

A Rich But Bankrupt Nation

By W. D. HOFFMAN

Debt as a factor in the depression, is the subject of an interesting study made by the Public Affairs Committee of The Twentieth Century Fund. It is pointed out that not all debts are bad, some forming a beneficent part in financing, but debts as a whole "can raise hob within our economic structure. This is particularly true in a depression. Debts also create havoc in a boom," encouraging obligations that later cannot be paid when deflation comes.

In Debt—Good or Bad? By Maxwell S. Stewart, we learn: "When we count up the total of all our debts we find that they come to the huge figure of two hundred and fifty billion dollars. Our total national wealth before the depression was only three hundred and sixty billion dollars. When we compare these figures, realizing that our national wealth fell sharply during the depression, it is easy to conclude the burden of debt is too great to be borne by the property on which it is based. This, however, is being a little too hasty. Much of the 'property' on which debts are secured is itself debt."

What a man owns depends upon how clear his property is. Some who live in mansions may own less real estate than others in humbler homes, depending on the debt. Travelers crossing America for the first time are impressed with the richness of the country, its fertile soil, livestock, timber, mines, water-power, oil, railroads, its cities that scrape the sky. It is an exceedingly rich country sparsely settled, comparatively. There is enough here for all, and to spare. But just how much of this the population owns raises a vital question.

The proportion of the citizens who possess physical America is small, and the extent of clear ownership even smaller. Much of it is mortgaged to the future, to many who will have had no part in creating what will come to them. Much is

mortgaged against the future, so that children unborn will have to work to pay off debt in the creating of which they had no voice.

All America is divided into three parts—the physical continent, man-made wealth, and people. Close examination will show that most bad debts arise from overcapitalization of the first named.

It was President Roosevelt who made the defense of debt, governmental in particular, on the ground that what is owed is domestic, owed to Americans as well as by them. This is the ablest defense of debt that can be made. Because debts are offset by credits it assumes we are no worse off for debt, since one man's loss is merely some other man's gain. Losses by debt are thus neutralized by the gains. This alluring picture leaves out of consideration the identity of the borrowers and the collectors. The collectors are not the masses. They are, in the main, the already rich. In times of stress the money-lender is always the one in a secure economic position. The average man and the poor are the chief borrowers. Thus debts make for growing wealth concentration in the hands of the few. Each succeeding depression forwards this process of making the rich richer and the poor poorer. Borrowing is costly, especially in hard times, when excessive interest can be exacted through necessity.

Thus debts are not offset by equitable liquidation for two reasons: 1. They siphon the wealth off into the hands of the few. 2. They are instruments of extortion through spurious interest.

"Study of the income tax statistics," says the Public Affairs Committee, "suggests that most of the debts to individuals are owed to a relatively small number of well-to-do persons."

The billions poured out by the government to rescue banks, railroads, building and loan companies, mortgage holders and agricultural

interests have only postponed the evil day of final settlement. Equally involved are mortgaged farmers and home owners. The latter, according to the Public Affairs Committee, "are by no means out of the woods yet. The combination of low rents, high taxes and high repair costs leave them in a precarious situation at the present time . . . Removal of the moratorium laws might produce a new crisis."

With the nation in debt up to its ears, private and public debt at new highs, the conclusion is forced that our security is threatened more from within than without. Debt is only a symptom of what has been going on, a result and not a cause. Growing wealth concentration has left the masses more and more impoverished, increased unemployment, reduced purchasing power and placed the nation on an economy of scarcity and decreasing production. If there was ever a time in our history when production should be encouraged and the nation's wealth increased, it is now.

Debts spring normally from the need for goods or capital before they can be paid for. In a monopoly-free society the need for creating debts for such purposes would fall to a minimum because both goods and capital could be had more readily by exchange of wealth which all who work could produce. Debts spring abnormally (as now) from the speculative excesses and overcapitalization of land, and from distress borrowing due to economic paralysis. Such debts are a barometer of the unbalance between human need and ability to buy. Abundant, widespread production is the only final solution, and that cannot come until the people are able to buy the product. They must do this buying, not with funny money, but with wealth, of their own creating. Buying is actually only an exchange. But before the masses can produce the wealth (their only real purchasing power), they must have access

to its source—natural resources now locked up and held either completely out of use or at an extortionate price in the form of rent.

Is the nation bankrupt? No. The millions may be bankrupt and impoverished, but vast wealth remains—and vast resources. Man power and the raw materials of wealth can be wedded at any time our intelligence rises to the task. As for the govern-

ment itself, it can always repudiate. It retains the taxing power to take what it needs. In an emergency such as war it would probably do both. In spite of bits of paper that render the economic structure insolvent in a bookkeeping sense, the nation remains potentially rich. Intelligent statesmanship, without waiting for war, could solve the problem now.

Debt would become negligible in

an economy in which wealth was freely obtainable by working for it. Debt becomes acute when business and labor are constantly driven toward bankruptcy by the all-the-traffic-will-bear charge for access to physical America. The first step calls for a reversal of governmental policy that permits the withholding of natural resources from productive uses.