bouts of price cutting. (unusual that the aggressor takes restrictive initiative, but Gy not usual)

(Attitude that aggressor always wrong, shows power of status quo thinking. Really, a complacent unjust possessor is as bad or worse)

Heaton, Mnp 3

War broke many internat cartels (611). (Thus war causes full employment) Postwar, due to temporary autarky, were more potential competitors around. France had expanded its steel. U.S. & Eng expanded their chemical & dye works. So Gms went aggressively to form internat cartels in 20s, some of which survived '29, & more of which formed then. By 1939, 180 of them, U.S. firms participating in 2/3.

(Competition is accused of creating overcapacity. But mnpy does that: as best resources held idle, & substitutes spring up, finally foiling mnpy, & leaving true overcapacity, Stevenson rubber plan)

'30s, new rubber plan, including more producers. But never pushed up price so high as Stevenson, was still in operation when Japs siezed.

'31, Chadbourne sugar plan. Like the first rubber plan, colossal failure, non included countries expanded production. '37, new agreement, govts taking more responsibility, worked better. Just Java & Cuba & Eur beet growers in first one.

Tea, wheat, beef, coffee, also subject to internat "orderly mkting" agreements, 30s.

Heaton on corps

1720 Bubble Act did not forbid all corps; but general incorporation. Was still incorp. by special charter. French, meantime, had commendite, limited liability. But that not general either.
1844, British allowed gen. incorp; but not til 1856 gave gen. limited liability.
Before that, required expensive charter or private act of Pmt. Pmt gave freely for canals, roads, docks, insurance, rails. But early industries were private. unlimited liability. Was still possible to sell shares, but not with limited liability.
1844, Eng. was first to make it cheap & easy to form corp.
Great abuses, goldbrick selling, in booms, with corps. 1824-5 Eng. etc etc. But was needed, kept coming.

Only price for getting unlimited liability was requirement of publicity of accounts. This generally evaded.

1892, Brit & Gm laws allowed small private firms to get Ltd liab, w/o requirement of publicizing internal affairs, if remained small.

So many, many owners for various big enterprises. E India co, thousands of owners, many fners -- Dutch, especially, whose great capital accumulations of 17th made them big owners of things all over. -- but who lost mightly from speculations in British bonds in 1763; & even more from acking France before rev, & being taken over by France.

Nap wars, great war bond sales in Eng, got people in investing habit.

R.r.s, ~~fixxxxbix~~ big credit booms.

Factory system did not take over eveything at once. In many industries handwork remained cheaper for long time. 1870s, wool looming still often handwork.

France, many more retail stores per cap -- & smaller of course.

I suspect growth of cheap transport big thing making factories possible. Otherwise, is limit to how many can be crowded into one place. Now, u.s., cars all over, factories can spread over countryside, grow more than ever.

Russia, communists get taxes from gross turnover tax. & they rig prices so it will be large. Pay low to peasants, charge high to consumers, take big tax cut in between. But create cap. very fast.

1860-1914, Brit est to have invested c. 1/4 annual income, 20% at home, 5% overseas. -- but, 1914, 1/10 Brit income came from overseas investments, (so they must have been more productive than home investments by far)

1825, many provincial private banks failed, so jt stock banks authorized outside london. , 1826.

Thompson, James Westfall, & Johnson, Edgar N., An Intro. to Medieval Europe. 1931

Ch. 12 Manorialism. Not bad for a text.

Mill, J. S. Principles of PE 1812

Bk II, Ch. 6, 1 - Peasant Props

8 - Metayers

9, 10 Cottiers

+ch4 Bk IV, ch. 11, para. 14 - Colonizn — he's for Wakefield

Amsterdam, like Venice, consists of numerous islands. Thus use water xptn for internal city also -- important before r.r. no doubt.

Likewise, Florence in her decline put Queens in France; Holland in her decline gave kings to England.

Eng's industrial revolution occurred during period of great corruption and oligarchical control of Parliament -- says Trevelyan in biography of Chas. James Fox. Many early capitalists got start with government contracts, wars of times. --- Namier, Eng. at time of George III.

~~King, Gregory -- description~~ of England in 1690, Perkins recommends.

~~Veitch THE GENESIS OF PARLIAMENTARY REFORM. 18th century rotten boros, movement to end them. Pitt the leader.~~ Chap 1 is good, "Need for Reform".

Hasbach, A HISTORY OF THE ENGLISH AGRICULTURAL LABORER. 1908?
Chap. 2: The Development of an Agricultural Proletariat.

1 Mencken, H.L. THE BATHTUB HOAX

Rogers, Thorold. SIX CENTURIES OF WORK AND WAGES. New York: G.P. Putnam's Sons, 1884.

Ch. 17: Agric & Agric wages, 18th century.

Rogers seems to show pretty decisively that English agric. "laborer" was no better off in 18th than 14th, if ~~that~~ as well off. Every man a landholder, olden days.

So we can generalize that when England was a frontier, she had substantial equality. Then, simultaneously as ec. rents potential increased, landholders cast off burdens, class society developed. Likewise, U.S. in 1789, as Rob't E. Brown demonstrates, was relatively classless society, because land worth little, every man a landholder. 1 Marx says this discouraged capital accumulation, because you couldn't get anyone to work for you

Thesis is that growth & success split society into classes. Add Mantoux, for fuller picture, success brings restrictive regns.

~~Rogers, Thorold. LABOR AND WAGES IN ENGLAND.~~

~~A ... textbooky textbook dull & disjointed, lacking any~~
~~sketchily hack written, but a~~ padded with positive interpretation a unity, heavily larded with

Bowden, Karpovitch & Usher ~~text~~ but still a ~~useful summary~~ good reference.

~~inconsequential discursions~~ Agric & survivals of feudalism.

Corroborates (or perhaps parrots) de T.

~~ch. 8 Agrarian assign & reform in 18th c.~~

ch. 13 Agrarian reforms & in Eng., 1789 - 1870.

~~ch. 17 Triumph of Free Trade in G.B.~~

ch 28 Eng. Agric & Overseas Compn. 1810 - 1914

1830 Revolutions, France & Bm.
1832 Parliamentary reform.
1834 Poor Law
1835 Munic Corpns Act

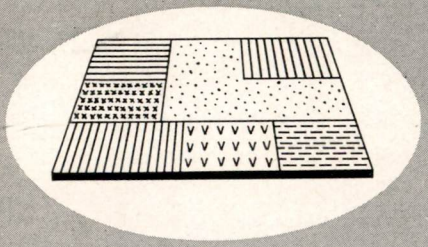
~~Agric.~~ as source of cannon fodder?

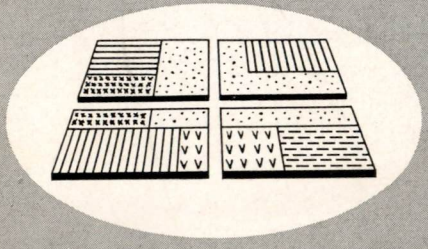
~~A.S.R. Grass~~

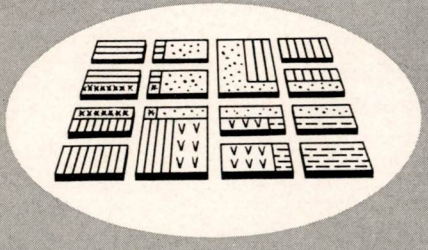
~~Prothero~~ (Lord Ernle)

UNIVERSITY OF ILLINOIS AGRICULTURAL EXPERIMENT STATION · BULLETIN 604

M. MASON GAFFNEY
240 Mumford Hall
University of Missouri
Columbia, Missouri







FARM INHERITANCE LAWS IN OTHER COUNTRIES

WHAT WE CAN LEARN FROM THEIR EFFECTS ON FARMS

C. L. Stewart



Agricultural Experiment Stations of Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin, and the U.S. Department of Agriculture, and the Farm Foundation, cooperating

NORTH CENTRAL REGIONAL PUBLICATION 27

FOREWORD

For nearly two decades the agricultural experiment stations and often the U. S. Department of Agriculture and the Farm Foundation have cooperated in studying matters relating to the ownership of farms in the Midwest. During the course of these studies, it became clear that some of the customs and inheritance laws of other countries were influencing those prevailing in the Midwest. The North Central Land Tenure Research Committee therefore assembled information about foreign land-transfer practices, particularly those of Europe, to see what problems these practices had created and how, if at all, such problems had been solved.

Information collected by committee members was given to Professor Charles L. Stewart who, in turn, combined it with the material he had gathered and put the manuscript in its final form.

The following members served on the committee during the development of this publication.

ADMINISTRATIVE ADVISER

Noble Clark, Associate Director, Agricultural Experiment Station, University of Wisconsin, Madison, Wisconsin

STATE MEMBERS

Illinois . . . . . Charles L. Stewart, University of Illinois
Indiana . . . . . Julian H. Atkinson, Purdue University
Iowa . . . . . John F. Timmons, Iowa State College
Kansas . . . . . Wilfred H. Pine, Kansas State College
Kentucky . . . . . John H. Bondurant, University of Kentucky
Michigan . . . . . Elton B. Hill, Michigan State University
Minnesota . . . . Philip M. Raup, University of Minnesota
Missouri . . . . . Frank Miller, University of Missouri
Nebraska . . . . . Howard W. Ottoson, University of Nebraska
North Dakota . . Sigurd R. Stangeland, North Dakota Agricultural College
Ohio . . . . . H. Russell Moore, Ohio State University
South Dakota . . Loyd Glover, South Dakota State College
Wisconsin . . . . Raymond J. Penn, University of Wisconsin

U. S. DEPARTMENT OF AGRICULTURE COOPERATOR

Production Economics Research Branch, Agricultural Research Service
Buis T. Inman

FARM FOUNDATION COOPERATORS

Joseph Ackerman and Howard G. Diesslin, Chicago

MEMBERS OF SUBCOMMITTEE ON SUCCESSION ON FARMS

Illinois . . . . . Charles L. Stewart, University of Illinois
Iowa . . . . . John F. Timmons, Iowa State College
Kentucky . . . . . John H. Bondurant, University of Kentucky
Michigan . . . . . Elton B. Hill, Michigan State University
Minnesota . . . . Philip M. Raup, University of Minnesota
Wisconsin . . . . Raymond J. Penn, University of Wisconsin
Farm Foundation . . . . Joseph Ackerman
Production Economics Research Branch, Agricultural Research Service, U. S. Department of Agriculture . . Walter Chryst and Marshall D. Harris

FORMER MEMBERS OF SUBCOMMITTEE ON SUCCESSION ON FARMS

Kansas . . . . . Harold W. Howe, Kansas State College
Nebraska . . . . . Norris J. Anderson, University of Nebraska
South Dakota . . Gabriel Lundy and Max Myers, South Dakota State College
Wisconsin . . . . Kenneth H. Parsons, University of Wisconsin

---

Urbana, Illinois December, 1956

CONTENTS

COUNTRIES IN WHICH HEIRS RECEIVE EQUAL PORTIONS OF FARM REAL ESTATE 5

Brazil 6

France 7

Pre-Communist China 13

COUNTRIES IN WHICH EXCEPTIONAL EFFORTS HAVE BEEN MADE TO PRESERVE FARMS FROM SUBDIVISION 14

Norway 15

Switzerland 15

Germany 18

BRIEF COMMENTS ON OTHER COUNTRIES 21

CONCLUSION 27

GLOSSARY 30

FARM INHERITANCE LAWS IN OTHER COUNTRIES

IN ALL STATES OF THE NORTH CENTRAL REGION and, in fact, in all states but Louisiana, owners of property have almost complete freedom in deciding how to pass on their land and to whom. Some prefer to have their farms divided equally among their heirs; others prefer to leave their farms undivided and transfer the farms to single heirs; and still others divide their farms unequally among their heirs.

If an owner dies without leaving a will, the statutory laws of the state dictate how the property must be passed and to whom.

Whether farms are transferred by gift, will, sale, or by laws governing the descent of property, there is much to gain from reviewing the inheritance laws prevailing in other countries. European and Asian farm families have faced the problem of the transfer of property from generation to generation for many more years than we have here in the United States. By recognizing the impact their customs and inheritance laws have had upon their farms, farm production, and farm families, we can better see where our own customs and inheritance laws are good or bad, and where they are leading us.

COUNTRIES IN WHICH HEIRS RECEIVE EQUAL PORTIONS OF FARM REAL ESTATE

The idea that property belongs to all members of a family rather than to any one of them prevails in most of Latin America and in many European and Asian countries, not to mention our own state of Louisiana. This idea, expressed in customs and inheritance laws, has done much to divide farms into smaller and smaller properties.

In this section, the customs and inheritance laws of representative countries — Brazil, France, and China — are examined in order to show how they act to subdivide farm property.

For definition of many of the legal terms used in this publication and for a diagram of the relationship of heirs to the deceased, see pages 30 and 31.

Brazil

Equal sharing among heirs tends to be compulsory in most Latin-American countries, of which Brazil is selected as representative.[1]

When an owner of an estate dies without leaving a will, the property is disposed of by law according to the following order (see page 31):

1. To the descendants.[2]
2. To the ascendants.
3. To the spouse.
4. To the collateral relatives.
5. To the state, the federal district, or the Union when there are no descendants, ascendants, spouse, or collateral relatives.

Legitimate children receive equal portions of the property, but children who are adopted, lawfully acknowledged, or legitimated receive only a portion half of that which they would have received had they been legitimate. Only when there are no legitimate children do children of other status receive a portion equal to that which they would have received had they been legitimate. If a child dies before the intestate, descendants of that child receive his portion.

In Brazil the freedom of the willmaker is limited. A testator who has descendants or ascendants entitled to succession cannot dispose of more than half his property to someone else, for by law half the estate must go to the descendants or, when there are none, to the ascendants.

There are two kinds of heirs to be distinguished then in these inheritance laws: *legitimate heirs* who are always entitled to at least half the estate of the deceased, and *necessary heirs* who are designated by wills and who are entitled to no more than half the estate when there are legitimate heirs. Although necessary heirs can be disinherited in certain instances, legitimate heirs can never be disinherited.

Whether the estate is testate or intestate, the law requires that

[1] For further details, see *The Civil Code of Brazil*, translated by Joseph Wheless (Thomas Law Book Company, St. Louis, Mo., 1920), Articles 1,572 to 1,769.

[2] The attempt has been made to translate the Latin of unfamiliar legal terms into familiar English equivalents. Legal terms have been retained only when they suggest a concept for which detailed explanation would be too lengthy or repetitious for expository purposes.

maximum equality, with respect to the value, nature, and quality of the property, be observed in dividing it among heirs. The real estate that falls to more than one heir and that cannot be readily divided must be sold at public auction and the price of it divided among the heirs, unless one or more heirs require that the property be adjudicated to them and they compensate the other heirs.

There is little in the code of Brazil to prevent heirs from subdividing property that is left them either by will or by law. Neither do there appear to be any safeguards against fragmentation — the result of giving heirs segments of a farm, often scattered parcels.

Because Brazil is so large and virgin and much of it is underpopulated, the effects of subdivision and fragmentation have been felt less widely than in some Old World countries. In France, where these processes have been going on for centuries, the effects are keenly felt.

