

Journal of Commerce

Published Daily by
The Journal of Commerce Publishing Company,
Limited,
35-45 St. Alexander St., Montreal.
Telephone Main 2662.

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Journal of Commerce Offices:
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Telephone Main 7099.
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Broad Street. Telephone 333 Broad.
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206 Broadway.
London, Eng.—W. E. Dowling, 25 Victoria St., West-
minster, S.W.

Subscription price \$5.00 per annum.
Single Copies, 2 cents.
Advertising rates on application.

MONTREAL, JULY 27, 1914.

The European Situation

To-day's European cables are full of ominous news. According to the despatches received, there is every likelihood of an outbreak of hostilities between Austria and Serbia, which will probably spread and involve the whole of Europe. In addition the rioting in Dublin, in which a number of people were killed and wounded, puts an entirely new phase upon the Home Rule question. For many months there has been gun-running and drilling on the part of volunteers, but so long as no blood was shed over the matter there was always a possibility of a peaceful solution of the difficulty. Now that blood has been shed, it is almost impossible to say where and when the situation will clear up.

The news from Continental Europe is most disquieting. Unless the strongest possible pressure is brought to bear upon Austria, it looks as if that country would provoke Serbia until war resulted. Austria has apparently chosen a psychological moment in which to attack her weak neighbor. She waited until Russia got involved in strikes of almost national dimensions. France is handicapped by reason of financial difficulties and her attention directed towards a sensational trial. In addition her Premier is absent from the country. Germany as usual is prepared for emergencies, and ready to back up her Austrian Ally. If she takes part in the conflict, it is undoubtedly true Russia will be drawn into it, which will also mean France and Great Britain. In other words, it will be a conflict between the Triple Alliance and the Triple Entente, making the struggle one of the most Titanic and terrible in the history of the world. It is to be hoped that the good sense of Great Britain and some of the more sober-minded European rulers will be able to prevent an outbreak of hostilities.

The Rand's Half Yearly Earnings

The world's output of gold is a matter of the utmost importance to every class in the community. A thousand and one different explanations have been given for the increased cost of living, and while there are undoubtedly numerous factors at work all converging upon the fixation of prices in the market, it yet remains true that the underlying factor is the supply of gold. No period in the world's history has been so marked by labor and social unrest as the present time. The pressure of the increased cost of living is making itself felt in every direction. Institutions and laws are attacked, corporations denounced, and those in high places assailed. Undoubtedly the underlying cause of all this social unrest is the increased cost of living, for which there does not seem to be any apparent remedy until in some way or other the yearly supply of gold can be better adjusted to the world's demand. In view of these facts, the half yearly showing of the Rand is particularly interesting.

About a year ago, and again in January of this year, the Rand's mining industry was seriously affected by labor trouble. The labor position is steadily improving, however, and no doubt there will be a steady growth in the number of natives seeking to find work in that field. In the current half year, two of the Eastern Rand mines, that have been for some time in the development stage, will enter the ranks of producers. These mines are the Government Areas and the Modderfontein Deep.

There has been a great development on the Rand in the use of machine rock drills, which has helped to make good the inadequacy of the native labor supply. This use of machinery, together with the steady increase in native labor efficiency, means a greater output of the yellow metal in the immediate future. A very material advance has taken place in the percentage extraction of gold, largely as an outcome of the use of tube mills, with their fine grinding, supplemented by modern cyanide appliances. It is expected, also, that there will be a gradual decline in the working costs per ton of ore. On the whole the outlook is regarded as extremely favorable for the Rand mining industry.

About 60 per cent. of the world's output of gold is secured within the British Empire. Very little, however, of this vast sum is retained in the United Kingdom. Most of it has gone to South America, Russia, France, Germany and India. The European Central Banks have built up extraordinary large gold reserves; in addition to which Russia, Germany, and Austria maintain large war treasures in gold to meet any emergency that may arise. While we may admire the wonderful banking mechanism which has been built up in the United Kingdom, no impartial observer can refrain from the conclusion that the British people are taking too great chances with respect to the available gold supplies. It is hardly likely that the present proportion of gold to demand liabilities would afford a sufficient margin of safety in a time of emergency, due to war or any other cause. This, in more ways than the man in the street realizes, our institutions, our industries, our laws and our politics, as well as our national safety, depend upon the output of the yellow metal and the use to which the gold supplies are put.

An Improved Investment Demand

In interviews from various parts of the country, the statement is made that there has been a decided improvement in the investment demand for securities. This is true both of Canada and the United States, but more particularly of the latter country. While it is true that there has not been a widespread speculative improvement, it is nevertheless true that a sounder and better investment demand is putting the market upon a proper basis.

