

WAR LOANS WITHOUT WAR

MANKIND may be preparing its own destruction, but in the city where I live it all means more and more employment. On Sunday mornings at all the Masses in our little church you can see scores and scores of new faces—young men, whole families too, from South Wales, from Lancashire, from Glasgow way, from Tyneside, from Ireland—all crowding into our big city (which is so much too big already) and mostly finding jobs in the thousand-and-one preparations to be made before Britannia can put on her armour again.

Don't think that I am condemning the Government for rearming. It is hard to see what else any Government could do, in face of all the maniacs armed to the teeth who are swaggering round Europe now looking for trouble. What the Government might have done is to carry out its pledge that profiteering would be prevented. That pledge has not been kept, and the speculators are enjoying themselves thoroughly. One company—formed to produce fighting-planes—began in July, 1935, with a capital of £2,000,000, doubled this in May, 1936, and issued a bonus to shareholders, and then in November declared a 30 per cent dividend and made a further bonus share issue of one new share for every ten. As the ordinary shares were issued at 15/- each and by November had risen to 45/-, this bonus issue was worth nearly £900,000, on top of the £300,000 distributed in dividends.

A little story like that adds interest to the real point of the present article, which is not rearmament itself but the financing of it. Who is going to produce this money?

The answer is simple: the usurer is going to produce the money, which will consist of bits of paper on which he has written his name, and the unlucky people of England for generations to come will have to slave to pay him interest on it.

Hitherto (I am writing in mid-January) rearmament expenditure has hardly been felt. We have been building the factories and tools rather than producing the guns and planes themselves, and the Chancellor has been able to finance this without much trouble. True, he did issue a proper Loan of £100,000,000, starting at 98½ and bearing 2¼ per cent

interest (not to mention the usual bankers' and stockbrokers' commission of $\frac{1}{2}$ per cent, say a modest little picking of £125,000), but that was more by way of repaying previous debts to clear the way for rearmament borrowing later on.

But now the programme has really got going, and the Chancellor will want plenty more money; so this week the newspapers have all been announcing unofficially that a really big Rearmament Loan of several hundred millions is to be expected this year, perhaps with the budget in April. It will be not quite on the scale of the War Loans of 1914-1918, and the interest may be nearer 3 per cent than 5 per cent, but the idea will be the same—an orgy of profit for the big money-lenders out of the nation's desperate need.¹

Memories are short, but we must try to remember what it was that happened when these War Loans were issued. The Government suddenly had need of far more money than had ever been in existence before, far more money than any bankers or money-lenders had ever dreamed of possessing. Instead of creating this money itself, as it had every right and duty to do (for the issuing of money is a function of sovereignty if ever there was one) it preferred to go through the solemn farce of "borrowing" it. A small fraction of it was genuinely supplied by ordinary citizens who had some money saved, but by far the greater part of the "loans" consisted of nothing more than "bank-credit" or overdrafts with no security other than the war-bonds themselves—i.e. the credit of the nation. In the arrangements for this colossal money-lenders' raid on the nation, the Government is said to have been largely guided by Lord Reading, then Sir Rufus Isaacs. The result of it was that after the war the nation was paying £400,000,000 a year *in interest alone*, and is still paying about £200,000,000 a year in spite of all the loan-conversions and reductions of interest; all absolutely unnecessary, because all the time the Government could have created the money just as easily as the money-lenders did, and thereby saved all the interest.

Every intelligent person realizes this now, and therefore any Government which tries to arrange a similar financial brigandage is guilty of an impudent crime and its statesmen deserve to be tried for treason.

¹ Since this was written the Chancellor has announced that he will take powers to borrow £400 millions for Defence over the next five years.

BLACKFRIARS

Even if such a loan involved no direct "credit-creation," even if (what the financiers would never allow to happen) it was all subscribed from genuine savings, the objection would still hold good. For those savings too were all bank-loans (and mostly National Debt) originally before they became somebody's savings; and moreover, if savings are withdrawn from some productive enterprise to put into Rearmament Loan it only means that the banks must create fresh money to replace what has been diverted from true production. And then again, why should even the savers of money be invited to make profit out of the nation's peril? We may admire and respect those who save some money for a rainy day or to ensure their own freedom or to finance some good work, but we have no reason to be grateful to or reward those who save on principle and to increase their money. But in any case savings are a minor point: these big loans suit the big financial houses, and that is what they are for.

Needless to say, in all the newspaper talk about armament-finance, only two possible alternatives are ever referred to—loans or taxation. Orthodox finance asserts that things which are soon used up (e.g. aeroplanes or ammunition) should be paid for out of current taxation, whereas more permanent things like battleships or barracks may be properly paid for by a loan, thereby "spreading payment over a number of years" or "leaving posterity to do its share." The third and true alternative is never on any account mentioned or hinted at—the possibility that the Government (having first borrowed what it can direct from genuine small investors by means of Saving Certificates) should itself create the money free of interest, using its taxation to get the new money back from where it would accumulate, and so to repay itself and make fresh creations possible, instead of to pour a never-ending stream of national wealth into the insatiable maw of Usury.

This is what we Catholics ought to be saying, not only in England but in every other country, and not only about Rearmament Loans but about all Government borrowing, if we were determined that the teaching of the Church should be heard, that the progress of Communism should be prevented, and that the millions of men who "hardly dare breathe" against the will of their financial oppressors should have someone to defend them from social injustice.

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