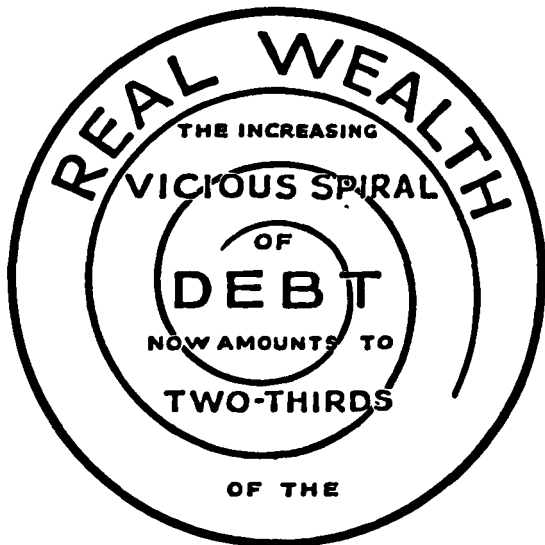


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BRITAIN IS PAWNED !



**TOTAL CAPITAL VALUES
IN GREAT BRITAIN**

BRITAIN IS PAWNED!

BY

VINCENT PANTIN

AUTHOR OF

"SPURIOUS CAPITAL," "WHAT IS NATIONAL CREDIT?"

. . . Any casual gain, or godsend, is naturally devoted to the same purpose. Beyond this, the only mode which is just and feasible, of extinguishing or reducing a national debt, is by means of a surplus revenue. . . . The succession duties would be peculiarly suited to such a purpose.

JOHN STUART MILL,

Principles of Political Economy.

There is that scattereth, and yet increaseth; and there is that withholdeth more than is meet, but it tendeth to poverty.

Proverbs xi. 24.

LONDON

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THE NATIONAL DEBT

REDUCTION OF £4,509,000

Approximate totals of the National Debt are as follows :—

INTERNAL DEBT		£
Consols, etc.		313,287,000
Terminable Annuities		12,124,000
3½% Conversion Loan		739,588,000
4% Consolidated Loan		400,926,000
3½% War Loan		1,912,674,000
4% Funding Loan, 1960-90		357,584,000
3% Funding Loan, 1959-69		147,194,000
4% Victory Bonds		320,300,000
5% Conversion Loan, 1944-64		322,842,000
4½% Conversion Loan, 1940-4		368,858,000
3% Conversion Loan, 1948-53		301,838,000
2½% Conversion Loan, 1944-9		206,527,000
2½% Funding Loan, 1956-61		125,974,000
3% Treasury Bonds, 1936		42,000,000
2½% Treasury Bonds, 1937		30,229,000
1% Treasury Bonds, 1939-41		100,000,000
National Savings Certificates *		391,636,000
National Savings Bonds		4,318,000
Treasury Bills		763,115,000
Ways and Means Advances		19,055,000
Total Internal Debt		<u>6,880,069,000</u>
EXTERNAL DEBT †		
5½% Twenty-year Bonds, 1937 (\$20,067,400)		4,124,000
U.S.A. Government Loan (\$4,368,000,000)		897,534,000
Loans from certain Allied Governments		134,887,000
Total External Debt		<u>1,036,545,000</u>
Total National Debt		<u>7,916,614,000</u>
<i>Deduct :</i>		
Victory Bonds, etc., purchased by National Debt Commissioners, but not yet cancelled		120,558,000
Net Total on March 31, 1936		<u>7,796,056,000</u>

* National Savings Certificates are shown at issue price, exclusive of accrued interest.

† At par of exchange.

From "The Times"—April 22, 1936.

The reduction shown here (£4,509,000) is 0.000578 of the total amount; a trifle over 1 in 2,000.

" Full employment, Mr. Keynes contends, can only be achieved by a correct monetary policy. For unless the level of effective demand—i.e., the aggregate spending of the Community—is maintained at a sufficiently high level, full employment is impossible.

" Unfortunately, however, as our income increases, we tend to save more, and efficient demand tends to become insufficient. In these circumstances the only alternatives are either to expand investments by forcing down interest rates, or to stimulate consumption and restrain saving by redistributive taxation."

Extracted from "The Times" of March 10, 1936, criticizing "The General Theory of Employment, Interest and Money," by MR. J. M. KEYNES.

" We had no sinking fund except the small fortuitous balance of the last year's surplus. . . . The banks were gorged full with unprecedented accumulations."

MR. WINSTON CHURCHILL, *April 23, 1936.*

" . . . Future prosperity requires that the returns on enterprise and risk should be improved relatively to the returns on usury. In other words, the margin between the entrepreneur's profit and the *rentier's* interest must be carefully protected if private enterprise is to solve the problems of the future. . . ."

Extracted from a letter to "The Times" from MR. J. M. KEYNES, published on April 24, 1937.

