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Sir George Paish and the Financial Strength of Great Britain.

A GREAT FINANCIAL AUTHORITY SAYS THAT WE ARE ABLE TO MEET OUR WAR EXPENDITURES HOWEVER LONG THEY LAST.

Sir George Paish, one of the editors of the Statist, has a very confident article in that paper on the financial strength of Great Britain. He is a great authority on his subject and declares that:

"It is evident that the British people, with their seas open to their commerce, and with their income and their wealth undiminished by the war, are able to meet their great war expenditures, however long they may last."

Our Napoleonic Debt.

This is cheering news for the days when the Chancellor of the Exchequer is to tell us how many times he will increase the income tax.

"How large an indebtedness an old nation can incur without serious strain and without much discomfort is shown by the experience of Great Britain in the Napoleonic wars of a century ago," says Sir George Paish. "In 1816, after these wars were over, Great Britain's population was about 20,000,000, her 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.

"It is true that at that time the taxation of the poor was heavy, but, on the other hand, the taxation of the rich was light, and no one ever doubted the country's power to meet a debt charge which called for 11 per cent. of the nation's annual income, or to carry a debt that was equal to over one-third of the nation's total wealth and to three times the nation's annual income. Such a debt charge would, however, severely strain the powers of a young country, as the latter would probably owe abroad the greater part of the sum borrowed.

"The British obligation of nearly £900,000,000 in 1816 was debt incurred for purely unproductive purposes, and the interest upon it had to come out of an income not appreciably increased by the creation of the debt.

"And the British people experienced no difficulty in meeting this great burden of interest, which was equal to 11 per cent. of their total income. Moreover, in 1816 the total annual expenditure of the Government reached £65,000,000—a sum equal to over 25 per cent. of the nation's entire income.

Our Bearable Burden.

"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.

"At the present time the population

of Great Britain is nearly 47,000,000, while her accumulated wealth is in the neighborhood of £17,000,000,000, and the annual income of the British people is about £2,400,000,000. Prior to the war now being waged the amount of British debt had been reduced to £706,000,000, and the interest charge was no more than £17,341,000—a sum equal to less than three-quarters of 1 per cent. of the nation's income.

"Moreover the total Governmental expenditures of the country (excluding the reproductive services—the Post Office, telephones, etc., which yield a substantial profit) were only £165,000,000, equal to less than 7 per cent. of the nation's income, against a proportion of 25 per cent. in 1816. This expenditure in 1913-14 included the large sums which the Government was paying for education, sickness and old age—expenditures which, until a few years ago, were paid entirely by individuals and not by the Government.

HOW WE SPEND THE MONEY.

Great Britain's Expenditure in 1913-14 (Prior to the War.)

Interest	16,894,000
Road Improvement Fund	1,395,000
Payments to Local Taxation Account	9,734,000
Other Consolidated Fund Services	1,694,000
Army	28,364,000
Navy	48,833,000
Civil Services:	
Public Education	19,450,000
Health Insurance, etc.	7,066,000
Old Age Pensions, etc.	12,600,000
Other Civil Services	14,785,000
Customs and Inland Revenue	4,483,000
Total	165,280,000
Sinking Fund	7,606,000
Post Office Services	24,607,000
Grand Total	197,493,000

Financial Burdens Reduced.

"The total Sinking Fund payments charged to expenses in 1913-14 were about £10,000,000 as beyond the sums specially earmarked, other amounts were charged on the Army, Navy, and Post Office votes.

"In spite of the increase in expenditure in the last fifteen years the burden of the normal Governmental expenditures is much less than it was in the days of Mr. Gladstone, having regard to the great expansion in the income and wealth of the nation.

"The burden on the wealthy relatively to their wealth has not increased, while the burden on the great mass of the people has been greatly reduced in proportion to their incomes. The following statement of the incomes assessed to income tax since the income tax was introduced in 1843 furnishes a fairly good indication of the relative growth of the nation's income from decade to decade:

1843-44	150	243,330,000
1853-54	100	286,885,000



"Just the Same."

How often does your friend ask you "How are you feeling," and your answer is: "Just the same," my cough is not one bit better. Don't you think that you are very foolish in allowing this nasty cough and cold hang on to you for such a long time?

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1863-64	100	371,103,000
1873-74	100	543,026,000
1883-84	150	628,510,000
1893-94	150	673,712,000
1903-4	160	902,759,000
1913-14	160	1,167,184,000

"This was the first year after the income tax was re-introduced by Sir Robert Peel.

Allowing for depreciation, etc., the net income of persons paying income tax in 1913-14 prior to the War was close to £1,000,000,000.

"It should be noted that the above statement of income does not include salaries and wages exempt from income tax. This additional income in 1913-14 amounted to about £1,400,000,000, whereas in 1843-44 it was only £235,000,000. The nation's total income in 1843-44 was about £240,000,000, and in 1913-14 it was £2,400,000,000, a more than five-fold growth.

Income Over Taxation.

"To show the lightness of the burden of taxation in Great Britain in proportion to the income available in 1913-14 in comparison with 1859-60 and with 1815-16, I present the following statement (in millions):

	Popu- lation	per an'm.	excess income over taxation
1815-16	20	300	62
1859-60	29	700	66
1913-14	46	2400	163

"The great increase in the margin of income in excess of taxation both actually and in proportion to population will be evident from the following statement:—

	Income Taxation	per head, per head, population
1815-16	15	3.1
1859-60	24.1	2.2
1913-14	52.1	3.5

"The burden of taxation in England has thus been growing smaller from decade to decade over the last century until it has become quite unimportant in comparison with the national income available for paying it.

