Can U. S. Remain World's Banker?

Director of U. S. Foreign Exchange for the Government Predicts Further Curtailment of Exports — Urges Holding Imports in Reasonable Limits

(Special).—"If we prove ourselves wise custodians of the world's money we can hope to remain as the world's bankers for many a year to come," Fred I. Kent, vice-president of the Bankers' Trust Co. of New Cork, Director of Foreign Exchange for the Government, declared in a report dealing with finance's part in war trade, delivered at the opening session of the National Foreign Trade Convention held at Cincinnati. Continuing, he said:

"Having become the bankers of the world, we must conserve our gold and only use it to pay for those things which we require more than gold. By retaining our gold in this manner, will make a reserve showing satisfactory to all of the creditor nations, who, having received abnormal profits for their trade with the Allies, have no real demand to call their funds home. When the war is over, there is good reason to believe that our goods will be preferred to our gold in a large way, and that such distribution as we will then be called upon to make throughout the world of the enormous funds held by us can be made without financial disturbance, provided the National Foreign Trade Council makes such careful and detailed study of the requirements of each of the countries whose funds we hold that we can offer to them those things which they will desire above our gold.

"Such action should result in enabling us to furnish gold to those countries which may require it because of their monetary position, as we would be able to give other countries all commodities, or part gold and part commodities. The wonderful industrial creative power of this country would, when released from governmental control, thereby be made more available to our debtors as a reserve against the deposits which they may have with us.

"The cry of the orator for a dollar at par throughout the world may be valuable in times of peace as commercial propaganda, but it has no place in time of war, particularly with a world's war such as exists to-day.

"As the war goes on, the United States will find that it will have to curtail its exports to neutral countries, as Great Britain, France and Italy have been obliged to do, so that it is reasonable to suppose that the balance of trade with many neutral countries will be constantly against us, throughout the war. This being true, and it being greatly to the advantage of neutral countries to have our market for their goods continue in as large a way as possible, we must have some strong force to hold our imports within reasonable limits. An adverse exchange rate is the key to such force, and is a great regulator of trade. It puts such difficulties in the way of our imports that, without other pressure, we endeavor to do without them in so far as possible. The countries of export, in order to keep a market for their goods, will strive to find ways to allow continuation of such exports as we must have, even to the point of allowing funds to pile up in this country, or through the extension of credits. As funds accumulate here which cannot be exported, there will be an increasing tendency on their part to purchase commodities from this country with them, which will offer a greater inducement to the people of the United States to strive along with their war work to pay a part of their accumulating indebtedness through current exports.

"In Argentina, for instance, we find that for the protection of its people the Argentine Government considered it to its very great interest to make an arrangement with the United States, under which Argentine funds would be left on deposit in this country until after the war, provided the disbursement of the equivalent in Argentina was made for exports from Argentina to the United States. It is also true that the exports from the United States to Argentina increased from 76,874,258 in 1916 to $107,641,905 in 1917, even though we were not at war in the first year and were at war in the second. As long as exchange continues against us with Argentina, the same tendencies will continue active, and when the war is over we will be as much less in debt to Argentina as the amount of exports which we have been able to furnish her year by year, that have been withdrawn from this country by her in order to get her funds home and make it possible, together with the extension of such credits as she can afford to keep our markets for her goods open.

"On our part we have for instance been induced to conserve and increase our supply of wool so as to be able to import less from Argentina. As a result, as the war goes on we can hope to keep our relations with Argentina in such position that she will look upon us as being a country of great value to her, and further, that she will accept us as her bankers, so to speak, in that her surplus funds made through her war profits will have been accumulated in this country only to a natural extent, and not to such tremendous sums that she will become concerned for their safety or in actual need of them. The exchange rate being against us, and acting as a deterrent to our imports and a stimulant to our exports, will have helped to preserve a natural and proper relationship of benefit to both countries, in so far as is possible while the requirements of war exist. There is also excellent reason to believe that after the war is over Argentina may prefer in large part our commodities to our gold, and that she will desire to continue the banking relationships which she has established.

"The Spanish exchange having been against us has resulted in the piling up of dollars in this country to the credit of Spanish bankers, which has again produced a great demand for our exports. When the war is over, as the Spanish currency is nearly 100 per cent metal covered, there is good reason to believe that she will prefer to use such funds as may have accumulated by that time in this country for the purchase of our goods as she requires them, and that she will largely continue such of her balances here as may not be needed for this purpose.

"We now come to a group of countries — the neutral countries adjacent to Germany — in all of which exchange rules against this country, and where in every case it is undoubtedly of great value to us. These countries are Denmark, Netherlands, Norway, Sweden and Switzerland. Taken as a whole, our exports to those countries have been over three times as great as our imports from them, and yet the exchange has ruled constantly against us for a long period. Exchange has been turned against us through the sale in the United States of sterling exchange, and through the remittance to the neutral countries concerned of German money. The transfer of funds to these countries by Germany has been most detrimental to the Allies, as has enabled that country to pay for much needed imports that she might otherwise have been unable to obtain in the desired quantities.

