

with a carrying capacity of 20,600 tons built under private contract, were launched in Canada during the same year. The total launched from Canadian shipyards during the year was thus 45 steel and 58 wooden vessels, with a carrying capacity of 208,167 and 159,200 tons respectively, a grand total of 103 vessels with a total tonnage of 367,367 tons.

WAR FINANCE.

Added to the problems of feeding and providing munitions of war for fighting forces there is to be considered in modern warfare the great problem of war finance—the question of how this food and these supplies are to be paid for. If, again, the members of these great modern fighting forces are to be paid for their services, the money for meeting these payments has also to be raised.

War may be financed either by taxation or by borrowing, but only small wars have ever been financed entirely by the former method. Germany undertook to finance the Great War entirely by the latter method, on the ground that the war itself was imposing such heavy burdens upon her people that they ought not also to have to bear an added burden of taxation, and in the hope that, as in 1870, victory would enable her to transfer the cost of the war to her vanquished enemies. The United Kingdom and the United States, on the other hand, resolved to finance the war as far as possible by taxation. Modern warfare, however, turned out to be so enormously expensive that even these two wealthiest nations of the world found themselves driven to borrow the great bulk of their war expenditure.

Canada, like the United Kingdom and the United States, increased taxation at the earliest opportunity after entering the war, but nevertheless found herself compelled to raise the bulk of her war expenditure by borrowing. This larger factor in providing money for the war may be first considered.

WAR LOANS.

Up to the time of entering the war, Canada had depended almost entirely upon Great Britain for loans to the Dominion and Provincial Governments. On March 31, 1914, the principal of the Dominion funded debt payable in London was \$302,842,485, while the principal of the funded debt payable in Canada was only \$717,453. Money could be obtained more cheaply in London than in Canada, and good business policy, it was considered, required that the strongest Canadian borrowers, the Dominion and Provincial Governments, should borrow outside the country, leaving the available savings of the Canadian people to be borrowed by business enterprises which were not of sufficient reputation to be able to borrow in the international money markets of London and New York. As a consequence, the ability of the Canadian people to finance a great national loan had never been brought to a test. That test, since the resources of the London market were being strained to the utmost to meet the needs of the Imperial Government, had necessarily now to be applied. The