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MONTREAL, FRIDAY, AUGUST 21, 1914.

STILL A STRONG GOLD RESERVE

Even under the proposal of the Finance Minister to extend the Dominion note issue on a basis of 25 per cent reserve, from thirty million dollars to fifty million dollars, Canada will still have a very large reserve of gold to support the paper currency which is so generally used. Under the existing law, destined of course for times of peace, the gold reserve is very strong. Leaving out of account any surplus gold that the treasury may have, and looking only at what the law requires, we have in the Government's vaults gold to the amount of \$91,682,100 against a note issue of \$14,182,100. This is a little more than 80 per cent of gold reserve. On the same volume of notes under the new law the holding of gold would be \$76,682,100, or a little more than 67 per cent. A gold reserve of that substantial character in the midst of war conditions is a strong foundation for our currency system.

COLONIAL PORTS USEFUL

A serious disadvantage under which the German cruisers in the Atlantic labor is that Germany has no near-by coaling station and no port to which British vessels if captured, can be taken as prizes. An illustration of this disadvantage is found in a telegram just published concerning the experience of the British steamship *Hostilius* which has arrived at Havana from Buenos Ayres. The vessel was captured 700 miles off the Cuban coast by the German cruiser "Dresden." But the prize proved to be a white elephant to the Dresden. What was to be done with the *Hostilius*? There was no German port to which she could be taken. The Germans could have destroyed her, but that would have necessitated their taking care of the crew, perhaps for an unlimited time. The German commander tried to make the British captain sign a declaration that he would not take up arms against Germany in the war. The Britisher firmly refused and in the end his vessel was released and continued her voyage in peace. A German vessel captured by one of the British war ships under similar circumstances would have been taken into Halifax, Bermuda, or one of the British West Indian Colonies. The British Colonial ports are found very useful by the navy now.

BRITISH, GERMAN AND AMERICAN TRADE

The world's two greatest trading nations are now at war, while the business men of the United States, the third largest, are bestirring themselves in an effort to capture some of the business formerly transacted by Great Britain and Germany. It is only reasonable to expect that the United States will succeed in capturing a portion of the trade now transacted by the warring nations, but in her efforts she will be handicapped through her lack of a merchant marine and through her failure to establish banks in foreign countries.

While the war may affect the trade of Great Britain, it is interesting to look back over the past few years and see the progress the "Tight Little Isle" made in the matter of trade. Despite the much talked of progress made by Germany and the United States, neither of these countries showed as rapid an increase in trade in the decade between 1902 and 1912 as was shown by Great Britain. This is true of both imports and exports.

The total exports of British produce in 1902 were valued at \$1,373,307,063, while for 1912 the total reached \$2,372,097,570, an increase of \$992,790,507, or 72 per cent. The German figures for 1902 were \$1,113,313,000 and for 1912 \$1,928,419,000. The increase of \$815,106,000 is considerably less than that recorded for Great Britain, although it amounts to 73 per cent on the basis of the trade of 1902. United States figures are: \$1,355,481,861 for 1902 and \$2,170,319,828 for 1912. The increase is \$814,837,967, equalling 60 per cent, somewhat less than that of Germany. But it is when the percentage of this trade to population is examined that the British superiority becomes most marked.

For example, the British exports of 1902 represented \$32.20 per head of the population, while those of 1912 were equal to \$51.85 per head. To-day German exports represent only \$29.58 per head of the population and American exports \$22.84 per head.

Rapid as has been the increase of German trade, the per capita standard shows that of Great Britain to have been still more rapid. That is to say, the difference between the per capita proportion of exports in 1902 was \$12 in favor of Great Britain, while in 1912 the difference in favor of British exports was \$20.75.

