

BRITAIN CAN MEET WAR EXPENDITURES

With Unimpaired Wealth and Seas Open to Commerce
Canada's Motherland Has Strong Financial Position

The total sum raised by taxation in Britain during 1913-14 was £163,029,000, raised entirely by direct or indirect taxation upon luxuries and comforts, and bearing a proportion to the nation's total income of no more than 7 per cent. Of this total the taxation imposed upon the great working classes could scarcely be less, representing only about 10s. in £100 of their income, exclusive of the taxation upon alcohol and tobacco. The taxation imposed on the wealthier classes with average incomes of about £800 a year was less than 9 per cent. of their incomes, plus a small additional sum in respect of alcohol and tobacco.

Including alcohol and tobacco, the wage-earning classes pay in taxation about 4 per cent. of their incomes, and the wealthy classes about 10 per cent. of their incomes, remarks Sir George Paish in an article in the *Statist*, an advance proof of which was sent by him to *The Monetary Times*, and is of especial interest in view of the chancellor of the exchequer's supplementary budget. Furthermore, the wage-earning classes receive back in free education, in health insurance, and in old-age pensions about two-thirds of the sums they contribute in taxes.

All this applies to the cost of government; the expenditures for local purposes upon roads, sanitation, education, etc., are paid for by what are termed rates, and in the matter of rates the working classes probably contribute more than their fair quota. If both taxes and rates are included, however, it is abundantly evident that the burden of taxation imposed upon the British people is a very light one in comparison with the income they receive, and their power of bearing it.

Sources of Revenues.

The total receipts from taxes were £163,029,000, made up of customs, £35,450,000; excise, £39,590,000; estate, etc., duties, £27,359,000; stamps, £9,966,000; land tax, £700,000; house duty, £2,000,000; income tax (including super-tax), £47,249,000; land value duties, £715,000. The total receipts from non-tax revenue were £35,214,000, made up of postal service, £21,190,000; telegraph service, £3,080,000; telephone service, £6,530,000; crown lands, £530,000; receipts from Suez Canal shares and sundry loans, £1,580,000; miscellaneous, £2,304,000, making a grand total of £198,243,000.

Prior to the present great war the national income of Great Britain, which had doubled itself in about 30 years to some £2,400,000,000 a year, was growing rapidly, and seemed likely to double itself again in another generation, and the wealth of the nation was increasing at the rate of some £400,000,000 per annum, and was also in a fair way to increase another 100 per cent. in three decades, while the moral, mental and physical condition of the British people was rising to a higher level in consequence of the much greater amount of attention paid to matters of health and of education than formerly.

Income was Greater.

When war broke out the income and wealth of the British people were much greater than they had ever before been, either actually or in proportion to population. Since the war commenced the new savings of the British people have been applied to war, and consequently the wealth of the country has not increased; nevertheless, it has not diminished. The debt of Great Britain has been increased from £706,000,000 to about £1,300,000,000, and when the last war loan is paid up it will be raised to about £1,900,000,000. But as all the new loans have been subscribed by the British people themselves, the creation of this debt has not diminished the wealth of the British nation. Had the money been raised abroad the matter would have presented an entirely different aspect. Then there would have been, so to speak, a mortgage upon the wealth. But as it is, the new debt is merely a loan from some of the British people to the whole nation, and the wealth of the entire nation is not reduced. The sums borrowed since war began are as follows:—

3½ per cent. war loan	£ 350,000,000
Exchequer bonds (net)	26,000,000
Treasury bills	218,000,000
New war loan	600,000,000
Total	£1,194,000,000

About one-third of the new loan is unspent, and will provide all the money needed for the war for several months. Beyond the money raised by loan, substantial additions have been made to taxation. In November last the duty on tea was raised by 3d. per lb. to 8d. in all, giving an additional annual revenue of £3,200,000. The duty on beer was increased 17s. 3d. per barrel of 36 gallons, making 25s. in all, and yielding an additional revenue of £17,600,000; while the income tax was raised to a standard of 2s. 6d. in the £ graduated on unearned incomes, and the super-tax to a maximum of 2s. 6d. in the £ graduated, producing an additional £56,000,000, compared with 1913-14. The maximum combined income tax and super-tax on very large incomes is 5s. in the £, from which the rate is graduated down to a very small figure on incomes of £161 a year. Thus, in all £77,000,000 of new taxation has been imposed. The estimated expenditure of the current year to next March and the revenue with which to meet it are as follows:—

Revenue	£267,000,000
Expenditure apart from the war	154,000,000*
Balance	£113,000,000
War expenses (official estimate)	978,000,000
Deficit	£865,000,000

*Excluding army and navy, but inclusive of about £30,000,000 of interest on war loans.

Of this deficit £600,000,000 has been covered by the new war loan and £158,000,000 by treasury bills, leaving about £100,000,000 still to be provided. The expectation is general that the chancellor will impose additional taxation to cover the balance of the deficit.

Thus the great strength of the British financial situation will be evident. The debt so far incurred, including the new loan, is equal to less than one year's income, whereas the debt created in 1816 was equal to three years' income, and the taxes so far imposed on the British people are equal to less than 10 per cent. of their great income, whereas in 1816 the taxes were equal to nearly 25 per cent. of the small income they then enjoyed. Moreover, at present taxation is confined entirely to luxuries and comforts, and the whole of the supplies of necessary food, clothing and raw materials are free of taxation.

In brief, it is evident that the British people, with the seas open to their commerce and with their income and their wealth undiminished by the war, are able to meet their great war expenditures, however long they may last.

TORONTO SELLS FOUR MILLIONS

The city of Toronto has now sold \$3,655,000 4½ per cent. 10-year bonds to a syndicate composed of Messrs. Wood, Gundy and Company, A. E. Ames and Company, Toronto, and N. W. Harris and Company, Montreal. This syndicate had previously submitted a tender, which was the only offer received by the city and which was rejected. Toronto has visited the bond market three times this year with large blocks, the amounts, according to *The Monetary Times'* bond record, being as follows:—

Month.	Issue.	Per cent.	Maturity.
February	\$ 750,000	5	1 year
February	1,250,000	5	5 year
April	4,533,696	4½	30-40 year
September ...	3,655,000	4½	10 year

\$10,188,696

In connection with these sales United States investors have absorbed a satisfactory percentage of the city's bonds. The February issues totalling \$2,000,000 were sold in the United States and about \$2,500,000 of the April issue and the last block will no doubt get a good reception in the market across the border. Last week the mayor and city treasurer visited New York and obtained a loan of \$2,500,000 in the form of nine month notes on a 5 per cent. basis.

The Monetary Times learns that previous to this visit \$250,000 bonds had been sold, so that Toronto has now marketed the whole of its recently-advertised issue. The bonds are being offered to investors to yield 5¾ per cent. The last Toronto issue was sold in April to yield about 4.95 per cent.