

The great powers of Europe have all appreciated the necessity of holding a supply of gold for war purposes. Aside from the supplies held directly by the various governments, reliance is placed upon those banks which are in close relations with the executive authorities of the nation. It will be found that the Bank of England, being the bankers' bank of the United Kingdom, holds practically all the gold supply of the country. On June 30, 1910, the stock of gold held by the great European banks was as follows:—Bank of England, £42,400,000; Bank of France, £136,157,000; Imperial Bank of Germany, £51,340,000 (including silver); Imperial Bank of Russia, £150,098,000 (including silver); Italy (three banks of issue), £48,240,000; Bank of Austria-Hungary, £55,459,000. Having regard to the fact that London is the financial centre of the world, economists have long felt the need of strengthening the gold reserve there.

Another important matter, to which attention should be drawn, is the enormous cost of modern war in men and money. In the Franco-Prussian war the French lost in killed, wounded and prisoners, 21,500 officers and 702,000 men; and her military expenses amounted to £544,500,000. Germany's losses were 6,247 officers and 123,400 men; and her military expenses amounted to £77,500,000. This war affords a striking illustration of the difference which exists between the war finance of a country whose armies are successful and invade the territory of its enemy, and the war finance of the country which is vanquished, and whose territory becomes the theatre of operation. If the indemnity received from France be taken into consideration, and the value of the two ceded provinces, it will be seen that Germany made a large pecuniary profit out of the war. It is impossible, moreover, to disassociate the effect of this war from the enormous economic development of Germany during the past forty years.

The two most important wars which have occurred since 1870, are the South African war of 1899-1902, and the Russo-Japanese war of 1904-5. The South African war lasted about 31 months. The British losses in killed and wounded amounted to practically 44,700 men; and the direct cost of the war to the imperial exchequer was £211,000,000. The Boer losses amounted to some 4,000 men. It is impossible to estimate correctly the financial loss of the two republics.

The Russo-Japanese war lasted for a year and a half. The Japanese losses amounted to 135,000 men; and the direct cost of the war to £203,000,000. The Russian losses in killed, wounded and prisoners, were approximately 350,000 men; and the direct cost of the war to the Russian government was about £300,000,000.

But neither one of these wars affords an illustration of the economic effect of war between two great European powers in our day. In both cases these wars were carried on remote from the industrial and financial centres of the world; and they had only an indirect bearing upon the credit of Europe.

It is obvious that Britain's credit system would be seriously threatened only in the event of war with a great naval power, or a combination of naval