BRITISH FINANCE OF THE WAR.

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When this war began at midnight on August 4th, 1914, Parliament had just passed (July 31st) the Finance Act which gave effect to the Budget introduced on May 4th. The estimate for that pre-war Budget for 1914-15 was—Revenue, £207,146,000; Expenditure, £207,021,000. This expenditure included £28,885,000 for the Army, £51,550,000 for the Navy, and £23,500,000 for the National Debt Services.

The amount of the National Debt at this juncture may also be mentioned. What is called "*the dead weight of the Debt*" means the liabilities which must be met (viz., Funded Debt, Terminable Annuities taken at their capital values, and Unfunded or Floating Debt) as distinguished from certain other liabilities which are contingent only. Now on March 31, 1914, this Dead Weight Debt stood at £651,270,091. It had fallen to this figure from £770,778,762 on March 31, 1904, by the steady application of the Old and the New Sinking Funds. Adding Other Capital Liabilities amounting to £56,384,019 and we get a total of £707,654,110 as the Aggregate Gross Liabilities of the State when this war started. The Assets (Suez Canal Shares, Exchequer Balances, etc.) held against this total liability were valued at £48,714,097.

When the war began Parliament promptly sanctioned great enlargements of expenditure. Additions to the Regular Army were sanctioned on August 6th of 500,000, on September 10th of another 500,000, and on November 16th of another 1,000,000 men. By the end of October 1,200,000 recruits were under training. The Navy had been mobilised in July for inspection by the King at Spithead, and was kept at sea. By August 16th the first British Expeditionary Force had been landed in France. On November 15th, 1914, the Government proposed their scheme for a liberal advance in the grant of separation allowances and pensions hitherto prevailing. Calculating on an army of 2,000,000 men, on a war of two years' duration, and on a mortality of 20 per cent. it was estimated that the total cost of these increased pensions would be £202,000,000.

Apart from the actual prosecution of the war, the Government dealt boldly and promptly with the very grave emergency crisis in finance which, on the outbreak of war, had dislocated the remittance machinery of international commerce. I have written a full history of the successful handling of this emergency crisis, in a paper which was published in the "Journal of the Institute of Bankers in Ireland" for January, 1915; from its origin on July 29th (when the Jobbers on the London Stock Exchange refused to quote Prices) down to the re-opening of the Stock Exchange subject to Treasury restrictions on January 4th, 1915. Hence I do not go into details about it now; except to point out the financial obligations that were assumed by the Imperial Government, under the revised scheme of September 4th, by which the Bank of England was secured against loss if it "*provided* where required *acceptors with the funds to pay off all approved pre-moratorium bills at maturity.*" The astounding boldness of this transaction is probably the most remarkable thing in the history of public finance. It saved this country, and the whole fabric of the international trade, from economic strangulation—"international trade was at a standstill. *We were as completely isolated for the moment as if we had an alien fleet round our shores.*" (Mr. Lloyd George, in the House of Commons, on November 27th, 1914). To show the money-cost of this transaction, I here quote a passage from my paper above mentioned:—What has been the extent of the liabilities thus undertaken by the Government in order to lift these pre-moratorium bills out of the way of the resumption of remittances? In his speech on November 27th Mr. Lloyd George stated that the amount of bills of exchange with British signatures, outstanding at the outbreak of war, was between £350,000,000 and £500,000,000. Most of them had been met in the ordinary way. On November 27th the Bank of England had already discounted £120,000,000, of which £12,500,000 had not then arrived at maturity; and the total to be set aside "in cold storage" to await the end of the war was estimated at about £50,000,000, being largely German and Russian. This phrase "cold storage," means that the Bank of England undertook not to claim repayments of any amounts not recovered by the acceptors from their clients for a period of one year after the war. But Mr. McKenna, in his War Loan speech of June 21st, 1915, has since told us that "this liability was already well under £50,000,000," and that (without waiting for the end of the war) "in August, 1915, the Government proposed to take over the liability by repaying to the Bank the amount lent by the Bank on bills" I can only briefly mention the other directions in which the Imperial Government undertook obligations in order to restart commercial operations: such as (1) the issue of Treasury Currency Notes for £1 and 10s, authorised by the Act passed on

