

THE RETIREMENT OF NATIONAL DEBTS

THE THEORY AND HISTORY SINCE THE
WORLD WAR

BY
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PREFACE

THE generally accepted answers to some of the vital questions of public finance are based upon the most popular theories of value and distribution, that is, the neo-classical and marginal productivity theories. Yet many economists would admit that these older value theories are of doubtful validity in some respects, because of the questionable psychology and sociology upon which they are based, and because disequilibrium is frequently a "normal" economic phenomenon. In specific studies of economic questions, other than those of public finance, and in general economic theory, a great deal of attention has been paid in recent years to the weaknesses of value theory. But these weaknesses have not been adequately considered in the field of public finance. If the work of the past is to be carried much further, it would seem that the criticisms of the older value theories must be considered more fully in their bearing on this subject. It is not enough merely to introduce dynamic aspects in the manner of neo-classical theory or to treat briefly the institutions which affect changes in values. Such matters need to be studied much more thoroughly.

In this book I have tried to demonstrate the importance of this need. The study of any one problem in the field of public finance may lose its significance when the student narrows his treatment to the facts and theories within this field alone. Institutional and dynamic considerations must almost invariably cause him to step over the customary boundaries of the subject. The attempt to study adequately one problem in public finance, the effects of debt retirement, leads us into money, banking and international trade as well

as value theory. Indeed, in economics as a whole the introduction of institutional considerations has already done much to bring economics and sociology together. It is possible that in the social sciences the day of rigid specialization is over, and that the problems of social life will henceforth be given a more synthetic treatment.

The most extensive study of the problems of debt retirement is that of the English Committee on National Debt and Taxation, from which I have quoted extensively in this volume. This committee was willing to go into the habits of saving, the distribution of income and changes in the price level in their relations to the public debt, but it did not go far enough. I believe that its work was significant in so far as it takes account of the influence of other divisions of economics than public finance. I believe also that the same statement may be made about this book. I regret that so many questions are raised in it that are not answered. But to answer all these questions requires much more time than the two years of study that I have been able to devote to them.

I should like to acknowledge my debt to Professor Robert Murray Haig, who has sponsored this study and who has given valuable assistance and encouragement at all stages. I owe a great deal also to Professors James W. Angell and Benjamin H. Beckhart for their helpful suggestions relating to the chapters on money and banking and international trade.

WILLIAM WITHERS

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APPENDIX I

BONS DE LA DÉPENSE NATIONALE OUTSTANDING, 1913-1928

(millions of francs)

Year	Bons de la Défense Nationale	Bons du Trésor	Total
1913	000	410	410
1914	1,619	116	1,735
1915	6,063	43	7,006
1916	12,574	44	12,618
1917	19,522	30	19,552
1918	22,335	580	22,915
1919	46,140	1,912	48,052
1920	48,938	1,961	50,899
1921	58,420	1,942	60,362
1922	56,431	2,639	59,070
1923	54,723	2,997	57,720
1924	54,538	1,870	56,408
1925	45,735	2,393	48,128
1926 (Dec. 31)	49,075	230	49,305
1927 "	43,464	20	43,484
1928 "	35,665	364	36,029

Source: Haig, *Public Finances of Post-War France*, p. 231 (*Chap-pedelaine Report*, Budget, 1928, Chambre, p. xxxiii and *Experts' Report*, 1926, p. 150).

APPENDIX II
UNITED STATES DEBT
(In Dollars)

