

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXVI. No. 8

MONTREAL, FEBRUARY 25, 1916.

Single Copy 10c
Annual Subscription \$3.00

GERMANY'S WAR FINANCE.

Great Britain's war expenditure, Mr. Asquith told the House of Commons this week, is now about \$21½ millions a day. Germany's daily war expenditure, which in the early stages of the war was consistently lower than that of Great Britain, cannot now be very far short of the same amount. In August last, the German finance minister admitted that the monthly war expenditure had reached \$500,000,000, and since then it is considered by English critics certainly to have increased, through the wide extension in military operations and the rapid rise in prices, while the fact is pointed to that a credit of \$2,500 millions voted at the end of August was eaten up in less than four months. The burden upon Great Britain of a daily war expenditure in excess of \$20 millions is a heavy one, but it can safely be said that it is comparatively a light load compared with the burden which a similar daily expenditure constitutes upon Germany, and that in spite of the fact that Great Britain's extensive war imports constitute a problem from which Germany, in comparative economic isolation, is relatively free. The known pre-war facts regarding the wealth of the two nations have only to be borne in mind to make assurance doubly sure on this point.

To meet its outlays, Germany has followed what is generally considered to be a well-thought-out financial policy. Loans have been raised amounting to \$6,400 millions, and a further loan is announced for the end of the present month. But, according to the London Economist, which has collected a budget of interesting facts in regard to Germany's war finance, these loans have been brought together only after a most extraordinary propaganda of advertisement and coercion and have been made possible only by the preliminary work of wholesale inflation through borrowing on Treasury bills from the Reichsbank. The amount of bills outstanding is not known, care being taken to conceal this item in the Reichsbank return. But the extent to which direct inflation of the currency has been carried on can be easily traced. Between July 23, 1914, and January 15, 1916, the amount of Reichsbank notes in circulation increased from \$475 millions to \$1,595 millions, the amount of Treasury notes from \$35 millions to \$80 millions; while another \$270 millions of paper was added in the form of Loan Office notes. That is to say, since the outbreak of war, the amount of paper currency has been increased from \$505 millions

to \$1,945 millions, or by 285 per cent. How much additional inflation has been produced by the extension of banking credits is not known, as the bi-monthly statements of the great banks have been discontinued. It is true that during the same period the gold in the Reichsbank has been increased by \$275 millions. But a large part of this increase has, so information goes, come from the reserves of the Austro-Hungarian Bank. In any case, too little has been withdrawn from circulation to have much effect in counteracting this flood of paper.

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In regard to the effects of this inflation, the Economist has an interesting summary, which is heartening in regard to the present condition of things in Germany. The effects of inflation, the Economist points out, can be tested in two ways: by the movement of the exchanges against Germany, and by the rise in prices in Germany itself. At the end of December the Swiss exchange was 19 per cent. against Germany, the American 19.80 per cent., the Dutch 28.50 per cent., the Danish 22.50 per cent., the Norwegian 22.50 per cent., and the Swedish 23.30 per cent. Since that time American exchange has taken a further considerable dive downwards.

As to the rise in prices in Germany itself, a good deal of this, according to the London authority, is probably due to a real exhaustion of supplies, but is by no means due to this alone. In the earlier part of the war, the Government was quite content to see prices rise rapidly as it forced the country to economise, and made England, who was alleged to be responsible for this increase in the cost of living, intensely popular, while incidentally, it enabled the rich agricultural interests, the Junker party which controlled the direction of affairs, to reap huge profits at the expense of the poor. This policy eventually over-reached itself and the clumsy machinery of price regulation had to be improvised. For once, German organisation was unequal to the task and the only result is that prices continue to soar upward and distress and discontent grow stronger. Even official estimates admit that between July, 1914, and August, 1915, the cost of providing for a normal German family increased by 156 per cent. Since then prices have risen still more rapidly.

The war credits thus far voted by the Reichstag amount to \$10,000 millions, which at 5 per cent. means a yearly burden equal to more than two-thirds of the total yearly expenditure of the German Empire before the war. How is Germany going to pay?