Of course, the main reason for the vitality of the foreign trade of Great Britain, which shows so few symptoms of impairment, is that the United Kingdom is the greatest creditor country in the world. Its shipping, carries nearly one-half of the world's sea-borne commerce, and it has been calculated that its earnings from that source during 1912 cannot well have been less than \$60,000,000. According to Mr. Edgar Crammond, the British income from investments abroad is now in the neighborhood of \$950,000,000 a year, and the earnings of the British banking, mercantile and insurance houses in connection with the trade and finance of the world have a yearly total of over \$250,000,000. Thus, if no British manufactures or produce were exported, British investors would stand to receive from their foreign debts an annual average of about \$1,750,000,000. As a matter of fact, the British took last year on balance only about \$700,000,000 of this indebtedness in the shape of foreign and colonial products, and the balance of \$1,050,000,000 was repatriated abroad or expended abroad by British tourists. These figures help to explain the vast reserve of the financial power which Great Britain has acquired.

while it certainly makes more remarkable the fact that the British stock of the precious metals, as represented by the amount of gold in the Bank of England, increased but 7.2 per cent in ten years, while in the vaults of the United States national and States bank and Treasury the increase amounted to 108 per cent.

In 1815 the value of British produce and manufactures exported was about \$238,000,000; in 1841 it was almost a precisely similar amount. There had been in the interim changes for the worse, but at no time did the total exceed that of 1815, but during the next quarter of a century the exports of British produce and manufactures increased from \$238,000,000 to \$802,000,000, and with tolerable regularity they have kept growing ever since until they have reached the large figures mentioned above.

In view of these facts and figures, the claim made in some quarters of Great Britain as well as abroad that the country is on the downgrade is the rankest nonsense. Such statements are actuated solely from political motives. Great Britain is still the world's chief banker, is still the greatest manufacturing, shipping and industrial country in the world. Despite her troubles, the utmost credit must be given to the "Tight Little Isle" for the wonderful pace and place she has maintained during years of keenest competition.

MONEY TO BURN

A common objection to the various plans for social betterment work, whether in America or Europe, is that there is no money. If it is proposed to give the children better education, the unanswerable argument is—no money. If better roads are demanded by the people the reply is—no money; more parks, playgrounds, gymnasiums, libraries and museums—no money. But scarcely had the first shot been fired in the present war when the nations involved appropriated a billion dollars each to be offered up on the altars of patriotism.

MEAT PRICES AND LAND MONOPOLY

The connection between meat prices and land monopoly is noted by butchers of the United States in resolutions adopted by their National Conference at Chicago on August 5th. Their resolutions demand that the federal government acquire land for stock raising, and that it assist them in improving it. Congress and State legislatures can do better than that. They can legislate so as to make it unprofitable to withhold from use land that is profitable for stockraising. They can further help improvement of such land by stamping all improvements, live stock and all other personal property from taxation. That will help the stock-raising industry without taxing any other industry. The people should insist on such legislation.

'Made-in-Germany' articles are under the ban.

That gift of cheese made by the Province of Quebec should be accompanied by crackers—and ale.

Canada is sending not only soldiers to the Motherland but fruit, flour, oatmeal, cheese, and other of her products. Best of all is the spirit back of the gifts.

Germany's trade with the United States amounts to \$189,000,000 per annum. This trade she is likely to lose owing to the fact that the Americans are buying themselves and endeavoring to manufacture many of the things which they imported from Germany heretofore. Before they are through, the Kaiser and his people will find that war is an expensive business.

Despite the fact that Great Britain is at war, she is not relinquishing her hold on foreign trade. Her ships are sailing the seven seas as formerly, while her manufacturing establishments are showing little or no indications of the great struggle which is being waged by her people. Germany is the country which will suffer most from the war.

Mayor Martin handed out 'gro' to the civic employees engaged in repairing the break in the sewer in Point St. Charles. If he would administer a little chloroform to the heads of some of our civic departments, the tax payers would not object.

Fifty-seven young men from Berlin, Ontario, volunteered to go and fight the Kaiser. A few years of residence in a free land like Canada works wonders with men who were born in the land of the War Lord of Europe.

Considering the acknowledged vigilance of the censors, in all quarters, what an amount of war news—in space—the newspapers are giving!

"A LITTLE NONSENSE NOW AND THEN"

German desecrator says most of Germans before Liege had only a handful of sausage to eat, which at least locates the original dogs of war.—Wall Street Journal.

