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FINANCE AND THE LENGTH OF THE WAR.

There is an interesting discrepancy evident in the views of military men, economists and financiers regarding the probable length of the war. Almost at its outset, economic authorities in England and France gave as their considered opinion that the war would last for from six to seven months, that is that the welcome signs of peace would be visible in the early spring or at latest the summer, and it is a fact that all through practical hard-headed financiers in the City of London have been guiding their affairs and making arrangements for the future on the supposition that the war may not last for a prolonged period. The London correspondents perhaps have coloured up these views considerably, but private advices of undoubted weight show that there is a real solid basis of opinion for the cables which were recently published on this side of the Atlantic, suggesting that in the opinion of London financiers the war will end much sooner than is generally anticipated owing to Germany's inability to stand the financial strain. The feeling of optimism on this point, which has been very much in evidence ever since the war began, will not down. It may be a case of the wish being father to the thought, but if so, it can only be considered remarkable that men of more than average business ability, close understanding and acute knowledge of financial and economic problems should be found, as they are found, to back it.

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The views of a leading British banker on this point were given recently in an address reviewing the financial history of the war to date, by Sir Edward Holden, chairman of the London, City & Midland Bank, one of the largest of the British banking institutions, and himself widely known as one of the foremost of British banking authorities. The cable summaries are necessarily patchy, but it seems that in the view of this banker, Austria will not be able to continue war for any length of time unless financial assistance is received from Germany. Presumably Turkey is in the same boat. "We cannot expect a cessation of war within twelve months," said Sir Edward, "on account of Germany's gold position. I don't say there might not be a cessation of hostilities for other reasons." As the passage stands, it is open to conjecture as to whether stress

is or is not to be laid upon the "other reasons." The full text of the address must be awaited for further light upon this point. Two other interesting points made by Sir Edward are that Germany's exports undoubtedly will fall off to a much greater extent than her imports, and the adverse balance will have to be paid in gold. Superhuman efforts are being made to increase the gold reserve in the Reichsbank, which now amounts to £106,000,000 (\$530,000,000), but already withdrawals are taking place to pay for imports. Plans for Germany's financial mobilisation, it may be noted, were worked out as carefully before the war as the plans for her military mobilisation. When hostilities began war banks were created in all the important German towns, and war bank notes were issued for the purpose of driving gold from circulation into the Reichsbank. There was one defect, however: that the Reichsbank note which replaced this gold became inconvertible into gold, which caused the note to fall to a discount. That is to say, Germany has begun to suffer the evils, and they are not a few, of a depreciated currency.

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The optimists say the end will be in the spring; Sir Edward Holden thinks that the strain upon Germany's gold supply may reach breaking point twelve months from now. The purely military view is of course, for a much longer war. High military opinion in England is said to place the duration of the war at from two to three years, and forecasts terrific struggles with frightful losses of life, compared with which what has happened in the last six months is as almost nothing. There is no use in blinking the fact that the leading allies, Great Britain, France and Russia, were each caught napping by Germany so far as military equipment is concerned. Lee-way in that respect has not yet been made up. It is gradually being made up, but according to the military view, not at a sufficient rate to justify any hopes of an early conclusion of the war. But military opinion, paradoxical as it may seem, is not perhaps to be entirely relied upon for prophesies regarding the probable end of such a struggle as the present. There are important factors, other than military ones, to be taken into consideration. Whenever the end of the war comes, it will be found probably that economic and financial pressure will have played almost as important a part as military operations in bringing German militarism to its knees. The two kinds of pressure are complementary.