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as nothing more than an exhibition  
egoism and greed.

Nothing much of good, in an ethical way, may come to Americans from this war. President Wilson has thought mainly of the economic prosperity of his country. But, taking things all in all, it is well that there is left one great nation outside of the maelstrom of war, in a position to lend its resources to the upbuilding of the economic structure of the world when the smoke of battle is blown away. It is not, however, our intention to appraise the value of the ethical attitude of the United States, but to draw attention to some of the significant factors in the American economic situation as affected by the war, and their bearing upon the future of Canada in particular and the British Empire in general.

The United States, before the war, was a heavy borrower of European capital and European goods. Its textile industries depended upon European dyes and chemicals; its farmers needed the European markets for the disposal of their wheat and cotton. But the most immediately pressing problem which had to be faced was the amount owed by Wall Street to London, estimated at about \$500,000,000. This debt was annually contracted in the pursuit of commerce and finance, and was ordinarily discharged by the exportation of American goods. London naturally wished this balance to be settled in gold. Wall Street was thrown into a panic; for it was neither able to solve the problem nor to see the futility of exporting the yellow metal. New York bankers, as well as the Secretary of the Treasury and two agents of the British Exchequer, conferred for several weeks on how the United States should pay Europe.

As we now know, the problem solved itself. In August, 1914, Wall Street was feverishly seeking ways and means to postpone the payment of a half billion dollars on current account to Europe; by July, 1915, exports to Europe had exceeded imports by \$500,000,000. American banks had granted enormous credits to foreign governments, and France had pawned American railroad bonds in Wall Street to raise capital for further importations of war materials from the United States. The face of the entire economic situation had changed, and already mushroom factories and mushroom towns were springing up everywhere in the Republic for the manufacture of instruments of war.

#### Disappearance of Capital.

The panic that overwhelmed the United States at the outbreak of war was as severe as that in England. Money went into hiding everywhere. Several large steel companies passed their dividends. New York City, one of the wealthiest corporations in the world, was obliged to pay 6 per cent on a loan of \$100,000,000. The banks refused to grant credit; unemployment became general; and, although business conditions were as black as they well could be, it was freely predicted that the worst was yet to come.

#### Condition of the Railroads.

The Eastern railroads reported an enormous decline in receipts, and appealed to the Interstate Commerce Commission for power to raise new rates. The railroads stated that rates must be raised to support the credit of their securities, soon to be subjected to enormous pressure by the selling of huge blocks on foreign account; that they could no longer depend upon European capital for upkeep and betterments, not to mention extensions; and that, moreover, the unparalleled destruction of European capital would cause them, in future, to borrow less and depend more upon earnings for necessary improvements and construction; and finally, "that it was certain that the competition for capital would, in future, be keener, and interest rates higher for some years to come than in any corresponding period." In a word, the railroads

States should pay the United States. It came to the Republic for credit. Americans, for the first time in their history, began to sell on a credit basis.

#### Selling American Securities.

Nor did the expected avalanche of American security selling by British investors take place. Britain showed tremendous financial strength; and British investors were reluctant to part with safe investments. Gradually all restrictions upon trading on the New York Exchange were removed, as it became more and more evident that foreign investors did not propose to sacrifice their holdings of American securities. And, strange to say, prices instead of falling began to rise, until in the "war stocks" they reached hitherto unknown levels.

#### Securing New Capital.

American railroads, too, have experienced little difficulty in obtaining all the capital required for needed improvements. There was, it is true, as great a reduction of capital in Europe as had been expected, and war loans reached stupendous figures. The British government raised its rate of interest to 4½ per cent, but still rates remained at almost the usual level in the United States. In June, 1915, New York City sold a large issue of 4½ per cent stock at a slight premium, to yield the investor 4.43 per cent. The average net yield of a selected group of ten railroad bonds charted by the New York "Annals" of 1915 was 4.37 per cent, against 4 per cent during the first half of 1914. New security issues in Wall Street in the first half of 1915 were only 10 per cent less than in the corresponding half of 1914. Rates of interest on call loans, time money and commercial paper were all lower in the first half of 1915 than in the corresponding period of 1914. The Federal Reserve banking system, inaugurated since the outbreak of war has added enormously to the credit facilities of the United States.

