

Our London Letter.

GOVERNMENT'S FINANCE PLANS.

Income Tax Shortage and Treasury Borrowings—War Loan Redemption—Stiffening of Money Rates—Insurance Company Items—Special Correspondence of THE CHRONICLE for week Ending March 5th.

The centre of interest has this week shifted from the city to Westminster. Since the fizzling-out on Monday of the "crisis" among Ministerialists on a question of tactics, the House of Commons has been largely engaged in discussion of urgent matters of national finance—questions, which in view of the close approach of the end of the financial year, are of extreme moment. Two Bills have been introduced on behalf of the Government, the first, authorizing borrowing by the Treasury up to September 30th next; the second, providing for the conversion of the National War Loan due in April 5th. The Opposition, it appears, has made an arrangement with the Government by which these bills will be allowed to go through without the usual struggles in the division lobbies; nevertheless there has been a good deal of acrimonious discussion every day this week, and in view of the extraordinary and unprecedented circumstances, and the fact that figures previously published have now been officially corrected, the position is worthy of examination.

Income Tax Shortage: 25 Millions.

To take, first, the question of this year's deficit and the Government's borrowings. As you are aware, a result of the Lords' rejection of the Budget on November 30th last, was that the annual taxes imposed by that Bill could not be legally collected. The commonsense of financial and trading circles has done much to minimise the confusion which might have resulted from this; excise and customs' dues have continued to be collected as if they were in force, and the banks and financial houses have continued to deduct income tax from coupons, interest, warrants, etc., as before. But the income tax received from this source represents, of course, merely a moiety of the total collected in the usual way; and, as concerns the rest, the officials have been in the position of being very willing to receive what is offered them, but unable to make their usual demands. In consequence, an enormous amount of income tax due this year remains unpaid. Mr. Asquith, in a speech at the beginning of the week, mentioned that the amount received up to that time was £12,057,000, while the total estimate of the tax for the financial year 1909-10, was over 37 millions. So that it would appear probable, unless within the next few weeks the rate of voluntary payment is greatly accelerated that there will be an ultimate deficiency this year on income tax account of something over 20 millions, possibly 24 or 25 millions.

Party Tactics and National Finance.

This deficiency has been met up to the present, by Treasury bill borrowings, and an advance of four millions from the Bank of England. The net amount of these borrowings is 21 millions, and the assent of Parliament is now needed to their being carried over until next year, owing to the fact, explained in this

column a week or two since, that this power to borrow is really intended only to meet expenditure, while revenue is coming in, and the bills issued must be repaid within the current financial year. The resolutions passed by the House of Commons give the power to borrow up to 126 millions. Some comment has been made upon the largeness of the amount named, but in point of fact, it is the same power to borrow which was given under the Appropriation Acts this year, and the figure has no significance. It is merely following precedent.

In order to make good the deficit of the current year, Mr. Lloyd George is raiding what is known as the "new" Sinking Fund to the extent of £6,300,000. That sinking fund had some months ago 3 1-2 millions taken from it, by the original Budget, and subsequent concessions on the income tax, and, as far as this year is concerned, is practically exhausted. This raid is, of course, extremely unfortunate, but the Government have a perfect answer to their critics on this score in the fact that it would be foolish to pay off debt through the sinking fund only by means of new borrowings. It is otherwise with their refusal to give facilities for passing the necessary resolutions to collect the income tax forthwith. That is a mere party move; part of the process of putting all the blame for the present confusion on the House of Lords. For the postponement of the Budget until, apparently, April, the Government have at least the excuse that they were not their own masters, but had to bow to the pressure of their supporters and allies who are anxious to "get at" the House of Lords. But the refusal to pass forward the income tax resolutions simply means a huge waste of money in interest—the paying of people for lending funds, as someone has happily pointed out, which should be paid to the government as income tax forthwith. Moreover, the longer the collection of income tax is deferred the greater will be the trouble involved in collecting it. What the present confusion will eventually cost the country directly and indirectly—the effect of the future collection of the taxes upon the money market must not be lost sight of—it is, of course, impossible to calculate at present, but it will be surprising if it does not run into many millions.

War Loan's Redemption.

Exchequer bonds are to be issued to replace the War Loan on its maturity. Information has been refused, as to the length of currency which these bonds will have, but in any case, Exchequer bonds cannot have a longer currency than six years. It is notable that the war Loan Redemption Bill, now being passed through the House of Commons, makes no mention of any facilities for conversion by holders into the new form of security; cash payment is the only thing mentioned. The loan, originally of 30 millions and now totalling 21 millions, was issued with the idea that it would be repaid in cash; and Treasury officials appear to be under the impression that payment in cash is obligatory. There has been, by the way, quite a storm in a tea cup owing to a provision in the bill empowering the Bank of England to invest cash credited to holders of the war loan and not claimed by May 31st in consols at the price of the day. This period is said to be unreasonably short, but it is difficult to have any sympathy with the complaint. On the contrary, the provision appears to be an excellent one, by which careless or absent owners