

FRANCE

The financial situation in France was very unsatisfactory at the outbreak of the war. A deficit had been announced for the year 1914 and a loan was authorized on July 7 for \$161,000,000 in 3½ per cent 20 year bonds. By the beginning of August \$76,000,000 had been paid in, but the outbreak of the war made the further payments difficult, while the existence of this unfulfilled loan embarrassed the Treasury in its subsequent operations. Although it had been thirty-seven times oversubscribed, only \$119,947,200 had been paid in by the end of the year.

In order to meet the deficit in the budget, estimated at \$251,600,000 for 1914, an income tax had also been voted, but this was not to become operative until January 1, 1915. The invasion of France and the seizure of the richest industrial section of the northern part of the country, the withdrawal of men of productive age for military service, and the interruption of the normal economic activities of the people made it necessary to postpone the introduction of the income tax for still another year, and made the resort to other taxation to meet the costs of the war inadvisable.

As both loans and taxes seemed impossible, resort was had at the beginning to the financial assistance of the Bank of France. This institution stands in very close relations with the government, and in return for the renewal of its charter in 1897 for twenty-three years is under obligation to lend to the government in time of war at the nominal interest rate of one per cent.¹ In 1911 these compulsory advances had been fixed at \$580,000,000, but in September, 1914, they were increased to \$1,200,000,000, and in May, 1915, to \$1,800,000,000. During the first

¹ This rate will be raised to 3 per cent one year after the end of the war. *Journal des Economistes*, Oct., 1914, p. 64.