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British Credit Stands Unimpaired

STERLING in New York Has Been Maintained This Year at About \$4.76½, While History of the German Mark Has Been "Pitiable"—If War Ends Next March, There Will Be Sufficient Money to Provide for Peace Settlement—Extra Taxes Will Be Reduced Immediately War is Ended.

GRATIFICATION has been caused throughout the British Empire by the statement recently made by the Right Hon. Reginald McKenna, chancellor of the exchequer, regarding the financial condition of Great Britain, and his declaration that no matter how long the war may last, Great Britain will be able to maintain her credit to the end.

The importance of such a statement at the end of two years of a gigantic struggle, in which money plays not the least important part, cannot be over-estimated, it is felt in London, and special value, therefore, attaches to the following interview accorded to press correspondents in London by the chancellor of the exchequer, who completes the survey which he presented to parliament.

Chancellor McKenna began by recalling the facts of Great Britain's financial mobilization. He said:—

"It is by comparison with the past that we can best realize the magnitude of the problem with which Great Britain is faced to-day, as you know our present expenditure is at the rate of about \$25,000,000 a day, or about \$9,125,000,000 a year. All that was spent by us during the many years of revolutionary and Napoleonic wars would not suffice for six months of the present struggle.

"Our last war in the South African campaign cost us \$1,250,000,000 and lasted two and one-half years. To-day this sum would be used up in less than two months.

"The civil war in the United States was particularly costly, but the \$3,330,000,000 which historians say was spent by the Northern States during those four years is equal to little more than four months of our present expenditure, yet these enormous figures are not out of proportion to our task.

"We have kept the seas of the world open for ourselves and our allies. We closed them to our enemies. An army so small as to be thought negligible at the beginning of the war has been expanded in less than two years into a force competing in size and equipment with those vast continental armies which had taken generations to build up.

"We converted industrial England into one great naval and military workshop. It is due to say that without the patriotism and self-sacrifice of those who are fighting and working for us finance alone would have been helpless; but, on the other hand, without the support of our wealth, even this unparalleled outburst of enthusiasm could have accomplished little. Our army is fighting overseas and as a result its maintenance is far more costly

than that of any other. Our industrial organization was less designed for war purposes than that of any other of the great belligerents, and its conversion has been relatively more costly; nor have our financial resources been used for ourselves alone. Our allies have looked to us for help, and we have gladly given it, but this is no light service, for we are making loans to them and to our own dominions at a rate exceeding a million pounds a day.

"When you remember that our national expenditure before the war had just reached a figure of \$1,000,000,000 a year, you will realize the enormous revolution that must be taking place in the life of every individual when the nation was asked to meet nearly ten times this sum. It has involved a mobilization of financial resources not only unequalled but hitherto unimagined in history by any country. It has been a British tradition to meet the cost of war as far as possible by taxation, and we maintained that policy even in this unprecedented struggle.

"Out of a total expenditure for the current year of \$9,125,000,000 no less than \$2,500,000,000 being met by taxation, we have increased certain indirect taxes on tobacco, tea, sugar, etc., and we have introduced new ones on matches, table waters, entertainments, etc., but our heaviest demands have been made through direct taxes, our citizens to-day paying in an income tax from slightly under 1 per cent. when their incomes are very small, up to over 41½ per cent. when their incomes are very large. Before the war they paid two-fifths of 1 per cent. on very small incomes to 13 per cent. on very large incomes. Finally, we have accomplished that from any increase in profits earned during the war 60 per cent. shall be surrendered to the State.

"Our position is so sound that if we were to end the war at the end of the current financial year, that is to say on March 31, 1917, our present scale of taxation would provide not only for the whole of our peace expenditure and the interest on the whole national debt, but also for a sinking fund calculated to redeem that debt in less than forty years, and there would still remain a surplus sufficient to allow me to abolish the excess profits tax and to reduce other taxes considerably.

"I may perhaps be allowed to explain this more precisely: Our total revenue for the current year is estimated at \$2,545,000,000. Our expenditure in the last full year of peace was about \$1,000,000,000. To arrive at an estimate of an after-the-war expenditure on the assumption