"A century ago the great mass of the British people were 'burdened' with indirect taxation, while the burden of direct and indirect taxation falling on rich people was insignificant. Now there is practically no burden of taxation on the great mass of the people, and only a very moderate burden upon the rich. In no country in the world, with the exception of the United States, has the burden of taxation been as light as it has been in Great Britain in proportion to the national income.

"What other country can show absence of taxation upon practically all necessities of life and upon most comforts, and that it draws its revenue almost entirely from the taxation of luxuries?

Income Tax.

"The tax upon incomes in 1913-14 yielded a sum of £47,249,000. The nominal rate of duty was 1s. 2d. in the pound, but the average virtual rate levied on each pound of taxable income was no more than 11d. This tax only applied to incomes of £160 a year and over, and was collected

on a total taxable income of about £977,000,000. The nominal rate of tax on earned incomes of less than £2,000 a year was 9d. in the pound, but the virtual rate of tax was no more than 4.44d. in the pound, as substantial abatements were made on incomes between £160 and £700.

"A super-tax of 6d. in the pound was in 1913-14 charged upon incomes of over £5,000 a year, and this yielded a sum of £3,120,000. The total income upon which super-tax was charged, was estimated at £165,300,000, received by 13,500 people.

"Income tax and super-tax together yielded £47,022,000, and this was equal to a charge of less than 5 per cent. on the incomes on which tax was paid, and to no more than 2 per cent. on the nation's total income.

"Death duties brought in an income of £27,359,000. This is practically the only tax on capital imposed by Great Britain. The net value of the estates assessed to duty in 1913-14 was £296,432,000, and on this sum the amount paid was equal to 9.2 per cent.

Our Small Taxation.

"Compared with the nation's total income of about £2,400,000,000 it is a tax of a shade over 1 per cent. only, and in comparison with the nation's income assessed to income tax of nearly £1,000,000,000 it is a tax of no more than 2 1/2 per cent.

"Thus the total sum raised by taxation in 1913-14 was £163,029,000, raised entirely by direct or indirect taxation upon luxuries and comforts and bearing a proportion to the nation's total income of no more than 7 per cent. Of this total the taxation imposed upon the great working classes could scarcely be less, representing only about 10s. in £100 of their income, exclusive of the taxation upon alcohol and tobacco. The taxation imposed on the wealthier classes with average incomes of about £800 a year per person paying income tax was less than 9 per cent. of their incomes, plus a small additional sum in respect of alcohol and tobacco.

"Including alcohol and tobacco the wage-earning classes pay in taxation about 4 per cent. of their incomes. Furthermore, it should be borne in mind that the wage-earning classes receive back in free education, in health insurance, and in old-age pensions about two-thirds of the sums they contribute in taxes.

Our Increasing National Income.

"Prior to the present great war the national income of Great Britain, which had doubled itself in about 30 years to some £2,400,000,000 a year, was growing rapidly, and seemed likely to double itself again in another generation, and the wealth of the nation was increasing at the rate of some £400,000,000 per annum, and was also in a fair way to increase another 100 per cent. in three decades, while the moral, mental, and physical condition of the British people was rising to a higher level in consequence of the much greater amount of attention paid to matters of health and of education than formerly.

"Thus, 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, it has not diminished.

"It is true that the debt of Great Britain has been increased from £706,000,000 to £1,300,000,000, and when the last War Loan is paid up it will be raised to about £1,900,000,000. But as 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. Had the money been raised abroad the matter would have presented an entirely different aspect.

Less Than One Year's Income.

"Thus the great strength of the British financial situation will be evident. The debt so far incurred, including the new loan, is equal to less than one year's income, whereas the debt created in 1816 was equal to three years' income, and the taxes so far imposed on the British people are equal to less than 10 per cent. of their great income, whereas in 1816 the taxes were equal to nearly 25 per cent. of the small income they then enjoyed. Moreover, at present taxation is confined entirely to luxuries and comforts, and the whole of the supplies of necessary food, clothing, and raw materials are free of taxation."

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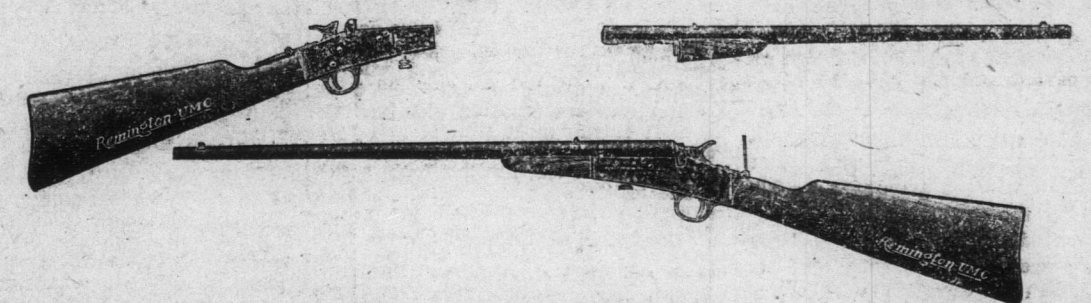
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