Jones (in fashionable restaurant)—"Don't order anything for me. I'm not hungry."
Smith—"But you will be by the time the waiter brings it."

The Actor—"You know, I once played Hamlet."
The Golfer—"By Jove! What's his handicap?"

In a country school the teacher was trying to make the lesson as interesting as possible to her class of little ones.

"Now, children," she said, "you have named all the domestic animals but one. Who can tell us what that one is?"

There was no reply.

"What!" exclaimed the teacher. "Does no one know? What animal has bristly hair, is dirty all the time, and loves getting into the mud?"

A small boy raised a timid hand.

"Well, Adam," said the teacher, "tell us what it is."

"Pleese, ma'am," said the little boy, reflectively, "it's me."

At a small country church a newly married couple were receiving some advice as to their future conduct.

"You must never both get cross at once; it is the husband's duty to protect his wife, and a wife must love and obey her husband and follow him wherever he goes."

"But, sir—"

"I haven't finished yet," remarked the clergyman.

"But, please, sir, can't you alter that last part? My husband is a postman."—Mail and Empire.

THE NATIONAL BANKING SYSTEM.

(Number Twenty-nine of a Series of Short Articles on Business Economics.)
(By Professor W. W. Swasey.)

The state banks of the United States—including in that term all the institutions outside the national banking system—do a business very nearly equal in volume to that done by the national banks. The total deposits of the two groups are almost the same in amount. But the state banks are not as strictly limited in their operations as the national banks, especially with respect to the amount of legal money reserves that must be held against deposits.

There are, indeed, strict requirements with respect to reserves in several states—especially in New York and Massachusetts where trust companies and state banks are required to hold substantial reserves in cash—but the requirement is usually for such a small amount of cash as to be meaningless. The state banks, as a rule, may manage their cash holdings in such a way as will secure most profit for them. This means that they reduce their reserves to the smallest minimum that is consistent with safety. Therein they follow the procedure of the English joint-stock banks. Like these English banks they keep deposits with other financial institutions, to which they turn in case of emergency. The national banks of New York especially, have acted as the custodians of the reserves of state as well as of national banks.

The whole American system of deposit banking has thus brought a great concentration of responsibility upon the national banks of the reserve cities, and especially of New York, Chicago, and St. Louis, but particularly of New York. The national banks of New York have occupied a position similar to that of the Bank of England; they have been the depositories of the really available stock of free cash, and therefore the nerve centre of the whole sensitive system. Naturally, a panic in New York has meant imminent danger to the whole line of national banks allied with that centre through depositing part of their reserves there. There has been a bold attempt to remedy this situation, and to reduce the dangers inherent in it, by decentralizing the reserves of the nation under the Federal Reserve Act. The plan adopted will be explained in detail when we come to consider the changes in the national banking system effected by that Act.

The provisions for determining what shall constitute the "lawful money" of the reserves are somewhat complex. In the reserves may be counted the specie and legal-tender notes of the United States, so long as a paper legal tender exists. But clearing house certificates—unknown in Canada—which represent lawful money specially deposited for the purposes of the Clearing House Association, of which the bank owning them may be a member, and the cash reserve of five per cent of its circulation, which every bank is required to keep in the Treasury, are also to be counted part of the reserve against deposits.

By an act of May, 1909, the minimum capital required for the organization of a national bank in places with a population of three thousand or less, was made \$25,000 in the hope of bringing the system within the reach of the poorer and more sparsely settled districts. The majority of the State banks in the Western communities—where small banks are most needed—have an even smaller capital than \$25,000, hence it is difficult to start a national bank in these districts. It is a serious question, however, whether the move is in the right direction. In the crisis of 1893 the failure of small banks were strikingly numerous; and the danger of failure in the future is not very greatly reduced with the entrance of national banks in the field. Few persons in the very small places have the necessary experience to conduct a banking business, and the proper distribution of risks among a wide circle of customers can seldom be secured. It is also clear that the addition to the system of a large number of small banks renders much more difficult the task of adequate examination and supervision, which have not been any too well conducted in the past.