France

The basic code

If a French property owner dies and leaves no will, his property is disposed of by statutory laws according to the following order:[1]

1. If the intestate leaves children, they share equally in the estate, without regard to sex or age. If a child dies before the intestate, that child's descendants share equally in his portion. Only those natural children who have been lawfully acknowledged are entitled to inherit from their parents. Should the deceased leave both lawfully acknowledged children and legitimate children, the share of the former equals half that of the latter. If there are no legitimate descendants but there are ascendants, brothers or sisters, or legitimate descendants of brothers or sisters, the share of lawfully acknowledged children is three-fourths of what it would be had they been legitimate. When the deceased parent leaves no legitimate descendant, ascendant, brother, or sister, or descendant of brother or sister, lawfully acknowledged children divide the entire estate.

2. If the intestate leaves no descendants, no brother, no sister, and no descendant of brother or sister, his property goes to his ascendants — half to the paternal line and half to the maternal line.

[1] For more information about French inheritance laws, see Articles 718-892 in *The French Civil Code,* translated by Henry Cachard (Lecram Press, Paris, 1930).

An ascendant nearer in degree to the intestate in one line excludes all others of that line. Ascendants of the same line and the same degree of relationship share the property equally. If the intestate leaves parents and brothers or sisters, or descendants of deceased brothers and sisters, half his property goes to his parents and half goes to his brothers and sisters, or to their descendants. If the intestate leaves only one parent, that parent receives one-quarter of the estate and the brothers and sisters or their descendants receive three-quarters.

3. Should the intestate leave neither parents nor descendants, the brothers and sisters or their descendants share the entire property.

4. If the intestate and his brothers and sisters are all children of one marriage, the brothers and sisters share equally; if half brothers and half sisters, they receive a share equal to half that they would have received had they been full brothers and full sisters.

5. Collateral relatives beyond the sixth degree do not inherit, with the exception of the descendants of a brother or sister of the desceased. When the deceased is not able to make a will or is under legal restraint, collateral relatives up to the twelfth degree inherit.

The spouse has the right of usufruct in a portion of the estate as follows:

1. One-quarter when the deceased leaves children born of their marriage.

2. A portion equal to the smallest portion assigned to a legitimate child but not to exceed one-quarter if the deceased has children born of a previous marriage.

3. One-half if the intestate leaves lawfully acknowledged children or descendants of such, or brothers and sisters or descendants of such, or ascendants.

4. The entire estate if the intestate leaves only relatives beyond the sixth degree of relationship.

5. The husband or wife can exercise his or her right only against the property which the deceased has not disposed of by gift or will.

Each heir may claim his share of personal and real property in kind, and is responsible for the debts of the succession — death duties, as well as other liabilities — in proportion to the share each inherits. If a majority of the heirs agree that a sale is necessary to meet these

debts, the personal property may be sold publicly. If the real estate cannot be divided conveniently, it may be sold and the proceeds divided.

These inheritance laws, while enforced only on intestate property, also have the force of custom, so that almost every testator leaves equal portions of his estate to his children.

Gifts of property and transfers by will are restricted in the following way:

1. Any provision requiring the heir to pass on his inheritance to a specified third party is void.

2. Gifts and legacies cannot exceed half the property if the will-maker leaves a legitimate child at his death; one-third if he leaves two children; one-fourth if he leaves three or more children. If there are no children but there are ascendants in both the paternal and maternal line, gifts and legacies cannot exceed one-half, or, if there are ascendants in only one line, three-quarters. Only when there are no descendants or ascendants may gifts and legacies exhaust all the property.

Impact of inheritance laws on farm property in France

Because equal sharing among co-heirs of intestate property is compulsory and equal sharing of testate property is customary, farm property has become more and more subdivided. In one parish of the Loiret, to quote one authority, "6,867 acres of land have been divided . . . into 48,000 parcels, some of which are less than 120 square yards in extent. In Savoy, one farm of 26 acres comprises 275 parcels. . . ."[1]

To make matters worse, farmland is divided, not across properties, but along the roads that serve them, which results in a large number of long, narrow strips of land being held by many owners. In extreme instances, these strips may be only six feet wide and several hundred feet long (see next page).

But even fragmentation is not the end of it. According to another authority, "since the first World War, use of horse-drawn cultivators, and the resulting cultivation furrows, has led to serious erosion."[2]

---

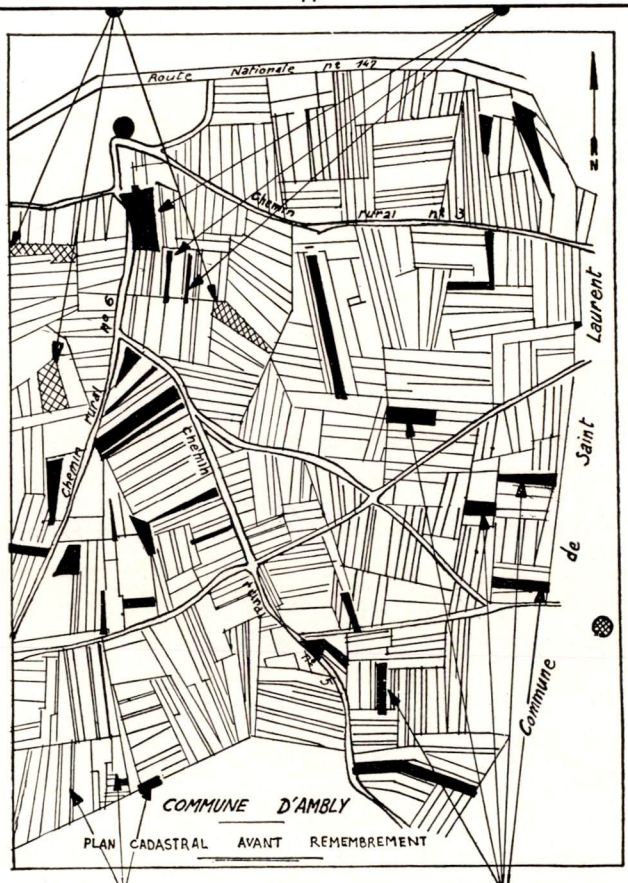
[1] J. C. Abbott, "The Regrouping of Holdings in France," *Farm Economist,* April, 1949, page 58, footnote 1.

[2] W. C. Lowdermilk, *Tracing Land Use Across Ancient Boundaries* (Soil Conservation Service, U. S. Department of Agriculture, 1940), page 44.

Inconveniences of Subdivision

Plots of land operated by a farmer whose own farm is in a neighboring community.

Isolated meadows that are too small to make a pasture.



Scattered plots that are too small and remote cause:

1. Loss of time in transportation, seeding, and cropping.
2. Tiring and wearing out of teams faster.
3. Loss in fertilizers and crops.

Isolated parcels of land make it necessary for the farmer to:

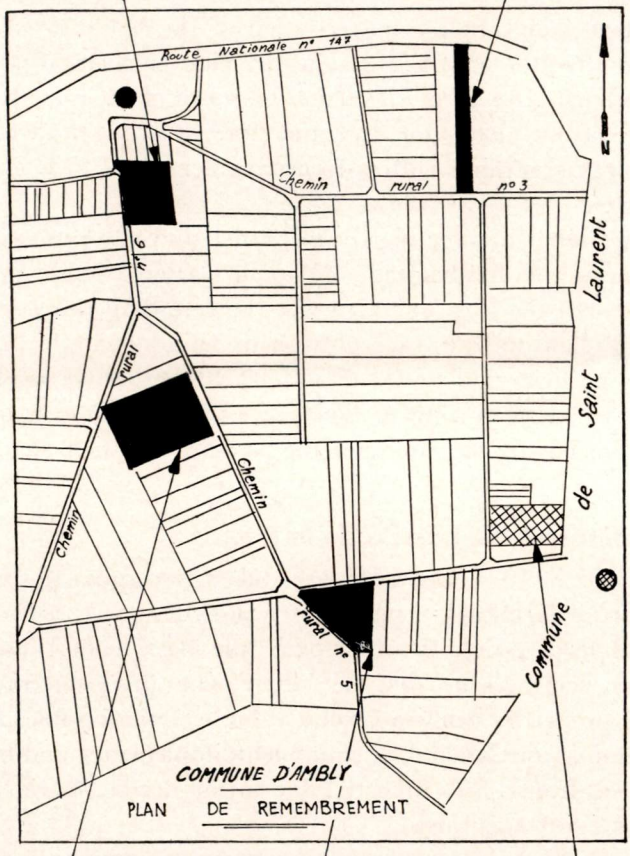
1. Use the same rotation as his neighbors.
2. Plow and reap at about the same time as his neighbors.

How far subdivision had gone in one French community. Inheritance was not the sole cause of these very small tracts, but it was mainly responsible for them. (This and the map on the next page are from a publication of the Service du Génie Rural, Section du Remembrement, Paris, 1956; English translation by C. L. Stewart.)

Advantages of Regrouping

Regrouping pastures into simple geometrically shaped tracts permits the use of machines and storage of crops at proper times.

Regrouping isolated parcels into plots that border on roads permits free access and freedom of rotation choice.



Regrouping small plots into larger parcels permits the practical use of large machinery and results in savings in fertilizers and crops. Larger tracts also have a higher market value.

Regrouping remote plots almost too small to be cultivated into larger parcels results in a larger plowed area.

Regrouping plots so that they border on the natural working area of a farmer from a neighboring community who operates them.

How the situation shown on the map on the opposite page was improved through regrouping. The efforts of the government of France to counteract excessive subdivision through consolidation are like those of many other countries.

And in some localities in France, these factors have combined to reduce farm output by about 30 percent.

The total effect of subdivision and fragmentation has been well summed up in the following statement:

"In certain extreme cases, fragmentation has led to what can only be described as a veritable pulverization of the holdings which presents the cultivator with a situation in which cultivation is impossible and often results in the reversion to waste of at least the poorer and more distant plots. One may, therefore, say that the whole agricultural area of France suffers from fragmentation to a greater or lesser degree."[1]

As farm labor became scarcer in France and more use was made of machinery, the disadvantages of small, scattered holdings became keenly felt, not the least of which was the fact that an owner rarely had enough land to leave each of his heirs an adequate farm. Nevertheless, some heirs still prefer dividing an inherited farm, however small, rather than owning it alone under a heavy mortgage — incurred from having to reimburse the co-heirs for their share of the farm.

Modifications of the basic code in France

Beginning in 1938, two steps were taken to combat this excessive subdivision of farmland — public programs designed to consolidate farms and legal procedures to modify the basic code.[2] Two main ends were accomplished by the latter. The first was to declare that farm properties below a certain value were indivisible. In 1938, this minimum value, including equipment, implements, and livestock, was 200,000 francs. Subsequently, due to the decline in value of the franc, this figure was raised.

The second end accomplished was to permit requests that farm properties remain undivided, even though they were valued above the specified amount. Those entitled to make these requests are the spouse, who has an equity in the farm and resides on it, or any heir

[1] From National Study No. 2, "Consolidation of Agricultural Holdings in France" in *The Consolidation of Fragmented Agricultural Holdings* (F.A.O. Agricultural Studies No. 11, Sept., 1950, Washington, D. C.), page 58.

[2] For some modifications of the basic code in recent decades, see Michel Cépède, "Family Farm in France," *Family Farm Policy,* edited by Joseph Ackerman and Marshall Harris (University of Chicago Press, Chicago, 1947), pages 353-381.

(even despite opposition by co-heirs) if the deceased has left children under legal age. A farm may be declared indivisible for 5 years, and the declaration renewed until the death of the spouse or the coming of age of the youngest child.

The cost to the public of France in reconsolidating scattered holdings of farmland has been heavy, but even heavier has been the burden to farmers who were faced with two bleak choices: to continue struggling with their fragmented parcels or to adjust to a consolidated farm, equivalent to those parcels.

The farm problems that France has had to face are far more intensified in Asia, where the processes of subdivision and fragmentation have gone on for thousands of years.

Pre-Communist China[1]

When a Chinese married, his bride became part of his parents' family and moved in with them. Not infrequently, friction led to a desire for independence on the part of the married son. When this occurred, he was given, through the services of a mediator (usually a maternal uncle), title to his share of the farm. This share was determined by dividing the father's property into equal shares, depending upon how many sons he had. The oldest son received his due of an extra share and the father retained a share large enough to support his family and to pay for the wedding expenses of unmarried daughters and sons. An unmarried son did not receive his share, however, but continued to live with his parents. If one of the parents died before he married, the son was obliged to support the surviving parent. When both parents died, the son then received his share as well as his parents' share.

If there was only one son in the family, he would request division from his parents only under the most serious circumstances, inasmuch as he was in line to receive all their property upon their death.

This process of division was seldom complete. The father had considerable influence over his sons, even if they were married and

[1] For more information about customs in pre-communist China, See H. T. Fei, *Peasant Life in China* (Oxford University Press, New York, 1945); H. T. Fei and C. I. Chang, *Earthbound China* (University of Chicago Press, Chicago, 1945); and C. Y. Tang, *An Economic Study of Chinese Agriculture, a Thesis* (no publisher given, 1924).

had split with the family. Filial piety and the fear of displeasing the spirits of the ancestors were strong influences.

Since the standard of living of the Chinese farmers depended almost entirely on the amount of land they owned, much of their activity was aimed at either acquiring more land or keeping that which they owned. The usual way of acquiring land was by inheritance which, in most parts of China, was through the male line. When inheritance was by descent through the female line, it was owing to the fact that the deceased parents had no sons.

Because traditional laws and customs led to equal division of farmland among sons (except for the additional share that went to the eldest son), and because sons, in this dense population, were plentiful, subdivision became excessive.

Nor did the Chinese stop at subdivision. Like the French, they fragmented farms in an effort to give each son an equal share of each quality of land. Thus, when there were many sons, each would have small separate fields. Because of this, there was great waste of labor. Machinery or animal power could not be used efficiently on the scattered, irregularly shaped fields. Capital, too, was used wastefully, since expenses for farm buildings, machinery, and work animals were proportionately higher for small farms than for large ones. Moreover, the many lanes and driveways required by these small, scattered holdings resulted in much needed land being wasted. And friction inevitably developed among adjoining owners over boundaries or water rights.

Because holders of small fields could not respond to changes in agricultural practice, such as the use of machinery, and because production decreased as subdivision and fragmentation became excessive, farmers found their struggle for existence made even more severe.

COUNTRIES IN WHICH EXCEPTIONAL EFFORTS HAVE BEEN MADE TO PRESERVE FARMS FROM SUBDIVISION

Some countries, among which Norway is most noteworthy, have had no major problems of subdivision, for their customs and inheritance laws simply have failed to create these problems. Other countries, like Sweden and Germany under the National Socialist Party, recognized where subdivision was leading them and took exceptional

measures to halt the process and to keep their farms large and undivided.

Norway

Two legal institutions are principally responsible for protecting Norwegian farms from subdivision — the *Aasetesret* and the *Odelsret*.

