

How Broke Is England?

WE HAVE IT on the authority of our Secretary of the Treasury that England is hopelessly busted. In more diplomatic language, she is short of "dollar exchange." She cannot pay on the line for desperately needed war materials; she wants credit.

Mr. Morgenthau's statement has been disputed. The opposition brings up the calculation of the Federal Reserve Board that just prior to the outbreak of war the British Empire had possession of over seven billion dollars of gold and dollar assets; so far they have spent or contracted for less than half of this amount. Where's the rest?

Some people say that shrinking market values have absorbed much of the vanished dollar exchange; dumping securities has the effect of decreasing their price. Others point out that Secretary Morgenthau's figures do not include Britain's dollar possessions in the dominions. The mendacity of figures is notorious; when figures so complicated and astronomical in proportion are bandied about their veracity is indeed suspect.

But, it is quite likely that England is broke, in the sense that she has no ready cash on hand. Any multi-millionaire might find himself similarly embarrassed in a lunch room, until he could assure the cashier that in spite of his lack of a quarter he controlled considerable claims on wealth. In the arguments over England's ability to pay her claims on wealth seem to be largely ignored.

For instance, no one has raised the question of the acreage or present market value of British-owned land in America. It would be interesting, from the social as well as financial viewpoint, to know how much rent we pay to Britons for the privilege of living and working in America. It is said that New Yorkers ship in rent some five million dollars a year to Lord Astor. Rumor has it that the King of England has a claim on Fifth Avenue. A good part of Western Iowa contributes to the income of the British peerage.

Really, a schedule of these British holdings in America would make startling reading, particularly if it included corporate securities covering mineral and railroad lands. And the picture would be more enlightening if it listed in detail the more recent acquisitions of land in Canada, South America, Australia, and elsewhere. For report has it that British landlords are casting an anchor to windward by establishing estates in parts of the world least likely to be affected by Hitler or the British Labor Party.

Mr. Morgenthau must not be censured for failure to bring up these "assets." Neither the government

nor the people of America knows much about these things; so, let sleeping dogs lie. Besides, if Britons were forced to unload their holdings in order to pay for their war, they would merely regain the capital value of the lands, leaving the rent-collecting privilege in the hands of American landlords. American labor and capital would still have to disgorge.



The United States government (which will be asked to extend credit to England) might become the owner of these lands, the rent going toward the payment for the airplanes and things England so sorely needs. If the immediate rents are not enough, there will be American rentpayers for many years, so that the bill will eventually be liquidated. In fact, that would obviate the necessity for taxing American workers for centuries to meet the cost of present war.

Mr. Morgenthau wouldn't know about that. Maybe he is unaware of the scheme. Maybe there are American landlords who would object to the principle involved: substituting rent for taxes. It wouldn't be surprising if the whole war were called off if that principle of paying for it seemed imminent. Why carry on a war which would end in the abolition of "our" privileges?

But there is another serious objection to transferring British land holdings to other ownership. After the war we will still want to sell our "surplus" products to the English. How will they pay for this stuff? Our protectionist system prohibits them from paying with goods. So, they must get dollars.

There is no easier way of getting dollars into their hands than by sending them rent on American land. It is true that this rent comes out of the production of American labor and capital. What really happens is that we send to the British our production so that they can pay us for the things we export to them. Believe it or no, it's so.

There seems to be no way out of it. We Americans will have to tax ourselves to help England pay her bills.