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OL. XXIX. No. 281

## FINANCIAL POWER OF BRITISH EMPIRE

Breaking of International Links of Industry by War Almost Paralysed World of Commerce

#### MECHANICAL UNITY BROKEN

Lombard Street Was Strong-Within Few Months Decree-Other Countries Less Fortunate, However.

mining the struggle.

(3) "Great Britain's Commercial and Industrial gold to Paris, to which, however, the outbreak of Strength"; and (4) "Canada's Financial Position and the War"

let in a series of articles, the first of which follows:-

#### Lombard Street and the War.

the industrial and financial life of the whole world.

New York, London. Paris and Berlin had formed a series of financial ganglia, each being keenly sensitive to changes in the economic and financial conditions in the other centres. More than that, many of the great banking houses in these financial markets were international in character, not only controlling interinted and proved how enormously strong is the English finangaliance. international in character, not only controlling international capital, but being managed by directors who represented almost every important European nation. The great banking houses in these cities were Anglo-German. Anglo-French, or Anglo-American. In a word, there was a system of interlocking directorates which harmonized the economic and financial international procedure of the per cent. On August 1 it reached the unprecedented figure of the per cent. On August 2 the moratorium on bills of exchange, to which we have referred, was declared; on the following days a bill for a general procedure. ests of the principal investing nations of the world. on the following day a bill for a general moratoric Gigantic corporations in London, Paris, Berlin and passed Parliament. New York welcomed shareholders and accepted their money, no matter from what quarter of the world been fired, and before there had been any destruction they came, with absolute disregard for diplomatic alliances and the world groupings of the great powers. Bills of exchange drawn on London provided an in-ternational currency for the whole world, and Lon-

the other. English, French, Germans and Russians became unreliable as reserves just at the moment worked in harmony behind the high protective tariffs of Russia, Mexico, the Argentine, Brazil and China. British capital was invested in Germany, and German capital in British Colonies. French and German German capital in British Colonies. French and German German Capitalists connected in Russia and Turkey. As the Pressure. It was at this moment that David Head Pressure. capital in British Colonies. French and German Capitalists competed in Russia and Turkey. At the very moment that war was declared British armament firms were constructing battleships for Turkey, and German officers were reorganizing the Sick Man's military forces. These facts are obvious now, it is true, yet they were really not part of the everyday thinking of the masses of the people. It required the shock of war witch suddenly destroyed the second of the induction of the nation of the masses of the people.

nomic interests of the nations are one.

Six or seven months ago the world had achieved at least a mechanical unity. The merchant in New York or Pekin could telegraph money or messages in a moment to any part of the globe. Almost at any time, on any day, one could buy transportation to any part of the civilized world. Year after year, with but slight interruptions, this process had been going forward; and year after year the boundaries of what we call civilization were being extended. Then, with paralysinz suddenness, this artificial structure of commerce, trade and finance was submerged as of commerce, trade and finance was submerged as was given to man in order that he might conceal his completely as Herculaneum was blotted out by the thoughts; and perhaps the reader may c

their doors. At the moment securities ceased to be saleable the currencies of the nations ceased to be volved in the above measures.

The chief difficulty in London at the outbreak of exception of the United Kingdom, and many neutral war was found in preserving intact the financial the declaration of moratoria almost everywhere-ex- of the financial machinery in this market is vital not cept in Germany—of varying scope and degree. While only to London and the United Kingdom, but to the Germany did not declare a moratorium it adopted de-whole world. It is chiefly through the London money vices for postponing the payment of debts, which market that the world's trade and commerce is finamounted practically to the same thing. Within a anced. By means of bills of exchange drawn upon few months, however, the United Kingdom was able London, grain, manufactured goods, metals, coal, oil, to abolish its moratorium decree, the first declared rubber and other articles required by civilized and unin its history. France has gradually and steadily civilized man, are carried over the seven seas to lessened the restrictions on the collection of debts their ultimate destination, and to the final consume imposed at the outbreak of war. In most other Now, the sellers of these goods cannot, as a rule, countries, however—in Europe, in South America, wait for the money due them until dealers finally and in the East-moratoria have been extended either realize upon their purchases. The London money in their first form or modified in greater or less de- market-that is, the banks, the bill brokers and the

