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WAR DEBTS, EXTERNAL AND INTERNAL¹

How far is it true that a large domestic or internal national debt, as contrasted with an external or foreign debt, is a negligible burden? Does the payment of an internal debt, requiring merely the transfer of wealth or income from some persons to others *within* the same country, put no strain upon that country's economic energies? How far is it true, by way of contrast, that Germany's capacity to make reparations payments, or the capacity of any nation to make large foreign payments, is rigidly limited by its ability to maintain a favorable balance of commodity exports over commodity imports?

At first the very real differences between the burdens imposed by external and by internal debts were ignored in popular discussions and flouted in the policies of governments. That fact explains and justifies the emphasis competent critics, in increasing number, have put upon those differences. But despite the great value of the educational work they have done, some of these critics have drawn too straight a line between the two kinds of debts.

We may find a helpful approach to the problem if we look first at several different ways of appraising a country's ability to pay a heavy and burdensome foreign debt.

In the first place, there is the now familiar method which relies upon an inventory of a country's present

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