#### Effect on Canada and Europe.

As the war continues, however, it is likely that the cost of American capital will rise. The loan of \$500,000,000 to the United Kingdom and France yielded the American investor 5½ per cent, and any further borrowing will likely take place at the same, or a higher rate. Britain is busy mobilizing her holdings of American securities, to be used as the basis of short-term loans, through, in all likelihood, the agencies of London banks in New York. Canada has borrowed, since the outbreak of war, about \$157,000,000 in the United States, and may be required in the future, to again enter the American market. With Russia and France borrowing directly or indirectly in New York, it is evident that interest rates and the prices of exportable commodities alike, must rise.

In one sense the United States, then, is taking profits at the expense of Europe, and is freeing itself of foreign indebtedness. International credit, for the time being, is disorganized; and London is no longer playing her accustomed role as the world's centre of finance. The bill of exchange drawn upon London is no longer the only, or at least the ordinary, method of settling international payments. "Dollars credits"—bills drawn upon New York—are beginning to appear, although they are as yet by no means in general use. Nevertheless, it is too early to speak of New York's displacing London as the world's financial centre after the war. London has many advantages over New York that are not easily offset—the fact that gold has been the standard money of England for over a century, while the bimetallic controversy has raged in the United

700,000,000, the largest of the present war. Since the Kingdom waged war with the Russians, Boers, and yet at the end of 1914 the national debt stood at only \$3,535,000,000. In the first fifteen months of the struggle the United Kingdom has added \$5,739,000,000 to her national debt.

Let it be borne in mind, however, that the debt per capita, and the average rate of interest paid, are much smaller than at the close of the Napoleonic struggle, while the earning power of the people is enormously greater. In a word, it is our conviction that, without in the least minimizing the colossal cost of this struggle to England, the British people will carry the burden with comparative ease, and that London will once more assume its place of pre-eminence in the money markets of the world.

#### FINANCIAL ADVERTISING.

Bankers and trust companies, bond and brokerage houses and other financial concerns which still cling to the circular method in advertising may be interested in the statement of Mr. Ellsworth, who is paid a large salary by the City of New York.

institutions of its kind in the United States. Asked recently as a financial expert to discuss advertising affecting his own line of business Mr. Ellsworth told of many merchants in New York engaged solely in international trading who, when the war began, had nothing to do with their money because shipping was practically cut off. He then continued:

One of them came to our bank with \$30,000 and asked us for a certificate of deposit, as he thought the money might just as well be earning something while the international market was closed. This gave us an idea. We mailed a circular letter to foreign traders explaining the advantages of depositing on these certificates in the war exigency with the result that favorable answers started to come in. Then we placed the same letter in the daily newspapers in the form of an advertisement and in a few days these ads brought in \$588,000 in deposits.

#### MONTREAL BUILDING RECORD.

According to the statement given out by Building-Inspector Chausse, the building statistics of Montreal for 1915 represent an investment of but \$8,511,221 as compared with \$17,394,244 for 1914. The decrease thus amounts to \$8,883,023, by which it will be seen that the 1914 record was cut in half. For December the statement shows an investment of \$2,044,425, but nearly the whole of this is for the buildings of the Harbor Commission, which have been lumped together in one month. These buildings are exempted from taxation.

The number of building permits issued in 1915 was 2,081, while the number of permits for 1914 was 3,629.

#### UNCLE SAM'S FARM ANIMALS.

The bureau of crop estimates of the Department of Agriculture estimates that on January 1, 1915, there were in the United States 198,577,000 farm animals, with an estimated value of \$5,969,252,000. Of the various kinds of animals the 21,195,000 horses topped the list in total value—\$2,190,000.