the loan financed the bulk of war expenditure to the end of March, 1915. It was followed in July by the second great British loan, the largest in history up to that time. This was a 4½% loan offered without limit at par and redeemable 1925-45. In order to offer a direct inducement to holders of the old securities to come in on the new loan, and to offer an assurance that subscribers to all Government loans would be protected against more favorable offerings later in the war, it provided that holders of old Government securities bearing lower rates could exchange for the new 4½%'s provided they doubled their investment. The 3½%'s were changed at par, 2½% consols at 66 2/3 (thus yielding 3%) and so on. Further ample provision was made to enable the small investor to participate in the loan, by issuing it through the post offices in denominations of £5, and also by issuing 5s, 10s, and 20s vouchers applicable upon the bonds in denominations of £5. As a result, some $4,186,000,000 was subscribed of which however only $2,873,000,000 represented cash or new money, the rest being conversions of old stock. Perhaps about one-half of the pre-war funded debt in private hands was converted into the new higher-interest bearing loan. Further the base of our National Debt was broadened some ten- or twenty-fold, as separate investors, small and large, were attracted to the number of about 2 million.

Short-time Loans.

The two long-time loans therefore provided the Treasury with $4,485,000,000. This left a considerable, gap which had to be filled in by the issue of such short-term obligations as Treasury Bills and Exchequer Bonds. The issue of Treasury Bills,—an invention of Bagehot's—has been determined by the state of the money market, which, which by the way has passed through 3 phases: (1) Complete stagnation during the initial crisis, and an utter inability to get any money at all; old bills were continued simply because they could not be paid oft. (2) A condition in which money was superabundant in supply and cheap in price; due to the desire to keep cash in hand because of the uncertainty caused by the war, to the policy of the Bank in paying for its purchases in cash instead of creating bills, to the return of floating capital from all parts of the world; and to the falling off by at least 60% of the supply of ordinary bankers' and commercial bills; and (3) a phase ushered in by the July War loan in which the demand was sufficient to keep the rates for the money at a level profitable for the banks, the rate at times being artificially supported by the Government. In the second period then, and down to the issue of the first War Loan, the Exchequer financed all its war expenditure by means of these 3, 6 or 12 months' Treasury