

Payment-in-N.Y.-Funds Controversy

By B. K. SANDWELL.

An interesting controversy is going on in Canadian export circles, and particularly in those concerned in the Australian trade, concerning the merits or demerits of the wide-spread practice of quoting prices on the basis "Payment in New York Funds." Trade Commissioner D. H. Ross, stationed in Australia, has been voicing in the Weekly Bulletin of the Department of Trade and Commerce an energetic protest against this practice, chiefly on the grounds that it obscures the real intra-Imperial nature of the transaction and conveys to the Australian mind the idea that the Canadian exporter is in some way an appendage of an American business.

The arguments on the other side of the case are somewhat contemptuously dismissed by Mr. Ross, but are worth a brief consideration. The first argument, of course, is that New York Funds are the only real gold standard, and are therefore a more stable measure of value than Canadian Funds. The second argument is that quotations made by Canadian exporters are usually in competition with American exporters, and the relative advantages of the rival offers are more easily estimated by the purchaser if they are both quoted in the same currency. The third and probably most weighty reason is that a quotation on New York Funds is available to the Australian importer at any minute, but that it might sometimes be difficult for him to learn the exact price of Canadian Funds, in which there is no market outside of Canada and New York. A fourth reason is advanced in the case of industries employing large quantities of United States raw materials, and is to the effect that their costs are more largely determined by the value of American Funds than by that of Canadian currency.

It would undoubtedly be highly gratifying if Canadians could entirely ignore the New York money market in transacting their international business. The British exporter, although his currency is even further removed from a parity with gold than the Canadian, does not find it necessary to quote export prices in New York Funds or any other gold standard currency. But the reason is not that this currency is as stable as gold, or is any more stable than the Canadian currency. It is simply that the volume of inter-

national transactions carried on in it is so enormous as to give it the best market of any currency in the world. On the other hand, the volume of transactions carried on in Canadian currency is so small as to give the latter hardly any market at all outside of Canada, New York and London. It is doubtless regrettable that all our international financial transactions are carried on through New York, but it is a fact, and it is better not to ignore facts, even when one is obliged to regret them.

The best policy for the present is apparently not to endeavor to compel all our foreign clients to do business with us on the basis of a currency about which they can have little information, but to employ for the time being currency of the world-market through which we do our international money business, viz., New York, and to prepare ourselves gradually, by the extension of our trade with Britain and the rest of the British Empire, and by the increasing of our financial intimacy with London to make our quotations eventually in the most international of all currencies, viz., sterling. It may be some time before we are able to get our own currency recognised and quoted throughout the world, but it is certainly illogical that in the meantime we should be compelled to quote our prices in the money of an entirely foreign country, rather than in that of the Mother-country of the Empire of which we form a part.

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