In the United States it is said that the rich men and in general those who have a little money to invest are going into the market and purchasing high class securities and putting them away in their strong boxes. These men evidently realize that securities at their present prices are attractive and, apart from any minor fluctuations which may occur from time to time, realize that good stocks are a good purchase at their present values.

Various correspondents of the Journal of Commerce, situated in widely distributed parts of the country, all agree that there is an improvement taking place. One of the shrewdest business men in the country has just returned from a trip through the Pacific Coast and states that he noticed a distinct improvement over the conditions which prevailed in the present year, or on the occasion of his last visit. It is true that the Western crop is not all that could be desired, but taking the country as a whole, it will be above an average crop. In addition the year's liquidation and care have put people in a conservative, careful mood and there will be less speculating and plunging than was the case a year or two ago. Altogether, it looks as if a real improvement was taking place, and unless European complications upset the market, the improvement will shortly manifest itself on the Stock Exchange.

As usual, our Monday morning papers are filled with stories of suicides, drownings, murders, street car and motor accidents, riotings and war rumors. The week-end always brings a heavy crop of disasters.

Canadians did not make a very creditable showing at the Bisley Meet, but this year's competition was marked by the excellence of the shooting. There were probably more good marksmen taking part this year than at any time in the history of the Meet.

Motorists throughout the world will hail with joy the announcement that a chemist near Pittsburgh has discovered a new fuel which can be sold at from five to six cents a gallon. The inventor claims that it is superior to gasoline, but this contention will have to be proven before it is accepted by the public.

The local Recorder who was called upon to decide a domestic science case evidently has had some experience with the servant girl question. He rightly concluded that a domestic who did not know the time, and who prepared a meal two hours too soon, could hardly lay claim to being a duly qualified domestic.

The Caillaux trial in Paris promises to become one of the most famous in the history of that country's many sensational trials. Already the two judges have challenged one another to a duel, while the opposing counsel and the witnesses have had many passages at arms. Politics, love, patriotism and a score of other interests are being brought into the trial.

An ordinary woman's waist is 30 inches around. An ordinary man's arm is 30 inches long. How admirable are thy works, O Nature!—Lawrence, Kas, Gasette.

Pat was a young recruit, and was undergoing his first course of musketry. The soldiers had finished firing, and Pat was taken before the officer for his act of shooting, who told him he would have to do better at the next distance, which was seven rounds of quick firing. "Now, Pat, you fire at No. 5 target."

Pat banged away his seven rounds and waited for the result, which showed he had hit No. 4 target the possible number of hits, but had not hit No. 5 target once.

"What target did you aim at?" asked the irate officer.

"No. 5, sir," answered Pat.

And have hit No. 4 every time," continued the officer, getting cross.

"Bedad, sorr," retorted Pat, "I would be a grand thing in war. Sure, I might aim at a private and hit a general!"—Argonaut.

NEW WARS FOR OLD.

By Alfred Noyes.

Peace! When have we prayed for peace?

Over us burns a star
Bright, beautiful, red for strife!
Yours are only the drum and the fife
And the golden braid and the surface of life!

Ours is the white-hot war!

Peace? When have we prayed for peace?

Ours are the weapons of men!
Time changes the face of the world!
Therefore, your ancient flags are furled,
And ours are the unseen legions hurried
Up to the heights again!

Peace? When have we prayed for peace?

Is there no wrong to right?
Wrong crying to God on high
Here where the weak and the helpless die,
And the homeless hordes of the city go by,
The ranks are rallied to-night!

Peace? When have we prayed for peace?

Are ye so dazed with words?
Earth, heaven, shall pass away
Ere for your passionless peace we pray!
Are ye deaf to the trumpets that call us to-day,
Blind to the blazing swords?

COST OF PRODUCTION AND VALUE.

(Article Nine in a Short Series on Business Economics. By Professor W. W. Swanson.)

We are not so much concerned with the causes which give rise to market value in a good as with the forces that determine the extent of its value. In other words, it does not matter so much whether labor, for example, accounts for the value in a good as it does to understand better what conditions labor has any value at all, or what determines the extent of its value. In other words, the important aspect of the value problem is to know precisely what determines the rate of wages (the value of labor), what determines the rate of interest (the value of capital for a period of time), or what determines the rate of land (its value per annum). The great central economic problem is to discover how the annual product of society is distributed among the several factors of production as wages, interest or rent, or whatever other form a share may assume.