The *Aasetesret* is the right of the oldest son to take over the family farm after the death of his father. Should the oldest son waive this right, the next oldest son is entitled to assume it. If there are no sons, the oldest daughter inherits the property.

Only if the farm is large enough (what constitutes a minimum size varies from locality to locality) can the testator have it divided among his heirs. Even in this instance, the first heir may claim half the property.

Whether the first heir receives the entire property or a part of it, he must pay the other heirs for their share of the estate at the price set by the testator. If the testator failed to set a price, the heir may pay for the estate at no less than 70 percent and no more than 90 percent of its market value. Regardless of who inherits the farm, the wife holds it in joint tenancy.

The *Odelsret* gives a farmer or any member of his family the right to buy back property he has owned for at least 20 years at an officially determined price. During the depression between the two World Wars, such repurchase could be made within 5 years after the time the property was sold; at present, such repurchase must be made within 3 years after the time of sale.

In countries in which manpower has been plentiful in relation to available farmland, the pressure toward farm enlargement has been less than in newer countries where manpower has been scarce. Norway is one of the older countries that has forestalled the tendencies toward excessive subdivision of farm holdings. Though causing some farm families to migrate to cities and to foreign countries, inheritance policies of countries that have opposed excessive subdivision have apparently eased matters for present-day farmers.

Switzerland

Under the Swiss Civil Code,[1] heirs share intestate property equally. The order of the heirs is:

[1] *The Swiss Civil Code* has been translated by Ivy Williams (Oxford University Press, H. Milford, Oxford, England, 1925).

1. The children of the intestate. If one of the children dies before the deceased, the descendants of that child receive his share. Illegitimate children on the mother's side have the same right to inherit property as if they were legitimate. Illegitimate children on the father's side have the right to inherit property only when their father lawfully acknowledges them. This right is limited, however, to a portion half of that which they would have received had they been the father's legitimate children.

2. If the deceased leaves no descendants, the parents take equal shares of the property. If one of the parents dies before the deceased, the descendants of the parents receive equal shares. If there are descendants of the parents in only one line, the entire estate goes to that line.

3. If there are no descendants, parents, or descendants of parents, equal shares of the property go to the grandparents. If either of the grandparents is dead, the descendants of the dead grandparent are entitled to that grandparent's share.

4. Great grandparents have usufruct in the share of the inheritance which their descendants would have received had they survived the deceased. If neither great grandparent is alive, great uncles and great aunts have the same privilege of usufruct.

5. The spouse, when there are surviving descendants, can choose to take usufruct in half the estate or absolute title to one-quarter of the estate. When there are no descendants, but there are parents or their descendants, the spouse takes one-quarter of the estate and usufruct in the other three-quarters. When there are only grandparents of their descendants, the spouse takes half the property and usufruct in the other half. If none of these survive, the spouse has absolute title to the entire estate.

A willmaker has complete freedom in transferring property only when he has no descendants, parents, brothers, sisters, or spouse. If any of these survive him, each is entitled to his legal share of the estate as follows:

1 Descendants share in three-quarters of the inheritance they would have received had there been no will.

2. If there are no descendants, parents share in half the inheritance they would have received had there been no will.

3. If there are neither descendants nor parents, brothers and sisters share in one-quarter of the inheritance they would have received had there been no will.

4. If there is one or more other legal heirs, the spouse takes the whole statutory portion. If the spouse is the sole statutory heir, the portion is one-half.

In the absence of a will, the statutory heirs may decide among themselves how to divide the inheritance. If the heirs are unable to agree, one of them may request that a probate authority determine how the inheritance should be divided. The probate authority usually directs that no farm shall be cut up into areas smaller than that considered feasible for agriculture in the immediate area.

The value of a farm is based on its earning capacity rather than on its sale value. If an heir who receives land sells it within 10 years at a higher price than that at which it was evaluated, his co-heirs may claim a share of the profit made on the sale. The co-heirs, however, have claim to profits resulting only from fortuitous circumstances — the discovery of minerals, for example — and no claim to profits resulting from agricultural improvements.

Measures to offset excessive subdivision in Switzerland

Since 1912, when the Swiss Civil Code went into effect, the aim has been to prevent excessive subdivision of farmland. If, for example, an estate includes a farm and one of the heirs declares himself ready and capable of managing it, the entire farm, so long as it forms an economic unit, must be allotted to him. An isolated parcel of land that would be impracticable to operate along with the main farm is regarded by the courts as not belonging to the farm. When several capable heirs wish to take over a farm and the farm admits of two or more independent farms, the question is submitted to the courts.

Court decision is based on four factors:

1. The heir who wishes to live on the farm and work it himself has preference over those heirs who desire to sell the farm.

2. A son who has lived longest on the farm has preference over other sons.

3. Sons have preference over daughters.

4. The customs prevailing in the immediate area must be respected.

The Swiss Civil Code, then, tends to maintain farm properties undivided. This tendency is desirable because many Swiss farms are so highly specialized and so dependent on well-bred herds and special equipment and buildings that subdivision would have serious consequences. For this reason there is the so-called "brother's and sister's value" by which an heir can take over the property of his parents at 75 percent of the appraised value. Here, as in a few other countries, the fact is recognized that an heir may become so overobligated to his parents or co-heirs if he buys an entire farm from them that he may be restricted in his efforts to use his capital and labor and may suffer income and property loss.

Germany

On February 20, 1947, the Allied Control Council published Law No. 45, otherwise known as "Repeal of Legislation on Hereditary Farms and Enactment of Other Provisions Regulating Agricultural and Forest Lands." This law restored the laws pertaining to the inheritance of land that had been repealed or suspended on October 1, 1933, by the National Socialist Party.

Transfer of farm property under the National Socialist Party

The federal farm hereditary law, which the National Socialist Party made effective on October 1, 1933, had a threefold purpose: to reinforce the economic and social status of farmers; to keep farm property from being split up; and to prevent excessive agricultural indebtedness.[1] Farms coming under the provisions of this law — and about three-fourths of them did — had to be no smaller than eight hectares, or about 20 acres, and no larger than 125 hectares, or about 300 acres.

Any new hereditary holding, or *Erbhof,* was subject neither to

[1] For more information regarding inheritance laws involving farm property, see Constantin von Dietze, ed., *Die Vererbung des laendlichen Grundbesitzes in der Nachkriegszeit* (Duncker and Humblot, Munich and Leipzig, 1930); J. K. Galbraith, "Hereditary Land in the Third Reich," *Quarterly Journal of Economics,* 53, 2 (May, 1939), 465-476; Leo Drescher, "The New German Inheritance Law for Agriculture," *Journal of Farm Economics,* 16, 1 (Jan., 1934), 149-151; H. W. Spiegel, *Land Tenure Policies at Home and Abroad* (University of North Carolina Press, Chapel Hill, N. C., 1941); and Articles 1922-2385 in *The German Civil Code,* translated by Chung H. Wang (Stevens and Sons, Ltd., London, 1918).

sale, mortgaging, foreclosure, or division. An order of succession was established that could not be modified by the testator. Succession was arranged so that only one heir could inherit the *Erbhof*. Other heirs could inherit property that did not include farm, farm buildings, or farm equipment.

The order of succession was fixed as follows:

1. The sons of the farmer or their sons and grandsons.
2. Father of the farmer.
3. Brothers of the farmer or their sons and grandsons.
4. Daughters of the farmer or their sons and grandsons.
5. Sisters of the farmer or their sons and grandsons.

If the principal heir already owned an *Erbhof*, he was entitled to receive the inheritance only if he gave his own farm to the next heir in line. If the inheritance involved more than one *Erbhof*, each heir was entitled to choose one farm after the principal heir had chosen his.

The law also provided that co-heirs who were not of age had to be kept on the farm and educated until they became of age. Moreover, they were to be completely outfitted when they left, if the financial condition of the principal heir permitted; and if, through no fault of their own, they were unable to support themselves, they were to be supported on the farm.

Transfer of property under the Allied Control Council

Under the Allied Control Council, any area of land that had become an *Erbhof* became subject again to the general laws regarding ordinary real estate. Provisions were made, however, to allow zone commanders, in their respective zones, to "enact legislation amending or repealing any legislation revised or otherwise put into force by the present law."

The order of succession, as prescribed by the revived German Civil Code, is as follows:

1. Descendants of the deceased. Children of a deceased descendant share his portion.
2. Parents of the deceased and their descendants.
3. Grandparents and their descendants.
4. Great grandparents and their descendants.
5. Remoter ascendants of the deceased and their descendants.

If there are several heirs in the same succession, the estate becomes their common property to be divided among them equally. The spouse of an intestate receives one-fourth of the estate if there are descendants, and half the estate if there are no descendants but other heirs. If there are no relatives of the first or second degree, the spouse takes the whole inheritance.

The willmaker can name his heirs, but if a person entitled to succession is excluded, he can demand his compulsory portion. This portion equals half that portion he would have inherited had there been no will. In such cases, the portion is given free of estate liabilities.

The only time a descendant can be deprived of his "compulsory portion" is when he has made an attempt against the life of the testator or persons in the immediate family of the testator, when leading a dishonorable or immoral life contrary to the testator's wishes, or when he has failed to maintain the testator according to the system called *Altenteil,* or old folks' share.

"Altenteil" as restored by the Allied Control Council and as curtailed by the National Socialist Party

Altenteil[1] is a system for maintaining a farmer and his wife after they have transferred their farm to an heir of their choosing. It takes the form of a contract between the farmer and his heir, and requires the heir to provide the farmer and his wife with living quarters, food, allowances, and certain other privileges, including a garden plot, in exchange for the transfer of the farm to the heir before the testator's death. Occasionally cash payments are made to the farmer and his wife to enable them to live in town.

The *Altenteil* contract also requires the heir to pay for the property. This payment is divided among the other heirs. The price the heir pays is based on the past price of the farm rather than on its present market value; the extent of the liabilities involved; and the

[1] This system is detailed by H. W. Spiegel in "The Altenteil: German Farmers' Old Age Security," *Rural Sociology* 4 (June, 1939), pages 203-218. Some localities in the North Central Region have arrangements that resemble *Altenteil.* See "Bonds of Maintenance" in *Keeping the Farm in the Family,* by Kenneth H. Parsons and Eliot Waples (Wis. Agr. Exp. Sta. Res. Bul. 157, Sept., 1945), pages 6-8, and "Eastern Wisconsin Avoids Tenancy," in *What's New in Farm Science,* compiled by Noble Clark and Niemen Hoveland (Wis. Agr. Exp. Sta. Bul. 461, Dec., 1953), pages 27-29.

desire of the farmer and his wife not to overburden the heir who has to support them.

Quite often, to obtain the price for the farm and to support the farmer and his wife, the heir has to mortgage the property. This proves to be a heavy burden to a small farm. For this reason the National Socialist Party severely curtailed the rights of farmers and their wives retiring under *Altenteil.* They were allowed room and board, but no cash allowance unless the farm could bear it. Neither were they allowed to keep any portion of the land. And in transferring their property, neither they nor the co-heirs were allowed payment. Also, if a farmer became too old to farm efficiently, he could be forced to retire and cede his property to an heir.

At no time was *Altenteil* popular among retiring farmers. In fact, a German folk saying has it that a golden chair awaits one in heaven who retires by *Altenteil* without repenting it, and that no one has ever sat in that chair.

BRIEF COMMENTS ON OTHER COUNTRIES

The customs and inheritance laws of the countries appearing here are treated very sketchily and for the sole purpose of indicating how they affect farm property.

Alsace-Lorraine

Before Alsace-Lorraine was taken over by the French after World War I, it had inheritance laws similar to those of Switzerland (see page 15 of this bulletin). Only after considerable difficulty, the Alsace-Lorrainers obtained permission from the French government to retain the Swiss-type laws in regard to the transfer of property.

Argentina

Intestate property passes to heirs according to the following order: descendants of the deceased, or their descendants, whether legitimate or natural; to the ascendants, whether legitimate or natural; to the spouse; and to collateral relatives within the sixth degree. The legitimate children of the deceased, whether of one or more marriages, share equal portions of the property, as do natural children.

If a spouse survives the deceased, she is entitled to a share of the property equal to that of any one of the children. If ascendants and a spouse are left, the spouse participates with ascendants in the division of the property.

If the property threatens to be divided at below its appraised value, each of the heirs has the right to demand the sale of that property by public auction and, at that auction, to buy the property for an amount greater than that at which it was appraised — so long as he is the highest bidder.

Belgium

The amount of property an owner may transfer by gift or will is limited, depending upon the number of his children and whether he has ascendants. If he has one child, he may dispose of half his estate, but the other half is the legal reserve of his child. If he has two children, two-thirds of the estate constitutes their legal reserve. If he has three or more children, three-fourths of the estate constitutes their legal reserve. If he has no children but ascendants in both lines, half the estate must be reserved for them.

If the deceased during his lifetime gave property to an heir, that heir must restore the value of the gift to the estate at the time the estate is settled, unless it was stipulated by the deceased that the gift was not to be restored.

No legitimate child may be omitted in the distribution of property, and the spouse assumes a life interest in a portion of the property.

In 1900 and again in 1924, laws were passed in favor of leaving small farms undivided until all the children had come of age. At that time, and by agreement among the heirs in the family council,[1] one of the heirs can take possession of all the land by paying the other heirs for their shares.

Those Belgian farmers who own little land face a difficult problem in dividing their property among their children — a situation that becomes quite serious when there are many children. This problem is usually solved by the members of the family assuming joint ownership of the farm.

Canada

In most features the provinces of Canada have provisions for descent and distribution not greatly different from those found in midwestern states. The freedom of the willmaker and of the executors to carry out the bequests is least where older French customs have yielded least to British traditions.

---

[1] The family council is a folk feature that has been incorporated into Belgian law. When a guardian has to be appointed, for example, the duty falls to the family council.

In Quebec if an intestate leaves descendants and a spouse ("consort"), the spouse takes a third and the child or children two thirds. If there is no spouse, children take all. If there are no children, the spouse takes all, but only if there are no ascendants or collateral relatives privileged under customs tracing to early French influence; if there are such privileged relatives, the ascendants take a third and the collaterals take a third.

Dower for the surviving spouse has a limited place in most Canadian provinces. In Nova Scotia, if there are descendants, the spouse receives dower. In Manitoba the spouse may elect to take a third of the net estate as her dower, if in addition to the value of the homestead which the spouse has, that person has not been left at least a third of the estate, or if provision for $100,000 in property or $6,000 in yearly income has not been made.

In Ontario and Prince Edward Island, there are fixed charges in favor of the widow. In Ontario this may be as much as $5,000 and is in addition to her distributive share. The fixed charge in Prince Edward Island is $8,000.

Denmark

The Danish Land Settlement Act of 1934 provides that an owner of a farm may transfer his holding to any of his children whom he deems able to farm it. If he has no children, the holder is free to dispose of his property only when there are no government loans on it. The successor, however, must show that he is competent to farm the holding. No land under 20 hectares can be divided.

England

In England the testator has complete freedom in transferring property, except that he must provide for dependents under the Family Provision Act passed in 1938. This law gives dependents the right to apply for maintenance from the estate of the deceased. The court adjudges whether such maintenance should be granted and, if so, to what extent. If maintenance is allowed, any provision in the will opposed to maintenance is overridden.

