

SOME ECONOMIC EFFECTS OF THE PRESENT AGREEMENTS

Before proceeding with the proposal for a revision of the debt policy, let us see what are the economic effects of the present agreements. The political and moral issues are, as we have seen, of the greatest importance. But it will come as a surprise to many to find that the material interests involved, so far as we are concerned, are relatively small.

(1) Our scheduled annual receipts from debt payments during the next four years will be less than 5 per cent of either the present annual commodity imports or the present annual commodity exports of the United States. This percentage is smaller than the year-to-year fluctuations which have actually occurred in either exports or imports since the war.

(2) The scheduled annual payments for the next few years will constitute, it is estimated, less than one-third of 1 per cent of our annual national income. Even the increased payments called for in later years will not exceed one-half of 1 per cent of the probable national income.

(3) The scheduled annual debt payments will make much less difference in the American tax bill than is generally supposed. The payments due in the next four years amount to less than \$2 annually for each person in this country. They amount to less than 10 per cent of the estimated yield of the Federal income tax of 1927; and if applied entirely to a reduction in the personal income tax rate they would make a difference of only \$2 a year to a typical income-tax payer with net income of \$5,000 a year. The latest tabulation shows that in 1924, 90 per cent of the Federal income taxpayers paid on net incomes of less than \$5,000.

(4) Fulfillment of the debt agreements necessarily imposes on European debtors hardships much greater than the benefits that accrue to America. Great Britain, France, Italy, and other European countries are already bearing burdens which strain their courage and strength. Taxation, in proportion to income and population, is between two and three times heavier in England, France, and Italy than it is in the United States. Payments that could at best mean a paltry gain for most American taxpayers mean to the overtaxed debtors a crushing load.

A NEW BASIS POSSIBLE

We must substitute for the unfair and inappropriate principle of capacity to pay a full and frank reconsideration of the debt and reparation problems in an international conference to which all the countries concerned shall send representatives. To this conference the representatives of the United States should go, not with rigid instructions like those hampering our debt commission, but with directions to determine what settlement, compatible with the demands of justice,