The Value Causal Sequence.
Nevertheless, in order to investigate the problem of distribution intelligently, it is necessary to understand the value causal sequence. To put this in simple terms, we desire to know whether the factors of production give value to the product, or whether it is the value of the product produced that if the factors of land and capital. It is obvious that if the value of a food is explained by the value of the factors that produce it, by the labor or capital involved—that we are merely explaining the emergence of value in terms of previous value. That is to say, as far as the origin of value is concerned, no light has been thrown on the problem. It is equally clear that, if we explain the value of the factors—land, labor, capital, etc.—by the value of the product produced, we are again merely explaining value in terms of itself. How, then, does value arise in the first instance? The conditions under which value arises may be briefly stated as follows:

Nature has provided relatively few factors of production. If labor, land, etc., were unlimited in amount, and free as air and sunlight, it is clear that all goods would be free, because they could be produced in unlimited supplies. But the factors of production being relatively few, there are relatively few products. This, taken in conjunction with the demand for products, gives rise to the value (market value) of the products. Because products are valuable, the factors of production are in demand, and hence have market value also. It is thus clear that value emerges in the first place in the product, and is reflected, so to speak, back upon the factors that are used in the productive process. Thus, by this chain of cause, we do not explain the value of a commodity, in the first instance, by previously existing value. This makes it perfectly clear that the Socialists are wrong in their contention that values arise because of the labor involved in the process. The reverse is true. Labor has value because of the value of the economic good concerned.

All this is merely preliminary, however, to an examination of the more important problem, namely, what determines the extent of the value of a food, or a factor of production? In answering that question the level of wages, interest and rent is explained.

Cost of Production and Value.
As has been previously stated some economists have attempted to find in utility both the origin of value and its extent. But the theory is not tenable. Both the demand for goods, and the supply must be carefully analyzed before any working bases can be secured as to the forces that determine market values or prices.

Among these forces, bearing on the supply side, the most important is the cost of production in terms of money expenditure. When we speak of cost of production, however, it must be kept in mind that it differs with the capacity of each individual business man. One man will succeed on a large farm, another on a small. One industry, another can make profits only with a small undertaking. It is perfectly plain that costs will differ with different men. And yet it remains true that, with industries that have been standardized such as the iron and steel, cotton, woolen and other industries, the costs of production, per unit of output, tend to approximate one another for the several plants operating plants of like capacity. In these industries—immovable conditions aside—the value or the prices of commodities will, in the long run, tend to equal their cost of production. It must not be forgotten, however, that the forces of demand are also always operating to change the price level. Temporary changes in demand, changes of fashion, etc., may raise the level of prices for a time; but where competition is free prices will gradually tend to equal the cost of production.

The Meaning of Cost of Production.
The meaning of "cost of production" has already been referred to; but it must be again briefly considered.

Expenditures for wages, for interest, for rent are clearly costs of production. But, although the great classical economists—Smith, Mill, Senior, and others—include in costs merely the payment for the three great productive factors, labor, land and capital, we know as a matter of fact that there are many other expenditures that a business man must make before he can put his product on the market, and all these must function as costs of production. Among these are taxes, insurance, payments for light, power, franchises, copyrights, good-will, and many others. In addition to that, a business man who is operating his own concern must receive a payment equal, at the very least, to what he could get in his next best opportunity for employment. Professor Davenport has called this "the alternative opportunity cost." It forms what may be termed the necessary share in profits. After a business man has secured from the sale of his goods all the expenses of production, including the salary necessary to keep him in the business, any additional return may be called "producer's surplus," or the elastic share in profits. It may rise or fall; it may be wiped out by competition, and yet he will continue to produce the goods in question provided he gets at least as much as he could secure anywhere else. If this is borne in mind the true nature of profits becomes clear; the profits, as has been said, being made up of (a) a necessary return and (b) a surplus which may or may not materialize. The province, for example, might tax such a surplus heavily, even to the extent of wiping it out, and yet the entrepreneur would continue to operate his business, provided that the returns of the business are sufficient to cover the costs of operation that have been enumerated.

We shall next examine the production of goods under competitive and monopolistic conditions.

WE'LL SPEL THE OLD WA.

There came to this office the other day a pamphlet concerning simplified spelling, and to tell the truth, it is the funniest thing that we have seen for a long time. It gives 31 rules for bettering our language, and each won of them is funnier than the won before it. We showed it to the Lintlop man and he sed that a few mor pamphlets lik that wod make him so nervus that he cud not attend to his job properly. In fact, he sed it wod giv him the "wullies" to wuk on such his roofices. What the editor sed wod hav to be simplied a hol lot before it cud be publised here, and on the hol, it is not to predikt that we will konting to be did fashed.—Exchange.