August 6th, 1914; (2) the State scheme for Marine Insurance, started in August (see Cd. 7560, of 1914); (3) the Foreign Trade Debts Committee, under a Treasury Minute of November 6th, which from November 17th was empowered to make advances in relief of Export Traders whose debts abroad could not be collected owing to the war; (4) the assistance given, through a Committee of the Liverpool Cotton Exchange, to enable merchants to re-open that Exchange for unrestricted dealings as from Monday, November 16th (see *Manchester Guardian*); (5) the Government Stock Exchange Loan Scheme, published October 31st, 1914, which facilitated the re-opening of the London Stock Exchange from Monday, January 4th, 1915; in return for which *the Treasury assumed the power to impose restrictions* on the business to be done. This unprecedented, and probably unconstitutional, proceeding may be studied in the *Economist* dated January 2nd, 1915; (6) action taken by the Government, in various ways, to safeguard the Food Supplies; such as the fixing of prices from August 6th, and the Government Monopoly of Sugar Supplies after September 11th. For incurring all this expenditure, quite incalculable in its nature, in order to deal with the business deadlock due to the war, the Treasury had to obtain legislative sanction; and this was effected by a short Act of Parliament called the Government War Obligations Act, 1914, one of the most extraordinary measures ever accepted by Parliament for the *carte blanche* which it bestowed upon the Treasury in the spending of public money.

From this condensed summary it will be apparent that the burden thrown upon British Finance by the outbreak of the war was very much larger and more complicated than merely providing for military and naval requirements. Parliament gave authority to the Government for making expenditure beyond what the Budget had granted by various Votes of Credit, passed on the motion of the Prime Minister, viz.:—On August 8th, 1914, for £100,000,000; on November 16th, 1914, for £225,000,000; and on March 1st, 1914, for £37,000,000—completing a total of £362,000,000 for the financial year ending March 31st, 1915. The Army and Navy was stated as requiring £275,000,000 out of this total in addition to the sums voted on their behalf in the pre-War Budget for 1914-15. "Our machinery in this matter," said Mr. Asquith on November 16th, 1914, " which is well settled by precedent and usage, is that when Votes of Credit of this kind are taken the practice has been to use first the ordinary grants made by Parliament, so far as they suffice, and only to fall back upon the issues of Votes of Credit when these normal grants have been exhausted. Ultimately when the accounts of the year are made up the sums chargeable against the Vote of Credit ought and will reveal, and at any rate approximately represent, the extra expenditure due to the war." Of course a Vote of Credit is merely a limit sanctioned for expenditure; it does not find the money. We have now to see how the money was raised to pay all this expenditure.

The pre-war Budget held the field, and Parliament took no steps to provide money, until November 17th, 1914, when the war had already lasted 104 days. During that period, the Revenue from the pre-War Budget had been supplemented to a total amount of £90,000,000, by the system of borrowing on short loans called Treasury Bills. This system of borrowing in anticipation of revenue is very convenient; it has been so largely resorted to during this war that I pause here to notice the change of practice which was introduced on April 14th, 1915. The old plan before that date was that the Treasury from time to time invited tenders for several lots of 7½ or 15 millions sterling. £1,000 is the least amount that can be offered. The public in the tenders stated the price at which the money would be lent for periods of 6 or 12 months. The superabundance of funds in the market, especially after the discounting of the pre-moratorium bills when new bills were still scarce, enable such Treasury Bills to be placed at low rates. In the last part of 1914 they were issued at varying percentages up to £3 16s 3d. Between February 23rd and April 13th, 1915, the Government were able to borrow £65,000,000 on Treasury Bills for periods of 6 and 12 months at rates never ranging above £3 14s. 4d. per cent. The new practice adopted after April 13th, 1915, is that by which the Bank of England now sells every day "over the counter" Treasury Bills up to any amount at stated rates fixed by the Bank of England The rates first stated were 2¾ per cent. for 3 months Bills, 3⅝ per cent. for 6 months, and 3¾ per cent. for 9 months. Yearling Bills, also at 3¾ per cent., were issued also early in May. But on August 9th the selling rate "over the counter" was raised to 4½ per cent. for Treasury Bills of all dates, the only change in the price since the new practice began in April. People hardly realise the proportions reached by this daily issue of Treasury Bills. From the *London Gazette* dated Tuesday, 25th January, 1916, I take the amount of Treasury Bills outstanding on the previous Saturday, viz.:—

Bills issued by Public Tender ...	£10,000,000
Bills otherwise issued, ...	£410,425,000
	£420,425,000