"The purchase by this country of sterling exchange from all of the countries in this group has resulted in the piling up in the United States of huge balances belonging to the banks of the neutral countries mentioned.

"In connection with transfers for German account, the accumulation of such balances and the difficulty involved in withdrawing them at the moment is of great value to the Allies. The exchanges being high, it means that every successful transfer made for German account results in that country receiving a much smaller sum to be used in payment for imports in the country of destination. It also has greatly increased the difficulty of making such transfers at any rate, for as balances continue to grow here, even loaning against them in the neutral countries concerned becomes more difficult. Even so, the need of Germany for funds in these countries is so great that we cannot exercise too much vigilance in preventing their transfer.

"Practically all of these countries are understood to have so stripped themselves of much needed commodities in order to obtain the high prices being paid by Germany that after the war they will be obliged to replace them through import.

"Their situation as to gold is also an easy one, so that we should be able to pay back these balances after the war without friction if we are prepared to supply the goods that these countries will require.

"All of these countries have increased the balance of exchange against us by selling drafts on London in the New York market. If it had not been for such sales the United States might have been justified in continuing the shipment of gold, because of the tremendous supply held by us. When, however, we were taking over sterling credits which these nations sold to us, because we were helping maintain the sterling exchange rate, the accommodation was on our side, and we were warranted in holding our gold until after the war, unless we should find it to our advantage to release it sooner. This is particularly true in the case of the neutral countries adjacent to Germany, where we have furnished them millions of dollars more in goods than they have given to us, and where we have taken sterling off their hands whenever they considered it to their interest to sell it on our market. Our gold embargo, therefore, is not in the nature of a refusal to pay. It is merely a statement to the world to this effect: That we do not at the moment propose to waste our gold by exchanging it for imports which we can get along without, and that neither do we propose to pay gold for sterling exchange which we are purchasing with dollar exchange at a higher rate than its normal value based on the present cash position of the British Government with the rest of the world, but in thus conserving our gold until after the war we are holding it as a reserve against the deposits which are accumulating in the United States to the credit of the other countries of the world.

"In the meantime we will allow such balances to be used as freely as may be desired for the purchase of such goods in this country as the exigencies of the war, justify us in allowing to be exported, or through investment in securities or property of any other kind in this country.

"In this connection it will interest you to know that the Federal Reserve Board, through its Division of Foreign Exchange, is in possession of the exact cash balance as it exists at the close of business each Wednesday night between the United States and every country of the world. It is also in possession of exact knowledge as to what caused the changes in such balances from week to week. As these figures develop, the position of our country to the world will be as clearly before the Federal Reserve Board as is that of a banker to his depositors. This will make it possible for us to apply a banker's knowledge to the question of the probable demands that will be made upon us from time to time, and so enable us to determine how they may best be met. There will be no need for leaping in the dark, but every problem as it arises can be considered from the scientific basis of complete understanding of the situation as a whole as it develops, and if we prove ourselves wise custodians of the world's money, we can hope to remain as the world's bankers for many years to come."

TO ENTER CANADA.

The Queensland Insurance Company, of Sydney, N.S.W., will enter the Canadian field in the writing of fire and marine business. Mr. Cuthbert Hawkes, assistant manager, is now on his way home after a visit to Canada. Montreal Agencies, Limited, have been appointed general agents of the company for the Dominion.

INCREASE IN FOOD PRICES.

Ottawa, April 21.

A further increase in the cost of foodstuffs is shown in the report of the Department of Labor for the month of March.

In wholesale prices the departmental index number for March stood at 262.2, as compared with 263.5 for February. The average cost per week of a family budget of staple foods in nearly sixty cities was $12.65, as compared with 512.54 for February, $10.70 for March, 1917, and $7.68 for March, 1914. In retail prices there weer decreases in the price of eggs, potatoes and apples, but meats of all kinds advanced.

RAILWAY EARNINGS.

The traffic earnings for the week ending April 14th, of Canada's three principal railways, aggregated $5,282,138, an increase over the corresponding week a year ago of $464,419, or 9.6 per cent., which compares with an increase of 9.9 per cent. for the first week in April, the high for the year.

The Grand Trunk's increase of 28.2 per cent. is the record for the year, for any one of the companies and compares with its 11.8 per cent. gain for the previous week, and 14.2 for the third week in March, the previous high.

Folowing are the earnings for the past week, with the changes from a year ago:

	1918.	Inc.	P.C.
C. P. R.	$2,935,000	$102,000	3.6
G. T. R.	1,414,538	311,419	28.2
C. N. R.	932,600	51,000	5.5
Totals	$5,282,138	$464,419	9.6