

**A WORD UPON NATIONAL DEBTS.**

Referring to the figures given in our February issue a great deal of misconception exists in the minds of many regarding National Debts; and to assert that a country may be wealthy with a heavy debt and poor with a light one appears on the face of it, an incomprehensible paradox, and yet it is so true that a few observations in support of the assertion may not be thrown away.

The aggregate debts of all nations in 1700 amounted to \$1,500,000,000, less than the present debt of the United States alone; while in 1878 they had increased to the enormous total of \$24,057,000,000, yet we presume no one will dispute the fact of the world's being wealthier at the latter than the former date. Neither must the relative sums per head of a nation's indebtedness, as compared with those of another's, be always taken as a measure of their respective wealth; for while Great Britain has a debt in round numbers of \$3,700,000,000, being at the ratio of about \$100 for each inhabitant, and Canada's ratio is barely half, or \$50 per head of its population, we cannot, therefore, suppose that Canada is twice as well off as Great Britain.

In considering the question of national debts two points must be kept in view: first, the country's power to support the debt; and secondly (which mark well) to whom the debt is owing, whether to itself or some outside nation. If the weight of a nation's debt is not oppressive in proportion to its paying capacity, and if that debt is due to itself, or, in other words, held in the country by its own people, then such debt partakes of the nature of an investment, and so far from being a detriment to that country's prosperity may be positively a benefit. We think it was the late Lord Macaulay who, in one of his numerous talented articles or essays, maintained that England's debt had, so far from having been a drawback to her progress, been just the contrary; and that, as the debt had increased, her wealth had grown in a far more rapid proportion. We may look upon a debt such as that of Great Britain, as the ballast which keeps the State ship steady, for just imagine it to be possible for the whole of the \$3,700,000,000 to be suddenly paid off; where would that immense amount of money find employment?

The liquidation of the debt would simply mean ruin to thousands who had been drawing their income from the interest on that debt; it would probably close up numbers of the Saving Banks, cause serious embarrassment to many Life Insurance Companies, besides causing an inflation of other stocks to a point far beyond their actual value—the demand for investments outrunning the supply. The floodgates of speculation would be burst open for a time, and finally money would become such a drug on the market that it would seek investment in other countries, so that the nation, strange as it may seem, would become poorer by the cancellation of its debt, because that debt having been consolidated and assumed by its own people, was practically a means of investment and a channel for the circulation of wealth.

Respecting the paying capacity of a country, there is no more notable instance than that of the United States, whose debt in 1865 stood at \$2,680,000,000 with a population of 35,000,000, or some \$70 per capitum, while that debt is now reduced to \$1,800,000,000 with a population of 60,000,000 or only \$30 for each inhabitant! Of course immigration has

largely to do with the increase in population, but the actual reduction in the debt is something marvellous. Although while fully appreciating the feeling which prompted the country's endeavors to wipe out its debt as soon as possible, it remains to be seen whether—in spite of the great resources and means for the employment of capital possessed by our neighbours—it would not have been better political economy to have consolidated their debt, thus forming a permanent investment for themselves, and a sort of sheet-anchor against the whirlwind of indiscriminate speculation. Nevertheless, we would point out in support of the paradox mentioned above, that the United States of to-day, with its still heavy debt, is immeasurably more wealthy and prosperous than when she had no debt at all.

A national debt is only a debt in the strict sense of the term, and felt to be a burden when, instead of being owing to itself, that is to say to its own people, it is a foreign nation which holds the bonds of that debt, in consequence of which the interest, in place of circulating among its people, benefiting the country, is paid away annually to the foreign bondholders. This is indeed an actual debt, and the interest a positive drain upon the country's resources.

The prosperity of a nation may be judged to a certain extent, by the ease with which it can borrow or place a loan; and those nations are certainly the most prosperous who are able to borrow at the lowest rate of interest; the converse being of course, equally true, bearing out the Duke of Wellington's saying that a high rate of interest means bad security; of which truism many Turkish bondholders had become convinced long ago. We may take some consolation in knowing that though Canada's debt has been increasing, the rate of interest on her bonds has fallen; and further that those bonds are worth more in the market than ten years back; but to attribute this happy state of things entirely to the National Policy is a delusion, since we find in free trade England the rise in the price of consols and fall in the interest thereon, has been quite as great during same period.

We do not side with those who cry out that Canada's debt has attained ruinous proportions; much of that debt is contained in public works, which will be of permanent value to the country; but we cannot help remarking that there seems to be a tendency at present, for the debt to increase at a more rapid ratio than the population, which is an unsound state of finances, especially in a country like ours, where the immigrants are not of a wealthy class; and should taxes become excessive, there will surely be an exodus across the border, so that it is a matter of the greatest importance for the new Parliament just elected, not only to prevent our debt growing to undue proportions, thus checking our progress, but also to devise some plan to bring that debt within the country, in order that it will virtually cease to be a debt at all. There is nothing alarming in Canada's obligations at present; the national debt of the Australian colonies is more than double ours, with a population of only about three-fifths of the Dominion's, still we must not lose sight of the fact that Australia's wealth per head is over one and a half times that of Canada's, and that there is no great competitor like the United States, beside Australia.

We have thus, as far as space would permit, attempted to show that a national debt may be no disadvantage to a country; but that to be beneficial it must be owned by the country itself, and that its ratio per head of the population must decrease, even should the actual amount of the debt itself increase. We may return to this subject at a future date.