

In the World of Finance

GOLD SHIPMENT TO SOUTH AMERICA.

Gold coin to the amount of \$700,000 was shipped to South America from the United States as a return for the quantities of raw gold obtained from there. The New York Federal Reserve Board have not, however, withdrawn their restrictions as to the export of gold, although withdrawals on good reasons are more easily obtained than last year.

U. S. CREDIT INFORMATION.

The United States Department of Commerce, assisted by the War Trade Board and the Treasury has started, on a small scale, to secure information on credit conditions in other countries by means of consular reports, which information will be placed at the disposal of prospective purchasers of private securities. This action is being taken with a view to encouraging American foreign investments.

TREMENDOUS WAR EXPENDITURE

Statistics have been compiled by the Wall Street Journal on the cost of the war to all belligerents. The figure is placed at approximately one hundred and seventy-nine billion dollars, of which stupendous amount the Allies and the United States are said to have borne \$119,581,000,000, while the Germanic group's expenditures amount to \$59,500,000,000. Of any one single nation Great Britain's expenditure was by far the greatest, being placed at \$57,100,000,000, with France second with \$27,000,000,000, and the United States third at \$18,481,000,000. It will thus be seen that Great Britain alone expended nearly as much as all her enemies put together, and over twice as much as France, the second of the Allies, and three times as much as the United States.

RESERVE OPERATING COSTS HIGHER.

The U. S. Federal Reserve Bulletin just issued supplies data as to the increase in costs of conducting the business which permit percentage comparisons. Total earnings of the Federal Reserve Banks for the calendar year 1918 were \$67,584,417 as compared with \$15,438,858 for the preceding year. The total current expenses were \$12,137,438 in 1918, as compared with \$4,235,866 in 1917. Current expenses for the past year include, besides the operation costs proper amounting to \$8,463,957, the sums \$2,448,973 for insurance, etc., \$1,108,091 depreciation on furniture and equipment, and \$116,417, the cost of alterations, repairs, etc. These expenses are exclusive of the fiscal agent departments.

A total of \$16,245,708 was disbursed by the banks during the past year as agents for the United States Treasury Department, mainly in floating the issues of the last two Liberty loans.

Net earnings of the banks amounted in toto to \$55,446,979, or at the rate of 72.6 per cent. on an average aggregate paid in capital for the year of \$7,346,200. To these net earnings should be added the net profits carried over from 1917, which amounted to \$1,158,715, also amounts credited during the year direct to profits of \$74,772. This gives total gross profits of \$56,680,466. After the sum of \$2,805,441, being amounts for depreciation on premises, etc., is deducted, \$53,875,025 is the amount available for dividends, surplus and franchise taxes. Out of this, dividends were paid amounting to \$5,540,684, surplus was set aside amounting to \$21,605,901, and \$26,728,440 was reserved for franchise tax.

GERMANY ABLE TO PAY.

A well known London banker who has made a study of German finance declared, in an address delivered last week, that Germany was well able to pay £600,000,000 yearly. This burden would, moreover, not fall on the wage earners but on the people who made the war, he said. His suggestion was that an allied commission should sit at Berlin to receive the money in markets at the gold rate of exchange and that in view of the economic condition of the country at present the indemnity should be paid in merchant ships and railway earnings for the first three or four years.

FRANCE TO TAX CAPITAL.

The French Minister of Finance has now completed his arrangements for the taxation of capital, it is announced. The plan arranges for the payments to cover a long period so that the burden will not fall altogether upon this generation. Mr. Klotz, the Finance Minister summed up his policy as follows:

- (1) Claim from the enemy full payment of his debt; obtain a privileged position for certain claims; require guarantees for payment from the financial section of the league of nations, and practice a policy of close agreement with the Allies in financial matters.
- (2) Ask of the French taxpayer only what is indispensable, institute a tax on capital which would be spread over a number of years and repress fiscal evasion.
- (3) Oppose all non-productive expenditures.
- (4) Continue to appeal to the public for credit at the same time lowering the interest rate on money lent.

FRANCE'S FINANCIAL CONDITION IS SERIOUS.

Paris, Feb. 22. — The financial situation of France is being given serious attention by various committees and groups of the Chamber of Deputies, where it will be the subject of an interpellation at an early date.

