

CREATION OF ARTIFICIAL PURCHASING POWER

FOR a belligerent state to conduct war from the very first moment with the utmost possible energy is always regarded as a matter of the highest principle. Money must be found at any price. To procure out of taxes means for carrying on war is, as a rule, at any rate to begin with, out of the question. One must feel thankful if the proceeds of taxation prove sufficient for ordinary State expenditure. Generally speaking, direct taxes have to a large extent to be written off, or their payment postponed, while the returns from indirect taxation, and particularly from customs, diminish, owing to the impossibility of getting commodities into the country, or of carrying on the home production of taxed commodities on a normal scale. Nor, in fact, can the issuing of a real State loan be calculated upon at the very outset. It requires extensive preparations, and even if these should have been made in advance, still the appalling economic disruption brought about by mobilisation must in some way be overcome, before one can expect success for any considerable State loan. The old theory that an accumulated amount of funds in gold could form a basis for financing the first period of a war has been definitely demolished by the experience of the World War.

Purchasing power, however, must be placed at the disposal of the Government, and in a modern community this can always be done at once, and to an unlimited extent, by increasing the amount of bank currency—