

that it is over by next March, we must add another \$590,000,000 for interest and the sinking fund on the new debt, together with a further sum of about \$100,000,000 for pensions, making a total yearly expenditure of about \$1,690,000,000. The surplus on the existing taxation is, as you see, \$855,000,000, leaving after the withdrawal of \$430,000,000 received from the excess profits tax a margin of \$425,000,000.

"The taxes are the financial contribution toward the war, which every citizen is forced to make, and our revenue from these sources is equal to between one-quarter and one-third our total expenditure. For the rest we must rely on the voluntary effort of individuals on loans, and we have not been disappointed. We have appealed to the country at different times and in different ways, and on each occasion we have been more than satisfied with the result. From the beginning of the war we have obtained and are continuing to obtain large sums through sales of treasury bills. These sums represent in part the contributions from the money market in its narrower sense, and in part a definite investment.

"Our first war loan, in November, 1914, did not appeal further than to the moderately large investor. With the second war loan, in July, 1915, we decided on a more general mobilization of savings and in order to bring this about we introduced a complete innovation in our financial history. It was arranged that subscriptions to the new loan could be made through the post-office for amounts as low as \$25, and further that even these small subscriptions could be paid in five instalments. For the first time the workingman was invited to take a direct share in financing the country other than through taxation. In the past the Briton had shown no strong inclination toward thrift, and there were many who doubted the possibility of any sudden change, but the last twelve months have proved we were right.

"The same impulse which brought our young men flocking to the colors and made possible our army of to-day, is now at work for the mobilization of our wealth. Among all classes the war savings campaign, which was started at the time of the second war loan, has grown so rapidly in extent and intensity that every one to-day realizes not only the duty of fighting, if that is possible, but the further duty of contributing as large a share as is possible to the financial resources of the State and reducing personal expenditures to a minimum. Economy lectures and economy exhibitions have combined to drive home this new truth to every class, and already to-day there are some 5,000 war savings associations affiliated with the National War Savings Committee.

"In every part of the country the new form of investment has been introduced, making it possible for the humblest to 'do his bit.' In every post-office can be bought 15s. 6d. war savings certificates, which entitles the holder to receive £1 in five years' time. Subscriptions to these certificates can be made in 6d. stamps, a facility which has allowed even school children to play their part, and to which they have responded with enthusiasm. From the end of February to July 29 17,500,000 of these war savings certificates had been sold. A further investment now open is the 5 per cent. exchequer bond, in denomination of \$25, \$100 and \$250, sold through the post-office. Since its introduction, in the middle of January, \$14,000,000 has been received from this source alone, and these results represent real savings by small investors, not mere withdrawals from savings banks, although from the beginning of the war to the end of July, 1916, small investors had lent for the use of the State through savings banks, through the post-office 4½ per cent. war loan issue, and through the post-office exchequer bonds and

war savings certificates, an aggregate of not more than \$400,000,000. They are now lending more than \$40,000,000 a month and at a steadily increasing rate.

"Another side to the mobilization of our financial resources is the restriction of consumption. This, too, is in part compulsory, in part voluntary. We have found it necessary to prohibit certain imports and restrict others. High prices again have done something toward keeping down the consumption of many articles, but much more is due to the realization by the individual that it is his duty to limit his own demands, and in this way to set free all possible goods and services for use of the State. Here, too, the economy campaign has done good work, and lectures and exhibitions have spread the knowledge of a new domestic economy.

"This campaign was necessary for several reasons. Now that he has realized the need for economy, the Englishman is saving with energy and goodwill, but England in the past was not a thrifty country, and it was clear that unless this need of saving was forcibly impressed upon our people their earlier habits might involve us in unpleasant consequences. Money spent on what in normal times would be regarded perhaps as a harmless luxury means diversion of goods and services from the use of the State, and it is now being recognized that extravagance and waste are unpatriotic.

"Fortunately, unemployment is almost unknown, many trades enjoying high wages. These conditions have enabled the working classes to take their share in financing the war." Chancellor McKenna then spoke of "another side to our financial mobilization."

"It is one of the great surprises of the war," he said, "that in spite of the diversion of almost all our manhood into the army or into other war work we have been able to maintain our exports at their present high level. For several months ended in July our trading exports were £350,000,000 (\$1,750,000,000) in values, not quite £17,000,000 (\$85,000,000) less than for the corresponding period of 1914. Even allowing for the present higher range of prices, this result has been achieved only through the determination of all who are not fighting, both men and women alike, to work as they never worked before. The energy of our munition workers and their willingness to give up holidays of every kind is well known, but this zeal has found a counterpart in almost every industry and trade in the country.

"Great as it is, however, this effort has not been sufficient to meet the large claims made on us from abroad for payment for the goods purchased on our own account and on account of our allies, and we have been forced to fall back on past savings. This is not surprising when it is remembered that our expenditure from the outbreak of the war to the present time has been something over £2,600,000,000 (\$13,000,000,000). The most easily realizable part of our past savings is our holdings of American securities and foreign securities generally, which are now being mobilized. With this side of our war finance America is more familiar than with any other. The individual has been asked to sell or lend his United States securities for the use of the government and an additional tax has been imposed on securities which the government is willing to buy or borrow.

"The principle of the tax is a fair one. It would be unjust when so many have willingly offered their securities that those who hold back should not contribute their share, but the tax is hardly penal and has primarily served as a reminder to those who have been far too busy on the work before them to pay attention to earlier appeals.

"You would like to know what is the amount of United States securities, of which we obtained control,