# The Chronicle

**Banking, Insurance & Finance.**

ESTABLISHED JANUARY, 1881 PUBLISHED EVERY FRIDAY

Vol. XXXIV. No. 47 MONTREAL, NOVEMBER 20, 1914. Single Copy 10c Annual Subscription, $3.00



## PAYING THE PIPER.

This week's financial statement in the British House of Commons by Mr. Lloyd George and the issue of the British Government's new loan of £350,000,000 bring home something of what the financial cost of the war means to Great Britain. Generally speaking there is cause for satisfaction. The financial requirements are enormous yet they are well within the power of the British people to supply, and, if more is wanted, it will be cheerfully forthcoming. The terms upon which the new loan was issued this week are a magnificent indication of the superiority of British credit to that of any of the enemy countries—a vital factor in this struggle. The new loan of £350,000,000 is in 3½ per cent. bonds, redeemable in March, 1928, the price of issue being 95. Allowing for redemption, this gives a yield of 4 per cent. Germany's recent loan for the flotation of which *force majeure* methods were used, was in 5 per cent. bonds, the price of issue being 97 ½. Russian and French financing has thus far been at a cost of about 5 per cent. Austria has been trying to float a loan at 5¾ per cent. Thus Great Britain has a clear advantage of more than one per cent. in borrowing power over Germany, and of nearly two per cent. over Austria. This is satisfactory enough.

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An interesting feature of the new loan is that it provides not only for the war expenditure of the Imperial Government, but also for substantial loans to Belgium and Servia, to Canada, Australia and the people of South Africa. For the self-governing Dominions, a sum of over £30,000,000 has been allocated, of which amount its may be presumed that about one half will be lent to Canada. This is an important and admirable arrangement. Not only does it relieve the Canadian Government from itself appearing as a borrower in the London market, but it means that there will be saved to the Canadian exchequer the difference between the rate at which the Imperial Government borrows and that at which the Canadian Government could borrow—a matter of some moment when a large amount is concerned over a considerable term of years. Moreover, it will facilitate the borrowing of our provinces and leading municipalities in London a little later, inasmuch as they will not have to meet the competition of a Dominion Government loan and thus, indirectly, make things easier in the London market for all classes of Canadian borrowers.

Mr. Lloyd George has not made his task of meeting the war expenditure by means of taxation any the easier through the prodigal expenditure in recent years on various experiments in the way of social legislation. But he seems now to have succeeded in imposing the burden of taxation which will be cheerfully borne, as equitably as possible. The middle classes, professional men and traders, with moderate incomes, will as usual feel the burden most acutely. The British income tax, despite the attention which has been given to it in recent years, has not yet been graded fairly, and even in normal times the tax bears unfairly on the man of moderate means. The tax is now to be doubled. Broadly, in recent years it has been 9d in the £1 on earned incomes (nearly 4 p.c.), and 1s 2d and upwards in the £1 on unearned incomes (*i. e.,* incomes derived from investments) —nearly 6 per cent. The doubling of the tax will make it nearly 8 per cent. in the case of earned incomes and 12 per cent. in that of unearned incomes.

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Various allowances which are permitted on account of insurance premiums, size of family, etc., tend to make this burden less than it appears. But these are offset by the proportionately larger amounts required from those with very large incomes, some of whom it appears will be compelled to pay up to 15 or 18 p.c. of their incomes in this tax, and possibly an even higher proportion. Obviously the burden that the British people are shouldering in this way alone is no light one. Non-income tax payers (*i. e.,* those whose incomes are less than $800 a year) are reached by a new tax on beer of one cent a half pint and in the case of teetotallers of six cents a pound of tea, and this burden, it must be remembered, will have to be shouldered for some years after the war has closed, since the sinking fund of the new loan, separation allowances and pensions on an adequate scale will have to be provided. Mr. Lloyd George estimates that the new income taxes will bring in £12,500,000 between now and next March 31 and thenceforth while they last £44,750,000 a year. The beer duty is expected to produce £2,000,000 during the current fiscal year and £17,000,000 a year afterwards, the tea duty contributing £950,000 this fiscal year and £3,200,000 hereafter annually. In other words the new taxation amounts to about $340,000,000 a year. The cost of the war to Great Britain for one year is placed at $2,250,000,000.