

and more carefully organized, however, than that of the United Kingdom. For example, the General Electric Industrial Union of Germany, the combine known in the Fatherland as the "Allgemeineelektricitäts-gesellschaft" made remarkable progress in the export business by linking up German finance with its industrial activities. A powerful group of German banks pledged themselves to find the capital to finance municipal and other enterprises in South America, India and elsewhere, provided the equipment and plant essential for the undertakings were bought in Germany. By following out this programme, the German electrical combine secured a practical monopoly in the export field in their particular output. This practice became so general and met with such astonishing success that German finance and industry marched abreast in capturing the neutral markets of the world. As has already been said, Great Britain intends to pursue similar methods. Before the war British capital was exported abroad at the annual rate of \$1,000,000,000; but it was placed without general regard to its relation to British industry. Hereafter London will finance foreign enterprises of every description as before the war; but the great British banks, under the new scheme of agreement, will do so only if the industries of the United Kingdom are given preferential or equal treatment with those of their rivals. The same project has been carefully studied and plans completed to put it into effect in the United States.

War Finance on Enormous Scale.

To those who are apprehensive concerning the ability of London to maintain its position as the leading centre of world finance after the war, a glance at the figures of taxation, expenditures and income of the United Kingdom since the outbreak of hostilities will prove reassuring. Before the war Great Britain raised by taxation approximately \$1,000,000,000; last year the nation raised \$3,270,000,000. As the war cost the United Kingdom \$9,305,000,000 for the last fiscal year, it will be seen that about one-third of the nation's military requirements was met by taxation. The last loan floated in 1918 realized \$5,000,000,000—a staggering sum when it is realized that already, on war account alone, 39,900,000,000 have been expended; and that the United States will shortly be compelled to make a supreme effort to raise \$6,000,000,000. Although Germany has a population half as great again as that of Great Britain, the number of subscribers to its last war loan was 5,289,000 as compared with 5,279,000 for the United Kingdom—and that, although one shilling loans were accepted in the Fatherland and nothing less than fifteen shillings in Britain. These facts may appear commonplace enough; but we believe, when carefully estimated, will give full assurance to our confidence in Great Britain's ability not only to meet the financial requirements imposed upon the nation by war, but to measure up to any test that may be placed upon it in the reconstruction period.

We are convinced that London will not only have no real competitor in Europe as a financial centre, but that it will for many years to come hold a relatively more important place in world finance than New York. For centuries London has been the clearing house of the world; and established habits cannot be changed suddenly, even under the shock of a great world conflagration. Great Britain has maintained its immense foreign trade practically unimpaired; and has not lost contact with even the neutral markets—aside from the enemy nations—during the course of the struggle. True, enormous losses have been inflicted upon its merchant marine; but its building programme is being accelerated at a rapid rate. One-

half has not been told of the progress and achievements of the British shipping yards. Although the submarine has caused heavy losses to the merchant marine, it is safe to say that the quick return of 6,500,000 men to industry at the close of the war will release a volume of labor energy that will rapidly make this wastage good. More than that, the United Kingdom has constructed more than 5,000 new industrial plants, equipped with modern machinery and scientifically organized to a degree never before attained. The war has shocked English industry into new life and made it vigorous beyond comparison with previous days of peace.

London a Great Exchange Market.

Let us recall, also, that 90 per cent. of the letters of credit issued for the financing of the foreign trade of the world before the war were cleared through London. Bills of exchange drawn upon London banks and acceptance houses were, in fact, the paper currency of the world. It is hardly necessary to mention that gold played a relatively unimportant and minor role in settling the balance of trade. It was, indeed, because the English nation made the pound sterling indisputably the equivalent of gold for more than a century past, and because English bankers maintained the highest standard of commercial honor that London credit gained universal acceptance. The vagaries and accidents of war, for a time, made dollar credit in New York as acceptable in the neutral markets as the pound sterling in London; but geographical, psychological and other conditions are bound to restore London to its former place in the world of finance after the close of hostilities.

Consider that London lies almost opposite the mouth of the Scheldt and of the Rhine, the great natural arteries of continental European commerce. Consider, further, that continental Europe has a population of more than 400,000,000, representing the greatest productive and consuming power in the world, and it will be easy to understand why London holds the strategic position as a money market in the business world. It is close to all the great exchanges, except that of New York, and has established lines of business communication which have been strengthened by generations of honorable dealing with Europe, the Near and Far East, Africa, Australia and India, as well as the New World. This has come about as much through British Imperial connections as by the nation's world-wide trade and commerce. So true is this that every nation carrying on trade of any import has been obliged to establish banks, or appoint representative agents, in the London money market. Its mail and cable facilities are unsurpassed, two-thirds of the submarine cable mileage of the world being owned in England. In normal times, fast trains and steamers connect London with every important commercial centre in Europe and beyond the Atlantic. It is curious to note, also, that because of its geographic position, London is able to carry on business, on the Stock Exchange, having intimate relations with such widely-separated markets as Tokio and New York on the same day.

English are Conservative Financiers.

Certain outstanding British characteristics have conspired to fortify London's position as an investment and banking centre. Englishmen are content to take small profits and to wait for low returns. As has often been pointed out—again by Sir George Paish, among others—the American financier has little patience for this type of business. Americans are more audacious; they have