

what are generally considered to be the sound principles of finance. Finance is England's forte, and as in the Napoleonic days, she has had to act in this struggle as the banker, the purse-carrier, and the credit mainstay of all anti-German Europe. Her own direct expenditure has mounted to heights never before dreamed of, and on top of these her loans to the Allies have reached, to use Mr. Asquith's words, "gigantic and startling figures." The impression she has always given of almost inexhaustible wealth is dangerous, and it is only recently that there has come a realization that war demands, not so much the accumulation of fixed capital, as immediately realizable wealth. Only if England's enormous resources can be made liquid, can they be diverted to military channels. With this realization has come a movement for the mobilisation of money, as well as the mobilisation of men and of munitions.

The demoralisation of the London Money Market and the utter breakdown of the world's financial and credit mechanism which accompanied the outbreak of Armageddon in July, 1914, have already been described in an earlier Bulletin in this course.* As, moreover, the steps which were taken by the Government and Banks to enable the machinery to function properly once more (the bold policy of the Bank of England, its opening of gold depositories in Ottawa and Johannesburg, the suspension of the Bank Act which was not taken advantage of, the issue of Currency notes, the declaration of a general moratorium, the closing of the stock exchange, the offer of the Bank of England to carry loans made on the Stock Exchange till after the war, and the discounting by the Bank of England under Government guarantee of pre-moratorium bills held by the joint-stock banks and the discount houses, etc.) were there set forth in considerable detail, we shall not consider them in this study, though references will be made to some of them later on.

Britain's Burden.

Before considering the actual methods by which the British Treasury has financed the war, we should investigate the magnitude of the burden that has had to be borne. What has the war cost the United Kingdom? A definition of war cost is first necessary. Eighteen months of the Great War have driven home this fact, that the real cost of a war is not the money outlays, but the goods that are consumed and the services that are employed in prosecuting the war, not the specie and paper counters which only facilitate the transfer of goods and services, but those goods and services which soldiers,

*See Dr. Swanson's Financial Power of the Empire.