FINANCING THE WAR

In the Final Stage, It Must Be Done Out of the World's Surplus Capital

That capital markets must solve the problem of defraying much of the war cost from current income, was the opinion expressed by Mr. A. B. Leach, president of the Investment Bankers' Association of America, in a recent address to the Ohio Bankers' Association. "During the war and even at its close, the commercial and manufacturing business of the Old World must be very heavily handicapped," he continued. "In a measure a wide difference between the price of labor and the price at which articles can be purchased in Europe and this country will be more nearly equalled. Heavy taxation, higher cost of living, a very large depletion in the labor supply are all going to work to the advantage of this country.

"The United States is to be very largely benefited, I believe, through the deposit there of moneys and securities, which would be sent here for safekeeping or to escape the taxation which as before stated I believe to be certain. It will also be benefited through selling commodities at high prices and buying securities back. American business and American bankers must face to-day world-wide commercialism and world-wide banking. We have been in the past provincial; we must become, if we are to take our place in the 'sun' international bankers and international merchants."

War Expenditures.

After outlining the financial steps taken by governments after the outbreak of the war, he quoted from comparative figures of the army and navy budgets of the countries at war for 1904 and 1914 made up on a peace basis, showing under normal conditions, the European countries now at war spent in preparing for war, $2,000,000,000 annually on their armies and navies, this amount being $900,000,000 more than was being spent for the same purpose eleven years ago.

In 1904 the combined debt (as nearly as may be ascertained) of the Germanic allies, was $6,000,000,000, he said. In 1914 this combined debt was $8,275,000,000. In 1904 the combined debt of France, Great Britain, Russia, Italy and Servia, was $16,826,000,000. In 1914 they were $17,581,000,000.

Increase of Government Debts.

"This means that during ten or eleven years the governmental debt of the European belligerents has been increased by about $3,000,000,000, or about 14 per cent., and the annual charge for debt service, by $204,000,000 per annum," Mr. Leach said. "The actual war expenditures are enormous. In the case of England they have been $13,300,000 a day, and they will soon be $15,000,000 a day or more. In looking at these and other figures it should also be considered that the purchasing power of money in Europe is generally higher than here. There have been published from time to time a series of estimates of the actual cost of the warfare before Italy cast in its lot with the allies. These estimates range from $13,000,000,000 to $19,000,000,000 annually. We are inclined to believe that the truth is nearer to the latter than the former figures. Expert statisticians have figured out that if the value of life, destroyed property and loss of production is included, the total direct and indirect cost of the present European war will reach the stupendous figure of almost $50,000,000,000 yearly. But let us for a moment consider our figure of actual expenditure, Italy included, of say $20,000,000,000 annually.

"How absolutely unprecedented this war cost is, will be realized if we know that all the European wars carried on during the last century cost only (all things are relative after all) $16,700,000,000, or considerably less than the actual cost of one year of the present warfare."

Financing the War.

Mr. Leach reviewed what has been done in the different countries to finance the war, and in this connection called attention to the enormous increase in the circulation of the several banks of issue and the deterioration of the currency. He pointed out that "the activities of the banks of issue and of kindred institutions consisted largely in adding in some way or another to their circulation or in creating credit not based upon the requirements of genuine trade and commerce, but largely upon fixed, or for the present rigid, investments (in some cases the war loans themselves) and the use of both of them in financing the war, through the investment in government securities, the payment of army contracts, etc. "So long as these payments are internal transactions the avalanches of paper money or evidences thereof can have no other effect than to increase prices, he said, in so far as these transactions are of an international character they unfailingly register in a gold premium the depreciation of the currency, which in turn will cause the export of gold or of whatever security owned that is marketable or acceptable to the creditor country.

Financed From Surplus Capital.

"However that may be, it should be plain to everyone of us," the speaker said, "that in last instance the cost of the war, unless existing obligations are repudiated, (about which one should have, however, no great fear for the present at least) must be financed out of the surplus capital of the world. According to the tabulations prepared by the well-known Belgian authority, the 'Moniteur des Interets Materials,' the total amount of new issues over the entire world, have aggregated as follows:—1909, $4,400,000,000; 1910, $4,500,000,000; 1911, $3,700,000,000; 1912, $3,900,000,000. If the above figures give approximately the amount of surplus capital available for investment in recent years, it does not require a profound knowledge of mathematics to see that with war and incidental costs of say $20,000,000,000 per annum, the capital markets of the world will have to solve a problem as has never before come up, and all this, notwithstanding everything will be done, either by the way of increased taxation or in some other manner, to defray as large a part of the expenditure out of current income."

COBALT ORE SHIPMENTS

The following are the shipments of ore, in pounds, from Cobalt Station for the week ended June 25th, 1915:—

McKinley-Darragh-Savage Mines, 87,590; Dominion Reduction Company, 88; La Rose Mines, Limited, 87,380; Mining Corporation of Canada (Cobalt Lake Mine), 86,635; Mining Corporation of Canada (Townsite City Mines), 86,465; Chambers Ferland Mining Company, 105,055; Penn-Canadian Mines, 133,185; Temiskaming Mining Company, 66,540 Total, 740,850 pounds, or 370,425 tons.

New Liskeard:—

Casey Cobalt Mines, 64,815 pounds.

The total shipments since January 1st, 1915, are now 15,495,834 pounds, or 7,747.9 tons.

FRENCH LOAN IN NEW YORK

Messrs. J. P. Morgan and Company have issued the following statement:

"The Rothschilds in Paris have arranged to borrow in this market for a period of one year a considerable amount of money, the proceeds on which the Rothschilds will make available to the French Government in New York for the payment of its commercial obligations in this country.

"The loan will be secured by high grade American railway bonds to be lodged with J. P. Morgan and Company in New York.

"It is impossible to state, at this time, the amount of the loan." The amount is understood to be from $50,000,000 to $75,000,000.

Mr. H. R. MacMillan has been appointed as a special and temporary trade commissioner to look into the requirements and possibilities of markets for Canadian lumber abroad. Mr. MacMillan first proceeded to the United Kingdom and has already taken up his work of investigation in that country. He will afterwards visit other European countries and also India, Australasia, South Africa, China and Japan, and will submit reports which will be published from time to time in the weekly bulletin of the department of trade, Ottawa. His first report, embodying the result of his investigations in the United Kingdom is published in the latest bulletin. This report deals with the special requirements for timber in the United Kingdom due to the abnormal demand created by the war.