

Henry George on Public and Private Debt

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In favor of public debt jubilee and against state enforcement of private debt.

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An interesting paper upon the credit system was read at the recent meeting of the national board of trade at Cincinnati by J. A. Price, president of the board of trade of Scranton, Pa. The ever increasing national debts of Europe he estimates at \$22,500,000,000, imposing upon its people an annual interest charge of some \$800,000,000, and in addition to this there are railway, municipal and commercial debts and mortgages to an amount that can hardly be estimated. Of the volume of indebtedness in this country he makes the following estimate:

[table showing various sources of debt]

Aggregate \$27,969,247,048 [public and private debt combined]

Estimating our population at 60,000,000, this would be some \$465 for every man, woman and child in the United States, or over \$2,000 for every head of a family. Some of the items in this estimate are of course mere guesses, and some of the debts included are of course offset and canceled by others; but whatever deductions can on these accounts be made, the result is sufficiently startling. The civilized world and our own country not last in the race is rushing forward into a sea of indebtedness that must finally submerge in general bankruptcy and repudiation.

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Colonel Price advocates the abolition of all laws for the collection of private debts, and in this he is unquestionably right . There is no more reason why the state should lend its machinery of constables, sheriffs and courts still less as is to a certain extent yet the case in New York, its prisons to the collection of the debts of the individual , than that it should undertake to black his boots in the morning or tuck him into bed at night . The abolition of all laws for the collection of private debts would not only free our judicial machinery from a clogging mass of business which to a large degree prevents its performance of proper functions, but it would unquestionably lead to a far higher standard of personal and commercial morality, since character would then be the prime element in credit . If it lessened, as it undoubtedly would, the use of credit in commercial transactions, the result would be to put business upon a far more sound and stable foundation and to lessen the intensity of those commercial fluctuations in which periods of stagnation follow periods of speculation. The curse of credit as a flux of exchanges is that it expands when there is a tendency to speculation and sharply contracts just when most needed to assure confidence and prevent industrial waste.

The enormous figures that Colonel Price presents are also extremely suggestive in other ways. For instance, they are worthy of the attention of those who incline to the belief that it is capital that opposes labor, and that before labor can get its fair reward interest must in some way be abolished. The greater part of this vast volume of indebtedness passes as capital, and on nearly all of its payments having the semblance of true interest are regularly made.

Yet the world-wide proclamation of a Jewish jubilee would at the blast of a trumpet sweep away this whole vast mass of indebtedness without the lessening by a single iota the wealth of the world. Nor, for the most part , does this volume of debt represent any ownership of real and existing capital . The mortgages, for instance, in greater part , do not represent capital loaned to the users of land, but mere rent charges payments which the users of land have been compelled to agree to make to land owners as a condition of being permitted to use land. An eastern speculator or a foreign investor gets hold of a tract of western land, cuts it up into farms and sells it out to settlers on mortgage, or a tract of land near a city is cut up and sold in the same way. The seller gets obligations which are counted as capital and receives payments which are termed interest. But there has been in reality no production or transfer of capital , and the payments are in reality not interest for the use of capital , but blackmail for the use of land. So railway indebtednesses really represents in large degree, not capital invested in making railways, but what is suggestively termed "water, " and the interest they bear is not payment for the use of capital , but is a monopolistic blackmail upon the public.

As for the gigantic public debts, they represent capital only so far as there are public improvements to show for them. What they do, for the most part , as a matter of fact, represent , is either sheer public plunder , or capital and labor destroyed and wasted in war or preparations for war . Our own national debt, incurred during the war for the maintenance of the Union, is unquestionably the best and fairest

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of them all. But it does not represent, as is often assumed, wealth borrowed of foreign nations or of the future for the carrying on of the war. As a matter of fact we did not during the war increase our obligations to foreign nations much, if any, and it is as clearly a physical impossibility to borrow wealth from the future to carry on a war, as it is to get men still unborn to fight in it. The wealth that was used and destroyed in our civil war was that then and there existed. The carrying on of war by means of public debts, which is probably the most injurious and anti-civilizing of all injurious modern inventions, is not a device for spreading the cost of present expenditures over future time, but a device by which governments may obtain wealth from the classes who have wealth to spare, without exciting their opposition since it gives them in return a mortgage upon the labor of the future. The United States might have come through the war without a penny of public debt if the government had taken wealth from its possessors as ruthlessly as it took men. Whether the wealthy classes would have submitted to this is quite another question.

But it is instructive at least to consider how different would have been the existing distribution of wealth if we had done so. And ever since the war our whole financial policy seems to have been steadily directed to making the taxation for the fulfillment of the obligations then given as onerous as possible. Where we borrowed forty, fifty and sixty cents, we have paid one hundred and even one hundred and twenty cents, with money wrung from the people by the most onerous systems of taxation systems of taxation purposely devised to fatten monopoly and make the rich richer. We have paid off non-interest bearing debt in preference to interest bearing debt, and by means of the national banking system we have permitted the holders of a large part of the public debt to enjoy the principal while they draw the interest. By the national banking system the banker was allowed to draw from the government \$80,000 in money for every \$100,000 in bonds he deposited, and then to draw interest on the whole \$100,000. This proportion was subsequently increased to ninety per cent, and now a bill is pending in congress to allow the national banks a dollar in money for every dollar in bonds they deposit, while paying them full interest on the dollar. And not contented with this, and as though from the mere desire of paying as much interest as possible, and making the redemption of our public debt as slow as possible, we are actually buying up enormous amounts of silver, for which we have no more use than for so many tons of cobble stones, and storing it away in vaults. Secretary Fairchild sees the absurdity of coining silver thus to stow it away, and proposes instead that it shall be stowed away in bars. But why not leave the silver in the ore and the ore in the ground? That would be a far greater economy. As for the silver notes, that would be just as useful and just as readily taken if they promised to pay silver yet to be mined and refined, or if instead of promising to pay anything at all, they were simply made receivable for public dues.

But it is only when we come to think of the public debts of Europe that we realize the full importance of Thomas Jefferson's idea that no

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generation can have the right to bind a future generation, and that every nineteenth year ought to be a year of jubilee, in which all public debt should be declared off. Were mankind agreed upon this, the enormous armaments of Europe would be impossible, and there is not a throne in Europe that would not crumble into dust. Colonel Price has opened a fruitful subject in calling the attention of the national board of trade to this matter of growing indebtedness.