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FINANCING THE WAR.

The statement made by Mr. Lloyd George this week in the British House of Commons concerning the financing of the war by the Allies, is perhaps the most interesting review of the subject that has yet been made. The Chancellor of the Exchequer made clear beyond a doubt the financial ability of the Allies to see things through to the end—whether that end be long deferred or not. He estimated the aggregate expenditure of the Allies for the current year at not far from ten billions of dollars. Something over one-third of this enormous amount will be spent by Great Britain. Yet so vast is the accumulated wealth of the United Kingdom that, in the Chancellor's opinion, Great Britain will be able to defray, if necessary, her huge expenditure on the war for no less than five years out of the proceeds of British foreign investments alone, even after allowing a substantial sum for depreciation. Similarly France will be able to carry on the war for two or three years at least out of the proceeds of her investments abroad.

It is evident from Mr. Lloyd George's statement that the Allies are working in the closest harmony with a view of bringing every ounce of effective energy and pressure to bear. At present, as Mr. Lloyd George put it, the Allies are fighting the full strength of Germany with one-third or less of their own strength. To develop the Allies' full strength is largely a question of finance. For instance, Russia can put a vast number of men in the field, but is not in as good a position as Great Britain and France financially, though her undeveloped wealth is enormous. Accordingly, steps are being taken to make advances to her for the purpose of the purchases which she must make abroad in order to utilise all her resources in men. Belgium is being nursed along pending the period of restoration and compensation. Roumania has a very useful army of 200,000 men or so, but no equipment or money to buy equipment with. The British Government obligingly arranges she shall have \$25,000,000 through the Bank of England for the purpose. Serbia has done some magnificent fighting, but is as poor as a church mouse. The British Government weighs in with a loan of several millions to go along with and, *sotto voce*, says there will be more ready when you want it. Portugal is probably being given a hand in the same way in return for services in Africa. It is on the knees of the gods whether Italy will receive similar assistance in the future against her quondam friends. It is a well-known fact that

Italy is short of artillery and other equipment; before she decides to make the plunge into war, she will want some money badly. If she plunges with the Allies it will be forthcoming; if on the other side, well, it doesn't look as if Germany will be able to help very much. The underlying principle in these and similar transactions is that each of the Allies is bringing all its resources into the common stock; what one lacks the other makes up. Each country will raise money in its own markets as far as conditions allow, but if any country needs help for outside purchases those countries best able will render assistance. The only exception is that Great Britain, France and Russia will contribute proportionately to every loan to the smaller states.

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It is interesting to compare with these arrangements, what is known of Germany's war financing as recently described by Sir Edward Holden. It must be borne in mind that while Germany is a wealthy country, its wealth is not largely liquid in form as is that of Great Britain and France. That is a handicap in a struggle of this magnitude, the extent of which will only be realised as the struggle proceeds. The country has been supplied with the currency for carrying on the war largely by advances made in the form of incontrovertible notes by mortgage banks and special war banks. The Reichsbank's issues of notes, based on gold and bills of exchange, have been kept down as much as possible; the notes of the other banks have no relation whatever to gold, but are issued on the basis of securities and properties. The first war loan was subscribed for to the extent of about 40 millions sterling by persons who obtained loans through the war banks and 40 millions by depositors in savings banks, leaving about 143 millions to be subscribed by joint stock banks and other people. Thus people were pledging their securities and properties and with the proceeds taking up the loan. With new loans, further properties will be pledged, and presently there will be the day of reckoning when this huge pledging will have to be paid off, with the result of heavy depreciation. The cost of the war to Germany is about ten million dollars a day, so that by the end of twelve months, there will have been a drain on the people either of liquid resources or securities, properties or produce, amounting to over 3,500 million dollars. This comes mainly out of home wealth; Germany has not the immense resources abroad to draw upon which are possessed by both Great Britain and France.