France's war expenses are expected to reach a total of 182,000,000,000 francs, with resources to meet it of 158,000,000,000 francs, showing a deficit of 24,000,000,000 francs. These resources comprise 18,000,000,000 francs from taxation, 54,000,000,000 francs from four war loans, 20,000,000,000 francs advanced by the bank of France, the product of short time treasury bonds, together with advances made by allies and credits opened in foreign countries.

In addition to the 24,000,000,000 deficit, there are exceptional expenses, such as compensation to civilians for war damage, which is placed in moderate estimates at 10,000,000,000 francs; the cost of exchanging the German mark currency of Alsace-Lorraine 2,500,000,000 francs; the repayment of bonds issued in liberated regions, 1,500,000,000 francs; demobilization bonuses estimated at between 2,000,000,000 and 6,000,000,000 francs, together with other exceptional expenses which will bring the estimated total to 26,000,000,000 francs and make the total deficit 50,000,000,000 francs.

It is reckoned that the expenses for 1920 will be 18,500,000,000 francs, of which the existing budget can supply only 8,000,000,000 francs. The question is, therefore, being discussed in French quarters whether, apart from Germany's war contribution, a new division of war expenses ought not to be considered between the Allies, in order to distribute more equitably the burden, which, it is contended, weighs more heavily on France than on the others.

NO ASSISTANCE FOR LIBERTY BONDS.

A suggestion was brought forward in the United States Senate last week that some legislation be enacted to maintain the price of Liberty bonds which are at present selling far below par. Although it was generally deplored that they had reached such a low level no agreement was arrived at, and the bonds will not, therefore, secure governmental assistance.

BRITISH CAPITAL TAXATION.

The investors in London are greatly interested in the French Finance Minister's decision to fix a tax on capital. The scheme he has outlined is considered unfavorably in British financial centres although it is believed that some form of capital taxation will take the place of the present excess profits tax in England. The reason that the excess profits tax, which brings into the Treasury a revenue of £300,000,000, must go is that it is the cause of high commodities prices and an obstacle in the way of trade.

CANADA'S INCOME TWO AND A HALF BILLIONS.

A recent compilation of the census returns of 1911 shows the income from salaries and wages in 1910 in Canada to have been \$881,283,000. According to estimates compiled by the Dominion Bureau of Statistics, the national income of Canada was \$2,000,000,000 in 1917 and \$2,400,000,000 in 1918, the increase being due to the rise in wages. A meeting of financiers was held early in January at Ottawa, at which was considered the question of providing funds abroad for the purchase of Canadian products and also to make provision, chiefly in London, to cover the interest on the indebtedness of our governments, municipalities, railway and other companies, which is estimated to amount to from \$185,000,000 to \$200,000,000 yearly.

Of new domestic issues totalling \$24,000,000, approximately \$9,000,000 were disposed of in Canada in January, a market being found for the balance in the United States. An issue of \$5,250,000 Grand Trunk Pacific bonds guaranteed by the Dominion Government was readily absorbed by the home market.

WHAT THE WAR COST GERMANY.

The German people generally do not yet understand clearly the financial situation in which the war has left them, and they are too optimistic, declared Dr. Schiffer, the Minister of Finance, in an address to the German National Assembly. He apparently astonished the House when he gave statistics showing that the war had cost 161,000,000,000 marks.

Dr. Schiffer then asked that the Assembly vote a credit in the form of a loan for 23,500,000,000 marks, the greatest the German people ever have been asked to raise. He explained that last October the Government stood on the verge of financial exhaustion. It asked for a credit of 15,000,000,000 marks, but when this was refused raised it by means of bank note issues.

The Finance Minister said that the expenditures were divided as follows: 1914, 7,500,000,000 marks; 1915, 23,000,000,000; 1916, 25,600,000,000; 1917, 39,500,000,000; 1918, 48,500,000,000. In addition 6,000,000,000 marks in treasury bonds was issued and there were credits of 9,500,000,000 marks to Allies of Germany, making a total of nearly 161,000,000,000 which exceeded by 14,000,000,000 the credits which had been granted.

Credits made available by loans totalled 93,000,000,000 marks and bonds and notes issued totalled 58,000,000,000 marks.