adopt this expedient. Austria, Belgium, Italy, Greece Lombard Street buys and sells bills of exchange, possession of funds shortly before the bill is due, geneither declared moratoria, or, as in the case of Hol- is carried on. land and Switzerland, authorized their courts to grant land and Switzerland, authorized their courts to grant extensions of time to debtors. South Africa gave of exchange; and these bills are regarded as good as ancial English institution extensions of time to debtors. South Africa gave of exchange; and these ones are regarded as good as the Governor-General power to grant relief to debtors, gold in every quarter of the world. German, Australe, rule, run for a period of three months, can be immersionally and the control of t either by extending the time for the payment of debts, trian, Russian, French and other dealers, arrange diately discounted by the exporter who thus receives or by the stay of execution of debts incurred before with London accepting houses to accept the bills that his money at once. On the other hand, the Ham-August 4, 1914. New Zealand enacted a law making are to pay for goods bought in countries all the way burg importer gets possession of the goods as he it unlawful for a mortgage to foreclose on a mort- from China to Peru. For example, a Hamburg signs the certificate guaranteeing to put the English gage until six months after the end of the war, except by consent of the Supreme Court. The principal Brazil, or wheat from the Argentine or silk from the Argentine or silk from draft when it becomes due. Having secured the goods by consent of the Supreme Court. The principal Brazil, or wheat from the Algerithme of South America—Brazil, Argentina, Peru China, or opium from India, or coccanut oil from he either sells them, or manufactures them into the countries of South America—Brazil, Argentina, Peru China, or opium from india, or cocoanut oil from he either sells them, or manufactures them into the and Uruguay—all declared moratoria of one kind or the South Sea Islands, or ostrich feathers from South finished product; and before the three months' period

tine Republic granted its banks thirty days' delay in meeting their obligations; and extended the merater-ium until the Conversion Office should resume the exchange of gold for paper. Later the obligation of the Conversion Office to exchange gold for paper wa suspended until further notice, thus automatically extending the moratorium. The banks were author zed to pay only twenty per cent., at any one time, of deposits due any creditor. Even then good reason had to be shown that the withdrawal was necessary. This should be borne in mind in connection with Canada's financial position, which will be discussed later.
The United States did not declare a moratorium, it is true, but the banks agreed to refrain from demanding the payment of call loans on stock exchange collatera as long as the exchanges were closed. This may be regarded as an application, in part at least, of the mo ratorium principle.

At the outbreak of the war Mr. Lloyd George, Chan ellor of the Exchequer, lost no time in assembling committee of the ablest financiers of England to The Honorable David Lloyd George, Chancellor of the British Exchequer, has declared that the silver bullet will determine the outcome of the war, and remarked that "white our remarked that "white bullet will determine the outcome of the marked that "while our enemies may spare the first ancial storm. Undoubtedly the bankers of Berlin hundred million as well as ourselves, they cannot spare the last hundred." Undoubtedly the financial resources of the Allies, and, in the last analysis, of the British Empire, will be a big factor in determining the struggle.

ancial storm. Undoubtedly the bankers of Berlin and Paris had received information from their respective Governments that war was not only a possibility, but a probability; and they immediately began to sacrifice securities on the London and New mining the struggle.

Professor W. W. Swanson, Associate Professor of Political Science in Queen's University, Kingston, has written a very interesting pamphlet on "The Financial Power of the Empire." He divides it into four chapters, dealing respectively with (1) "Lombard Street and the War"; (2) "The Financial Resources and the Investment Power of the Nations Involved in War"; (2) "The Financial Resources and the Investment Power of the Nations Involved in War"; (5) "The Financial Resources and the Investment Power of the Nations Involved in War"; (5) "The Financial Resources and the Investment Power of the Nations Involved in War"; (6) "The Financial Resources and the Investment Power of the Nations Involved in War"; (7) "The Financial Resources and the Investment Power of the Nations Involved in War"; (7) "The Financial Resources and the Investment Power of the Struggle National Resources and the Investment Power of the Struggle National Resources and the Dondon and New York Exchanges. British helders of American stocks and bonds also began to prepare for the struggle by selling large amounts of securities on the London and New York Exchanges. British helders of American stocks and bonds also began to prepare for the struggle by selling large amounts of securities in America. At the beginning of this movement Paris was vonsiderable professional Resources and the Investment Power of the Nations Involved in War"; Investment Power of the Nations Involved in War"; ment in securities on the London market, directed from Paris. London, therefore, was obliged to ship call to great Britain's Commercial and Industrial seed to Paris, London, the Jouwer the outbreak of