PRONUNCIATION.

(Portland Oregonian.)

The correct use of words—the giving to each letter its proper value, and to each syllable its proper stress—is as rare as it is magnificent. The person who speaks no word until he has mastered the sounds that go into its proper construction will speedily gain a reputation for erudition. How many of us pronounce in a proper way such simple words as rinse, alias, recognition, attache, echelon, asparagus, collision, fete, fiancée, boudoir, exit, not to mention a thousand and one even simpler words of common use?

PEAS, BROKERS AND BUSINESS DEPRESSION.

Two brokers who had been for a walk about town rushed onto the floor of the New York Stock Exchange just before the closing hour yesterday afternoon with the news that the city had ploughed up Battery Park and sowed a crop of cow peas. They asserted that they had seen half a dozen flourishing patches of growing peas that park laborers had told them others would be up in a few days, and that all signs pointed to the gathering of a fine crop in the fall.

Runners were sent out and soon returned with confirmation of the news. By that time, however, the market had closed and there was no rise in the price of city bonds for the day.

One broker recalled that Mayor Mitchell had been in conference with President Wilson recently and suggested that possibly the Battery Park pea crop would be used to meet the luncheon needs of the Wall Street district while bankers, brokers and their employees are waiting for the psychological depression to end.—New York Sun.

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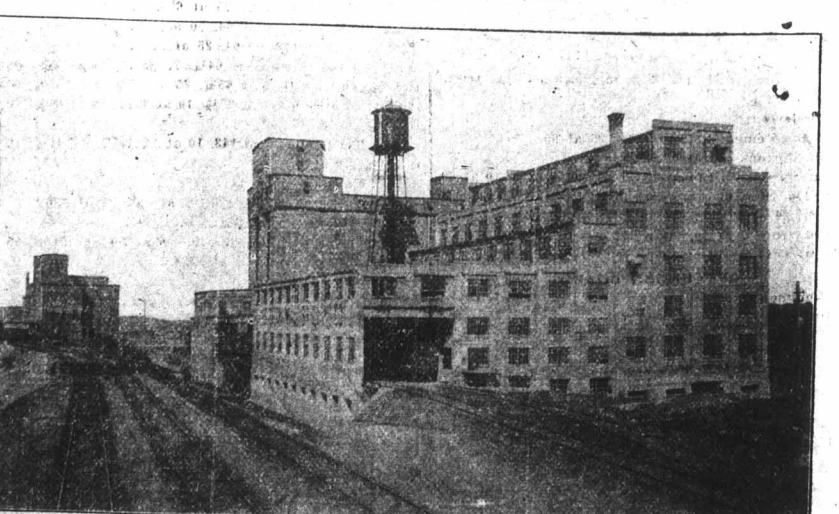
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Industries

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Published Monthly by

The Industrial & Educational Press, Limited
35-45 ST. ALEXANDER ST.
MONTREAL, CANADA

Edited by JOHN A. DAWSON, B.A.



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PARLIAMENT

CAPITAL Paid Up \$16,000,000.00
REST \$16,000,000.00
UNDIVIDED PROFITS \$1,098,968.40

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In MEXICO: MEXICO, D. F.

Cardinal Gibbons says that the Industrial Work-
ers of the World is a dangerous element, and should
be put down. He says that the organization is at-
tacking at variance with the purposes of the great forces of
laborers who constitute the real industrial power of
the country.

VERY ACTIVE STOCK ON MONTREAL

Many of the More Pro-
Experienced Most P-
Slump in Y-

FROM ONE TO SEV-

Laurentide, Toronto Railway, M-
zilian, Shawinigan, Ottawa P-
ships Preferred, and C. P. R.
lar Issues.

Quite the most interesting man-
evidence for some years charac-
ings on the Montreal Stock Ex-
All of the more active issues
without exception, in these inst-
preannounced.

These ranged from 1 1/2 points in
ion Iron Common to 7 1/2 points in
Intervening Western Toronto Railway

7 1/2 to 11 1/2. Canadian, with a break
to 2200. Canadian, with a break
awa Power down 5 points to 13 1/2.
sold off 5 1/2 to 12 1/2. C. P. R. with
Dominion Textile, with a drop of
Canada Cement, which ended - 1/2

A great many selling orders
brokers from abroad, prior to the
set, and these were materially
holders, who were prepared to act
across the water.

The developments in Great Brit-
tinent over the week-end were not
to any improvement. In the und-
he resultant weakness—although
pumped than had been general
not in any wise unexpected.

