

# The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIV. No. 40

MONTREAL, OCTOBER 2, 1914.

Single Copy 1/6  
Annual Subscription, \$5.00

## FINANCE AND THE WAR.

Recent advices from London show that there exists in financial circles in that centre a quiet opinion that the European war may be brought to a close somewhat more speedily than is generally supposed. This opinion is based upon financial considerations. In a titanic conflict of this character, a long purse is a necessity to victory, once the initial stages have been passed with their possibility of striking a rapid and decisive blow, as was Germany's intention. London financiers, putting together the known facts, argue that it is already evident that Germany is in a serious economic position, owing to the paralysis of her trade and industry, and that in due course a time will inevitably arrive when the pressure of financial circumstances will compel her to give up, however well her armies may be holding their own in the field against the forces of the allies. This stage may well be reached before Germany reaches absolute bankruptcy.

\* \* \* \*

With regard to the development of the financial position of the different countries now engaged in war, there is much evidence for encouragement in the Allies' position in comparison with that of their opponents. There is little information available regarding the position of Russia, but that country will probably draw freely upon its immense gold reserves which have been piled up year after year against just such a conflagration as the present. Belgium is normally a wealthy and a lending country, but the resources of its government are not equal to a strain like the present, and it is being partly financed by Great Britain. The financial stalwarts among the Allies are Great Britain and France, and if a comparison be made between their position and that of Germany and Austria, it will be seen that they have, on all the evidence that is at present available, a great superiority, owing to the amount of free capital they possess. Austria indeed is in a parlous case. Her government finances were already in a bad state prior to the outbreak of the war owing to the immense expenditures entailed by the prolonged general mobilisation during the Balkan wars, and acute observers are at a loss to know how

she is finding the funds to meet her present enormous expenditures.

\* \* \* \*

Germany is suffering all the miseries of a depreciated paper currency. It has been stated in responsible quarters in London that notes of the Reichsbank were being negotiated in Berlin at a 35 per cent. discount, and that the German Government is closing shops which refuse to take these notes in payment. Too much need not be made of the supposed non-success of the recent German loans, but on the other hand apparently reliable particulars which have been published in New York, regarding the methods adopted for ensuring the "success" of recent borrowings suggest that desperate expedients are already being adopted. It is stated that 25 per cent. of all bank balances in the country were attached and that depositors were forced to subscribe to the war loan to that extent whether they wanted to or not. It also appears that German merchants, at the direction of the government, are liquidating their foreign debts by investing the amount owed in the government war loan at 5 per cent. placing this and interest thereon to the credit of the creditor while at the same time notifying the creditor that it has been decided to discontinue doing business with such manufacturers who will not agree with this method of paying German debts. The delight of the merchant of a neutral country with this method of meeting obligations due to him can be imagined.

\* \* \* \*

The contrast between these devices and the manner in which the issue of British Treasury Bills have been over-subscribed is a striking indication of the immense financial superiority of Great Britain. It is also important to note that while immediately on the outbreak of war, a paper currency was put into circulation in Great Britain that these one-pound and ten shilling notes are redeemable in gold at the Bank of England. The wisdom of this step is shown in the fact pointed out by the London *Economist*, that recently these notes were quoted in the neutral market of New York at 4.87 and 4.88 or slightly above the equivalent of the British sovereign, while at the same

(Continued on p. 1361).