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### THE GENERAL FINANCIAL SITUATION.

If the early part of this week, Canadian Exchange on New York went to over 6½ per cent. for the first time in history. Concurrently sterling exchange on New York fell to 3.84. Francs to a discount of 50 per cent. from parity, while the German mark has almost disappeared, and, in the opinion of conservative financiers the end of the decline has not yet been reached.

So far as Canadian Exchange is concerned, there is no doubt that the declining movement has been to some extent accelerated by the demoralization which has set in with the European exchanges. Any recovery in these exchanges on the initiation of any substantial measures designed to promote such recovery would be followed by a sympathetic improvement in Canadian exchange on New York, due not necessarily to a change in conditions as between Canada and New York, but to a better feeling. But while the European exchanges continue demoralised it is hopeless to expect any substantial improvement in Canadian Exchange.

Like other ill winds, adverse exchange has its good points for some folks. The Canadian paper companies selling the great bulk of their products in the United States, and paid therefor in New York funds, are a case in point. It is currently reported that the gain in exchange made by one company on its sales in the States when New York funds are at a premium of 4 per cent. is equal to 6 per cent. on the common stock. This is no doubt an exceptional case, but serves to indicate the extraordinary substantial character of the gain in this connection which are being made by the paper companies and their shareholders. Canadian insurance companies and other financial institutions doing business in the States and remitting to their home offices, secure a similar advantage.

But while certain classes may be thus benefitted as a result of present circumstances, there is not the slightest doubt that to the great majority of people, an adverse exchange comes as a hardship. In the first place it increases materially the cost to the consumer of every article imported from the United States. It is customary in this connection to lay stress upon the importation of articles which come within the definition of luxuries.

Certainly no sympathy need be wasted upon those who pay an enlarged price for luxuries, as a result of the depreciation in exchange, but in fact the main bulk of our imports from the States consists of good which are either staple necessities, or are in such common use, that only by a very severe test could they be deemed to be luxuries.

Coal, for instance, is scarcely a luxury, although, judging from present indications, it soon will be, and while it is easy to talk at large about the vast possibilities of Canadian coal deposits, no practical scheme is yet in sight, which will relieve Canadians within any reasonable time of their dependence upon American coal.

Restriction of existing imports, which can be dispensed with, would as a matter of fact, be the merest palliative, and it is, we believe, impossible in practice, except through a tariff that would be absolutely prohibitive, or by making such imports illegal. And neither of these drastic measures are within the bounds of possibility. While the principal effect of an adverse exchange on New York, is to increase the cost of all imported commodities, including many necessities of life, to the consumer, the result of the demoralization in the European exchanges, is to increase considerably the field of possible hardship, so as to include Canadian industry and commerce. The cables have stated lately that the effect of this demoralization is to hinder gravely Canadian trade with Great Britain, and the other European countries, and a careful study of the whole situation suggests that the newspapers (for once in a way) do not exaggerate the situation in this respect.

At present Great Britain, purely as a result of the depreciation in exchange is paying for such vital necessities as wheat and cotton over 20 per cent. in excess of what she would have to pay, were sterling exchange at a parity. Obviously under such circumstances, Great Britain would buy less, not less wheat and cotton, because those she must have, but less of other articles.

A year or two ago there were great hopes of an immense export trade in manufactured goods, which would develope in the United States and Canada, for the re-construction of a poverty stricken Europe.

The present condition of exchange forms, however, an almost impassable barrier to the development of

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