If the property is intestate, the spouse receives an absolute right to all personal chattels; money to the extent of £1,000 as a first charge upon the estate; and a life interest in half the real estate if there are children. If there are no children, the spouse receives a life interest in the entire estate. Children share equally in all real property to which the spouse is not entitled.

India

In Hindu families, land was usually held under some form of joint ownership by families. According to one branch of Hindu law, the father and sons held the land in common until the father's death, at which time the land passed to the sons by right of survival. According to another branch of Hindu law, the property, at the father's death, passed to those heirs deemed best fitted to carry out proper religious rites for the deceased.

In Mohammedan families, the father usually held the property alone, and only at his death did the land pass to the sons. At that time they divided the land equally, even to taking a like portion of each type of land. Because of India's dense population, no worse example of damage done by fragmentation can be cited. In certain rural areas of India, there are plots of land only a few feet long and a few feet wide.

Programs aimed at reconsolidating farms are now in effect in many of these farm-fragmented regions in an effort to increase agricultural production and raise the standard of rural living.

Italy

The Italian Civil Code, drawn up in 1918, accepted the principle of transferring farms in their entirety to a single heir. Along with the farm went the escort goods — equipment, livestock, and buildings. The heir who received the farm had to be deemed willing and able to farm it and able to pay the other heirs for their shares.

If several heirs wanted the farm, the owner chose that heir who was operating the farm or who could operate it alone or with his family. If several heirs were satisfying these conditions, the direct male descendant was chosen. If there were several direct male descendants, all of whom qualified, the heir who had farmed the land before or who had the most children was selected.

If the principal heir could not repay the co-heirs for their share, the farm was awarded to the co-heirs, provided they agreed to operate it in common.

Japan

There has been persistent contradiction between the Civil Code of Japan and the way farm real estate has been passed by inheritance. The Civil Code has long provided for equal sharing of property among heirs, but both before and after land reform farm families have practiced primogeniture.

In five Japanese communities studied in 1954 by the International

Christian University in Tokyo, only 1 to 4 percent of the farmers reported that they expected to divide their property equally; 5 to 11 percent expected the land to go to whichever son was interested in farming; and about 75 percent expected the land to go to the eldest son. On the average, one eldest son in ten families gives up his inheritance rights.

Netherlands

Inheritance laws in this country are based largely on equal sharing and "compulsory portions." In older villages, heirs divide property not by size but by value. Even in areas where land value is high, farms tend to be split up among heirs.

All children are entitled to equal shares of intestate property. Even by a will, the share of any child cannot be less than one-fourth of what he would have received by statutory law. Legislation in 1949 prevented the splitting up of farms by sale, but did not otherwise affect inheritance laws.

In areas along the Friesian coast, however, farms tend to remain undivided. After the death of the father, the farm is transferred to one of his sons, usually the oldest. The other children have to be compensated for their shares in the farm. If the will so specifies, children also have the right to continue to live on the farm — a procedure that is quite customary for the area.

Slavic lands prior to control by Soviet Union

Czechoslovakia. Holdings transferred by will had to pass to single heirs who had the ability to cultivate the land properly.

Estonia. In the richer southern areas, the farm was usually transferred to a single heir; in the eastern part, the farm was divided among all the heirs.

Lithuania. At the death of the farmer, the estate became the undivided property of the heirs. The spouse inherited one-fourth of the estate. The heirs could share the estate by common agreement or apply to the courts for determination of their individual shares. One or more heirs could retain control of the land, so long as the co-heirs were compensated.

Yugoslavia. The Yugoslavs retained the patriarchal family longer than any other Slavic people. As many as 20 to 80 persons, all related by blood, lived together under the leadership of the patriarch and worked the family farm communally. This formed the basis of a self-sustaining economy and made the family economically independent. All property was owned jointly, and no one individual could own land or

buildings exclusively. Inheritance — as we know the term — simply did not exist.

Only in the province of Slovenia was the custom observed of leaving the farm to a single heir — usually one of the sons who compensated the co-heirs.

Union of South Africa

Persons of European descent in the Union of South Africa are subject to the Roman Dutch law system. Marriage may be in "community of property" or not. Where marriage is not in community of property, the spouse of an intestate gets merely a child's share of the estate or £600, whichever is greater. Where husband and wife have community of property, the spouse takes half of the joint estate. In addition the spouse gets a child's share of the other half, or else an amount which, when added to the half, makes a total value of £600, whichever is the greater.

Regardless of the number of minor children, the spouse receives a fixed minimum amount of value, but not necessarily in cash. Wills may be set aside, if necessary, to fully protect the spouse's interest.

Sweden

There has been a tendency in Sweden to avoid dividing a farm when division would make that farm incomplete. What constitutes a complete farm has long been a matter for legal determination.

When there is only enough land to constitute a complete farm, the heirs appear in court to see whether one or more of them want to buy, and are competent to buy, the interests of the others. The oldest son receives no legal concessions. For this reason, parents usually transfer their farm property to the oldest son before they die.

In the lowlands of Sweden the tradition has long existed that the farm should pass from one generation to the next in its entirety. One reason for this is that these regions had been the stronghold of noble estates, the owners of which practiced primogeniture and entail. It is not unlikely that farmers in these regions pass on their farms in their entirety in imitation of the nobles. Another explanation may lie in the fact that copyhold farms of family size used to be quite numerous in these regions. The tenants enjoyed virtual ownership, but were prevented by their landlords from dividing the holdings.

CONCLUSION

Now that we have examined briefly the customs and inheritance laws of other countries, and noted their effects upon farms and farmers, we can proceed to a summary examination of our own prevailing customs and inheritance laws.

In the Midwest and, for that matter, in almost the whole of the United States, an owner has practically unlimited freedom in transferring property. While alive, for example, he can deed the property outright to an heir or heirs; share the land with a co-owner or co-owners; put the property into joint tenancy; or — as in the case of trusts — transfer the property to a person for a certain period on condition that he, in turn, transfer that property to a second designated person at the end of that period.

Farmers in the United States also have unlimited freedom in making gifts to prospective heirs — a prerogative that, exercised at least three years before their death, enables them to furnish their children with money, land, or equipment with no inheritance or estate taxes added to any gift tax paid. Such gifts also enable farmers to reduce their income taxes as well as probate and administrative costs and inheritance taxes on their estates after their death. Both the husband and the wife have gift-tax exemptions amounting to no less than $30,000 and can therefore make gifts jointly of at least $60,000 before they incur gift taxes.[1] Any gift of $3,000 or less by an individual or $6,000 or less by a married couple to any one person over a period of one year has no effect on the lifetime exemption and is not subject to tax. Farmers in most of the United States also have the freedom, either by gift, will, or sale, to transfer the underground resources of their farms to one person and the farmland itself to another.

The wishes of an owner are still respected after death. As long as a testator leaves a valid will, he can be sure that his property will be treated as he has specified — left undivided, divided, or sold. A willmaker, for example, can provide that an heir, fitted by training and interest for the farm, be given the opportunity to buy the home farm from the co-heirs at a price below its appraised value.

[1] These are federal, not state, laws. For more details concerning these laws, see *Inheritance and Gift Taxes on Illinois Farm Property*, by N. G. P. Krausz (Ill. Ext. Cir. 728), Jan., 1956.

Or, if the willmaker feels that the heir would be too heavily burdened by acquiring the farm in this way and, therefore, unable to utilize the farm to advantage for many years, he can write an "option-to-buy" clause into his will. Such a clause enables the heir to purchase all of the farm piece by piece as he becomes financially equipped to do so, and does not oblige him to buy the farm outright, to his financial detriment.[1]

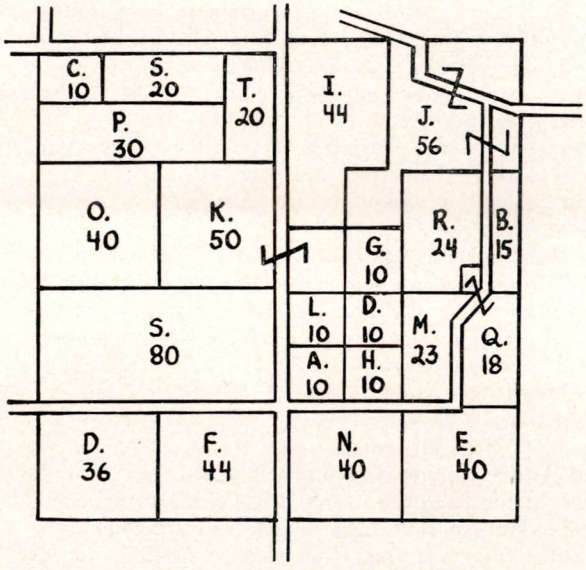
Avoiding division of farmland by such methods and yet managing to satisfy all heirs is of even greater importance when livestock rather than cash-grain farms are involved. Dividing a dairy farm, for example, with its specialized buildings, equipment, and herds can wipe out the achievement of a lifetime in the space it takes to probate a will and administer an estate.

Fortunately for agriculture in the Midwest, owners and heirs of farm property have generally used with good judgment their freedom in transferring farm property. For whether by terms of a will or by the decisions of heirs, the farm tends to be preserved as an undivided unit — either under the management of one of the heirs or that of an unrelated tenant. In midwestern states, as in most other states, the surviving spouse may decide to take dower, whether or not there is a will. Even when farmers fail to specify their wishes in a will and die intestate, leaving the transfer of their property to the laws governing descent, administrators, probate officials, and statutory heirs seek, in the main, to prevent physical division of the farm property.

Thus, division of farms by inheritance appears more often in principle than in fact — on the county record books rather than by fences, so to speak. Nevertheless, there are counterexamples to be found in nearly every farming area of the Midwest. In a single section (640 acres) of a southern Illinois county, for instance, there are nine separate tracts in the west half and thirteen separate tracts in the east half — and this in a county in which farms of at least quarter sections are operated far more profitably (see illustration on next page). Such subdivision is dangerously similar to conditions we have observed in such other countries as France (see page 10).

[1] More details concerning this arrangement can be found in *Farm Transfers Within Families by Revisable-Price Contract, Payments in Crops, and Will With Option to Buy,* by C. L. Stewart (Ill. Ext. Cir. 744), May, 1955. See also North Central Regional Publication 18 (Illinois Circular 680), "Family Farm-Transfer Arrangements" (1951).

All in all, then, owners of property in the United States enjoy a freedom in gift- and will-making, not to mention that of sale, that is not excelled by any other country in the world. In the past they and their heirs, with a few exceptions, have used excellent judgment in preserving the farm undivided. The only problem now is whether present owners and heirs will continue to exercise that kind of judgment and strive to keep their farms intact.



The above illustration shows that division of farms into small tracts takes place in our own Middle West. The above section of 640 acres in a southern Illinois county is divided into 22 separate tracts.

GLOSSARY

Ascendant. A person to whom one is related in the ascending line — one's parents, grandparents, and great grandparents.

Co-heir. One of several to whom property, real or personal, descends; does not necessarily imply equal sharing of property.

Collateral relatives. Those descended from the same common ancestor but not from one another; those in a line oblique or collateral to the direct line, such as cousins, aunts, uncles, brothers, sisters, nephews, and nieces.

Compulsory portion. The minimum amount of property that must be transferred to an heir whether by will or by law.

Copyhold. A specific type of ownership right in land resting upon particular local customs growing out of feudalism. Historically it was a grant made subject to the will of a manorial baron.

Descendant. A person to whom one is related in the descending line — one's children, grandchildren, great grandchildren, etc.

Descent. Succession to the ownership of an estate by inheritance or by any act of law as distinguished from "purchase."

Dower. The widow or widower's life interest in a certain portion of the real property of the deceased.

Entail. To settle, as lands, inalienably on a person and his descendants.

Inheritance. Property which one has by descent, as heir to another, or which he may transmit to another, as his heir.

Intestate. A person who dies without leaving a will; or property the disposition of which is not governed by a will.

Lawfully acknowledged child. Born out of wedlock, but parentage acknowledged in court.

Legitimate child. Born in wedlock.

Legitimated child. Born out of wedlock, but made legitimate by the subsequent marriage of the parents and the lawful acknowledgment of the child.

Primogeniture. An exclusive right of inheritance belonging to the firstborn.

Probate court. The court that establishes the validity of "the last will and testament" and sees that the wishes of the testator in regard to property are carried out. When there is no will left by an owner of property, the court sees that the property is transferred according to the laws of descent.

Property, real and personal. The chief distinction between real and personal property is that real property is relatively immovable. The land and the improvements permanently attached to it are regarded as real property.

Spouse. Wife or husband.

Succession. The transfer of property according to the laws governing the descent of property.

Testament. The act by which anyone, in conformity with the law, provides for the disposal, in whole or in part, of his property after his death.

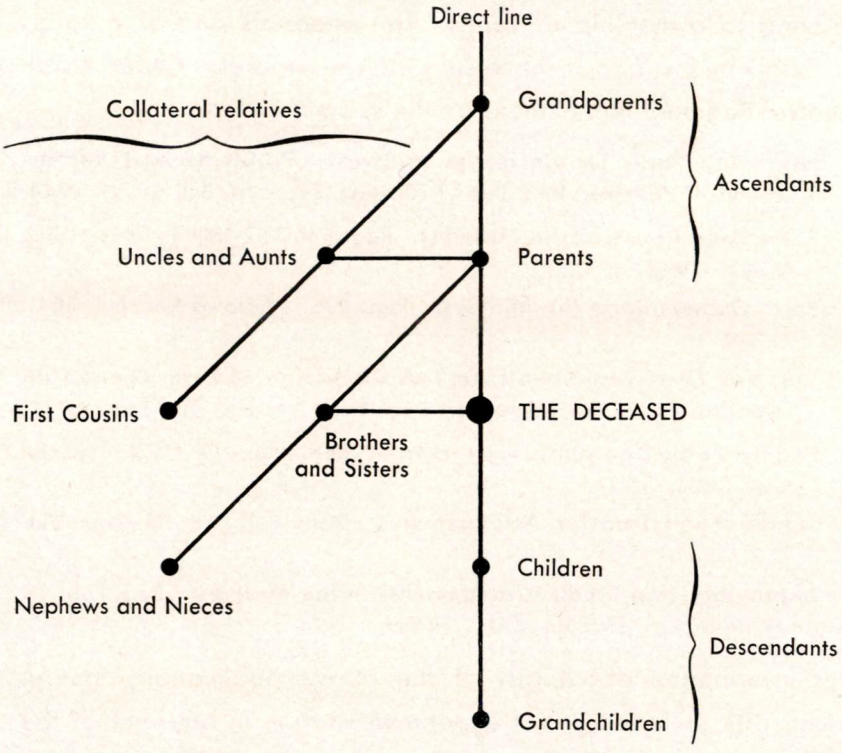
Testate. A person who dies with a will; or property the disposition of which is governed by a will.

Testator. One who leaves a will or testament in force at his death.

Usufruct. The right to draw profit, utility, and advantage from property without holding title to that property.

Will. See *Testament.*

Relationship of heirs to the deceased.



