

# The Chronicle

Banking, Insurance and Finance



ESTABLISHED JANUARY, 1861

PUBLISHED EVERY FRIDAY

Vol. XXXV. No. 39

MONTREAL, SEPTEMBER 24, 1915.

Single Copy 10c  
Annual Subscription, \$5.00

## WHAT THE BRITISH BUDGET MEANS.

To appreciate the reality and extent of the financial burden now falling upon the people of Great Britain in consequence of the war, units rather than millions are perhaps most useful. Let us take the case of an average Englishman with a wife and family. He earns, let us say, £500 a year in a position where fortunately his salary is not affected by the outbreak of war, and has another £200 a year derived from family investments. Altogether his income is £700 a year, on which in the palmy days of peace he was pretty comfortably off. Once a year he found himself assessed to income tax at perhaps £390 or so, the income tax law giving him the benefit of his first £160 of salary free of tax and letting him off also £100 a year paid in insurance premiums and £50 a year on account of his children. On that £390—£190 "earned" and £200 "unearned,"—he paid income tax of 11d. and 1s. 3d. in the pound respectively—and grumbled angrily at the socialistic Radical Government as he made out his cheque each year for £20 or so. With the first war budget, our friend found his income tax doubled, and early this year, instead of drawing a cheque for £20, he had to draw one for £40. On Tuesday, after several weeks' suspense, he found that his income tax had been increased a further 40 per cent. and that the exemption limit had been dropped to £130, so that he will have to pay on an assessment of £420 instead of £390 in future and his next income tax bill will be well over £50, instead of the £20 which he used so violently to grumble about.

\* \* \*

Meantime, his wife has simply insisted that she must have more housekeeping money. Prices, she declares, are up an average of 30 per cent. on all household and other necessities. The things that our friend buys for himself also are way up in price—clothes, boots, luxuries of all kinds. When you have been used to going along quietly from year to year without worrying overmuch about money matters, these things begin to assume important proportions. Now our friend finds presented to

him, together with the information regarding a 40 per cent. increase in his income tax, that the duties on tea, coffee, chicory, tobacco, dried fruits and other articles of common use are to be increased 50 per cent., that when he wants to send a telegram he will have to pay ninepence instead of sixpence, that rates of postage are increased and that a host of imported articles which he has been accustomed to buy from time to time have suddenly become subject to a new duty of 33 1-3 per cent.

With the purchasing power of his £700 a year reduced to well under £500 and £50 a year to find for income tax instead of £20, there is only one thing to do, economise, and that in no half-hearted fashion. Luxuries have got to go, servants be dispensed with, a smaller house moved into, even expenditure on the children's education be curtailed. Things, of course, will not come to the actual hardship of the very poor, but it is a rough jolt indeed when during a whole life-time, a certain standard of comfort and expenditure has been easily maintained. In many ways, as usual, it is the great middle-class with incomes large enough for a good haul by the income tax collector but not large enough to make the rise in the cost of living a negligible factor, who will feel the burden most. But all classes are compelled to do their bit under the new scheme of taxation. The poor will pay through the increased prices of tea, sugar and tobacco; the rich through the super-tax and the taxes on luxuries; army contractors and the horde of their hangers-on through a new tax which with income tax will take 60 per cent. of their profits.

\* \* \*

Undoubtedly, the new taxes will be a severe strain on many British folk, but they are the only way by which to preserve financial soundness at the present time. In this, the British statesmen and financiers have shown themselves to be infinitely wiser than those of Germany. Admittedly, Germany will not be solvent after the war, unless she is victorious and can secure an enormous indemnity from the Allies. On this point there is the inter-

(Continued on page 1079)