Short loans like these Treasury Bills are always coming to maturity, when they have to be redeemed if not renewed. While convenient for the purpose of anticipating revenue, they are not convenient for financing war expenditure. An Exchequer Bond to run for a period of five years was much used to finance the Boer War. Finding money so plentiful in the market the Treasury in March, 1915, decided to raise £50,000,000 in 3 per cent. Five Year Exchequer Bonds, and the average price obtained for them was £3 18s. per cent. £20,000,000 of this money was wanted to repay old Exchequers that were maturing early in April. That was a deft stroke carried through in the interval between the two big War Loans. In the same way on December 16th, 1915, we learned, rather unexpectedly, of a new issue to an unlimited amount of five-year Exchequer Bonds paying 5 per cent. which may be taken up in multiples of £100 at any time. This is simply a continuing loan which ought to facilitate private saving. I see by the *London Gazette* above quoted that by Saturday, 22nd January, 1916, *i.e.*, in one month, £62,918,000 of these 5 per cent. Exchequers had already been paid for by the public. After this digression, on the methods employed by the Treasury for raising money in the market, I will return to the story of how Parliament has elected to finance this war.

In public finance the usual practice is to reckon in terms of the "financial year" ending on March 31st; each financial year being a water-tight compartment by itself, with its own balance sheet. The war has upset this practice—since each of the years 1914 15 and 1915-16 have had two Budgets. For these four Budgets I give the dates when they were first proposed, and the numbers of the Parliamentary Papers which contain the official figures in detail, viz.:—

	DATE.	PARL. PAPER.
I. Pre-War Budget	May 4, 1914, ...	1914 (No. 211).
II. 1st War Budget,	Nov. 17, 1914, ...	1914 (No. 293).
III. 2nd War Budget,	May 4, 1915, ...	1915 (No. 222).
IV. 3rd War Budget,	Sept. 21, 1915, ...	1915 (No 344).

Of course every Budget is only a forecast, based on the best official estimates that are possible; but the actual Receipts and Issues, which are only known after the close of the financial year, are the real thing that history is concerned with. At the present moment, the material at our disposal consists of the actual Receipts and Issues for the year 1914-15—which are furnished in the Finance Accounts of the United Kingdom for 1914-15, viz., 1915 (No. 273)—and the Estimated Revenue and Expenditure for the year 1915-16, as finally revised in 1915 (No. 344).

My desire is to ascertain how the United Kingdom is finncing this war; how is the money being found for the vast expenditure which is necessary; how much is being found by loans, and how much by taxation; and of the new taxation how much is direct taxes and how much is indirect taxes. To go into the particulars of four Budgets would be to get swamped in details. Accordingly I will ignore the division into separate financial years, and I will take the two years from April 1, 1914, to March 31, 1916, as one entire period, being four months of peace and twenty months of war.

The three Votes of Credit granted for the year 1914-15 amounted to £362,000,000, as we have already seen. Now £357,000,000 of that sum was needed and was actually issued in that year. For the year 1915-16 the Budget estimated that Votes of Credit will be needed amounting to £1,420,000,000. Up to the present time Mr. Asquith has moved for five such Votes for the year 1915-16, amounting to £1,300,000,000; viz.:—(1) On March 1, 1915, for £250,000,000; (2) On June 16, 1915, for £250,000,000; (3) On July 20, 1915, for £150,000,000; (4) On September 15, 1915, for £250,000,000; (5) On November 10, 1915, for £400,000,000, this last sum being expected to carry on to the middle of February, 1916. From his speech on November 10th, 1915, I extracted his rough estimates of the chief heads of war-expenditure for which these Votes of Credit were asked, which I throw into the form of a Table, viz.:—

EXTRAORDINARY WAR EXPENDITURES (Million £).

PERIOD OF TIME.	August 6 to March 31.	April 1 to July 17.	July 18 to Sept. 11.	Sept. 11 to Nov. 6.
Army, Navy, Munitions	275·0	241·7	130·0	145·6
Repayments to Bank of England.	—	—	50·0	54·0
Loans to Allies and Dominions.	48·8	44·0	15·9	40·4
Food Supplies, &c. ...	—	15·3	4·6	3·6
Total (Million £) ...	323·8	301·0	200·5	243·6

Assuming that the Vote of Credit for 1915-16 will need the whole 1,420 millions estimated for (an extreme figure), and adding the 357 millions actually used in 1914-15, we reach the figure of 1,777 millions. This would measure the expense over and above ordinary peace expenditure caused by the fact of war lasting for 20 months if the principle laid down by Mr. Asquith, and already quoted, would apply. But it has been decided (by a Treasury Minute of 5th February, 1915, Cd. 7790) that the ordinary peace expense for the Army and Navy (which was put at £80,436,000 in the Budget for 1914-15) shall be also provided for by the Votes of Credit, being represented by merely token figures in the Budget Statement. Deduct that 80 millions, and there remains 1,697 millions as the additional war expenses for the 20 months—an average of £2,800,000 per day for the whole period.