For several years the agricultural experiment stations of the North Central Region have cooperated in studying problems relating to ownership of farms. This report is one of a series of publications about the results of the studies. Other North Central Regional Publications on the subject include:

Improving Farm Tenure in the Midwest: Problems and Recommended Policies. Reg. Pub. 2 (Ill. Agr. Exp. Sta. Bul. 502). 1944.

Farm Land Prices in the Midwest. Reg. Pub. 11 (Mich. Special Bul. 349). 1948.

Farm Ownership in the Midwest. Reg. Pub. 13 (Iowa Res. Bul. 361). 1949.

Can You Own Your Own Farm? A Discussion of Farm Ownership Conditions in the Midwest. Reg. Pub. 14 (Ky. Cir. 65). 1949.

Family Farm-Operating Agreements. Reg. Pub. 17 (Mich. Special Bul. 368). 1951.

Family Farm-Transfer Arrangements. Reg. Pub. 18 (Ill. Agr. Ext. Cir. 680). 1951.

Improving Land Credit Arrangements in the Midwest. Reg. Pub. 19 (Purdue Agr. Sta. Bul. 551). 1950.

For information about any of the above publications, get in touch with the agricultural experiment station in any one of the states in the region. Copies of some are still available.

9M—12-56—61006

JOHN A. MOLLETT, Ph.D.
California (Berkeley) 1957

Britain's agricultural dilemma: a study of farm policies and programs, 1920-1957

1. Imperialism
2. Laissez faire
3. Land tenure

~~Ask Elaine riding.~~
~~Ec. hist. best thing to specialize in?~~
~~Very good, surely.~~

Gerschenkron, Bread & Democracy in Gy

Hitler said his revolution only possible because some lived on land.

Unemployed ind. labor, & peasants, core armies of anti-democracy, the leaders come from middle. N & NW peasants strongly supported Nazis.

3, 2 Late 70s, Gm grain underbid. far reaching results. Protection & feudalism.

3 Early 19th abolition of serfdom & power of Junkers, they got former land of peasants. In W., peasants improved by it.

3 c.c. 1875, Junkers come to dominate civil service as well as army.

Dominated legislatures of 1871 Gm. const.

Grain was Junker specialty, other Gm agric. not benefited much by grain protection. Other farmers were animal growers, grain consumers!

3 1890, anti-soc. law expired, party waxed strong, small owners feared. Social Democrats Marxian, predicted large farms, planned socializing.

2 ? Gm. protected industries dumped abroad. (why? Monop. org. other than tariff?)

Gm. labor for free trade, to keep urban prices low. Eng Labor Party same. Another rift between peasant & city.

3 1870s, Am. grain, Eur. ag. crisis. Eng & others adjusted to lower costs. (i.e. rents) Eng. adjusted to non grain production: quality meat, poultry, eggs, dairy. Good. Country was too depopulated to have votes to get protection.

(I suppose, as vs. Eng & Denmark, can say that Eng. developed in the line for which her institutions, as well as her resources, were best adapted, which was industry. Denmark developed better agric. institutions, developed that way.)

Denmark, with its ag. coops, kept agric. up good. Coops took over processing & mkting, for which opt. size farm was below opt size. Greatly increased ag efficiency with this, & education. Eng & Gy good mkts. No protection, Danish agric. had to import feedstuff raw materials. Benefited because Gy refused to import grains.

Switzerland, 1891, protected pastoral industry, having lost grain industry gladly enough, but traditional farmers etc couldn't quit.

2 1865-1879, Gm free trade in grains, Junkers being exporters. They were free traders then, against industrial protection. 1873 achieved abolition of duties on iron, last success of free trade policy in Gy.

This was why they couldn't take Austria into Greater Gy, Austria had weak, heavily protected industries, low tariff Gm policies would have ruined them.

2 1873 depression, great changes. Gm industry demanded protection more strongly. Ironworks & spinning mills dominated. Junkers joined them for protectionist bloc, 1879 got it.

2 (you might say those segments of each nation, & those nations of world, benefiting from free trade, went for it. & those

Gerschenkron, 2

places in the van of progress, or otherwise lowering costs, wanted it. US slower in tending to protection than others because lower cost. Benefits being calculated in terms of welfare of existing producers, & national strenght mainly. Tho in U.S. political system gave strength to new areas, another reason for less protection.)

Existence of Junkers as a class depended on maintenance of grain production. Average knightly holding of 400-500 acres became too small to support lordly existence with lower grain prices.

Such a compromise between feudal & industrial interests as "solidarity bloc" had predecessors: Eng, after 1689, & 1816-1846; France, after 1815 for a while -- tho here it was with small farmers more, esp. when it reappeared in 1887.

Protecting iron & grain made it nec. to protect others, for whom they were raw materials, after a bit.

MFN system.

Gy was benefiting from most-favored nation agreements she had made, in protectionist sense. For she had high tariffs on all, got most favored nation treatment from others. 1890s, agreements expriring, retaliation expected. Fatal weakness of MFN system

1890s, liberal victory, Bismarck out, Caprivi in, ag tariffs dropped, Junkers isolated politically. But industry interests, tho low food prices seemed for them, feared labor & socialism, wanted to keep Junkers around to help them, were ready to allie again. (so much like U.S.)

Liberals discredited by their abandonment of militarism, conservatives got growing again, protectionism & militarism combined.

Junkers successful in making s. Gm peasants believe protection was for their best interests. Remarkable that they could adapt so successfully to democracy. (We have in this country property interests fooling people, same way, toward sales tax etc. One must be on lookout for members of the classes trying to influence one.)

To counterbalance political power of organized labor, agric. had to be kept voting right. (impossible in Eng?)

Seeking to become an internationally independent ec. unit, not within Gy, but by expanding power. 1900, in pursuit of autarky, compromise, agrarians voted for navy bill on promise of ag protection. Industry wanted Navy Bill.

See Exch Control in Cent Eur, p. 190, on international autarky search.

1900, under Bulow, revival of agrarians, protection. Social Democrats outstripping their socialist past, favoring democratization of Gy. Couldn't do it vs. Junkers, & Junkers, by allying with smallholders, prevented it.

Protectionism in Eng, by Joseph Chamberlain, was connected with imperialism, lost. Bulow won.

Est. system of "import certificates", 1901, by which exporters got certificates they could sell to importers with which to pay import duties. (exactly the plan Leigh outlined to us last year as hypothetical.) Not clear if it just offset export tax.

Rye esp. favored by new protection, production swelled. But tastes were shifting to wheat, as people got richer & could pay for it. Other countries had shifted away from rye much sooner.

German protection vs. Russian rye etc had been instrumental in antagonizing Russia. Gave Gms false feeling of autarky. etc, was very instrumental in causing w.w.l.

Gerschenkron, 3

(Here is a connection of private prop. & imperialism. Insofar as protection was caused by selfish private prop. interests, it caused war. But look how much less foreign trade Russia has now, without selfish private interests. & consider how vested bureaucratic interests may be as bad as property interests.)

Postwar 1, s. Gm princes out, representation revised, more representative. Labor got in power right off. Should have kicked Junkers from army, civil service, & land, & courts. Nothing was done, tho everywhere east, land reform was in air. No demand for it in Gy. There were few peasants wanting it, their interests as owners were greater than as wanters. E. Elbians had used Polish labor much, it was out of new Gy. Further, in many countries landowners had been foreign, this hurried expropriation: Germans from Baltic states, Poles from Lithuania, Hungarians from Rumania & Yugoslavia, Austrans from Bohemia.

German labor didn't care so much about it either. They believed in large scale production. It had lost its revolutionary impetus thru war cooperation. & they feared Bolshevist revolts now. Most important, he thinks, was general hunger & famine, need to increase ag. production as fast as possible. Further, wartime price controls resented by Junker & peasant alike, community of interest.

(One reason Gy so strong, I suspect, is that labor was so weak; its slowness to reach democracy was one reason for its rapid accumulation of capital. Like Patrician Holland. Unilateral, not bilateral, monopoly. Domination by big landowners meant military strength; by capitalists, productive strenght. -- at least relative to what labor pol. power would have brought)

Blockade continued until July, 1919. Russian grains no longer on world mkt. Gm. r.r. stock taken away. Allies gave wheat first to other countries. Gm. situation tight. Took much Gm. merchant marine away.

Necessary to guarantee estate owners vs. expropriation right away, to get production.

Junkers retained dominance in local self-governing bodies.

Land settlement had been tried in East, to stop Polonization. & supply labor to Junkers. These aims not reconcilable, former required giving them substantial farms.

1908, Bulow got thru Prussian Diet bill to confiscate 70,000 hectares of land in Polish hands, Prussians stopped it, as dangerous precedent.

Junkers & Polish peasants both opposed prewar settlement policy. 1886-1917, 560,000 hectares settled by govt & private corps, but 2/3 of this lost to Poland postwar, no, 3/4, in Posen & W. Prussia. In Pomerania, with highest % of big holdings, no inroads at all.

Passed a "Settlement Act" postwar, designed to put small owners around. Gradual reform meant, in effect, no defeat of the dominant class, it revived. Act only meant to take some land, give peasants a little bit, they would have to work for Junkers besides.

Postwar, Junkers tried to raise prices at which govt bought grain, to distribute it to city people. In this struggle, again, they emerged as spokesmen for agric., got other farmers with them.

Until 1923, inflation served as protection, despite

Gerschenkron, 4

abolition of tariffs by Versailles for Gy. & liberated it from debt, which had been 40% average annual harvest.

1923-5, most unprotected years since 1879, things were rough for grain producers. Industry protected & cartelized.

1925, swing to right in elections. Junkers back in some power.

1924, 107 academic economists signed petition for free trade. But weren't all-out. And Social Democrats, representing labor, didn't want to antagonize peasants more than already had by price control, went easy.

1928, Social Democrats win again. But prisoners of Junkers.

Land settlement policy carried on pretty much in 20s, but no great results, Junkers prepared to stop it if their power threatened.

State grain monop., a la Swiss, proposed.

1925, reintroduction of tariffs, & import certificates.

1930, world rye prices fell greatly, German didn't. (so we have "Graham Plan" essence here, maintaining demand & p.p. etc, what good does it do?)

Extension of U.S. production w. of 100th in 20s increased world grain supply 1/8, lowered p still more.

German tariffs got so high that Gy stopped importing wheat, & increased her own production greatly, much at expense of rye & oats.

Peasants, p.o.ed with Junkers, turned to Hitler. Industry financed, Junkers gave influence, thinking they could tame him.

Under Hitler, Junkers driven from political power, but their ec. interests well tended to: protection, cheap labor.

Good as this book is, its author is slanted, he is proving a case, & he has many silly ideas, & his organization is poor.

Clapham, Ec. Dev. of GB - is there such a title? nimL. Check l.c.

Speenhamland put on all prop. owners burden of some of wages of those who just worked for big owners. I.e., penalized small self-operated places.

1834 offici lly terminated system, but it persisted, only grad ually died out.

Parishes were liable to take care of those who lived in them, so they avoided this by keeping them moving. "Close" parishes, owned by one or few, often kept them out altogether, save they could walk in to work. "Open" parishes let them live in. -- thus perhaps subsidizing the others, but perhaps also just adapting to that particular type, like Stockton, & exploiting them by high rents.

Eng. trade went thru Gm states. These excellent smuggling bases for getting into strongly protectionist Russia, Austrian empire. & Gy itself good mkt. France also protectionist.

Main Eng. imports were raw cotton, wool, timber. Prussians wanted to s end corn. Zollverein, Brit watched with trepidation.

Non-Eur lands ge nerally not protectionist, Eng trade oriented ~~their~~ there. Asia, Africa, Australia, N & S Am. 1834, E. India co. lost mnp., & trade increased thereafter, with China -- they lost China mnp, which was their last one.

1843, repealed prohibitions on exports of secret machines, law having been just nuisance for some time, as all good ideas leaked out anyway, it just kept them from exporting machines. p. 486, good e.g.

U.S. took much Eng woolens; not raw cotton cloth, but dyed cottons.

Brit commercial diplomacy muchly concerned to keep Gm routes open. (thus Gy delayed in uniting, as well as being gobbled up by France, Austria, Prussia, or Eng., by fact of all those jealous powers around watching each other.

Cotton goods by far largest export, almost ½ total. So policy was Manchester, or cotton policy. (no wonder "Manchester school" was for free trade, they were exp ort interest, & besides, used imported raw materials)

Trained men left Eng in droves, early 19th, to set up factories on continent, & elsewhere. Law vs it for a while, unenforceable. (who would pass such a law? Landowners, obviously. Capital & labor wish to be free to emigrate, raising wages & int. in Eng)

Some free traders argued Brit. tariffs forced her to have export surplus, thus exporting capital (bs). Anyway, she did evidently export capital, or was thought to, as well as labor.

'48 slowed flow of cap. to east.

Navigation laws hung on for years. Colonies had to use Brit. ships alone. No foreign vessels could bring goods to London. With free trade, this ended some imperial preference for colonies, so they agitated to remove navig. mnp.

Clapham, GB, 2

Bank Charter Act, 1844, put into effect Bullion Rept 1810, Ricardo's recommendations, to determine internal P level by gold flows. -- well, that had been in effect for some time. Process not automatic, for BE had only own self control to keep from expanding note issue (also knew that if it did, more gold export, calls on its gold reserve, so had to later, why not sooner) Country banks also learned to watch exchanges, contract when gold was flowing out -- knowing -dP in offing.

Before 1844, changes in BE disc. rate not considered method of contracting loans; but just rationing I judge. 1844 allowed BE to raise dr above usury law limit of 5%, occasionally.

Broke BE's mnp of jt stock bkg in London. Were private banks there, all kinds of bill brokers etc. & soon some jt stock bnks grew up, hecked by BE every turn at first. Public, too, still suspicious of jt stock banks -- despite unlimited liability feature.

U.S., 1835, Nat Debt paid off, Jackson was distributing surplus federal funds among states. This added to infl. effect of having destroyed U.S. Bank.

Hayes, Carlton J H. A Generation of Materialism 1871-1900.

in Langer, Wm. (ed), The Rise of Modern Eur. NY: Harper & Bros '41.

p. 199-209. 1880s, Price revolution revives Conservatism, Eur., led by large agrarians. Protectionist, vs Liberals, devoted to traditions of church, army, nobility. Nationalism.

Aided by "Nat. Historical School" of pol. econ: J. Schmoller, Bruno Hildebrand, Lujo Brentano, Adolf Wagner, Georg Hanssen, Karl Knies, Georg Knapp.

In Eng., Archdeacon Cunningham, Arnold Toynbee, Wm J. Ashley.

NB - How different is Eur "agrarianism" from Parrington's populist stereotype.

One ~~weak~~ inconsistency - he has agrarians preaching protection, but industry getting prime consideration p 207

Sombart & Max Weber said protection helped Eng.

