the sales of securities to and the raising of loans in other countries are not a serious matter. Great Britain has, it is true, called home a good deal of the floating capital she employed abroad before the war, has sold a moderate amount of her American investments, and recently has contracted in the United States, in co-operation with France, an Allies' loan of £100,000,000, but against the capital thus brought home she has lent large sums to her Allies and colonies and foreign clients. Moreover, a good deal of new capital has been invested in houses, factories, ships, and machinery at home since the war began, and it is evident that on balance the reduction in the wealth of Great Britain since the war began, in spite of her great war expenditures, has been insignificant. Whether this condition of things will continue is, of course, unknown. It depends upon the extent of our war expenses and how far they are met by economies in our domestic expenditures.

Loans to Dominions and Allies.

The nation's expenses for government and war purposes, including loans to Allies and colonies, are now at the rate of nearly £5,000,000 per day, and to meet this great expenditure substantial amounts of capital must be called in or borrowed from abroad, and the sum so called in will appreciably exceed the amounts lent to Allies and colonies if the domestic expenditures of the nation are maintained at their present high level. Should, however, the domestic expenditures be substantially reduced, as they can and may be reduced, then on balance the capital called in or borrowed from other countries will be neutralized, or nearly neutralized, by the money lent to Allies and colonies, and the reduction in the aggregate of Great Britain's pre-war wealth will be inconsiderable.

The situation of France is very similar to that of Great Britain. The amount of money that France is calling in from or borrowing abroad is not large, and is in part set off by loans to Russia. The actual physical destruction of pre-war wealth by the enemies' shells has to be reckoned with; but when everything is taken into account it is evident that the pre-war wealth of France has not been substantially reduced, in spite of the fact that her income has been temporarily curtailed by the occupation of territory by the enemy and by the absence of tourists.

Destruction of Russian Property.

Again, the destruction of property in Russia is not a great matter, having regard to the peaceful evacuation of important towns and their escape from bombardment, and although Russia may need to borrow substantial sums abroad to pay for goods imported in consequence of the impediment to exports caused by the closing of both the Dardanelles and the Baltic, these borrowings will be in some measure offset by new capital expenditures within the country upon permanent works, houses, etc.

Much the same situation prevails in Germany, Austria and Turkey, which, being unable to export any appreciable amount of goods, are under the necessity of borrowing abroad to pay for imports. Austria and Turkey are borrowing moderate sums in Germany, and the latter is selling securities and borrowing in the United States. But against the sums thus borrowed must be placed the capital expended upon new works and houses, and on balance the consumption of these nations' pre-war capital is not a great matter.

It is obvious that the pre-war wealth of the neutral countries is not reduced by the war, but is increased by the purchase of securities from the belligerent nations.

In brief, the expenditure of great sums by the belligerent nations upon war is preventing the usual growth of their wealth, but is causing only a very small diminution in the wealth they possessed prior to war. Hence for all practical purposes the wealth of the various nations is substantially unchanged at the amounts we gave last year, less, of course, the shrinkage in the market value of property and securities arising from the rise in the rate of interest. The latter factor should, however, be in large measure disregarded, as when the war is over and capital again accumulates rapidly the rate of interest and the value of property will probably return to levels not far removed from those prevailing prior to the war, especially if the world adopts measures for the prevention of great wars. Even if values do not fully recover to their pre-war level, capital will be as effective as, and perhaps more effective than, it was before the war in wealth production, owing to the desire or necessity of everyone to work harder and more efficiently. Hence the income derived from pre-war capital may be as great as, or greater than, it was before peace was broken. It will be realized that the true measure of the wealth of nations is the annual real income derived from its use, not the number of years' purchase of that income, which is liable to wide fluctuation.

Heavy Loss of Wealth.

But with no appreciable reduction in the store of capital accumulated by the world prior to the outbreak of the present war the loss of wealth will still reach a gigantic figure. Roughly speaking, the war will prevent any substantial addition to the world's wealth as long as it lasts. When one recollects that normally the wealth of Great Britain grows at the rate of about £400,000,000 a year, of Germany some £300,000,000 a year, of France over £200,000,000 a year, and of the other belligerent nations in the aggregate at the rate of some £600,000,000 a year, and that during the war the whole of the wealth that would otherwise be accumulated, amounting in the aggregate to some £1,500,000,000 a year will be destroyed, one obtains some idea of its enormous cost and of its economic consequences. Moreover, the loss to the world arising from the absence of wealth accumulation in the belligerent countries is not the total loss. All the countries engaged in war are borrowing abroad, realizing securities, or calling in capital, and although the amount of money that can be obtained in this manner is governed by the ability of what normally are the borrowing nations to supply it, the amount so obtained is very substantial, and it is evident that the greater part of the savings of the entire world are being used to meet the war expenditures.

Using Savings and Capital.

As far as it is possible to obtain data, the belligerent nations are not only using their own normal savings of about £1,500,000,000 a year for war purposes, but are withdrawing capital from the rest of the world, or borrowing money from the neutral nations, at the rate of about £700,000,000 a year. Hence the total loss of wealth to the whole world, in comparison with the accumulation that would take place but for the war, is in the neighborhood of £2,200,000,000 a year. The ultimate effect of this great destruction of wealth upon the world's welfare cannot be other than serious. It means that for the time being practically all the important works of construction in every land have had to be suspended, and that little provision is being made for the world's increasing needs