The Journal of Commerce is publishing the pamphised the stock exchanges of Europe and America Continental banks, as far as possible, withdrew their balances from London. English creditors were press ing American debtors for payment, with the result that bills of exchange drawn on London sold at un precedentedly high figures in New York. Indeed It is a mere platitude to say that the world of to-day is linked together by almost inextricable bonds of industry, commerce and finance. Nevertheless, the day is linked together by almost inextricable bonds of industry, commerce and finance. Nevertheless, the full meaning of this fact was not felt or understood before the outbreak of the great world-war in August of last year. The breakdown of international credit and finance, so long predicted as the inevitable result of a war involving the great nations, almost paralysed the industrial and financial life of the whole world.

don itself was the pivotal point around which the ceptance houses were unable to obtain the necessary far-flung commerce of the nations centred. Nationalism in itself was no bar to co-operation in due; and the liquid assets of the joint stock banks—business on the one hand, or intense competition on that is their stock exchange and money market loans day thinking of the masses of the people. It required the shock of war, which suddenly destroyed the great edifice of world-wide commerce and finance, to prove the truth of Norman Angell's contention that the economic interests of the nations are one.

most financial articles bear out this saying. We Almost in a day the exchanges of the world closed shall, however, attempt to escape this charge, and At the moment securities ceased to be explain more clearly and precisely what was in-

ns, suspended gold payments. Then followed mechanism of Lombard Street. The smooth working acceptance houses—provides the capital necessary to sign a certificate guaranteeing that, through his bank-Rec.

Neutral nations as well as belligerent were forced to carry on this vast international trade. In other words, er, or otherwise, he will put the acceptance house in ulgaria, as well as the Scandinavian countries, through which and by means of which, foreign trade

London has made a specialty of international bills and Uruguay—all declared moratoria of one kind or another. In view of the fact that the Argentine Republic has proved Canada's chief competitor, both in the securing of capital in Europe and in the marketing of products abroad, the measures adopted there are of more than passing interest. The Argentine thus becoming liable for its payment, requires him to finished product; and before the three months' period is up, he has realized a sufficient sum from the sales he has effected to meet his obligations in London, the measures adopted accepting the draft for the Hamburg merchant, and there are of more than passing interest. The Argentine Republic has proved Canada's chief competitor, both accept the draft switch are to pay for these combined to the draft of the securing of capital in Europe and in the marketing of products and before the three months' period is up, he has realized a sufficient sum from the sales he has effected to meet his obligations in London, the measures adopted accepting the draft for the Hamburg merchant, and thus becoming liable for its payment, requires him to (Centinued on Page 8.)

# The Bank of British North America

ESTABLISHED IN 1836 Incorporated by Royal Charter in 1840

PAID-UP OAPITAL, \$4,866,666.66 RESERVE FUND, \$3,017,333.33.

## Seventy-Ninth Annual Report and Balance Sheet

REPORT OF THE DIRECTORS OF THE BANK OF BRITISH NORTH AMERICA, PRESENTED TO THE PROPRIETORS AT THEIR SEVENTY-NINTH YEARLY GENERAL MEETING, ON TUESDAY, MARCH 2nd, 1915.

The Court of Directors submit the accompanying Balance Sheet to 30th November last. It will be seen that the profits for the Year, including \$108,437.55 brought forward from 29th November, 1913, amount to \$645,014.27 of which \$194,666.66 was appropriated to a dividend paid last October, leaving a balance of \$450,347.61 out of which the Directors propose to declare a Dividend of 40s per Share, payable, less Income Tax, on 3rd April next, leaving a balance of \$167.081.69 to be carried forward.

The above Dividend will make a distribution of 8 per cent for the year.

