

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

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OCT 18 1915
CHURCH STREET BRANCH
PUBLISHED EVERY FRIDAY

Vol. XXXV. No. 42

MONTREAL, OCTOBER 15, 1915.

Single Copy 10c
Annual Subscription, \$5.00

STRENGTH AND STRAIN.

Only in the light of history can current events be viewed in their true perspective and significance. Without that light, a distorted or incomplete vision of the passing day is certain. This is as true of finance as of the general current of affairs and it has now been applied by Sir George Paish to the present financial position of Great Britain in relation to the strain imposed through the war. Both Sir George and his journal, the London Statist, are well known as unsubduable optimists, but when allowance has been made for this, the facts which he is able to adduce show indeed that while the burden of war taxation in Great Britain may fall hardly upon individuals and make essential stern economy of expenditure on accustomed lines, yet there need be no fear that for the nation as a whole, the burden will be too great or that financial strength is not more than equal to the financial strain now imposed or likely to be imposed before peace comes again.

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Sir George's method is to contrast the financial condition of Great Britain at the time of the Napoleonic wars a century ago with that of the present day. In 1816, when the Napoleonic wars were over, Great Britain's accumulated wealth was no more than £2,500,000,000, and her income did not exceed £300,000,000, yet she incurred a debt of £895,000,000 with an annual interest charge of £33,000,000 equal to eleven per cent. of the nation's annual income. At the same time, the total annual expenditure of the Government reached a sum equal to more than 25 per cent. of that income.

The figures of 1816 look small beside the enormous amounts of expenditure being made and debt that is being piled up to-day. Yet, says Sir George, great as may be the debt incurred in the present gigantic war, and great as may be the Governmental expenditure thereafter, the burden of the interest and expenditure will be nothing like as great as was the burden of interest and expenditure in 1816 and in succeeding years in relation to the power of the country to bear it. The last clause is the really important one—if the present

financial expenditures and accumulating debt are vastly larger than those of the Napoleonic wars, so is the capacity for meeting them infinitely larger. In the intervening century since 1816, the accumulated wealth of the British people has been increased to the neighbourhood of £17,000,000,000, and their annual income to about £2,400,000,000. Prior to the present war the British national debt had been reduced to £706,000,000 and the interest charge was equal to less than three-quarters of one per cent. of the nation's income, as contrasted with eleven per cent. in 1816.

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From decade to decade during the past century the burden of taxation has been growing smaller. Taxation in 1815-16 was equal to £3.1 per head against an annual income of £15 per head; in 1913-14 it was £3.5 per head against an annual income of £52.1 per head. The national income, which before the war had doubled itself in about 30 years was growing rapidly, so that 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, Sir George points out, it has not diminished. While the debt of Great Britain has been increased from £706,000,000 to about £1,300,000,000, and with the completion of payments on the last war loan will be raised to £1,900,000,000, as practically 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. The only outside borrowing so far done, which can in any sense be said to constitute a mortgage upon British wealth is the new Anglo-French loan in the United States. In this respect, of course, an old country possessing great accumulated wealth is at a great advantage in comparison with a young country. In the one case, some of the nation lend to the entire nation, and the wealth of the nation is not reduced; in the

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