

now holds a mortgage on Brown for £200,000, and Brown holds a mortgage on the Government (his War Debt) for £400,000. £200,000 of this cancels out against the Government claim in the National balance-sheet. In the language of book-keeping, the Credit created by Government in favour of itself can be set against an equal amount of the existing Debit in favour of Brown.

The case of Jones is not *essentially* different. He finds himself liable to the Government for a mortgage of £200,000. He has no mortgage or claim on the Government for £200,000, but his neighbour Brown wants land worth £200,000. Jones delivers the land to Brown, and receives in exchange the balance of £200,000 War Debt left over from his original holding of £400,000. Jones passes this on to the Government, and as before, in the case of Brown, the Debit and the Credit cancel out one against the other, and the National Debt is wiped off by the £400,000 which a Capital Levy on the two men realises. Here we have an example of extinction of National Debt by rearrangement of National Wealth, as opposed to extinction by repudiation. If repudiation were adopted, Brown would lose £400,000 and Jones escape scot free, instead of each man contributing £200,000 to the extinction of the Debt. Now, whatever be the amount of our internal Debt, it is always extinguishable by a rearrangement of wealth without material loss to the Nation as a whole, though many citizens would suffer individual loss. Therefore, our total Debt of eight thousand million pounds can be extinguished as to the six thousand five hundred million owned internally by a rearrangement of wealth, leaving a balance of 1,500 million external Debt, which cannot be dealt with in this way, but the repayment of which involves a corresponding material loss to the Debtor Nation.