Leaving these generalities, we may set down the total of expenditure, of all kinds, for peace and for war, which the Government had to provide for as £560,474,000 (issued) for the year 1914-15, and £1,589,706,000 (estimated) for the year 1915-16; or 2,150 millions sterling for the whole period of two years. How has the money been found to pay for this vast expenditure?

The pre-War Budget of May 4, 1914, when estimating for a Revenue of £207,146,000 for the financial year 1914-15 had assumed peace conditions to prevail. But when war began on August 4th, it became questionable whether that Revenue would be realised, with eight months of the year passing under war conditions. The First War Budget of November 17, 1914, feared that under war conditions the Revenue would shrink to £195,796,000, a reduction of £11,350,000. No such shrinkage, however, occurred. Thanks to the wonderful efficiency of the Navy, British trade was scarcely affected by the war; and the large expenditure of Government money at home soon caused a burst of prosperity which was reflected in a swelling Revenue. The actual Receipts by the Exchequer during 1914-15 rose to £226,694,000, being Tax Revenue £189,305,000, and Non-Tax Revenue £37,389,000. This was much larger than the £211,296,000 which the First War Budget estimated for. Both these figures include the proceeds for eight months of the new War Taxes proposed by this November Budget, which were thought to yield £15,500,000 in 1914-15.

These new War Taxes of November, 1914, were three:—(1) Income-tax and Supertax were to be doubled, but for 1914-15 only one-third extra was to be charged; (2) An additional Beer duty of 17s. 3d. per barrel (making 25s. in all) was equal to charging ½d. on each half-pint; (3) An additional Tea duty of 3d. in the lb. (making 8d. in all). There was to be some reduction in the licence duty paid by publicans, corresponding to a curtailment of hours of business which caused a loss of £450,000 to revenue; while a suspension of the New Sinking Fund was a saving of £2,750,000 in expenditure. These War Taxes of November, 1914 (while yielding only £15,500,000 for 1914-15) were expected to bring in £65,000,000 during 1915-16.

When estimating the expenditure for 1914-15 Mr. Lloyd George had in November, 1914, to finance for two Votes of Credit amounting to 325 millions. So he put that year's expenditure at £535,367,000. Imagining that the year's revenue would (with his new Taxes yielding £15,500,000) reach £211,296,000, he foresaw a deficiency at the close of 1914-15 of about 324 millions sterling. This he proposed to meet by loans. Accordingly his Budget Speech of November 17, 1914, announced the First War Loan; it was for £350,000 bearing interest at 3½ per cent., and redeemable at par during the period 1925-28. As £100 Loan Stock was issued for £95 cash, that would bring in about 332 millions to the Treasury, assuming that the Loan was fully subscribed as it was. On June 21, 1915, when explaining the Second War Loan, Mr. McKenna stated that £331,000,000 was the net amount from this First Loan. Thus Mr. Lloyd George hoped to have some 543 millions to meet an expenditure of 535 millions. That was in November, 1914. But on March 1, 1915, Mr. Asquith obtained a third Vote of Credit of £37,000,000 for this year 1914-15, making 362 millions in all. So it was fortunate that the revenue so largely exceeded the estimate. The actual Receipts of Revenue being £226,694,000 and the actual Issues for Expenditure being £560,474,000 the deficiency for the year 1914-15 was actually £333,780,000, which was covered by the First War Loan, and some temporary borrowing on Treasury Bills.

Coming to the financial year 1915-16, I have to deal only with Budget estimates. The Treasury publishes on Tuesdays in the *London Gazette*, the actual receipts and issues from week to week of the year; which are then resumed at the end of the year in the annual Finance Accounts of the United Kingdom. These weekly accounts, so far published, show that the Budget estimates of September 21, 1915, as regards Revenue will be considerably exceeded by March 31, 1916. As regards expenditure, we must wait and see. The Budget of September 21, 1915, estimated for

£1,589,706,000 expenditure, which covered Votes of Credit amounting to 1,420 millions; and the five Votes so far granted have come to 1,300 millions, which were to carry on to the middle of February, 1916. Six weeks, or 42 days, at £5,000,000 per day means 210 millions: we cannot tell, therefore, whether the 1,420 millions will carry us to the end of March, 1916, or not.

