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GREAT BRITAIN'S FOREIGN OBLIGATIONS.

There seems to be reason for believing that Great Britain has now passed the maximum strain imposed by the necessity of financing foreign obligations—particularly on this side the Atlantic—and that in a short time the burden will become an easier one. Mr. McKenna, the British Chancellor of the Exchequer, said in a recent statement that Great Britain has to find practically $10,000,000 every working day for payments in the United States. This amount, it is assumed, includes practically all the Allies' imports of munitions and provisions for use of the military and for civilians as Great Britain is financing these, and it is thought also that the figure includes a considerable proportion of the payments to Canada made through New York. The view that the apex of strain has been passed is definitely expressed by Mr. A. W. Kiddy, the editor of the London Bankers' Magazine, writing in the current issue of the Journal of the Canadian Bankers' Association. According to Mr. Kiddy, it was foreseen that the early autumn months would be particularly important in the sense that imports of munitions and other articles into Great Britain, arranged for ahead, were bound to be exceptionally heavy. Hence the extreme precautions of a few months ago in the raising of the Bank of England's rate to 6 per cent. and in the continuous mobilisation of securities available as collateral for foreign borrowing. With the steady improvement in the fighting position of the Allies, it is felt that the United States will be more willing to lend funds both to Great Britain and the other Allies, while with the turn of the year, says Mr. Kiddy, the task of the financing of imports promises to be materially lessened, owing to the measures which have been taken in Great Britain for the increased production there of munitions and other articles indispensable for the war. Moreover, notwithstanding the demoralising effects of war prosperity, the thrift movement is being fraught with success. Summing up, Mr. Kiddy remarks that while the only aspect of war finance which is likely to produce real economic exhaustion is failure on the part of a belligerent to make payments abroad for all necessaries incidental to the conflict, it is demonstrated beyond all question that the countries most concerned in the matter of financing imports have passed the worst of the strain, and have it in their power to finance all possible contingencies, even if the war be prolonged for an indefinite period.

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The trend of recent events goes to suggest the accuracy of this diagnosis. The willingness of the United States to lend freely to Great Britain and the other Allies is seen in the ready arrangement of the credit of $100,000,000 in New York to French industrial firms and in the comments regarding the negotiations now concluded in London for a further loan of $300,000,000 by Great Britain in the United States. The general trend of this comment is that any issue made by Great Britain in the American market will be very readily subscribed. Apart from loans issued in New York a good deal of American money is being made available to Great Britain through purchases of the new 6 per cent. Treasury bonds. The high rate of interest combined with the low rate of sterling exchange make these a remarkable bargain for investors on this side the Atlantic. The desire of Great Britain to obtain these foreign funds appears to have been a strong incentive in the fixing of the interest rate as high as 6 per cent. —a rate which otherwise is open to criticism on the ground that it is unnecessarily high.

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In this connection, it is to be borne in mind that this foreign borrowing by Great Britain is not weakening the mother country's financial position to the extent to which at first sight it would appear. A very fair proportion of it, as already indicated, is on account of others of the Allies. Great Britain is acting in this as in previous European wars as the banker and financial agent of the Allies and a considerable proportion of her daily war expenditure of $25,350,000 comprises loans to the Dominions and Allies. The probabilities are that these loans will go a very long way towards offsetting the loss of pre-war British holdings of foreign securities. Some of them, of course, are hardly likely to be repaid, but the greater part of them will be perfectly good. Moreover, these loans will probably give British financiers and manufacturers a hold after the war on new fields which they did not previously occupy to any great extent. While the ability of Great Britain and the other Allies to meet all possible foreign obligations arising, day by day, out of the war has been demonstrated, it would also seem that so far as Great Britain is concerned, there is little to fear regarding the ultimate effects of her present borrowings abroad to meet those obligations.