Bank inspection in the United States is conducted by government inspectors. On the whole it has not met with all the success that could have been desired. It has not prevented failures; indeed it would be too much to expect it to have done so. As has been said before, inspection can do little more than check up the accounts, verify the cash on hand with the statements in the books, and act, in a general way, as a restraining influence upon unsound banking. But it is hopeless to expect examination in itself to do more than reveal fraud or unsound banking, but then the mischief has been done. We must look to the training, the experience, and the integrity of the bankers themselves to safeguard the banks of the nation.

That Government inspection has not accomplished the results desired is evidenced by the fact that in several centres the Clearing House Association themselves have inaugurated an inspection system of their own, to supplement the Government work. This should be a sufficient answer to those Canadians who have found in Government inspection or supervision a panacea for all our financial ills.

BRITISH ARE GREAT PEOPLE.
Mr. Oliver Henslow, vice-president of the McLaughlin Motor Car Company, who has been in London, England, for some time, has sailed for Canada. Writing after the declaration of war Mr. Henslow says: "I have travelled miles to get in touch with the excitement. Positively I have tried myself out trying to find disorder or excitement. This city (London) is as safe and secure as any place in the Empire. It furnishes a splendid example of coolness to all. What is being done—and everything is being done—is being done so quietly and orderly that there is not much to see. The British are great people and their coolness and self-control will tell on all the allies."

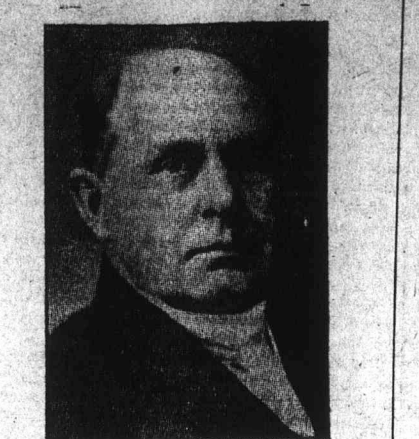
LARGE FAMILIES.
Some newspapers have peculiar ideas regarding the size and population of the British Islands. An exchange referring to Canada's gift of one million bags of flour to Great Britain and endeavoring to impress its readers with the magnitude of the gift, explained that it would be sufficient to give each family in Great Britain one bag of flour. The population of Britain is slightly more than 44,000,000 which, if the estimate of the newspaper in question is correct, would give an average of forty-five members to each family. Quebec no longer holds the record.—St. John Standard.

NORTHWESTERN ENTERPRISE.
It is not unusual thing to hear of a city remitting taxes for a period of years to any new concern settling in its midst. But it remained for a small town in British Columbia to take a step several points more radical. At a recent meeting of the council of North Cowichan, B.C., it was decided to offer a price of \$1,000 to the first person who mined within its boundaries 100 tons of coal, produced 100 barrels of oil, or sufficient gas to light a city of 1,000 inhabitants.—Wall Street Journal.

IN THE LIMELIGHT

A Series of Short Sketches of Prominent Canadians.

From the humble position of a telegraph operator in a small village in the Maritime Provinces to the dignities attendant upon the general management of one of the largest steel and coal companies in the Dominion, suggests advancement sufficient to satisfy the ambition of the most restless and exacting. Yet that is the scope embraced in the career of Mr. Thomas Cantley, who, like his prototype, Edison, became master of the keys—an art which, thoroughly learned, placed him in the way of subsequent preferment—and travelling onward by successive stages until, by sheer force of character and executive ability, he came to dominate in large measure the corporation into whose employ he had entered as sales agent.



Mr. Cantley was born in New Glasgow, N. S., and most of the active period of his life has been spent in that town and its environs, save only during those intervals, more or less protracted, which have been devoted to excursions abroad—travels throughout Canada and in distant climes in search of business, and with the object of extending the operations of his company. From earliest youth attuned to the necessity of applying himself assiduously to the task which was set before him, he has taken part in all the various hours, and the latest reports indicated that he was still going strong.