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APPENDIX II

Form of Debt	1919	1920	1921	1922	1923	1924
Pre-war Debt and Consols, Conversion and Postal Savings Bonds	883,463,130	883,549,390	883,840,470	883,670,230	883,703,790
1st Liberty Loan	1,984,783,330	1,952,458,300	1,952,258,800	1,951,843,750	1,951,764,200	1,951,524,750
2nd Liberty Loan	3,526,377,747	3,325,307,000	3,316,536,550	3,310,507,050	3,199,036,800	3,104,587,150
3rd Liberty Loan	3,904,313,017	3,662,715,800	3,611,560,300	3,473,788,000	3,407,787,250	2,997,199,950
4th Liberty Loan	6,613,907,148	6,394,361,813	6,354,860,350	6,345,383,750	6,328,565,650	6,324,495,550
Total Liberty Loans	16,029,381,248	15,354,836,100	15,235,216,000	15,081,612,550	14,887,153,910	14,377,807,400
Notes: Victory	4,413,933,116	4,246,380,530	3,913,780,350	1,991,183,400	.....	.....
Loan and Tax Certificates ..	3,465,136,000	4,573,308,000	2,708,574,451	1,828,787,500	1,031,418,500	807,513,500
Pittman Act Certificates ..	255,475,000	259,375,000	.....	74,000,000	.....	.....
Special Certificates	15,741,000	24,000,000	.....	.....	.....	.....
War Savings Certificates ..	910,684,987	827,419,021	694,105,410	.....	.....	.....
Matured Debt	2,144,970	6,747,700	10,939,620	25,250,880	98,172,160	30,241,250
Total Interest Bearing	25,975,959,747	24,061,095,361	23,737,352,080	22,711,035,587	22,007,590,754	20,981,586,429
Non Interest Bearing Debt	234,570,522	230,075,349	.....	227,792,722	243,924,843	234,292,746
Total Gross including Debt above	26,210,530,269	24,297,918,411	23,813,547,430	23,964,071,722	22,349,687,757	21,251,120,426
Treasury Notes .....	.....	.....	311,191,600	2,246,596,350	4,104,195,150	3,735,309,400
Treasury Savings Certifi- cates .....	.....	.....	.....	679,015,317	237,198,674	413,304,039
Treasury Bonds .....	.....	.....	.....	.....	763,954,300	763,948,300

APPENDIX II—(Continued)

Form of Debt	1925	1926	1927	1928	1929	1930
Pre-war Debt and Consols, Conversion and Postal Savings Bonds	765,316,010	765,860,170	766,549,790	768,132,510	770,207,310	772,544,850
1st Liberty Loan	1,951,519,650	1,939,212,300	1,939,158,200	1,939,154,150	1,939,148,900	1,933,533,350
2nd Liberty Loan.....	3,104,558,750	3,104,527,800	1,306,379,750			
3rd Liberty Loan	2,885,377,350	2,488,272,450	2,147,664,850	1,228,848,600		
4th Liberty Loan.....	6,324,481,200	6,324,471,950	6,296,906,450	6,244,043,600	6,278,359,550	6,268,251,550
Total Liberty Loans.....	14,265,936,950	13,856,484,500	11,690,109,250	9,462,046,350	8,217,508,450	8,201,803,900
Victory Notes.....						
Loan and Tax Certificates..	578,685,000	483,279,000	702,095,500	1,252,408,000	1,640,199,500	1,264,354,500
Pittman						
Special						
War Savings Certificates...						
Matured Debt	30,242,930	13,327,800	14,707,235	45,331,660	50,751,399	31,715,370
Total Interest Bearing Debt	20,210,906,251	19,383,770,860	17,250,943,965	17,317,695,096	16,638,941,379	15,921,892,350
Non Interest Bearing Debt	275,122,993	246,084,419	244,523,064	241,203,806	241,504,968	231,700,578
Total Gross Debt.....	20,516,272,174	19,643,183,079	18,510,174,266	17,604,290,562	16,931,197,747	16,185,308,299
Treasury Notes.....	2,404,241,400	1,612,403,600	2,019,194,550	2,900,000,550	2,861,011,500	2,390,286,500
Treasury Saving Certificates	385,600,091	359,809,690	300,259,325	144,469,036	13,028,010	
Treasury Bonds.....	1,811,036,800	2,305,933,900	2,763,735,550	2,790,638,650	3,136,986,600	3,136,986,600
Treasury Bills						155,916,000

Source: Compiled from the *Annual Reports of the Secretary of the Treasury*.