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INTRODUCTION

THIS book is an attempt to solve two problems: Unemployment and Exploitation, without destroying individual liberty to produce and consume. There are two schools of thought opposing each other on the economic question: Socialism and Communism, on the one hand, which postulate the necessity for the abolition of private enterprise in production in order to solve the problem of equitable distribution for consumption. On the other hand there are those who include monetary reformers of various views and the adherents of the Henry George school of thought, known as Single Taxers, who do not consider that production would be increased by departing from the proved methods of private enterprise. Consequently, their efforts are entirely devoted to solving the problem of equitable distribution for consumption which, at the same time, will encourage further production under private enterprise.

The views expressed in these chapters have at least this in common with the advocates of monetary reform and the Henry George school of thought, that individual effort to earn profits under private enterprise need not be interfered with in order to solve these two problems. It should be understood

that the writer opposes the idea that it is necessary to alter the present monetary and banking systems in order to abolish unemployment, though it would be advisable to maintain the present price level stable by state control ; a method to enable this to be brought about is explained in Chapter VII. Nor need the existing debt or the sum of interest be reduced for unemployment to be abolished. Unemployment, it is claimed, is directly due to over-saving and may be abolished by redistributive taxation of a kind that will bring about the necessary equation between saving and spending.

A simple alteration in the rate of estate duties would force the richest section of the community to buy life annuities instead of allowing them to reduce consumption by paying premiums to provide for the estate duties. A penal rate would force these people to part with a portion of their fortune immediately to relatives, whilst retaining their own spending power, but the spending power of these relatives would be increased (see Chapter VI). This would increase consumption by millions a year and absorb all the unemployed in spite of the fact that the continued existence of exploitation, through the possession and expenditure by some of unearned incomes, would not enable the producers to purchase the whole of their product.

The arguments in this book go further than suggesting a remedy for unemployment. The claim is made that exploitation in all forms, which shows itself as a sum of interest, may also be abolished. The state, which is now a mortgagor, should retrieve

its position by building up an annual budgetary surplus in the form of a loan fund until it becomes a mortgagee, thereby destroying spurious capital values and bringing down the sum of interest, i.e. unearned incomes, to zero. Briefly, the arguments developed in the following chapters are as follows :—

(1) That costs are at present loaded with charges which form the basis of spurious capital values, called the national liability, and that all indirect taxation is also added to costs, both of which fall upon the consumer in the form of higher prices.

(2) That prices should be reduced or alternatively that the price level should remain unaltered but earned incomes would rise by lifting this indirect taxation and also by transferring certain of these charges to the revenue by means of direct taxation.

(3) That the transference of these charges to the revenue would destroy the spurious capital values of which they are the base, and which now create these spurious capital values.

The proposed method of imposing this redistributive taxation would be by increasing death duties and imposing annual taxation upon capital values, but untaxing the consumer. The yield from this source of taxation, however, should be sufficiently large to enable the revenue to retain an annual surplus. The abolition of consumer taxes would encourage and increase consumption, and the existence of a budgetary surplus would in its turn encourage the production of capital goods by enabling loans to be borrowed from this surplus at a lower interest rate than is at present available, on the

security of these fresh capital goods. It is claimed that the effect of these alterations in the present methods of taxation would be as follows:—

(1) To increase the consuming power of the producers.

(2) To bring about the necessary equation between saving and spending, thereby creating a maximum of production and consumption; for it is the present lack of this equilibrium between saving and spending which is the immediate cause of unemployment.

(3) To reduce and ultimately abolish both the saving and spending power represented by a sum of interest now in the possession of non-producers.

The terms producers and non-producers do not refer to individuals, but to aspects of individuals. The term producer refers to the possessor, in whole or in part, of an earned income, whereas the term non-producer refers to the possessor, in whole or in part, of an unearned income. Thus, an individual possessing an income of £1,000 per annum, of which £850 represents earned income in the form of a salary or earned profits and £150 represents unearned income in the form of a sum of interest, is said to be a producer to the extent of his income of £850 and a non-producer to the extent of his income of £150.

The more intelligent and influential members of society must learn to realize that the growing increase in the improvement of technical methods of production with reduced wages sheets cannot bring about the requisite consumption in a community

loaded with a national debt and consumer taxes. They must tackle this problem of under-consumption, both due to and in turn causing unemployment, in self-defence ; for there is a strict limit to the amount of debt that any community can carry without unduly reducing consumption and, therefore, both wages and earned profits, and that limit has been exceeded in the case of Great Britain. The sum of those unemployed is the measure of that excess.

While the currency and banking questions have not been entirely neglected and are dealt with in passing in Chapter VII, nevertheless they are considered to be of minor importance to the existence and continuous growth of the vicious spiral of spurious capital values. For it is on the security of these spurious capital values that the banks, for the most part, secure their advances,¹ and it is the interest on these loans that the borrower adds to his costs and passes on to the consumer which causes prices to become loaded with the charges referred to above.

¹ See Professor Soddy's claim on p. 56.