The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881 PUBLISHED EVERY FRIDAY

Vol. XXXVI. No. 1 MONTREAL, JANUARY 7, 1916. Single Copy 10c. Annual Subscription $3.00

THE COST OF WAR

Among the multitudes of prophecies which have been falsified by events in the European war, perhaps none have come so complete a "cropper" as those regarding its financing. In the very early months of the war, distinguished critics in London and Paris were not afraid to prophesy that the war would end in six or seven months from its beginnings, owing to the exhaustion of resources. These and similar opinions were largely shared by London financial interests, as anyone who has been in touch with London since the outbreak of the war can testify. That these prophecies were made and opinions held, is due, probably, less to lack of judgment or British over-confidence, than to the fact that the war developed circumstances and conditions that no knowledge or experience of previous events suggested. Particularly, previous experience led to a want of appreciation of the tremendous possibilities of the organisation of capital for war, and of the enormous aggregates of wealth which it would be possible to mobilise in order to raise, equip and supply vast armies, as well as, possibly, to an underestimation of capacity and willingness to bear war taxation on the part of the people of at least one of the belligerent countries.

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Estimates and calculations regarding the cost of the war have been referred to on this page more than once in recent months, but in view of the enormous expansion of the figures from time to time, as the area of operations grows and the personnel of the armies is vastly increased, it will be interesting to refer to the latest calculations made by the London Economist. According to these figures, two years of war, that is war to July 31st next, will involve direct expenditure and loans on the part of the Allies of 26¼ billions of dollars. The similar expenditure and loans by enemy countries is put at 17 billions of dollars, making a grand total for the two groups of belligerents of 43¼ billions of dollars—an unimaginable sum. The loans here referred to, it should be explained, are those from one belligerent to another, and there are not included in these calculations the expenditures made by the extra-European group of belligerents—the British oversea dominions and Japan. For instance, Canada's war expenditure, apart from that financed by loans of the British Government, is not included in these totals. It will assist, perhaps, towards a comprehension of the amount of direct expenditures and loans calculated to be represented in two years' European war, if it is remembered that the hundred and forty millions which the Dominion expended on the war up to the close of 1915 is just about a three-hundred-and-ninth part of the total of 43¼ billions named above.

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To the total of direct expenditure and loans must be added the loss of "human capital" (killed and permanently incapacitated). This loss is placed by the Economist at $2,825 millions for the Allies and $4,500 millions for enemy countries, a total of $7,325 millions. Further, there must be added in order to arrive at a complete estimate of the cost of two years' war, allowances for the destruction of buildings, railways, agricultural values, etc., the considerable loss of production in Northern France, Belgium, East Prussia, Poland, Galicia, and Serbia caused by the enemy's occupation of territory, the cost of pensions, the destruction of ships and their cargoes, the decrease in stocks of food, metals, and other raw materials, the obsolescence of machinery used for making munitions, the loss of increase of wealth due to stoppage of the normal investment of new capital, the diminution of future trade and income caused by the war, and, above all, the very large depreciation in the prices of securities and in value of other assets. No attempt has been made by the Economist to estimate these figures, but it is evident that they will add enormously to the direct expenditures and the economic loss represented by death and incapacitation of combatants. Furthermore, it must be remembered that the signing of a definite Peace Treaty is likely only to follow prolonged negotiations, and while these are going on

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