As though in preparation for the course that he was afterwards to follow Mr. Cantley in his younger days was associated with the Intercolonial Coal Mining Company and with the Nova Scotia Forge Company. In the first instance a disastrous explosion left him without means further to pursue that fascinating employment; in the second instance the concern was merged into the corporation which is now so large a factor in the industrial life of Canada to-day. When Mr. Cantley became sales agent in 1885, Nova Scotia Steel was merely in its initial stages; the entire capital was less than \$100,000. Since then continuous progress has been shown, until, at the moment, a sum in excess of \$12,000,000 is involved.

It would be too much to say that Mr. Cantley has brought about the results presently to be seen by means of his own unaided effort. He has had colleagues who have done much to strengthen his hands, whether in the practical work of organizing the industry or in the not less essential realm of financial arrangements. On the one hand has been Mr. Robert E. Chambers, whose engineering ability is seen in all the multifarious details of mine, open hearth furnaces or rolling mills; on the other has stood Mr. Robert E. Harris, K.C., the president of the company, whose skill as a financier is equally equalled by the legal acumen which placed him in other days foremost among the leaders of the bar in his native Province. Here is a trio that it would be hard to beat if one were looking for a full-orbed organization to guide the destinies of any new-made industrial project.

Mr. Cantley's services have been coincident with all the more important developments of the Nova Scotia Steel and Coal Company. Successively selling agent, assistant manager, secretary, commercial manager and general manager he has had much to do with the exploitation of the submarine areas at Wabana, with their miles of iron ore valued at millions of dollars; with the purchase and extension of the coal deposits at Sydney mines; with the rebuilding on a greatly extended scale of the whole steel plant whether at North Sydney or New Glasgow—a plant that produces everything in its line from a twenty-ton ton forging to the finest articles of steel product; with the organization and establishment of the Eastern Car Company, which is now turning out in a continuous stream those freight cars which carry the company's output to the farthest confines of the American continent.

Hickory is the strongest Canadian wood. When properly seasoned a hickory column will support a weight of twelve tons per square inch cross-section, which is considerably more than what could be borne by a pillar of cast iron or steel of the same length and weight.

STRENGTH OF HICKORY.
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He is our guiding star, great in peace and war.
Our faith's true protector, long live the Car.
(Chorus.)

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BATTLE HYMNS OF WARRING NATIONS

ENGLAND—GOD SAVE THE KING.

God save our gracious King,
Long live our noble King,
God save the King!
Send him victorious,
Happy and glorious,
Long to reign over us,
God save the King!

O Lord our God arise,
Scatter his enemies,
And make them fall,
Confound their politics,
Frustrate their knavish tricks,
On Thee our hearts we fix,
God save the King!

Thy choicest gifts in store,
On him be pleased to pour,
Long may he reign,
Long may he reign,
May he defend our laws,
And ever give us cause,
To sing with heart and voice,
God save the King!

They stand a hundred thousand strong,
Quick to avenge their country's wrong;
With filial love their bosoms swell,
They'll guard the sacred landmark well.

The dead of a heroic race
From heaven look down and meet their gaze;
They swear with dauntless heart, "O Rhine,
Be German as this breast of mine!"

"While flows one drop of German blood,
Or sword remains to guard thy blood,
While rifle rests in patriot hand,
No foe shall tread thy sacred strand!"

"Our oath renews, the river flows,
In golden light our banner glows;
Our hearts will guard thy stream divine—
The Rhine, the Rhine, the German Rhine!"

FRANCE—THE MARSEILLAISE.
Ye sons of freedom, wake to glory!
Hark! Hark! What myriads bids you rise!
Your children, wives and grandfathers hoary,
Behold their tears and hear their cries.

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OLD NOT NEEDED TO BOLSTER RESERVE

Claimed That United States Could Release \$300,000,000 to Maintain World's Gold Exchange

EDUCATED TO PAPER MONEY

When nature prepares for war they accumulate reserves, foodstuffs in storehouses; and gold in the vaults of the international trade and gold may replace the food storehouses.

France, Germany and Russia have of late years been bringing up their gold reserves. But France had made no such movement. She has held her cash box the gold promises of the whole world and she has likewise millions of securities that she can command the world's gold.

