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THE FOREIGN EXCHANGE SITUATION

With the probable arrival to-day of the distinguished Anglo-French commission which has been sent to New York to settle the foreign exchange problem, interest in this subject, the settlement of which is of great importance to Canada, is likely to be revived. Undoubtedly, as a result of the deliberations of the visitors with the New York bankers, some *modus vivendi* will be found. Within the last few weeks, American bankers have been somewhat loud in their complaints regarding the supposed negligence of the British authorities on this subject. As to that, it is quite true that foresight is not a British characteristic and in matters of this kind, there is a deliberation about English action that is provoking to the more nimble American mind. On the other hand, if British authorities move slowly in a matter of this kind, they finally move to some purpose.

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Apart from this point, it must be remembered that there are considerable differences in the viewpoints of American and British observers of this matter. American critics throw the responsibility for righting the present condition of affairs on Great Britain. The United States, they say, does not want gold; some other way must be found by which sterling exchange can be righted. What is needed, the New York bankers hold, is for London on behalf of the Allies to take the entire question up in the broadest possible way and arrange a credit for a loan in New York on a scale commensurate with present exigencies. The London critics, on the other hand, say that as the large orders which Great Britain and the Allies are placing in the United States are directly to that country's advantage, the initiative in the matter of settlement should be taken in New York. The Allies have ample gold resources accumulated for use in just such a time of necessity as this. English or French or Russian gold is not depreciated by the slump in the bills of exchange market—a British sovereign arriving in New York nowadays suffices to cancel something over \$4.86 of

debt of Great Britain to the United States just as it did before the war. A comprehensive policy on the question of gold movements, which judging by the heavy shipments lately made has been agreed upon between the Allies, would result in enormous gold shipments. If, say the British critics, the United States does not want the gold, it is for them to devise other means of rectifying the position.

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In short, the Anglo-French commissioners will come as equals and not as supplicants. The maintenance of American exchange at a reasonable level is certainly a matter of vital importance to the Allies; it is equally a matter of importance to American bankers that they should give every possible accommodation to such good customers. The supposition that manufacturers of war equipment and other supplies on this side the Atlantic are entirely unaffected by the slump in sterling exchange is, we believe, not correct; in many cases, not of course the majority but sufficient in number to cause considerable financial discomfort, contracts call for payment in sterling. Through these contracts, bankers on this side have a direct incentive to do their utmost to remedy the present condition of affairs. British opinion is still sceptical as to the possibilities of floating a loan of the required size in the United States owing to the known aversion of the American investor towards foreign securities. Presumably, however American bankers who are advocating this loan are in a position to show that it could be successfully floated. One interesting suggestion made by a Toronto banker is that the visiting commission will induce American bankers to take over a large amount of the foreign securities which are now held in London, some of them in what is called "cold-storage." It will be recalled that at the beginning of the war the Bank of England assumed a large number of foreign bills, and still holds a quantity of these, estimated at about \$250,000,000. The collection of these would establish foreign financial relations, which the Americans, in view of their loudly-trumpeted ambitions to become the world's monetary centre, might be glad to have the opportunity of acquiring.