The Dividend Warrants will be remitted to the Proprietors on the 1st April next.

During the year that closed 30th November last, Branches were opened at Bromhead, Sask., and Prince George, B.C., a Branch was closed at Paynton, Sask., and a Sub-Branch at Upper Lonsdale Avenue, North Vancouver, B.C.

The following appropriations from the Profit and Loss Account have been made for the

To the Officers' Widows and Orphans Fund. \$7,862.77 

These amounts are for the whole year and include those already set forth in the Statement to 30th May, 1914.

Donations amounting to \$24,333.33 have been made to the Canadian Patriotic Fund and the Canadian Red Cross Society.

London, 18th February, 1915.

### General Statement of Liabilities and Assets

apital-20 000 Shares of C50 and tour	`
Capital—20,000 Shares of £50 each fully paid	\$4.866.666.66 3,017,333.33 4,931.85
Balance brought forward from 29th November ,1913 Dividend paid April, 1914	303,104.21 194,666.66
Net Profit for the year anding this 1	108,437.55
Net Profit for the year ending this date after deducting all current charges and providing for bad and doubtful debts	536,576.72
Dividend paid October, 1914	645,014.27 194,666.66
Delini	450,347.61
Deduct: Transferred to Bank Premises Account \$ 973.33 Transferred to Officers' Widows and Orphans	
Fund	
Canadian Patriotic Fund and Canadian Red Cross Society	
Mile or a relating Mile	88,599,26
Balance available for April Dividend	361,748.25
Deposits not Bearing Interest Deposits Bearing Interest, including Interest accrued to date	4.427,423.53 16,967,688.36
Salances due to other Banks in Canada	25,307,667.43 173,903.68
United Kingdom and Foreign Countries	314,776.56
one Payable	2.124.504.54 1,669.290.10
lability on Endorsements	\$ 614,663.23
ability under Guarantee in respect of the Sovereign Bank of Canada	300,000.00
	\$60,604.993.30
ASSETS.	
arrent Coin and Bullion	7.538.168.87
otes of other Banks	\$10,622,046.73 377,653.59
alances due by other Banks in Canada	1,733,655.87 8,154.83
alances due by Banks and Banking Correspondents else- where than in Canada	2.941.835.78
ominion and Provincial Government Securities not exceed- ing Market Value	2,992.79
ing Exchequer Bonds £ 210 200 at Cost and amount and	~
o/a Allotment, £100,000 War Loan)	1.593.131.13
ll and Short Loans in Canada on Bonds, Debentures and Stocks	98,615.15
her Current Loans and Discounts in Canada	1,828,649.73 2,819,999.95
of Interest)	26,179,121.01
abilities of Customers under Letters of Credit as per contra	6.057.821.94
al Estate other than Bank Premises	1,669,290.10 11,993.70
nk premises at not more than cost, Less amounts written off posit with the Canadian Minister of Finance for the purposes of the Circulation Fund—	$\substack{210,588.31\\2,184,139.72}$
Dominion of Canada 3% per cent. Bonds, £250,009, at 98.	1,192,333.33 232,248.08
osit in Central Gold Reserves	\$1,424,581.4T 500,000.00 340,721.56
Stock Exchange Securities have been valued at or under the prices of 27th July, 1914.	
Title	\$60,604,993.30
B. MACKENZIE, General Manager. E. A. HOARE,	J. H. BRODIE, Directors.
We have examined the above Balance Sheet with the Books d Returns from the Branches and we report to the Shar alned all the information and explanations we have required transactions of the Bank which have some	in London, and the Cer- eholders that we have

affairs according to the best of our information and the explanations given to us and as

affairs according to the best of our information and the explanations given to us and a shown by the books and returns.

N. E. WATERHOUSE, FRANK S. PRICE, Auditors.

Members of the firm of Price Waterhouse & Co.,

London, 18th February, 1915.

#### erally three days before it matures. In the meantime STANDARD BANK class financial document, guaranteed by a strong fin-OF CANADA QUARTERLY DIVIDEND NOTICE NO. 98

Notice is hereby given that a Dividend at the rate of THIRTEEN PER CENT PER ANNUM upon the Capital Stock of this Bank has this day been declared for the quarter ending the 30th April, 1915, and that the same will be payable at the Head Office in this City and its Branches on and after Saturday, the 1st day of May, 1915, to Shareholders of record of the 23rd April, 1915.

