

# The Chronicle

**Banking, Insurance and Finance**

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F. WILSON-SMITH,  
Proprietor.

ARTHUR H. ROWLAND,  
Editor.

Office:

406-408 LAKE OF THE WOODS BUILDING,  
10 ST. JOHN STREET, MONTREAL.

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## The Season's Greetings.

*To all friends and readers—a steadily increasing number—THE CHRONICLE sends at this season its greetings. Even under the shadow of the pall that is at present hanging over the world, it is still possible for friend and friend to speak in all sincerity the time-honored formula:—"A HAPPY CHRISTMAS AND PROSPEROUS NEW YEAR."*

*Next Friday being Christmas Eve, we propose combining next week's issue of THE CHRONICLE with the final issue for 1915, to be published on 31st December.*

## BRITISH AND GERMAN METHODS OF FINANCE.

If confidence in the ability of Great Britain to bear the increasing burden of war finance on behalf of the Allies, may be gained from knowledge of the immense wealth available for war purposes, equally it may be retained through an understanding of the soundness of the methods which have been and continue to be employed, in comparison with the thoroughly unsound and dangerous methods to which Germany has wedded itself. Thus far, in no vital particular has Great Britain's financing of the war on behalf of herself and the Allies departed from the approved practice of sound finance, while Germany's methods of financing are, by their unsoundness, laying up a store of disaster, which will be the greater, the longer its precipitation is deferred.

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The British methods of raising loans are well-known. Whether these loans have been raised in Great Britain, in the United States, in Canada and in Australia, uniformly clean, straightforward, and thoroughly sound methods have been used. In no case have any steps been taken which will subsequently act injuriously upon the financial fabric. Germany's contrary procedure is clearly

described in a useful pamphlet by E. F. Davies, bearing the title "English and German Finance," and published by Nelsons. Not only, it seems have German financial houses been judiciously intimidated into "voluntary" subscriptions to the German loans, but savings' banks have refused to repay customers deposits unless they sign an agreement to subscribe to the loan an amount equal to such deposits. These characteristically Prussian methods, moreover, are by no means the most serious part of the matter. Institutions known as Darlehnskassen were formed, these institutions making advances against various forms of collateral. The loans were made in the form of War Bank Notes, notes issued by the lending institution, and which are constituted legal currency. These notes have been issued to the extent of hundreds of millions of marks without an ounce of gold cover. One result of the circulation of this printing-press "money" is the steady, and recently, notable depreciation in neutral markets of the German mark. These paper notes are accepted as subscriptions to the war loans and, apparently they can be steadily pyramided. If a new loan comes out, the Darlehnskassen, against collateral of previous loans, to which paper subscriptions were made, can loan more paper. All history shows that there can be only one end to this kind of thing—chaos.

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It must not be assumed that under Germany's present circumstances, this chaos will come speedily, even if it is inevitable. The Central Powers are at the present time practically isolated economically. Their foreign trade has been reduced to a minimum by the British blockade, the Scandinavian countries being the only ones with which for months past they have been able to carry on an exterior trade.

This fact tends to disguise the rottenness of Germany's financial methods. Gold or its equivalent is only absolutely essential in settling international balances. In purely domestic interchange mere paper can freely be used—so long as the population accept it without question. Germany's still docile population undoubtedly continue to accept it, if only for the reason that the prompt penalty for an individual's refusal is a prompt acquaintance with the activities of a firing-squad. But when the war is over, what then?

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Some months ago, Dr. Helfferich, the German Finance Minister, assured the Reichstag that the Allies would have to pay up enormous indemnities to right matters. This argument was also used as a reason why in Germany additional taxes should not be imposed during the war. Apparently, there is a little less certainty now that the Allies will oblige in the manner contemplated. At all events, it was recently announced that new war taxes were contemplated. But no step of this kind can possibly prevent the consequences of the wrong methods pursued hitherto bringing in due time their full measure of disaster. When the war is over and peace is declared not altogether in favor of the Central Empires, and international trade again begins to pursue accustomed ways, what will be the worth of the German mark outside Germany. Possibly 75 per cent., possibly even less. And how will the German Government meet its obligations to its own people? Probably it will not be able to meet them.