APPENDIX II

APPENDIX III
DEBT MATURITIES BY YEARS, UNITED STATES
(in Dollars)

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	Over 10 years	Matured Debt	1 year or less	1 to 2 years	2 to 3 years	3 to 5 years	5 to 10 years
1913		1,659,550					
1914	257,756,700	1,552,560				63,945,460	
1915	702,671,750	1,507,260			63,945,460		203,121,880
1916	784,737,230	1,473,100	4,300,000	63,945,460		118,489,900	
1917	2,257,156,784	14,232,230	349,578,192			118,489,900	
1918	6,850,582,934	20,242,550	1,744,159,500			118,489,900	3,228,109,638
1919	14,053,275,251	11,109,370	3,633,804,490			3,586,334,871	3,958,552,769
1920	12,436,715,510	6,747,700	4,573,308,000		5,073,784,371	3,781,205,700	
1921	12,390,641,710	10,939,620	4,126,844,450	3,913,780,350	642,666,525	159,381,144	3,611,560,300
1922	12,381,569,430	25,250,880	4,490,240,681	336,230,834	1,186,107,390	943,099,150	3,473,788,000
1923	13,014,160,129	98,172,160	1,393,029,438	1,129,657,762	1,904,020,096	4,676,777,147	
1924	12,912,903,182	30,241,250	2,101,594,499	1,746,226,026	1,125,680,216	3,272,113,501	
1925	13,960,840,997	30,242,930	1,920,031,629	1,123,716,176	3,034,602,471	122,665,975	
1926	14,439,605,620	13,327,800	2,163,599,170	2,506,665,566	50,000,000	123,000,000	
1927	11,029,775,460	14,707,235	3,226,581,016	252,933,663	101,007,513	1,528,714,650	2,042,954,280
1928	9,749,018,680	45,331,060	2,508,687,926	202,037,708	70,000,000	2,730,048,550	2,097,902,230
1929	5,771,441,230	59,751,399	1,653,227,519	15,000,000	154,700,000	2,575,349,500	6,519,263,130
1930	5,168,458,220	31,715,370	1,420,270,500	1,626,115,500		764,111,000	6,343,153,000

Source: Compiled from *Annual Reports of the Secretary of the Treasury*.

APPENDIX III

APPENDIX IV
DEBT RETIREMENT: UNITED STATES
(In Thousands of Dollars)

	Total chargeable against ordinary receipts	Surplus	Decrease in general fund balance	Total debt reduction
1916 .....	.....	48,478	² 82,261	³ 33,783
1917 .....	.....	⁴ 853,357	² 897,116	³ 1,750,473
1918	1,134	⁴ 9,033,254	² 447,487	³ 9,479,606
1919	8,014	⁴ 13,370,638	333,342	³ 13,029,280
1920	78,740	212,475	893,063	1,185,185
1921	427,123	86,723	² 191,976	321,870
1922	422,695	313,802	277,573	1,014,060
1923	402,850	300,657	² 98,883	613,674
1924	457,999	505,367	135,528	1,098,894
1925	460,538	250,505	17,576	734,619
1926	487,376	377,768	² 7,833	872,978
1927	510,554	635,810	² 24,055	1,131,309
1928	540,225	398,828	² 31,470	907,614
1929	549,604	184,787	² 61,186	673,205
1930	553,883	183,789	3,105	745,779
Total	4,915,775	19,749,257	² 160,465	14,993,948

² Increase in net balance.

³ Increase in debts.

⁴ Deficit.

Source: *Annual Reports of the Secretary of the Treasury.*

APPENDIX V

THE AMOUNTS APPLIED TO VARIOUS SINKING FUNDS OF THE UNITED KINGDOM

(In Pounds)

Sinking Fund	1925	1926	1927	1928
Old Sinking Fund.....	— ¹	— ¹	— ¹	— ¹
New Sinking Fund.....	45,000,000	50,000,000	60,000,000	65,000,000
Capital of Terminable Annuities	1,812,922	1,084,840	1,043,497	1,026,841
Funding Loan Sinking Fund	2,528,280	2,641,781	2,762,196	2,892,013
Sinking Fund for Victory Bonds	2,145,039	2,230,837	2,320,059	2,412,867
Sinking Fund for Conversion Loan	13,238,859	14,386,112	15,099,277	14,701,272
Funding Loan and Victory Bonds for Death Duties...	7,816,000	6,995,000	8,405,000	12,340,000
Other Securities so Surrendered	30,262	117,640	190,963	162,409
Balance Available	12,226,403	9,991,379	22,317,755	15,451,883
Sinking Fund for 4% Consolidated Loan .....	....	....	....	9,210,000
Depreciation Fund for 4% War Loan .....	....	7,538,843	2,720,344	1,665,725
Issued for Redemption of External Debt.....	....	4,953,566	5,140,906	

¹ No sums fell to the fund because of a deficit.

Source: Great Britain—*Finance Accounts*.

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