

Toward Statism

From a nicely printed brochure issued by the Federal government we quote a few significant sentences, adding brief comments of economic interpretation:

"Since March 1, 1935, and through to February 1, 1939, more than 1,500,000 people have bought more than 8,150,000 Savings Bonds, with a maturity value of \$2,260,000,000."

This money is not used in industry, for productive purposes. Most of it goes to support non-productive efforts. Therefore, it is largely wasted; a fact which is proved by our constantly increasing public debt, our constantly increasing tax burden. Since the money invested in these bonds is not used for productive purposes, it cannot be classed as capital, or the returns true interest. In fact, the interest on government bonds is derived from taxes, and the owners of these bonds are in reality merely tax-collectors, once removed.

"They (savings bonds) are primarily intended for citizens desiring to lay aside funds for the future."

Ordinarily, people do not invest for security. They invest for returns. But, when production is at a low ebb, and the rate of interest is consequently low, they hoard their savings. That's why government bonds are in demand. A sure sign of poor business is a big demand for government bonds; likewise, when government bonds go begging the economy of the people is on a higher level.

"More than 72% of the investors in United States Savings Bonds are making repeat purchases."

Which means that as the opportunity for investment in productive enterprise becomes less, people turn more and more to the buying of liens on the taxing power of the govern-

ment. In fact, what they are buying is the privilege of taxing themselves.

We have commented only on a few statements for their economic significance. A whole book on the political and social significance of investing in government bonds might be written. For instance, what would happen if everybody in the country put all his savings in government securities, none in business? How would the government meet the tax bill? Could we stand the burden? Would the necessary consequence be inflation or outright repudiation? Would we all have to go to work for the state in order to pay off the bonds we own? If so, what would we live on?

Needless to say, these and many other questions that suggest themselves are not even hinted at in the sales promotion brochure issued by the government.