AUTHOR (SURNAME FIRST) ▼

Moraze, Charles 1913 -

TITLE ▼

Les bourgeois Conquérants XIX siècle.
Collection Destins du Monde

SERIES ▼

Coll. (Destins du monde)

REQUESTED BY:	TO BE PLACED IN	EDITION	VOLS.	COPIES	LIST PRICE
Mason Gaffney				1	4.500 fr.
RECOMMENDED BY:					
J. W. McKinsey	Agri. LIBRARY				

SPECIAL INSTRUCTIONS

DO NOT TRACE SERIES

WBL

PUBLISHER: A. Colin

PLACE OF PUBLICATION: Paris

PUB. DATE: 1957

DISPOSITION OF REQUEST

order has been placed

ITEM NO. 8161

L C CARD: A58-3829

DATE ORDERED: 7/8/60

OF: 12

ESTIMATED COST: 4.25

ACCOUNT: Ag Econ

( ) N T ( ) ADV
( ) N ED ( ) ADC
( ) NTB

FOR: 20

ORDER NUMBER: 0067

( ) FOR SERIALS

SEARCHED: 12-16

DATE RECEIVED: 1/11/61

COST

ACC. NO.

CALL NUMBER AND LOCATION OF COPIES

(X) PUBLIC CAT. CL
( ) SHELF LIST
(X) SERIALS CAT. 10-14-58

( ) PTLA
(X) C B I
( ) L C CUM Ag Ec
( ) P W
(X) U L S 12-1944
(X) N S T
( ) OTHER:

Bibliog. p. 52
OBuc/p

FORM 16

+ Baudhuin, Fernand.
330.9493 B324hi

Histoire Ec. de la Belgique
1945-56.

Excellent

Brief notes from Max Hirsch & Fraham, Am Econ.

Sydney Webb, "labor in the longest reign", says that real wages are higher in c. 1900 than 1837. Money wages higher, and prices lower. Sir Robert Giffen's conclusion that they were 50-100% higher in most trades, and prices were lower, he doesn't say how much.

Hirsch says that ~~8%~~ from 1825-61 "a great load of taxation was removed" from English labor.

Reports of the commissioners of inland revenue of U.K., source of economic rent info.

Principles of Ec, Vol. II, NY, 1912

Taussig: 17th cent. Switzerland, i.r. fell so low that cantons passed laws forbidding loans below 4%. What ideas did they have? What was effect?

18th century rates fell to 3-6%, 19th and early 20th rose higher, now are falling again.

False assumption of classics: that land will be used in decreasing returns for productive purposes. Speculation prevents this.

c. 1750 rotation of crops was discovered, to offset exhaustion caused by grain farming.

Predatory cultivation, as long as there is more land, is the most profitable. Often suitcase farmers would sell their somewhat worn down land toa German or Scandinavian and move west---hence the situation in midwest.

p. 67 More wheat per acre is obtained in Europe than u.s., but more per labor and capital in u.s. In n.central U.S., owner and family and one hired laborer usually care for 160 acres; in England that area would require a staff.

In old countries there is a tendency to bring all land to something like the same state. Original differences in fertility count for less.

Most agricultural improvements in the land exhaust their effects in a few years, must be constantly renewed.

Am. Journal Ec. & Soc.

1920-39, South Wales, striking example of low wages and unemployment closely proximate to area of better conditions, without movement. Why? Unions? After general strike of 1921 many collieries failed to reopen, and laborers did not emigrate despite government attempts with small subsidies to move them. They tried to move industries near to old collieries in S. Wales; the people there had "literally forgotten how to work"! They subsisted on govt unemployment allowances. The Welsh, being strong unionists, and for other reasons, were not welcome in England. S.Wales stagnated while rest of England made a "fair recovery". See Ginzberg, "Grass on the Slag Heaps".

Dun and Bradstreet's Report on "Trend of Tax Delinquency" shows 1933 worst year, with average of 26% delinquency. Since '35, over 100% payments usually. F 29

c. 4m farm wage workers. 1910-30, real wages at average 265$ at 1914 prices. In depression, level dropped to 200$. 1937, $300; 1942, $400.

1938 AAA does not pay farmers to keep land idle, but to plant "soil restoring crops". It is still in effect. It also has quotas. Each individual grower gets a quota (how determined?) and then is fined if he exceeds it!

Fed Fair Labor Standards Act, 1938, fixed hourly wages on higher basis than the lowest paid workers had enjoyed at that time.

The rise in prices which is attributed to a rise in wages may not be due to increased purchasing power of labor, but rather to decreased production.

Inflation allows employment because such laws as the Fair Labor Standards Act are expressed in money terms. So are many other institutional factor holdout devices. Inflation allows factors to accept lower real rewards, under these devices.

Fed FLS Act said min. wage 25¢/hr., becoming 30¢ in 1939, 40 in '45.

Act applies only to manuf and others; not to agriculture and retailing, e.g., and therefore lowers wages in them lower than otherwise would be.

In inflation we usually find govt trying to hold down factor prices, and to a degree succeeding, increasing production.

One characteristic of recent depressions is that govt tries to prevent inflation when inflation goes beyond what is politically acceptable, thus restricts credit, etc.

From the 1920 boom to 1943, nearly 1/3 the farms in u.s. went thru forced sale, usually because someone paid too much for his farm.

Index of farm land values: 1914, 103; '20, 170; '33, 73; '37, 85; '42, '85; '43, 102.

Volume of voluntary sales of farm land highest in boom upwards: 1919-20, 1943-4.

In 1937, says E Ronald Walker in "From Economic Theory to Policy", there were "as many as 5,000" economists working for Fed govt.

Food blockade of Gy continued 5 months after armistic in war 1.

Probably the reason govts always resort to inflation to finance war is partly that if they didn't they couldn't get the necessary production. Consider the English experience in 1811, etc. Also of course taxation is unpopular, but that is really part of it. If they slapped on taxes instead of printing money, no one would produce.

When inflation is anticipated people invest in material things to prevent it. If it is land, production is discouraged. Usually production is encouraged by anticipated inflation.

Having treasury bonds in which to invest means that private borrowers have fewer funds they can get, and must pay more. And when govt lends the money it means private lenders are also cut out. The two cancel somewhat, so that just the money lenders, and those without political influence, suffer. And the taxpayers.

Widespread pessimism and lack of confidence in future of land values prevailed a few years ago. Belief that govt cannot let prices decline because that would make national debt such a burden.

In Dakotas and Nebraska farm land values rose much less than elsewhere in war. Why? Far from speculators? Will this mean agricultural depression in those states won't be so bad? Volume of sales increases in periods of prosperity, and inflation rather, and the trend of the sales is to operators from "investors", etc. In 1944, 50% sales were for cash, and where mortgages are used, 2/5 went in cash. down payment. Junior mortgages becoming more common. Individuals and in some areas commercial banks important now more than previously as sources of mortgage credit.

Above and below from "Current developments in the farm real estate situation", Bureau of Agric Econ, USDA, March '44.

Volume of reselling for profit is at "significant level" in Pacific and North Central regions, less elsewhere. Speculative and inflation-hedge motives, both among farmers and others. Profits expected to come at later periods.

1066-1216, all revenue from land in England. -1366, 19/20; -1466, 9/10; -1536, to reign of Mary, 3/4; - 1660, ½; -1711, ¼; -1780, 1/6; 1793-1816, period of the Land Tax, 1/9; -1845, 1/25.

Enclosres after 1865 were greatly motivated by coal, after Watt showed value of steam engine.

Malinowski, investigator of primitive economics.

Primitive economies have no cycles, they only break down due to drought or migration of game, etc, i.e. when land becomes unavailable. Land usually owned communally by the group among simplest peoples; individual or family ownership among more advanced groups;--but evidently no renting nor speculation? Individual ownership of clothing, ornaments, tools, and incorporeal objects such as rights to songs, magic formulae.

Am Journal ec and soc, cont

Food always partly common, in case of needs.

Money often used, and large formal markets, even professional traders. But still no cycles nor unemployment.

"Profit motive" sometimes well developed. No clear ideas about rent, wages, and interest.

Among primitives no such preventives to production are found as "make work rules of the feather-bedding type", resistance to capital improvements, quotas, monopoly agreements, etc. Tabus against doing certain types of work, at certain periods are only common preventives. Where nature is more hospitable, so starvation is not imminent, tabus more frequent.

Among herders, prestige value often causes production in less ~~or~~ economically feasible directions. Arabs waste much effort to keep horses, for their prestige, rather than the more useful camel. But this is not a restriction of production, merely a misdirection of it.

Among herders, tabus may prevent new technology.

Primitive agriculturalists seem to have few taboos, "enough land for everyone", no great problems, energy devoted to production.

The Bemba of n.e. Rhodesia underfeed themselves, purposely avoid producing enough food, work only 4 hours a day and then take it easy, because of a system of tribute to priests etc which is based on ability to pay. Even when it has become customary not to take much tribute the patterns ingrained in the period when it was not safe to have a surplus remain.

Great variation of pattern. Trobriand Islanders, Melanesian, work under direction of magicians.

Never do we find primitives holding back from production for fear that more will be produced than can be utilized---altho, actually, more is in one case, the Trobriand islanders who produce more yams than they can eat in a year for prestige, and they will not keep.

Among all hunting cultures a belief exists that animals are the gift of supernatural powers who wish them to have what they need but no more, that if they take more than they need the game will disappear. This amounts to a tacit taboo on overhunting.

Samoa has very strong cano and house building guilds, which often go on strike, more because of supposed insult than for higher compensation evidently, tho he does not make it clear. This is atypical of primitive peoples.

The "Beveridge Plan" is an insurance tax largely on the wage earner. Beveridge remarked that want could habe been abolished by a redistribution of wealth among the laboring class alone, without toughing the rich, and that is evidently what he intended to do.

Money theory (only m.r. in this clip)

If m.r. is low, people will tend to hang onto their money rather than lend it, reducing v, and p. On other hand, this low m.r. will tend to cause people to borrow from banks, being a low price for the "cost of money". A low price makes people want to buy, not to sell. It is a question of empricical fact whether at any time a lower m.r. means more or less money.

With rising i.r. people dispose of their cash--rising m.r. I mean. They try to dispose of it. This raises V. Low m.r. then encourages money creation, discourages its use.

In 30s, lower i.r. was associated with lower prices, indicating the velocity effect to be more important.

Since people customarily obtain their cash balances by getting them as income, rather than borrowing from banks, lower i.r. will be more effective in reducing v than increasing M, says Warburton.

Rising prices tend to increase m.r. because of induced capital expansion and demands for loans.

The increased production called forth by inflation at first may be

regarded as an additional outpouring of loans, real loans, tomeet the demand. The loans came because more security was offered, i.e. the money claims instead of what was offered before. Hence no rise in prices; simply an increase of lending. But the claims will continue to circulate after the ~~lend~~ production that was the original lending was done, The continued circulation will continue the slightly higher price level that called forth the first additional lending, and keep production at that level (other things equal), so prices won't change afterwards either. If we regard prices as constant, changes in money mean changes in production. More real lending is done all the time by the marginal factors called into production by the new money, just enough new lending to cover the new money. Cash balances, the "unspent margin", is now greater, and the products it represents are greater. New money, then , can make factors lend where they wouldn't before, and therefore produce. It is in this manner that it stimulates production. And the reason it makes them lend more is by higher nominal prices. Anything that makes people produce more, in exchange, makes them lend more? No. Only lending. That is one of many ways of reducing holdout prices.

Suppose a large central bank stands ready to make any loan at 4%, then no one in the country can get over 4%. If real i.r. is over 4%, people will borrow and construct capital until i.r. falls to 4%. Those who accept money will be forced to save for them until this has been completed. See Thomas Joplin, view on the currency, 1828, London.

Increasing money lowers m.r. and, by inflationary effects, increases i.r., especially in money terms. Hence encourages lending and borrowing, and production, and more inflation. The lower m.r. caused by increasing money is rapidly dispelled by increased demand for money caused by inflation.

When someone gets something for nothing by selling land for a profit, who gets nothing for something? When products are so sold?

2 approaches to the "secondary effects of government expenditure in causing employment". One group considers M and V; the other considers investment. Actually they are talking about the same thing in different terms.

European pop. increased to 1876, declined in rate of increase thereafter.

TNEC condluded that modern inventions were of a capital saving type, i.e. they didn't use so much surpluses. If so, this would explain low i.r. I.r. can be low because inventions reduce mp of surpluses, while not of other factors. Inventions may quite freakishly do these things. It is possible that accidentally the nature of inventions was recently such as to make lower i.r. because of lower mp of surpluses, thereby lowered m.r. and reduced m.

It is disputed that stationary pop saves more than growing, for old must dissave what they saved when young. so?

Boom of the 20s occurred despite shutting off of Russia and China from foreign expansion. Disproving expansion theory.

Freeman

A particularly differentiated group may not have the same economic opportunities as others. Or it may be actually less productive. Probably both.

Self-assessment method, and you must sell at the price you self assess if someone takes you up on it. Method begun in China.

Tariffs have an extra pernicious effect by ruining the merchant marine. The country with no trade is not likely to have much of a shipping business. Also it won't build ships, probably. Ship building materials may be more expensive, too.

1920s, r.r.s made an absolute gain that was a relative decline, their first. And then troubles. 1926 the top year of all time, in revenues: 6.3m$(?B) Rails did not recover in 30s as did industry in general.

Why socialism will stagnate

Partly this was due to their increased rates which had become institutionalized in corruption and waste, and which could not be done away with. Organizational difficulties. That is my interpretation. Also growth of auto and truck, of pipelines, infland waterways?, and relocation of plants requiring less xport. 1921, long series of rate increases culminated, at 1.275¢/tonmile. 70% above 1900 average. This caused the relocation of industry in part.

Trucking employs 4m men, r.r.s 1m. And truckers aren't unionized somuch, are they? Marginal opportunity. r.r. union of course is a factor in keeping high rates. 1940, revenue from trucking 3b$, from r.r.s 4b$.

By 1939, 2/5 r.r. mileage in bankruptcy or receivership.

Motor Carrier Act of 1935 passed, and Transportation Act of 1940. Interstate truck, bus and waterway traffic put under ICC. Rate schedules for busses and trucks must be adhered to---so that is why they give monopolies to bus lines! New interestate trucking concerns cannot be formed without a certificate of necessity from ICC. Stringent safety and labor restrictions put on trucks. Low land grant rates on govt traffic carried by r.r.s are eliminated. (didn't we get thatrate in the army?)

1926-40, r.r.s gross capital expenditures were 6b$, or 7. r.r. equipment life usually 20-25 years. Expenditure evidently averages around ½b$/yr in period covered. Say 25 years is time equipment lasts, then 12½x½ is current value of investment, cost value, or 6¼b$. Author fails to divide by 2, I think he errs. Anyway, r.r.s value their equipment on the books at 26b$, the residue evidently being land values and monopoly values. Chairman Eastman of ICC says rates are set by "comparison, competition, and compromise".

Certainly this legislation is for security holders, and Young cannot say nothing has been done for them.

Author suggests roadbeds be maintained by govt, and traffic regulated by govt, like highways at present, collecting a fee on "wheelage" basis as is now done by private companies from other companies who use their roads.

Lawson Purdy drafted and secured an amendment to the "New York Charter" for separate statement of land value in assessments, and publication of land value maps, first publication of this kind anywhere. So? Available?

