

Britain's Economic Margin Ample for Continuing War

Little sign of wear and tear—popular sentiment favors any sacrifice to win—too little thrift, too much extravagance

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Another year of war has left England's economic resources still showing signs of strength which would have been quite incredible if they had been forecasted as possible after three years of such a struggle before it began. On the whole, there is astonishingly little sign of wear and tear. Whatever money the Government needs for the war is voted by Parliament with the utmost readiness and, if the voice of criticism is ever heard, it only takes the line — and a very justifiable line — that the Government is highly extravagant in its methods and might make better use of the money entrusted to it for the purposes of the war. There is no sign of distress in the general appearance and behavior of the population. On the contrary, anyone who came to England with a critical eye from a far country would be very likely to accuse the population as a whole of taking the financial side of the war too lightly. In fact, there can be no question that public and private extravagance is still rampant to an extent which is surprising, considering the nature of the conflict and its cost. It must not be supposed from this that the British public is not taking the war seriously. It is quite as determined as ever to see the war through to the right end. Every outrage committed by Germany on land or sea only stiffens it in that resolution. The collapse of Russia as a fighting power, and the success of Germany in Italy have been more than counterbalanced during the course of the year by the knowledge that the United States has ranged itself with the Allies on the side of liberty and justice. The determination to achieve victory and the certain hope of securing it are both stronger than ever in the minds of the British population since America joined the Allies; but, on the other hand, the accession of this enormously rich Ally to the cause for which we are fighting has certainly had the effect in the minds of some thoughtless members of the population of making them more neglectful than ever of the claims of the war upon their purses.

THE NOVELTY OF WEALTH.

This need not be ascribed to any lack of patriotism on the part of the average Briton. It is merely that most of them are abysmally ignorant of all economic matters and, in spite of the great and successful efforts of the War Savings Committee, the attempt to bring home to them the need for saving at this crisis has not been successful with regard to very large numbers of the population. It must be remembered also that a great many of the people who are now spending money unpatriotically have never earned much money before. People who have been brought up to handle and administer wealth, either on a large scale or a small, are on the whole recognizing what that responsibility means, and are doing their duty by the State as they should at such a crisis. But great allowances have to be made for the large number of middle class people who, in spite of the excess profits tax, have had affluence thrust upon them by the war, and still more for the very much larger number of wage earners whose incomes have been increased by the war, and for the horde of boys and young women, who would not have been earning money at all if it had not been for the war, and find themselves suddenly with sums to spend which they would never have dreamt of handling in normal times of peace. These facts must be remembered when acrid critics rail against the enormous trade that is being now done in feminine vanities, and that through the fashionable restaurants and the circulars that are being sent out by all kinds of shops stimulating their customers.

EXTRAVAGANCE MEANS EXISTENCE OF A MARGIN.

These things are an indication of a generally very low level of economic perception and, in some few cases perhaps, of a thoughtlessness which amounts almost to crime at such a period. But the interesting point about them, from the economic rather than the ethical point of view, is the evidence that they give of a great margin still available in England if she were compelled rigidly to devote the whole of her resources to the prosecution of the war, and if all the energy that she now wastes in providing many members of her population with articles of consumption

that they do not need were devoted to providing the wants of her fighting men and to keeping the civilian population alive. If the Government also could be made to spend its money well, huge sums could be saved.

FREEDOM AND LACK OF THRIFT.

In all the free countries which are now at war we hear the same tale of a waste of the nation's resources owing to the thoughtlessness of individual spenders. France, with the invader overrunning her richest provinces, might be expected to be taking the war very seriously, indeed, and is well known to be doing so in every sense of the word. And yet people who have lately been in Paris tell me that there is just the same evidence there as in London of lavish extravagance on articles of luxury at a time when the nation needs all the labor and energy that it can get for the prosecution of the war. That we also hear accounts of extraordinary extravagance in America is natural enough, seeing that America has only lately come into the war, and that her spending classes have been encouraged in extravagance by the long time in which the war was pouring wealth into her lap.

ENFORCED THRIFT IN GERMANY.

It would thus appear that, if the war strain gets more severe—as it is almost certain to do as the war goes on—the Allies in Europe have still a considerable margin of resources to pull at, and that we need have no fear that on the economic side there is likely to be any danger to the vigorous prosecution of the war. But this waste of national resources by private thoughtlessness is only another indication of the curious fact that it may be a financial advantage to a nation to be blockaded by its enemies' superior sea power. In Germany the population has been compelled to restrict expenditure since a very early period of the war and, owing to the docility of the population, it is probable that in any case the appeal to them to exercise voluntary self-restraint might have been more easily successful than in the case of countries the citizens of which prefer to think for themselves and, on economic subjects, are more likely than not to think wrong. It was long ago stated in the House of Commons by Mr. Lloyd George that England's blockade of Germany, though a great disadvantage to Germany's War Minister, made the task of her Finance Minister easier, since it imposed upon the population the unattractive and dreary task of saving its money and handing it over to the Government.

