

How To Balance The Budget

Americans spent some forty millions this past year on sport goods and a newspaper headline writer gave the story this title: "American Sports Budget \$40,000,000." His use of the word "budget" in this way is perhaps more correct, economically, than he suspected.

Bookkeepers have propagated the idea that a budget is a detailed plan of spending income, or expected income. The ideal or "balanced" budget is one that automatically closes the purse at a given danger point.

But, even if we never heard the words "debit" and "credit," our existence is budgeted, for we live by production, our own or others, and spending must stop as soon as production stops. In fact, consuming and producing are but two phases of the same process, distinguishable in thought but not in fact.

To return to our national sports budget. The baby wants a rubber ball. The mother takes a dime from her house money, which represents the production of the family provider, and secures the ball, which is the production of ball-makers, from the rubber tree tappers in Africa to the Main Street store clerk. The budget is balanced. The boy sells newspapers, and some of this production goes into a catcher's mitt. Perfect balance again. The sister-stenographer spends her wages on a tennis racket, or the father, who operates a store, exchanges some of his profits for a set of golf sticks. The exchange of services or goods for goods or services is the perfect budgetary process.

The problem becomes a problem only when the element of credit is involved, when one secures satisfactions on the promise to render service in the future. For instance, the sister-stenographer "charges" her tennis racket. And here the problem arises only when she is unable to fulfill her promise; that is, she loses her job, she ceases to be a producer.

Superficially it seems that the way to abolish budget problems is to abolish credit, if it were possible to do so. But credit, or trust, is both the oldest and most advanced mechanism for facilitating exchanges. Imagine the difficulties a farmer would encounter in exchanging heifers for an automobile directly, without the conveniences of a bank and a checkbook. Money itself, in the final analysis, is only an instrument of credit. But the keystone of any credit structure is merely faith—faith in the willingness and ability of the borrower to liquidate the debt in the future.

As for willingness, honesty, there is no question. One's selfish desire to secure more satisfactions through credit is sufficient guarantee, to be crassly materialistic, to assure fulfillment of agreement. The breakdown of any credit arrangement, individual or national, is caused primarily by inability to produce the agreed upon services or goods. It is in the stoppage or curtailment of production that we must seek the solution of any budgetary problem.

It may be contended that this is true with individual or even corporate budgets but not with national budgets. A government produces nothing. How then can it balance its budget through production?

True, government is a non-producer. But government exists only on the production of the people, and if its exactions were not enforceable by power instruments with which it is implemented, its expenses would be curtailed as the production of the people diminished. Thus, its budget would, like those of individuals or corporations, balance itself automatically. It is the power of officials to levy on the production of the people, that is, the power to levy taxes, that causes unbalanced budgets. Not until this power of levying taxes is removed from government can any nation hope to keep its budget in perfect and permanent balance.

For, with taxation abolished the only source of revenue for social purposes will be the social fund of rent. Common sense and justice indicate that this fund should be used for the common needs of the people. It is commonly produced, it grows with the increase in population, it fattens on the enterprise of the people as a whole, and the taking of it for community purposes does not deprive the producer of a single thing.

On the other hand, the socialization of rent would be the greatest incentive to production. The use of this fund for more roads and bridges, for better police and fire departments, for recreational and educational purposes, or, if you so decide, for free transportation, electricity or telephone service, would permit the greatest production of goods and services. The increased power of the people, thus relieved of the burden of taxes, would reflect itself again in an increased rent fund, which again would provide greater social services.

Thus, and thus only, can an automatically balanced budget be attained.