Launched suddenly into war, England, holding credit and cash box for ocean commerce, sees the financial world unable to respond to her demands.

Not a country in Europe can buy or her and turn gold into her cash box. She cannot liquidate her debts internally for gold, and there is self-protection closes her Stock Exchange.

America cannot remain open and give gold to the world without first strengthening her financial machinery for the strain. Therefore, the machinery of America promptly closed down.

Quick to avenge their country's wrong; With filial love their bosoms swell, They'll guard the sacred landmark well.

There is also a third reserve yet to be inaugurated by the Federal Reserve bank system which is intended to concentrate the gold from the national banks, the Federal Reserve banks and permit expansion of commercial credits of \$2,500,000,000.

This makes a total of possible emergency and currency of \$4,000,000,000, which would more than double the currency of the United States to-day. Indeed, of the \$3,800,000,000 money in the United States to-day, one-half is gold. Not one-half of it is in proper place as banking reserve to balance the international exchanges of the world or natural exchanges.

When we resumed specie payment in 1879 we had less than \$250,000,000 of gold in this country. To-day we have nearly ten times that amount, and the part of it is in the pockets of the people, useless for the most part without their knowledge.

The people of the United States have been educated for a generation to the use of paper money. Our purses and our pocketbooks are not adapted to gold coins. Therefore, the United States Treasury has become a warehouse for a billion of gold coins which are issued gold certificates which are to a considerable extent in the pockets of the people and depreciations as low as 10.

Paper More Convenient.
Let any employer of labor pass out \$10 and \$20 notes on the payroll and they will be quickly off to the cashier at the next window with a polite request for paper as more convenient.

In six years the Bank of France, balancing the changes of that nation, has increased her gold reserve from \$500,000,000 to \$800,000,000. Russia has increased her gold reserve from \$800,000,000 to \$1,000,000,000. The Imperial Bank of Germany, balancing the exchange of that country with the rest of the world, has less than the gold of the Bank of France or of the gold of Russia.

Yet the German Bank is to-day undertaking to maintain all the exchanges of Germany on a gold basis with less than \$400,000,000 in gold money.

One-fifth of all the gold money in the world is in the United States, which, from a banking standpoint, has used this gold most extravagantly, but now it is poised to concentrate it as to make up a power assisting to balance the exchanges of the world on a gold basis without panics or slumps or abnormal high or low rates of interest.

Mr. George F. Fisher, and other eminent European authorities who studied the new American Bank system in assisting the world's commerce. It is figured that with the new Bank Act inaugurated we could readily spare \$300,000,000 of gold in assistance to balance the world's commercial exchanges.

Few Factories Considered.
Now was there ever a better time to spare gold? Let us for a moment consider a few factors:

First—The heart of the world's commercial changes needs it as never before and will pay highest price for it. In other words we can sell gold now for the most we ever could hope to receive for it.

Second—If we hold this gold we may have also held our wheat, our factory products, in coal, cotton, manufactures and other commodities.

Third—If we promptly, and with security gradually pay it out into the heart of the world's commerce we hold the best commodities in the world, as well as the best position in the world to buy back with the world needs it less and the price is therefore lower.

Let us consider now for another moment the reasons why we can spare this gold at this particular time:

First—It is estimated that of the \$500,000,000 annual balance in our favor, nearly \$300,000,000 is set by American travelers' European travel and expenditures. This has been cut in two this year by the European war. The Paris restaurants and millinery shops have closed, and at least \$100,000,000 of American expenditures on European account return to this country as a credit or unexpected balance.

Second—With a crop of more than 900,000,000 bushels of wheat and a deficiency in foreign harvests are in a position to get more than \$100,000,000 European gold credits for our surplus wheat provided ships and the credit machinery, and the latter is most important, can be made quickly available.

International Gold Credits.
Third—We can add another \$300,000,000 in international gold credits if we will promptly can our surplus fish and vegetables and ship them to the hungry Europeans.

Fourth—Any deficiency in this figuring of \$600,000,000 of annual international trade balance can be made up by the sale of gold.