

## Economics of an Arsenal Economy

MR. ROOSEVELT'S "state of the Union" speech before Congress was, as expected, replete with the banalities of liberalism. When a people are about to embark on a suicidal venture it is necessary that they fortify their abnormal purpose with powerful stimulants. To get folks to forget about belly-filling sandwiches, when you cannot provide even the mustard, you have to feed them generous doses of soporific values. The "unemployables" will respond with alacrity to the "essential human freedoms"—particularly when the prospect of going to work is offered. Capital long idle will have no difficulty in swallowing "principles of morality" where these are flavored with a few profitable orders.

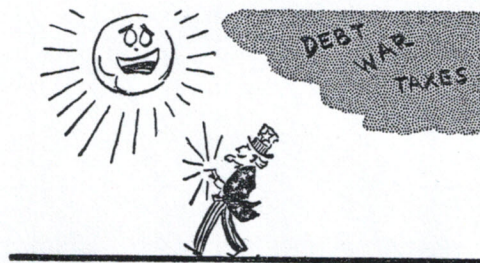
Without serious loss to our intellectual probity, we can dismiss the moralisms of the speech out of hand. After all, we have heard the stuff so often from the lips of gentlemen of rather dubious morals and more than dubious intellects to wit, Messrs. Mussolini and Hitler. The same words or the same ideas, they do not use; but they do employ the same technique of giving moral justification for an unsound venture. Similarly do they appeal to the vanity of those they are about to lead to degradation.

Of prime interest are the one or two economic phrases that crept into the speech. The moralisms lost all validity within a few hours after the newspapers had headlined them; but the economic maxims will be implemented with laws and acts that will plague Americans long after Mr. Roosevelt is a minor figure in our history books.

There was, first, the call to make financial sacrifices at the altar of freedom. That need not bother us. The astronomical numbers of dollars which will be extracted from our production will hurt; we will eat less, wear less, have less. For a generation or two or three there will be suffering. But in due time the billions of debts that our "sacrifice" will have put into the pockets of our bondholders will be wiped out, either by inflation or by direct repudiation. Like any business, a nation whose capital structure consists mainly of "watered stock" must wind up under the hammer. That will cause much dislocation of the economy at the time, but after the readjustment the removal of the debt burden will be a relief to labor.

Then there was the old sop to liberalistic hatred, the "ability to pay" principle of taxation. Liberals adopted that principle as their very own, because it flatters their soak-the-rich enthusiasm. As any

student of taxation should know, there are more poor than rich; therefore, taken as a whole, the poor have more ability to pay than have the rich. In practice "ability to pay" means "get where the getting is good." And that becomes the taxation of things that most of the people—that is, the poor—must have.



If Mr. Roosevelt had invoked the principle of taxation according to benefits received, those who profit most by war production might not support his program, might even urge him to call the whole thing off. The ultimate beneficiaries of war are those privileged to collect rent for the use of their mines, urban and agricultural lands, camp sites, franchise holdings. Suppose Mr. Roosevelt proposed to confiscate this privilege. Suppose their title deeds and mortgages and bonds became, through taxation, mere pieces of paper. Would the "four essential human freedoms" be a *casus belli*?

But, there was one economic thought in the speech which was almost unique to American minds. It was the one about dropping the dollar sign in making loans. One must not be too severe with Mr. Roosevelt for the omission of detail; definiteness is a quality with which political speeches must not be too prodigal. But one is inclined to ask: When England repays the loan "in kind," not in dollars, will any tariff be imposed? Suppose we do not want antiquated airships and they offer us "other goods of many kinds which they can produce and which we need"—like dish pans. Will not our dish pan makers yell for "protection"?

More important still, from the long term point of view, are these loans the precursors of a barter system for Anglo-American trade. Are we, too, going to drop the free market system, with free money as the instrument, and adopt Hitler's barbaric commercial methods? The lease-lend plan might become an easy transition, when England and America adopt totalitarianism.

Or, didn't Mr. Roosevelt mean what he said?