In addition to the liquidation
abroad, Toronto joined in to n-
tent. And back of the entire mor-
deal of short covering on the par-
which has been such a conspicu-
weeks.

During the afternoon a rally oc-
that Germany had consented to
proposed by Sir Edward Grey,
their best point for the day, the
from making up their early draw-

MONTREAL

MORNING BOARDS

Common Stocks:
Bell Telephone—11 at 145.
Brazilian—60 at 63, 65 at 63 1/2,
100 at 64, 355 at 63 1/2, 25 at 63 1/2,
50 at 63, 30 at 63 1/2, 25 at 63 1/2,
25 at 63 1/2, 30 at 64, 25 at 63 1/2, 1
at 63 1/2, 35 at 63 1/2, 70 at 63, 125
at 63 1/2, 15 at 63 1/2, 5 at 64, 25 at 6
63 1/2.

Can. Pacific—200 at 175 1/2, 25 at
at 175 1/2, 100 at 175, 25 at 175 1/2, 20
100 at 175, 100 at 175.

Can. Steamship Lines—1 at 1
Ottawa L. H. & P.—25 at 132 1/2,
5 at 131 1/2.

Detroit—15 at 65, 25 at 64, 15
Mexican L. & P.—100 at 46.
Power—225 at 224, 25 at 223,
100 at 221 1/2, 50 at 221 1/2, 25 at
at 221 1/2, 25 at 221 1/2, 30 at 221 1/2,
25 at 221, 75 at 220 3/4, 225 at 2
Power, new stock—3 at 220.

Quebec Ry.—375 at 10 1/4.
Rich. & Ont.—100 at 82.

Shawinigan—5 at 137, 35 at 1
124 1/2, 12 at 125, 25 at 124 1/2, 10
25 at 124 1/2, 25 at 124 1/2, 50 at 1
123 1/2, 12 at 124 1/2.

Sher. Williams—10 at 57.
Toronto Ry.—25 at 117, 55 at 1
116, 15 at 115, 20 at 114, 25 at 11
112 1/2, 25 at 111 1/2, 25 at 112, 3
at 12, 10 at 112 1/2, 15 at 112, 5 at
112 1/2, 80 at 112.

Twin City—25 at 100.
Ames Holden—35 at 9 1/4, 10 at
Canada Cement—375 at 29, 25
at 28 1/2, 50 at 28 1/2, 125 at 28, 50
Can. Cottons—75 at 25.

Dom. Canniers—10 at 33, 5 at 3.
Dom. Textile—25 at 65 1/2, 25 at
at 64, 75 at 64 1/2, 25 at 64, 25 at
at 64 1/2, 25 at 64 1/2, 370 at 65 1/2,
5 at 65 1/2.

Lake of Woods—45 at 129.
Laurentide—25 at 169, 25 at 17
167 1/2, 175 at 168, 25 at 167 1/2, 25 at
25 at 168 1/2, 25 at 168, 35 at 168 1/2,
169, 25 at 168 1/2, 135 at 168, 25 at
50 at 158, 25 at 168 1/2, 25 at 169, 5
MacDonald—10 at 9.

Ogilvie—5 at 110, 50 at 107.
Scotin—25 at 48 1/2, 20 at 49, 25
Steel Corp.—25 at 21 1/2, 125 at 2
21 1/2, 175 at 22, 1 at 21 1/2, 1 at 20 1/2,
22, 15 at 21 1/2.

Preferred:
Canada Cement—175 at 89 1/2, 25
Can. Cottons—25 at 72.
Can. Steamship Lines—25 at 62,
1 at 61 1/2, 25 at 61, 175 at 60, 50 at
at 59 1/2, 20 at 59 1/2, 25 at 59 1/2, 25
Dom. Iron—5 at 70, 116 at 71.
Dom. Textile—10 at 102.

AFTERNOON BOARDS
Common Stocks:
Minn. & St. Paul—25 at 116 1/2,
Dominion Textile—75 at 60, 2 at
66, 20 at 66.

Ottawa Power—10 at 130.
at 22, 20 at 21 1/2, 50 at 22, 75 at 21
at 22, 20 at 21 1/2, 50 at 22, 75 at 2
Toronto Railway—25 at 113 1/2, 5
at 113 1/2, 25 at 118, 25 at 113, 25 at
at 115 1/2.

Cement—25 at 38, 40 at 28, 50
at 28, 100 at 28, 10 at 29, 70 at 28,
Scotin—10 at 49.

Mont. Power—10 at 22 1/2, 10 at