Hammurabi fixed prices, laws engraved on stone show. Stones remain.

Speculation in English bombed land occurred, but in general spec was more moderate during the war.

Many "institutions" moving out of London in blitz leased for 15/20 years, showing intent to remain out permanently. Increased land valu s, 15-20%.

Anatomy of American Wealth said to distinguish land from capital, never confuse the two. Good source.

"Bottlenecks of business"exposes many privileges.

"Holidays in the Middle Ages" tells much of labor in those days. 5 day week used for a time, rich resented it.

After Black Death in 1349, max wage laws were passed. Result: idle land, until landowners bid higher for labor, broke thru the law.

In the tax bill of 1941, Americans for the first time pay higher taxes than English, says Newsweek. So? It is concealed because English taxes are more direct, ours more indirect.

Small companies can maneuver better in the fickle market than large. But when State replaces private consumers, large companies can prosper, monopoly prospers, production is hindered.

In Venezuela society is so stratified that no one would think of doing work not becoming to his social position. This would make for unemployment in many instances.

Of course the main source of unemployment is that the land is not used intensively. Tremendous estates, absentee owners, penalizing those peasant who improve doubtless, etc. ØI

When money is concentrated in a few hands it is spent more for luxuries instead of capital formation, this keeps down mps.

"Residential Real Estate", by David L. Wickens, said to give voluminous statistics, maybe some good ones.

Stone money on Island of Yap, too big to move around, but ownership of it was transferred. In one case a stone fell into the sea, but no one cared, it was still good as medium of exchange.

Our reorganization laws are such, say Lurio and Farkas, that when bankruptcy comes to corp, insiders keep the privileges, public security holders take losses. So?

The Diamond monopoly has sole prospecting rights in almost the whole of s. Africa. Thus is production stopped.

During Napoleon's occupation of Holland, Britain siezed Java. (I recal it siezed Buenos Aires too, and there also had good influence) 1811-16, Raffles was military governor of Java. Introduced lvt, taking 2/5 rice crop as tax, leaving gardens and trees free, abolishing taxes on production. Is it the remnants of these thi gs that Van den doerpel described to me ? Quickly the native birthrate rose, they returned from mountain hideouts. Self assessment, willing cooperation. Then the Dutch returned, praised Raffles new system. But shortly it was destroyed, Dutch aiming for monopoly. Raffles then got British to acquire Singapore as a free port. He established lvt there, and no taxes on production. A great part of the soil is still "held at a rental", but not a high one evidently, and most revenue is from taxes on production. Raffles instructed they should "secure to each person the undisputed possession of the spot he was to occupy". Assessment administration has been somewhat delinquent. Singapore has risen from nothing to 7th among the world's ports. Write to F.T Hodgkiss, author, for sources. Evidently he lives inAustralia. Try % Henry George School. Might be a good contact in Australia.

1913, land of Japan valu d at 40b Yen, capital at 70b. Exceptionally high ratio of land value says Fred Karn, he says it is because opportunities for capital are limited, land is a subject of investment.

Farm land values, u.s.: 1920, 55b; 1930, 35b; 1935, 20b. So? Despite this, improved acreage increased from 500m acres in 1920 to 1b in 1935. 1935, 31m people lived on farms, 7m farms, 150 acres average(cf 2½acre average in Japan), 10m people actually "engaged in farming". 37% of land area operated by whites was owned by operators; ½ the farms are so owned, showing the larger farms are tenanted.

1935, 2.3m farms mortgaged for 7.6b$. $3,200/farm.mortgaged.

1939, cash income of farmers 8.5b$, 10% was govt payments. c.800$/farmer-year cash income. This includes rent and interest evidently, but not non-cash income, nor does it take account of lower prices, etc. Average manufacturing wage was 1,300.

For thousands of years before Europeans, Indian land was owned by community. Income from land used to provide free education.

The "Empire", presumably British in India "claims to own" 80 m acres idle land suitable for cultivation.

Malayan rubber production outstripped Brazilian because laborin Brazil has better opportunities, i.e. the Indians of the Amazon go back into the jungles when not getting good wages, the Malayans starve. Also other natural obstacles in Brazil. Hint that tremendous amounts of latex trees are standing idle in Brazil.

The density of labor on farm land in Germany varies inversely with size of holding. Average holding is 12½ acres. Obviously this calls for an entirely different kind of agriculture from what we know. Germany has plenty of farm land, if shewould use it intensively.24% area is in holdings over 250 acres, 56% over 50 acres. Junkers oppose opening up

land for it would raise wages.

Rent control meant that owners were commanded to reduce rents to deppession levels, in beginning of war. So? All agreements and contracts in force had to be suspended, says this author.

Peach suggests no one would have to borrow in lvt economy because all would be so well off. This begs the question--for there might still be implicit interest. But he is right that much borrowing occurs because of want caused by poverty. He anticipates negative interest.

In 1894 we passed a reduction in the tariff, the Wilson tariff, replacing McKinley tariff of 1890. This was just after a depression. So Smoot Hawley is not necessarily typical in timing. In fact in 1913 a crisis was, no?, and Underwood tariff came.

Average ad valorem rates	Date	Tariff
48%	1890	McKinley (Rep)
41	1894	Wilson (Dem)
46	1897	Dingley (rep)
41%	1909	Payne (Rep)
27%	1913	Underwood (dem)
38%	1922	Fordney (rep)
41%	1930	Smoot-Hawley (rep)

The volume of imports has varied with employment, but that is only because trade and employment vary together, doesn't prove causation. Probably when imports were higher, excess of exports was higher also. A time of propsperity means more production, more employment, more foreign trade.

This tariff of course is a reason why our % of the production and consumption of world raw materials fell off? cf. Staley.

When Dutch reclaimed Zuider Zee they parcelled it out to farmers and rented it to them for 12$ an acre, increasing this to 21$ in plan. But evidently when the project was thus paid for it would become private property, altho that is not clear. And it was wrong to assume the land to be uniform.

Productivity in Alaska. It has 80,000 people, ½ are Indians. They produce 100m$ wealth annually, export 75m$. (unusual---is he counting services, etc? Fillers should equal builders). The average is 1,250./cap, counting Indians, who aren't productive. Average in u.s. is 540. Assuming 1/5 gainfully employed, that's 6,666/worker, of which 5,000 is exported. (Not net export, I trust)

U.S. spends more per cap for relief in Alaska than anywhe re.

Labor is efficient because of momentum of previous condition, free frontier. Also, I suppose, because of large ratio of land to labor. Also, it may be fiction.

Labor unions not very strong,.

Title to mining land was supposed to rest on discovery and use, that was the old California law. Now you only have to make 100$ improvement a year, and you only have to swear you've done that. You used to have to be on your claim all the time, now absenteeism prevalent. No taxes at all on land of Alaska, outside cities.

For 500$, mineral lands may be "patented", and then the 100$/annum requirement is not necessary. Many of these are idle. "under a taboo just as absurd as the Mahoni ground of the Indians".

10% of agricultural land held by individuals is in cultivation. Most was bought by people who never intended to use it. At Matanuska, many had left the territory leaving no way of being reached, many had died and not told their heirs that they owned land in Matanuska, and it simply could not be obtained. Result, govt colony at Matanuska had to be bought from individuals and so much area could not be obtained that , tho 16 sq miles was all that was needed, colony is scattered over 160 sq miles.

Fish trap sites also valuable land,privately owned.

When gold prices were boosted it didn't make much difference to wages of Alaska miners. Rents increased.

The productivity of Alaska has been tremendously increased, then, ny subsidies from U.S. We pay their taxes in part, and buy their gold. But evidently this has encouraged speculation to such a degree that the marginal productivity of labor and capital is lower in Alaska than elsewhere. Certainly the possibility of earning speculative returns will encourage many people to come who will have to earn their living as labor and who will have come because they thought they could make money by speculating. Their presence on the labor market will make wages lower than otherwise. When people are making money by speculating, they can lower their demands in other capacities. This also occurs in booms. no?

"Workers on Relief", Grace Adams, Yale press, shows how WPAsters wanted security, found it in relief, wouldn't leave to take private jobs which were less secure, etc.

The New Deal in Action, tells what was done under it.

"Food and Life", USDA.

McNair in Pittsburg was elected mayor almost by accident in Roosevelt landslide of '32. He tried to collect delinquent taxes from the very rich and big landowners of downtown. Little fellows paid up pretty regularly, especially if they had mortgages held by banks, the banks "saw to it" that they paid. Corruption he found rife, no one on his side, the press very hostile, misrespresenting him purposely. Finally he resigned, just before he would have been impreached probably.

Pittsbufgh graded tax plan, he says, doesn't lower land values because it exempts buildings as it adds to land tax. Still, it should have some effect, if enforced. He hints that false assessing has almost nullified the effect. The people just don't understand, and "you can't change the folkway of the people overnite".

In New York, says Sidney Abelson, land and improvement values are about equal, at least as assessed. 1925-37, rayon industry came into being. World silk production was off only c.5%, and much more poundage of rayon was produced in '37 than silk.Cotton increased 15%. Ridiculous to say this caused unemployment. Those who produce new things bring onto the markets new goods, which are newpurchasing power. Everyone has more, as total production increases.

"How government regulates business" book

No necessary relationship between market and assessed values. Cities are limited by law to a certain ratio between theirbudget and their realty values, so if they need more they just raise the values. In booms the land was underassessed, in slumps overassessed. 1940, speculative land values seemed about to go down at last. Govt spending had kept up land values and simul lowered efficiency of production, therefore stopped production.

While the class that receives increments and rentmay sometimes be driven thereby to lower its labor holdout price, it probably is more often driven to raise it, so it demands more to work. On other hand, it is very lavish in its expenditures, in that way lowers real rewards of other facto s.

Most r.e. acquired by banks in foreclosures sells for more than the money originally lent on it. They do not hold it to avoid loss, but in hope ofprofit. So????

Why don't these holdings ever show up in bank statements?

Cities beginning to foreclose tax liens, etc, put land back into use, c. 1940

Harry D. Gideonse, President of Brooklyn College, pamphlet on "Organized scarcity and public policy", u of Chicago press, 25¢

Free competition didn't really exist in 19th century much more than today, just the idea of free competition,

Common lands of early Mass. Effect on employment, growth of Mass, etc.

which was found in the economists of that time.

"Dividends to Pay", by E.D. Kennedy, says profits in American industry are in almost direct proportion to the degree of elimination of competition. Statistics back it, based on govt reports. His stat show corporate incomemuch more concentrated in '29 than '25. But they are definitely much more concentrated figures than those I've seen at Reed, saying that .3% corps had 65% corp net income in '25, 80% in '29. Net income of all corps was 7.6b$ '25, 8.7 in '29. This net income must be a different category from what I've seen before. It was 5.6b$ minus in '32! F 29

New Westminster industries didn't close down in depression as much as neighbors. Land speculation is definitely unprofitable.City is believed to have the largest % of individually owned unmortgaged homes of any city on the continent. Largest invested capital per person of any city on the Canada.

Taxable land value assessment: 7.9m$. 70mills tax yields .5m$/yr, water and lite public(?) yield .14m

Avoid scaring people, Be the intellect who fits the confused pieces into a coherent whole. By so doing you will satisfy people, they will turn to your work. Provided you do not have the reputation of advocating radicalism, or anything. You are just the one who answers questions, figures things out. Then the solution is so obvious, how can it be missed? Without beingtimid and vacillating, still be reasonable and let timid vacillating people catch their breath before shocking them.

Most of all, be right about everything. Don't go off thedeep end with "natural law", etc. Figure out the whole picture.

The Farm Security Administration. It moved into blighted rural areas, bought a farm, made it a model. If it had a good manager, good tenants, and good luck, it did ok. But mostly they had to keep borrowing getting subsidies from govt. Landlords were scared that they would awaken a spirit of revolt in 'croppers, seek repeal thru farm bloc. Also lend money to bad credit risk croppers who want to buy farms. (of course this raises land values) Byrd Committee on non-essential federal expenditures noted that it cost the FSA 50¢ to lend a dollar, so corrupt it was.

It is better than AAA in that it doesn't subsidize life insurance companies.

Amazing discovery of FSA, that croppers to whom they loaned repaid them, 95% repayments.

"The God of the Machine, ", Isabel Patterson, Putnam, 1943. Good sense and facts on economics, in ancient and modern history.

Amazing ignorance of banking illustrated by Gilbert Tucker in review of "Out of debt, out of danger", by socialist Jerry Voorhis. And, I judge, ignorance also by Voorhis. But get the book, in which he criticizes Fed Res system.

Representative McFarlane, Congress, March 29 1938, figures on how patents are held idle.

Economics of the Patent System, Floyd Vaughan.

Labor saving devices are with held in order to keep men employed, partly. But most patents are withheld from use for monopoly purposes. McFarlane showed AT&T had15,000 patents, GE 9,000 of which only 2,428 were used, etc.

U.S. is only country in which patents don't have to be used, at least legally. Bills to that effect have been squashed., by labor unions, Patent Bar Associations, ---maybe that's why Phelps doesn't think patents are held idle!!!??? My God, can't I even trust him?

McNair says in many cities downtown property conspires with politicians to be relieved from taxation. He says he was told by his Law Dept. in Pittsburgh he couldn't collect from tax dodgers, he fired them and collected millions.

"The Land Economics Series", a bunch of books somewhere.

California has gone farther than any other state in land value

taxation. It is done of course not by federal laws, and recently federal governmentis attacking its right to do it. Can it be that lvt explains California's phenomenal growth?

Fla. land boom entailed much greater rise and fall of values than California, says J.Rupert Mason, because of taxes on Calif land. In Cal constitution it says:"The holding of large tracts of land, uncu tivated and unimproved by individuals or corporations, is against the public interest, and should be discouraged by all means not inconsistent with the rights of private property". Cal. Legisl. allows local option to many different kinds of local units of govt in collecting revenue from annual taxes collected proportionate to assessed land value., exempting improvements. These units have borrowed large sums "under such laws", I guess thatmeans secured by taxing power on land, to finance roads, irrigation and drainage, hydroelectric, municipal distribution systems., etc. i.e. the local unit having the equity in the land turned it into credit, instead of individuals' doing it.

Arid Cal. requires much improvement. Wright Irrigation District Law of 1887 authorizes the districts. They run into big holdouters of land.

In 1909, friends of H.George got enacted a law allowing districts to tax land, exempting improvements of every sort. "All" districts already organized then voted to use the new system allowed. Since, c. 100 more such districts formed, and I gather are similarly supported. Embrace 4macres urban and rural land, some sizeable towns.

Enabling Act attacked for constitutionality probably more often than any act in history of natio , but consistently upheld, 3 times by supreme court. of USA.

This law provides that the District taxes are a prior lien, and in case of delinquency in 3 years title reverts to districts, free of all encumbrances whatsoever, including mortgages. After '29, Districts did not lower taxes, mortgage holders were to be wiped out in 3 years, they yelped.Of course they could have foreclosed on the land and paid the taxes, but as their contract called for, but it was a time when they might get sympathy, so they might as well try for it.