RATIONING THE PURSE.

It is probable that, as the war goes on, the financial advantages that have been conferred upon Germany by England's blockade may be produced for England by the drain upon her man-power that the war and its needs will enforce. She now rejoices in a Minister of National Service who seems to understand the real problem that she has to solve for purposes of war finance, that is to say, the reduction of wasteful consumption. It is understood that Sir Auckland Geddes is about to deal drastically in the matter of drafts upon the luxury trades that he will make in order to keep up the supply of men required for the army. If this policy is carried out with sufficient vigor, it will gradually become more and more impossible for those who are willing to spend unpatriotically to find objects to spend on. Unfortunately, until this policy has made very considerable progress, it seems likely that those who are balked in one direction will only spend more vigorously in another. The real solution of the problem would seem to consist in some system by which the buying power of the community could be rationed. If really drastic taxation compelled everybody in the country, rich and poor, war profiteers, wage earners and everybody alike, to live in the manner that the present crisis demands, there can be very little doubt that the extent of the margin still available would be found to be surprisingly large.

TAXATION OR BORROWING?

It is not impossible that a policy of vigorous taxation with this object may be advocated even among those classes which would be specially hit by it. The extent to which the war debt is piling up is

causing a certain amount of concern among those classes specially interested in finance, not because of any doubt whatever as to England's ability to meet the bill, still less as to any possibility of a scaling down of interest, or any other unfair interference with the bargain made with the national creditors, but chiefly because it is clearly foreseen that the heavy rate of taxation after the war which the big debt charge will involve may raise awkward political and social questions, at a time when it will be above all necessary for the nation to unite in harmonious co-operation for purposes of reconstruction. And, further, that this high taxation, although as far as the debt held at home is concerned it will only involve a transfer from the pockets of the taxpayers to those of the debt holders, is nevertheless likely to have an uncomfortable effect in its incidence upon industry just at the very time when industry will be faced by the serious problems and difficulties that will confront it when the war is over. During war industry is spoon fed, and its only problem consists in turning out stuff fast enough for the needs of a rapacious Government with an almost inexhaustible purse behind it. But when the war is over and all the old problems come back, of not only turning out goods, but forecasting a demand for them and hitting the right mark in the matter of the right sort of goods to turn out, then all the industries which have been the spoilt children of the war demand will find that they have to gird up their loins to a quite different effort; if they then find themselves impeded by a heavy burden of taxation, the extent and rapidity of the revival of peace industry may be very seriously checked.

THE WORKING CLASS VIEW.

These considerations are urging many people among the classes which are interested in finance and commerce to advocate more drastic methods of finance, so that a larger proportion of the war's cost shall be met as the war goes on, and that the piling up of a huge debt with its heavy annual charge may be stopped or checked. And it need not be said that the working classes, which have throughout the war protested against the policy of hiring people to provide money for it by a high rate of interest instead of taking it for the nation's use from those who have the largest surplus, will more than readily agree with any system of more vigorous taxation which keeps clear of the necessities of life.

THE KEY TO WAR FINANCE.

There can be no question that this problem is the key to war finance. That nation will get through the war with the least friction between its various classes, and will end the war with most elastic recuperative power, that pays the largest possible proportion of the cost of the war out of revenue as it goes on. The problem that Germany is preparing for itself by its policy of paying practically none of the war's cost out of taxation is one which must make its rulers shudder as they contemplate the future. In England we have, so far, done much better in this respect than any other of the European combatants. The opinion is growing that we ought still to do much more, and it is beginning to be recognized that war has to be paid for as it goes on by somebody, and that, except in so far as money can be raised abroad by loans or by selling securities, it is not possible to shift the burden of the war on to posterity. As far as the home debt is concerned, what ever posterity pays it will pay to itself. It is, however, very doubtful whether these considerations will prevail with the adroit politicians who are ruling England's destinies and who naturally feel caution, in view of the low level of economic education among the people, about placing fiscal burdens upon them in time of war which might possibly produce a strain which might have the wrong effect.

THE NATION AHEAD OF THE GOVERNMENT.

In this matter, in my opinion, the Government has all through the war underrated the strength of popular sentiment. I believe that popular sentiment in England is prepared to bear any sacrifice as long as it is fairly apportioned. It is only when working men imagine that the rich are making too much out of the war and the rich think that the working men are too insistent in their claim for higher wages owing to higher prices, that there is any sign of discord. In any case, whether the further sacrifices necessary for the war are deliberately imposed by the Government through fiscal policy, or are brought about by hostile action through submarines, or by the drain on our man-power for the needs of the army and munition factories, there can be no doubt that a large margin of economic power is still available in England and will be brought to bear upon the war through one influence or another.

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