I have explained that the War Taxes of November, 1914, were expected during 1915-16 to bring in £65,000,000. She on the same basis of taxation the Revenue for 1915-16 would be £272,110,000. Mr. McKenna's new War Taxes of September 21, 1915, were estimated to yield £30,924,000 additional in 1915-16. In a full normal year their yield would be £102,155,000. But as 1915-16 is denuded by postponement of some of the taxes, so 1916-17 would be inflated above a normal year; and for 1916-17 the yield from these War Taxes of September 21, 1915, was expected to be £110,072,000. The Non-Tax Revenue was enlarged by certain increases in Postal Charges. The total Revenue for 1915-16 was estimated at £305,014,000. (In 1916-17 the same taxes would yield 384 millions.) As the expenditure for 1915-16 was put at £1,589,706,000 the Deficit on the year would amount to £1,284,692,000 which must be met by loans. If to this deficit of 1915-16 we add the £333,780,000 the realised deficit of 1914-15; and then add the Dead Weight Debt at April 1, 1914, viz., £651,270,000; we reach the figure £2,269,742,000 which might probably be the Dead Weight Debt on March 31, 1916. But as Conversions of Consols and First War Loan have taken place under the terms granted by the Second War Loan for which *data* were not then fully available, so Mr. McKenna on September 21, 1915, gave the round figure 2,200 millions as the amount of the National Debt at March 31, 1916. The interest on this sum at 4½ per cent. would be 100 millions per annum.

I need not give the details for the new War Taxes proposed on September 21, 1915; they were set out in Parliamentary Paper No. 344 of 1915. We all remember that they include:—(1) Income-tax increased 40 per cent., with lower levels for exemptions and abatements, and Super-tax increased on incomes over £8,000; (2) Special tax of 50 per cent. on war profits; (3) Duties on tea, tobacco, cocoa, coffee and dried fruits raised by 50 per cent. (*e.g.*, Tea tax now 1s. per lb.), and on motor-spirit and patent medicine the duties were doubled; (4) Import Duties of 33⅓ per cent. *ad valorem* intended to restrict the importation of luxuries were imposed on motor-cars, motor-cycles, plate glass, cinema films, etc.; (5) Postal charges were increased. According to the estimates made these taxes were distributed as follows for 1916 17, viz., Indirect Taxes (Customs and Excise) contribute £11,500,000; Direct Taxes (Inland Revenue), £19,424,000, which includes £6,000,000 for the Excess Profits Tax. In a full normal year the same taxes are estimated as follows, viz., Indirect Taxes, £25,070,000; Direct Taxes, £77,085,000, which includes £30,000,000 for the Excess Profits Tax. For 1916-17 only, the figures will be Indirect Taxes £25,070,000; Direct Taxes, £85,002,000, which includes £37,000,000 for the Excess Profits Tax.

To finance the country, the Government must raise by loans during the financial year ending March 31, 1916, a total sum equal to the Deficit, £1,284,692,000. We have seen that over £400,000,000 has been raised in the market by Treasury Bills. But these short loans fall due again so quickly that they offer merely a postponement of liabilities. Still, there they are selling daily "over the counter" at the Bank of England for a fixed price of 4½ per cent. The £50,000,000 of 3 per cent. Five-year Exchequer Bonds (which the Treasury placed on the market in March, 1915, at an average price of £3 18s. per cent.) are a more useful form of war-time security; and although £20,000,000 of this was wanted to pay some (Boer War) Exchequers which were to mature in April, there is probably £30,000,000 from that source included in the Exchequer balance, amounting to £83,450,952 (*London Gazette* dated January 25, 1916), which was carried over from the previous financial year, 1914-15. The Second War Loan, proposed by Mr. McKenna on June 21, 1915, is to carry 4½ per cent. interest and will be redeemable at par during the period 1925-45; when it closed on July 10th the total subscribed was £570,000,000, and the small applications through the Post Office (which remained open longer) are understood to have raised this total to £600,000,000. According to the *London Gazette* £586,316,000 had been already received into the Exchequer by January 22nd, 1916, from this Second War Loan. I notice also that £35,798,408 of the First War Loan has been received since April 1, 1915. Then the American Loan of £100,000,000, which was negotiated in New York, September 16-29, 1915, is one-half British and one-half French: it was a 5 per cent. loan issued to underwriters at 96 for public sale at 98. That should mean £48,000,000 to our Exchequer; and I see that on January 22, 1916, the Exchequer had already received £38,900,000 from that source. The sums which I have already named as accruing during the year 1915-16 come to a total of about 1,167 millions. Clearly something more had to be done. Hence on December 16, 1915, the Government announced a new issue of Five per cent. Five-Year Exchequer Bonds for an unlimited amount which are now on issue daily at the Bank of England. They amount to a continuing loan at 5 per cent. redeemable at par in five years. In the *London Gazette* I see that by January 22, 1916, £62,918,000 had already been received from this source. If they continue selling at about £12,000,000 per week for the nine weeks to the end of March, the Exchequer will receive another 100 millions. If so a total of 1,330 millions sterling will have been raised by loans of one sort or another, in order to meet the Budget deficiency of 1,285 millions sterling.