Toronto, 30th March, 1915.

G. P. SCHOLFIELD,

By Order of the Board,

WHY IS A SUCK (By Peter MoArthu

0000000000000000 Ekfrid. April 10.—Why is a such tion that has been agitating visited the orchard for the k is no joke either. Every apple t sprouts, or suckers as we As the land has been the trees have put forth a strong of it has taken the form of suc are some people with grow hink it an advantage to have a p itches at hand and I own that sient when the buggy whire woken to go to a tree and pull off with which to encourage the drive has altogether exceeded the deman lied gads to a whole school with It didn't seem right that there sh cially as they spoiled the appea and made every casual visitor offer uning. So when Mr. Leslie Sm ganch, came along with an assist chard and give a demonstration I p the burning question, "Why is a suc is possible he explained that Na ose suckers there in a voiceless at how my orchard should be pruned. tell me that it was not necessar the ends of branches that were and was offering me the materials good nearer the trunk of the tree w sier to bear the load. While he t of my most cherished beliefs about here in the country we have when our apple-trees were loaded so hed the ground and had to be pro them from breaking. Why, I eve rapher come out from town to ma trees when they were loaded in that mmed that I was simply advertisi s should be raised on branches old them up in their proper place shand when someone has shown you is quite easy. Of course it will ta ers to change a sprawling sloven that is compact and upstanding and the proper way, but it is worth wants the trees that way and we ca results by letting her have her own nstead of scolding me as I had ex

ing so many suckers in my trees, Mr. lighted to see them. He had materia

and could hope for results. Standing the trunk of the tree, the only posit a pruner can plan his work, he selecte

ranch so covered with suckers that it squirrel to run out on it, and pro-plain what he intended to do. He p the branch was strong enough to hold the trunk while a few pounds at th would drag it down to the ground. H ed a suspicion that my purpose in hav was to raise apples rather than folia and I hastened to clear his mind of the subject. I want apples, plenty of perly colored. Then he proceeded to could be achieved. With saw and I he began to cut away superfluous bran that seemed positively ruthless. H branch where they would be shaded as green fruit. He also cut, off 'the bra that were growing up towards the b em until finally the main branch h the form of a spreading fan with plent air space above and below it. He cu slender switches on the end so that the ing drooping. Of course he was caref as many fruit spurs as possible but th ned out so that there would be no apples they would bear rubbing agai against one another and producing the deformed apples that make honest for chances with the Fruit Marks Act at finally he went at the suckers that h the main branch and began to thin them that he cut off he was careful to cut clos to as to take off the ring at the base. that this is important, for when the base off as well as the sucker the wound will! the ring is left a new growth will a se summer. He left the best placed s acouple of feet apart and cut them back Towth towards the more open space manch. It seems that as the bud is fruit spur will be inclined. When he ha work the branch, what clear of all other branches and exp light from every side. I was also begin light. I could see that when that bran tend out into the air like a huge hand ar hough to hold up a barrelful of apples. the suckers that had been cut back ha to fruit wood it would have all the app equire. Although the branch seemed we he assured me that the fruit spurs he had bear foliage as well as apples and Nature of putting out new foliage sprouts who are needed. But I know it will take me

Now please bear in mind that the wh stration I have described was confined to The tree as a whole is a problem in it keeping his back to the trunk he pointed branches he would choose so as to tree into a series of fans rising tier above top, with fruit wood in all parts of the outside of the tree would be so open that light and air could get to every part of whole would be supported by strong mai that would carry the fruit without bending nothering other branches. Wherever the empty space he would prune so as to star owing in that direction and in a year or to e properly filled. He also cautioned me r uning at the bottom as he had done the one branch for me. When I cided by standing at the trunk what br would cut out and what he would leave to have all the branches radiating from stead of crossing one another haphazard begin his pruning at the top. In this way void having the branches he would ne ottom injured by those falling from the my were injured he would have enough left But the pruning of a whole tree is i

to get the courage to cut away branches