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Redemption of British Empire War Debts

Comprehensive Scheme for Administration, Conversion and Extinction is Presented by the Australian Government—Joint Commission Would Save Expense—Each Government Responsible for its Own Amount—Would Ensure Repayment Within Fifty Years

AN official plan for meeting the war-incurred financial obligations of all parts of the British Empire has been drawn up by the Commonwealth government of Australia, and is set forth in a pamphlet prepared by Honorable W. A. Watt, treasurer. The total amount is estimated at £7,350,000,000, and it is admitted that the measures necessary for the redemption of this vast sum will entail no small burden.

The proposals are outlined by the treasurer as follows:—

1. The treasurer of the Commonwealth of Australia, with the approval of the government, has the honor to submit for the consideration of the governments of the United Kingdom and of the various British Dominions a scheme for the administration of the war debts of the Empire, their conversion from time to time, and their ultimate extinction.

2. It has been estimated that the present war debts of the Empire are as follow:—

United Kingdom		£6,500,000,000 or about £141 per head of population
Canada		300,000,000 or about £37 per head
Australia		300,000,000 or about £60 per head
New Zealand		70,000,000 or about £60 per head
South Africa		30,000,000
India and other Dominions		150,000,000
Empire total		£7,350,000,000

3. Even after allowing for any moneys which may be paid by the enemy, these debts represent a great burden. Their liquidation will tax the resources of the nation during one or two generations, and to devise the best means to clear off the debts deserves the most earnest attention of all British statesmen and financiers.

4. Though the loans were raised for a common purpose, each government made itself separately liable for a definite share corresponding to the expenditure incurred with respect to its own fighting forces. Reasons might be found for altering this arrangement and for making a redistribution of the obligations according to the respective numbers of the peoples, or their wealth or some other factor, but the difficulty of arriving at a fair basis of allocation seems insurmountable. That does not mean, however, that each government must be left to contend as best it may with its own financial troubles. On the contrary, mutual help is possible, and certainly would be highly advantageous to all.

5. A scheme for joint management and liquidation of the debts is a natural development from the war. During the struggle all members of the British family pooled their strength, and their future resources were necessarily pledged. This combination, which brought the nation safe through the world-war, should be maintained, as far as possible, until the debts have been paid. To meet the financial difficulties, and to continue the practical relationships of the war, a great association of the British peoples is suggested.

6. It is the opinion of the government of the Commonwealth of Australia that the debts should be vested in, managed, and ultimately discharged by a continuous, expert commission representative of the interests of the whole Empire and of each of the Dominions.

7. The debts as they mature would be converted by the commission into a war loan stock of the British Empire, but the commission would have discretion to establish more than one common stock, and, with the consent of bondholders, to convert loans before maturity. The commission would be given absolute power to determine, in relation to every conversion, the place, the time, the rate of interest, and all other conditions.

8. Each government would pay to the Commission a fixed annuity equal to the yearly amount payable by that government at 31st December, 1919, for—

- (a) interest on war debts;
- (b) expenses of paying that interest; and
- (c) sinking fund or contributions towards redemption of war debt.

The commission would thus be provided with funds to pay interest to bondholders and to meet general expenses, and would be able to accumulate moneys for the ultimate discharge of the bonds. The commission would have the right, on finding the fixed annuity at any time insufficient to maintain a sinking fund at the rate of at least one-quarter of one per cent. per annum in respect of the debts of any government, to call upon the government concerned to make good the deficiency by a payment to the commission in addition to the annuity.

Each Government Liable for Own Debts

9. While the debts remain subject to the existing periods of currency, the liability of each government will be plainly discernible; but on conversion into one or more common stocks the debts would lose their identity, and the commission would therefore have to determine the amount of the common stocks for which each government would be responsible. This allotment to the several governments, while chiefly an arithmetical matter, would sometimes involve the exercise of discretion, but the commission might safely be trusted to make an equitable distribution in all circumstances. A similar adjustment would be necessary in relation to redemptions of debt and other transactions. In that way, all the debts administered by the commission would be duly apportioned amongst the several governments, each of which would be required to continue payment of its annuity until its portion of the debts had been paid. Each government would be liable only for the discharge of its own debts as handed over to the commission. One government's share of the debt might be liquidated, and its annuity might therefore cease long before another government could discontinue its payments to the commission. That government which contributed the largest sinking fund would be the first to earn its freedom from war debt.