They got Congress to enact the Municipal Bankruptcy Act, which was declared unconstitutional. Then Congress passed another similar act and the court, now with new deal judges, let it pass. Now Congress can repeal the state law. Any land or mortgage holder can be "saved" from confiscation by a state, i.e. he can get away with refusing to pay taxes, and he can go ahead and collect rent anyway. Just what has actually been done this overlegal J.Rupert Mason fails to say. But the law definitely allows Fed govt to negate a state law. Mason compares this to destruction in 1934 by Nazis of German local govts. Too bad so many Georgists have to be suchcrackpots.

He says that California collects more economic rent than any state, and more than any country except Russia.

The stock transfer tax of NY state has driven some stock brokers to Montreal.

Harlem has some of most valuable land in NY.

Gov. Dewey in 1943 apptd committee to ascertain why industries had been moving away from NYC in recent years. Report: taxes, labor costs, and rent too high. This in war time!

Edw. W. Bell, Ramsey, N.J., makes following excellent suggestion: money secured by mortgage on land differs from that secured by liens on products. I continue: when land values rise, owners do not have to sell land in order to exploit this rise to acquire products and claims. They mortgage the land, thus acquire new money.They are, roughly, selling their land to bank's depositors. If they pledge products, just as inflationary. But products cannot rise so much, do not change so much, speculatively. Etc?

money

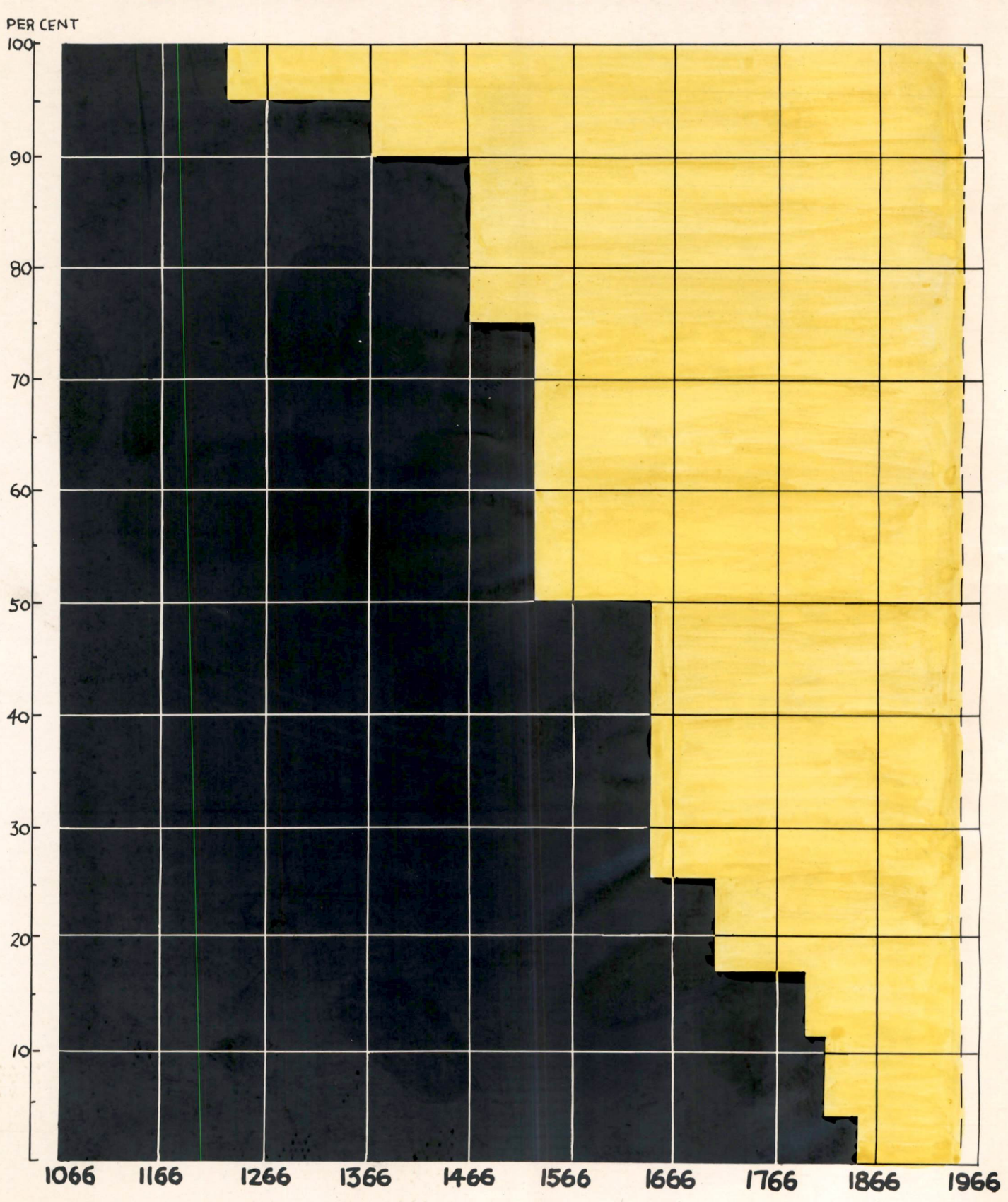
pp. 509-10 5183

Hi water mark of LVT in Eng.

Rating as a Stimulus to Production

In the second place, a great change has come over public opinion in regard to the nature of taxation. In the past, local taxation was considered almost exclusively from the standpoint of ability to pay. Throughout the report of the Royal Commission the idea that a scientific reform in the system of rating can be used as a lever to stimulate the growth of commerce and industry occupies a secondary place. That idea belongs to a school of thought (represented before the Commission by Mr. Fletcher Moulton(now Lord Moulton) and Mr. E. J. Harper), which has grown enormously in strength during the last few years.

PUBLIC REVENUE IN ENGLAND



SOURCES: ADDRESS OF RICHARD COBDEN, HOUSE OF COMMONS, DECEMBER 17, 1845, QUOTED BY FRANCIS NEILSON, IN THE OLD FREEDOM, NY: HUEBSCH, 1919, p.31.... ENCYCLOPEDIA BRITTANICA, ENGLISH HISTORY, 1926.

IN VIII-B

Good stuff.

We have two distinct kinds of examples of stagnation in history: 14th-15th Eur., was more due to growth of petty monopolies, lack of a central power; Roman debacle was due to a regulating state which forced localism, but itself was not inspired by monop. motives, that I see.

French "individualism" may hark back to fact that communal agriculture was never established in France as strongly as Eng. & Gy., farms were individual more.

Another element in fall of Rome: individuals gave up their freedom, or their land, to avoid the military service attached to it. This also occurred thruout later history, until central monarchs replaced feudalism. -- the allodial owners being continually created at temporarily safe fringes, then gobbled into protective system in times of disorder.

In France I believe the est. of private landownership in small plots did not do away with all custom binding, make a flexible commercial system. Land still hard to transfer.

Is no coincidence that small enclosure movement went with 16th c. commercial revolution, large with 18th large industrial revolution.

France achieved unity in 13th, & this ended feudal lords as functional beings.-- or at least as local govts. But impersonalization & commercialization was incomplete, so no flexibility. Both yeomen archers, and city-state mercenaries, proved more effective fighters than knights. even that far back, ended that phase of feudalism. But whereas in low countries & Eng. they really ended old system, made swaps etc. to make people full owners, in France they maintained conditional personalized ownerships, inflexible. (with advantage of not being so misallocated by differential discount rates). This is guess -- find corroboration.

Prussian land reform like Eng., following Adam Smith, made a flexible & unequal land system. But other parts of Gy. retained heavy peasant pop. with votes, to put thru protection & other agrarian legislation, unlike Eng., where depopulated rural areas lost elective power. & do not overstress commercial zation of lordly Junkers estat s.

Ropke mentions that German industrial development occurred under very free trade conditions at first. Not 'til 1879 was any protection, and that was moderate. 1902, another heist. 1930s, the 3d one. But was never extremely autarkical until 30s, evidently. Recall that in 1890 under Caprivi was a free trade reaction, so not until 1902 under Bulow was a real consistent protectionism achieved.

Knight's general view: "the" inventor unimportant, is a social process.

Flexible land system is what I shall plump for re C.V.P.

Ec. Position of British Laborer. Fawcett, Cambridge, Macmillan, 1865

p.10. Average size farms increasing; ⅓ the proprietors now there were 1765.

Law gives landed proprietors ability to prevent subdivision, theory that landed aristocr. necess. for govt. If die intestate personal prop. split, but land all goes to one.

Entail means you give estate to heir on condition that he pass it on to eldest son. This is voluntary with nobles, (but allowed, & enforced,) & almost always done. ∴ This land cannot come on the market.

Pmt. pushes r.r.s Thru estates over objections.

Feudal system based on idea landownership carried obligations. Land treated differently from personal prop. in law.

Entail ~~prevents~~ discourages plowback, for income is given to younger children to equalize, rather than invested for eldest. So land not used intensely

No security for tenants who improve. 'Tenant-right' demanded in Ireland, is universally conceded in Ulster.

City rich want land for pleasure, position, & political advantage, outbid farmers. (how different from Belgium!) (these small home loans give more relative pp. to small users, encourage them to use land)

gov't loans encourage comp. use

Small holdings maybe below opt. size, but arguments forget difficulties of management, unhappiness of labor, etc.

Mill for peasant proprietors, & Europeans.

Why can't peasants bid more for land, if they get more from it? Non-agric. considerations as above. (so? High factory wages? Steamplow? etc)

High expense of xferring title prevents subdivision (why not agglomeration too?)

Industry, thrift, & wealth of peasant proprietors of Denmark praised, cf to Eng.

Denmark

1836, Act ~~Act~~ passed to facilitate enclosure of commons. Every 'parish' had a common. (must have been some limit to how much anyone could use it?) Relation of this to previous 'enclosures' not specified.

London, money wages & prices both higher.

---

p. 20~~1~~6

1841-61, pop. of Ireland reduced 8.1m – 5.8m.

Raised wages, to English level.

2.8m acres, 1/7 Ireland, had to be sold by embarrassed landlords. Small holders got them, increased capital.

2 → p. 229 Laws of Settlement, connected with poor relief system, prevented mobility of labor. Now better Xportation & education have now equalized wages over Eng.

See Ashley on Eng Ec Hist.

1834 ~~Poor Law~~ Report of the Poor Law commission.

Fawcett cont

Wages in Australia 4 times Eng.

p. 234 "It is a well established principle in ~~political~~ economic science, that where fertile land is abundant & conseq. cheap, a high rate of profit will inevitably prevail; . . . . ." 8% in Australia; 4½ % in Eng, similar investments (less than wage diff. shows cap more fluid)

l.t. & land availability

E.S. Mason, "International Commodity Controls; Cartels & Commodity Agreements", in ed. Harris, Ec. Reconstruction, NY McGraw Hill, 1945

p. 219 Most cartels formed by govts. & govt controled & owned industries, where they exist, participate enthusiastically in cartels.

Prewar tin & rubber cartels. Privates tried to organize them, failed, got govt to help organize & police them. 227

As govt participation in export prdctn increases, cartels become "Internat. Commodity Agreements".
U.S. has taken part in agreements on wheat & coffee, & agric. wants more.

Cartels often formed when demand falls -- because vesteds in industry had beome accustomed to a style of living, would do anything to maintain it. Is more truth in this than I used to think, thinking human desiresunlimited from any base, would just take what they could get under any conditions. But reaction to losing something you have had is more violent. -- & pre-existent industry easy to organize, when declining, so is no new entry.

Eng never joined steel cartel until brought in, & "this action was accomp nied by a substantial cartelization, at government insistence, of the domestic market." 221

Cartel market allocations tend to follow lines of political influence -- i.e. you get the mkt of your political affiliation, as U.S. firms get U.S. & perhaps SA, Eng get L bloc, Gms got continent. (suggesting, again, political influence in making cartels possible.) So cartels not separate problem, but expression of ec. nationalism.

Some say we must cartelize to bargain with fnrs. Mason denies: "High cartel prices abroad offer excellent competitive opportnnities to American enterprise, & cartel practises have 224 in all probability lost more business to Am. comp. than they have ever gained from it." Only argument is that Am participation in cartels might lessen some fn tariffs vs us.

Producer behind tariff is in stronger bgng position for cartel. Strong motive behind Eng protection.

225 "Antitrust cases against American firms restrained by agreement with German firms from in their freedom to develop or produce useful war materials were effective in the early stages of the war in eliminating these restraints and releasing, thereby Ame ican production. ..... mg, berylliu, mil. optical instruments, & synthetic rubber..." e.g.s.

Agreements Gms made with Am firms on patents were supervised by Nazi govt, so we got little of potential military value.

226 "One of the most ominous attempts of organized business groups to secure state support for internat. restrictive arrangements ... the Dusseldorf discussion undertaken shortly before the war by the leading British & Gm industrial ass.s". WW2
Their jt communique: If 3d country competes & thus frustrates aims, both orgs will ask support of their govts to stop it.

U.S. unique, in govt staying at arm's length from cartels.
227 "The British govt went very far in the prewar years in permitting & encouraging business control of output & prices in the domestic mkt and the prtcptn, thru export ass.s, of Brit ind.s in internat cartels. State assistance in the fmtn of crtls & the policing of cartel regulations was a common feature of continental industry, & the enlising of govtal support in internat cartel negotiations had become almost standard practise." (thus if we try to mnpize vs fnrs, we lose our own freedom)

Continentals gave tariffs, to improve bgng power ofcartels.

Cartels today likened to old jt stock trading co.s of 17-18th c. imperialism, Eng. E. India Co. e.g. Instruments of state in gaining power. Gms esp used cartels to consolidate their control of central Eur.

Hill & Lubin, British Attack on Unempl, Wash, Brookings. 1934

15th cent, first problem of large masses of unempl. Enclosure & breakdown of feudal practices at fault. Chief refuge Xian charity, doles from institutions

2 1349, Laborers forbidden to leave area in which dwelt. Punishment became more severe with time, 1600 height of cruelty. (F 29) - Ashley agrees tho.

2 1600-1900, treatment was as pauper, not criminal. Later Eliz. yrs, new ways adopted which lasted 300 yrs. Each parish appointed overseer of poor, who supported poor by 'direct levy from residents' (poll or land tax?) Poor supposed to work for dole, but disregarded, & in 1796 abolished, 'out-relief' practiced.

p. 13; p. 14

4 — Besides doles, rented dwellings of 'laboring class' exempt from rates, & parish paid rent. So paupers very desirable tenants, owners let things deteriorate to attract paupers, get sure rents & tax exemption. (Doesn't history show that no matter how much other motives exist, if material gain is ignored system fails. Of course other motives mustn't be ignored either)

2 & besides again, "allowance system" universal, overseers gave weekly "make-up" to bring earnings up to "scale". Came to be considered a right, no stigma. (Would it lower other wages if universally given?) Varied with no. of children, encouraged early marr, idleness. Many abuses.

Developing mine 'roundsman system', making up wage difference; & 'labor rate system', each taxpayer required to hire at min. wage a number in prop. to his prop., various measures (sounds good, they don't go into it)

Workhouse too.

→ 1834, 'deterrence' became method. etc.