I take it, then, that at the close of the year 1915-16 the Government will have performed its gigantic task of finding the money for an expenditure of 1,590 millions sterling all spent in one year. Certainly, it will be a very remarkable performance. But as the war will not cease on March 31, 1916, we must look forward to bigger financial achievements in 1916-17. In the current fiscal year the British Army is costing £715,000,000 certain; but it has been recently raised from 3,000,000 to 4,000,000 men, so that this figure may be exceeded. £190,000,000 is being spent on the Navy. Mr. McKenna (in his Speech of September 21, 1915) has told us that £423,000,000 will be advanced by loans to the Allies' and Dominions' Governments. And out of a total Expenditure of 1,590 millions, only 305 millions is being raised from Revenue. Now in 1916-17 the British Army may be costing £1000,000,000, the British Navy £200,000,000, and the monetary assistance to be made to our Allies and Dominions may be anything from 400 to 600 millions. The Civil Services, with the greatly increased interest on the National Debt will certainly require over £200,000,000. We may vaguely forecast that the expenditure during 1916-17 will be somewhere about £2000,000,000 if the war continues until March 31, 1917: a sum not far short of the entire aggregate income of the whole population.

Perhaps that is a chapter in the "British Finance of the War" which may never have to be written. But I have sketched the chapter which brings this amazing story down to March 31, 1916. Speaking merely of economic considerations, there are three disquieting features in the situation. One is the constant advance in prices that is taking place, which is diminishing so greatly the quantity of goods that can be obtained for a given sum of money. Sauerbeck's Index Number of the prices of 45 commodities (which is now calculated and published by the "Statist") was 81·2 before the War; it was 118·4 at the end of December, 1915, which means an advance of 46 per cent. in prices in eighteen months. (The influence of the great rise in freights on prices is thought to account for 18 per cent. of this advance.) Such large forces are drawn from production to fighting that the output of commodities is shrinking considerably; and then the increased prosperity of neutral countries which are making money through the expenditure of the combatants causes them to increase their consumption above the normal, so that they compete with us more effectively for the purchase of the shortened stocks of commodities. Another disquieting feature is the increasing inequality between our imports and exports which puts all the foreign exchanges against us. Taking the whole of 1915, the excess of imports over exports has amounted to about £400,000,000. This adverse balance is sure to become larger because our own productive power is being reduced. But the most disquieting feature in the economic situation is the withdrawal of another 1,000,000 from productive work to join the Army. If we had Generals, or a General Staff, competent to handle these large forces, the increase of the Army to 4,000,000 men might be the means of shortening the War. But the incompetence of our Higher Command merely dissipates our forces over many separate campaigns or immobilises them at points where the large bodies of troops are standing inactive. The expense is prodigious, but the military result is practically nil. Now if we lack the generalship that can end the War quickly; if in consequence the War is only to be won by a test of economic endurance (for a stalemate would be absurd); then 3,000,000 (or even 2,000,000) men are sufficient to stand fast; and our power of economic endurance should not be diminished by withdrawing 1,000,000 or 2,000,000 men from productive labour. There is little doubt, I think, that the United Kingdom is able to finance the War for another two years if it must be. But this country has never got value for its money in any war; and there never has been a war where money has been squandered without value received in return to the extent that it has been squandered in the present war.