

In the Spring of 1915 the Chancellor, in his celebrated indictment of the liquor traffic, proposed to increase heavily the taxes on beer, wine, and spirits, but in the face of a formidable opposition he had to withdraw these proposals, securing only the establishment of a Liquor Control Board with restrictive powers in certain areas. On the fourth of May he delivered his second War Budget which proved, however, to be but a budget of words. Though everybody had been expecting new increases in taxation and the leading financial papers had been prognosticating as to the form these would take, the Chancellor considered that until the outlook as to the probable duration of the war became a little less clouded, it would be premature to overhaul the existing scheme of taxation, and contented himself with a little harmless readjustment of the taxation of insurance policies and a sort of interim review of England's financial resources and prospects. The tax payer, reading the summaries of the Chancellor's speech would experience, thought one of the great dailies, "something of the sensation of the man who climbing steep stairs in the dark lifts his foot for a final big ascent and brings it down upon the level of the landing."

It was left for Mr. Lloyd-George's successor to do the overhauling and attempt to adjust the British fiscal system to an expenditure of $7\frac{3}{4}$ billion dollars and a deficit of $6\frac{1}{4}$ billions. The financial daring and courageous imagination needed by the present Chancellor of the Exchequer can best be seen by tracing the history of successive budgets from 1913-14 when revenue and expenditure balanced at 964 million dollars, to 1914-15 when revenue fell 1,627 millions short of an expenditure of 2,372 millions, and finally to 1915-16, when deficit and expenditure are respectively 6,258 millions and 7,743 millions. If expenditure and revenue continue for another year on the present basis, the revenue will fall over 7 billions short of an expenditure nearly 10 times as great as the normal budget requirements. Mr. McKenna tackled the problem with courage and resource. His budget speech of Sept. 21 was "a plain, unvarnished statement of an unparalleled revenue, an inconceivable expenditure, and an unimaginable deficit, followed by a list of fresh taxation which imposed, as he said, an unprecedented burden on the country." Forty per cent. was added to the income-tax, and the exemption limit was reduced from £160 to £130,—a broadening of the income-tax-paying citizenship which is to be commended quite as much on political as on financial grounds. The supertax on incomes between £3000 and £8000 was left unchanged but for higher incomes, increased from 6 to 30%. The result of these increases is to take 20% of a man's income, if it amounts to £5000; 25% if it is £10,000; and 34% if it is £100,000. A tax of 50%, de-