

WORLD-WIDE DEMAND FOR CAPITAL

Old Countries Emerging from Commercial Lassitude and New Lands Adopting Modern Enterprise

"Throughout the world at the present time there appears to be more or less uneasiness as to the money situation, and in this country particularly this apprehension seems to have assumed a somewhat aggravated form. I do not believe this condition affords any legitimate reason for anxiety as far as we are concerned if we have currency reform. The great demand for funds everywhere is largely due to the extraordinary development that is taking place in a number of the old countries that have emerged from commercial lassitude into a state of remarkable enlightenment and accompanying industrial progress, and in several new countries whose latent resources are being opened to modern enterprise," thus writes a well-informed writer, discussing in a recent issue of the New York World the monetary situation in the United States, and attributing to Mr. S. R. Guggenheim these interesting views on the existing worldwide demand for capital.

Should Have Inspiring Effect.

"The old countries that are undergoing this transition are China, Japan, India and Morocco, while the comparatively new nations that are feeling the impulse of this industrial evolution now under way in all parts of the world are Chili, Peru, Argentina and Bolivia, and Brazil in a less pronounced degree. The expanding demand for capital is therefore the result of a thoroughly wholesale condition, and should have an inspiring rather than a restraining influence on financial confidence. The question we in America should ask ourselves is whether we are keeping pace with this great movement and whether we are sufficiently participating in its benefits.

"The extraordinary demand for large amounts of capital is not, however, confined to the nations I have mentioned. Germany, England, France and others of the Old World countries are in the midst of great industrial activity. It is a rather unpleasant commentary upon the United States situation that it should be exporting gold to Europe at a time when it should have ample employment for it at home.

Bankers are Perturbed.

"Foreign countries, however, are ready and willing to pay 7 and 8 per cent. for accommodations, not because, as many of our people here seem to think, that they are preparing for war—the Great Powers know that there is to be no war—but because they can employ this money at home at terms that justify these banking arrangements, or because they sell their products to these newer countries at a handsome profit. The trouble with us is that the United States bankers have been so perturbed over the constant political alarms and uncertainties in this country that they have not had the courage to extend increased credit to our merchants and manufacturers so that they can reach out for the trade in South America and the Orient that Europe is practically monopolizing.

"They are content to limit their banking facilities to the encouragement only of the domestic trade which 90,000,000 people of the United States create, and I must admit that political conditions, at least those in the immediate past, have not permitted any departure from a policy that seems to be lacking in economic foresight.

"While domestic business conditions are good, it would seem to me that if we are to have our legitimate share of the world's trade expansion it would be a wise policy for the present administration to depart from some of the practices, if not the policies, pursued in the past.

Tariffs and Currency.

"Let the government enforce the law resolutely. If there are infractions, punish the malefactors, whether they are of high or low degree, but let not those officers charged with the administration of the law go about with a trumpet sounding alarms that destroy credit and disarm courage. There is, of course, some uncertainty as to the effect of tariff revision. It is more or less of an experiment, and there are many lines of business that will require some readjustment, but I do not believe that there will be any disturbance or more than a temporary halt if the administration will address itself earnestly to the task of securing from the special session of Congress an efficient currency measure, the urgent necessity of which is well understood by bankers and business men of all political creeds. If such a measure is passed and becomes a law before the early fall, when the harvest requirements begin to impose their usual strain upon the money situation in this country, it will largely, if not completely, offset any adverse influences that might result from tariff revision."

There are 2,304 miles of railways under construction in British Columbia.

WORLD FINANCE AND LOCAL FINANCE

Harvard Professor Tells Bankers at Ottawa of International Readjustments

That it is necessary for bankers to keep up with the changes that occur throughout the world, was a reminder given to the New York State Bankers' Convention at Ottawa this week by Professor G. G. Wilson, professor of International Law at Harvard University. Even a prospect of change may seriously affect business, he continued. The recent changes in the rates of exchange, the difficulty in obtaining gold for current use in Europe, the wide fluctuations in the great European money markets had an effect throughout the world.

"While a generation ago banking was for the most part national, it is now in an increasing degree international," continued Professor Wilson. "European bankers often claim that those who are concerned in the business on this side of the Atlantic are in reality not bankers at all because of the provincial point of view which the foreigner believes prevails in North America. In proof of his contention he cites the reluctance of North American Bankers to engage in South American financial undertakings and maintains that the European bankers have obtained the cream of this business. Their latest proof is the withdrawal of American bankers from the proposed Chinese loan leaving it wholly to Europeans.

Bankers of North America.

"Now it can be safely presumed that so successful a group of men as the bankers of North America probably know their own business and have been putting their money to what seemed to them the safest and most profitable use. Such a course would appeal to a novice as being entirely sound and praiseworthy.

"However as the old country bank, which had dealings only with the citizens of the immediate neighborhood has largely passed away and its place has been taken by a branch of some large financial institution which is in a central city and may have other branches, so these central banks are becoming allied to other larger banks. In European and in some Asiatic countries, the process has gone on till banks with names hyphenating those of two states are common. This change abroad is in some cases very recent and due to the readjustment of international relations.

"This readjustment has been accompanied by a drawing together of the states of the world. The tendency to international union cannot of course be neglected by bankers because their business is one of the first to respond to changed conditions."

Pacific Coast Now the Centre.

Professor Wilson then traced the history of the international postal system and of general international readjustments. "The shifting of the scene of world activities has been to some extent from Europe, from Africa, and even from the Atlantic until now the Pacific Ocean seems destined to be the great theatre of the early twentieth century drama of international politics," he added.

"As the result of the Boxer uprising in China in 1900, the powers of the world demanded of China an indemnity of above three hundred and twenty-five million dollars. Since the recent revolution in China in 1912-13 that country has endeavored to negotiate a loan of 300,000 million dollars. Such sums seem small when compared with national debts which have mounted to enormous figures in recent years, as e. g., the Russian debt of more than four and one-half billion dollars.

"In the same issue of a daily paper in early June, 1913, there is a statement that the Republic of Mexico has made a loan at six per cent. of one hundred million dollars secured by 38 per cent. of the customs revenue, and that the Balkan Allies have demanded an indemnity of four hundred million dollars from Turkey and that Turkey will pay. Such announcements show that the readjustments of international relations have a significance for finance which is quite unlike similar readjustments in the middle of the 19th century or even toward its close.

New Dollar Diplomacy.

"There is, therefore, a dollar diplomacy which is unlike the diplomacy usually named under that term. In diplomacy and in the readjustment of international relations more and more terms of settlement take the form of financial statements. Formerly his sounding treaties, lengthy apologies, formal promises might be made; now offer marketable securities must be substituted and the formal promise may be omitted.

"Conventional agreements have introduced an element of certainty where uncertainty prevailed previous to the middle of the 19th century. Upon these bases, or sometimes in disregard of them, changes have come in the relations of state to state and people to people."