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MEETING WAR EXPENDITURES.

There appears a general consensus of opinion among British financial critics that the immediate future will see the imposition in Great Britain of such economy as has never been previously experienced. This will be imposed not only for the purpose of enabling additional funds to be provided for the continuance of the war, but more especially in order to lessen the adverse balance of foreign trade and the strain of financing and forwarding imports. What great reserves of financial strength will be made available to Great Britain through a policy of strictly-enforced economy may be gathered from summary figures of German and English consumption. Pre-war expenditure in Germany per head is estimated by Dr. Helfferich at \$115 per annum. The same in Great Britain is estimated by Sir George Paish at \$212½ per annum. So that, as Mr. Hartley Withers, the editor of the London Economist, points out, Great Britain can meet even the present cost of the war by putting into it the amount of her annual pre-war savings, estimated at \$2,000,000,000, plus the sum of \$4,500,000,000 which represents a reduction in consumption per head to the level shown before the war in Germany, making altogether \$6,500,000,000, which is probably about what the war itself is costing Great Britain annually if from the total war expenditure is deducted the billion dollars per annum that was normally spent on government and defense before the war, and the sums that Great Britain is lending to the Allies and Dominions.

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As regards these latter, it is Mr. Withers' opinion that their total exceeds considerably the total realizations by Great Britain of American securities and British war borrowings in the United States. These loans were estimated by the British Chancellor of the Exchequer in a speech which he made in August to be going to amount to \$4,000,000,000 on March 31, 1917. It is now known that this estimate will be exceeded. Nobody knows the value of the securities that Great Britain has sold abroad, but the biggest estimate of it, compared with the sums Great Britain has borrowed is comfortably within \$4,000,000,000. In other words, Great Britain is continuing to lend abroad even through the stress and strain of this great war, although the destinations and objects of her new foreign investments have been changed in comparison with the pre-war period. This continued

lending abroad has been made possible through increased production and the cutting-down of consumption. The remaining extravagances in consumption, as noted above, are now likely to be severely pruned. Admittedly present efforts have to be increased, since while purchases by Great Britain and the Allies in the United States are considered likely to show a decline during the coming year, war financing in New York has been made more difficult through the recent action of the Federal Reserve Board and Great Britain has to rely more than before on her own resources and those of the Dominions to finance and supply herself and the Allies. But it appears certain that Britain's gold resources are such that the same quantity of the metal as in 1916, if not more, can be sent to the United States this year, while the mobilisation of first-class securities has proceeded on such a scale that there must now be literally many hundreds of millions in the hands of the government, to use if required. Under such circumstances the financial tasks of 1917, while admittedly heavy, can be approached with the utmost confidence.

THE NOVEMBER BANK STATEMENT.

Special transactions, possibly in connection with munitions and war supplies operations, doubtless account for the marked charges visible in the November bank statement, the leading figures of which were published in our last week's issue. In any event, present-day circumstances have the effect of disguising entirely the normal movements of the Dominion's banking resources.

While notice deposits increased to the new high figure of \$836,593,269, demand deposits slumped nearly \$30,000,000 to \$459,277,454. In the previous month these demand deposits had increased by \$35,000,000. Apparently temporary deposits account for these sharp charges. The exceptional increase in the banks' specie holdings is probably connected with "window-dressing" operations in preparation for the publication of annual balance sheets. Specie's growth for the month is \$15,303,280 to the unusually high figure of \$82,563,868. The corresponding upward movement in 1915 was under ten millions. The heavy increase in the Central Gold Reserve, amounting to \$7,700,000 for the month is connected with the continued demand for the banks' currency. Notes in circulation reached a maximum during November of \$156,971,068, and at the end of the month stood at \$148,197,971. Apparently an increasing number of the banks are now following the practise of covering their excess issues of notes by deposits in the Central Gold Reserve instead of following the other permissible course, of issuing "excess" circulation and paying a one per cent. tax upon it. The latter course, with the war tax on circulation now in force is naturally extremely expensive.

Dominion and Provincial securities were reduced by over \$11,000,000 to \$29,679,369. This movement is apparently connected with the repayment of the three months' loan secured by the Dominion Government from the banks on August 1st. The effect of this repayment is also seen in the reduction of the loans to the Dominion Government. Foreign call loans were reduced by over \$6,000,000 to \$183,250,389. Canadian current loans and discounts show a remarkable jump of \$38,863,725 to \$813,791,947. It is stated in this connection that during November heavy stocks of goods were laid down here at, of