if there was a probability that the drawers would invoke the moratorium as a reason for refusing acceptance or payment.

HARVEST PROGRESS.

Harvesting in our Western provinces has been delayed a little by wet weather; but the work of gathering and threshing the wheat will be energetically pushed and in two or three weeks there will be a very large movement to the lake terminals. It is said that some farmers have strong belief that wheat will rise to a dollar and a half before the war is over, and it may be presumed that a considerable number will hold back deliveries in hopes of getting higher prices; but undoubtedly the prices now prevailing will serve to bring heavy deliveries, and the pressure from creditor classes together with the difficulty of borrowing money will force many to sell promptly.

THE EUROPEAN SITUATION.

In London call money is quoted at 3 to 3½ p.c.; discount rates for bills were in the neighborhood of 5 and 5¼ p.c. Bank of England rate remained at 5 p.c. At Paris discounts are quoted 4 p.c. as against the 5 p.c. rate of the Bank of France; and at Berlin market rate is given as 6, with the Imperial Bank of Germany quoting the same figure. Cables state that London is gradually regaining its financial composure, and as a result of the remedial measures adopted or contemplated the credit machinery is in the way of being reconstructed. The London bankers are acting in co-operation with the New York bankers to create normal conditions in regard to exchange.

HIGH RATES IN NEW YORK.

In New York call loans rule at 6 to 8 p.c. Time money was quoted at rising figures—rates for short date paper over 8 to 9 p.c.; and for long dates, 6 to 8. Commercial paper is quoted at 7 p.c. for the very best names. So it will be noted that in this crisis again commercial borrowers in Canada are paying less than borrowers in the United States.

The clearing house institutions at New York succeeded in reducing their deficit. According to the Saturday statement, in case of banks and trust companies, loans increased $7,000,000, while cash increased $4,800,000 and circulation increased $14,-500,000. The net result was a gain of $5,272,000 in reserve strength—in other words the deficit decreased from $47,992,000 to $42,719,000. In case of the banks alone the cash gain was $5,400,000 and the loan expansion, $7,700,000.

FINANCING COTTON CROP.

One of the most perplexing questions before the New York bankers is that of financing the cotton crop. The war has temporarily destroyed the export trade to Great Britain and France. Thus in the two weeks ending August 22nd, 1914, the exports to those two countries amounted to 2,400 bales as against over 15,000 bales in the same two weeks of 1913. The exchange market in New York misses the cotton bills very much.

MEETING FOREIGN OBLIGATIONS.

One aspect of the present financial situation, which has been brought less to the attention of the public than others, but which in view of its cardinal importance has engaged much of the attention of bankers, is that of meeting our obligations abroad. Under normal circumstances, our obligations abroad are met in two ways, in the first place by our exports, and as these are not sufficient in value to pay for what we purchase, by fresh borrowing. The gap between our exports and imports has within recent years been from $200,000,000 to $300,000,000, and while with the slowing-down in construction, and the practise recently of a certain amount of economy by our people, that gap has been lessened, it is still large enough to cause a certain amount of concern as to how it is to be filled for the future, in the absence of the large amounts of foreign capital which have hitherto filled it. One way and the best way undoubtedly is to increase our production and imports. But production takes time, and there are obligations to be met before new steps now being taken for the stimulation of production can possibly have an effect. In the next few months—between the present time and the end of the year—several million dollars will have to be paid in London—interest due on borrowings made by governments, municipalities, railways and others. Periodically afterwards there will be similar obligations to meet —war or no war—and if they are not met promptly, Canada will be financially disgraced.

This meeting of our obligations abroad is a primary necessity and conservation of available funds is under present circumstances, the only means by which it can be met. That is to say available funds should be employed only in productive expenditures and in the means of marketing our foodstuffs and manufactures abroad, while constructional work, on which no returns can be secured for a prolonged period or unproductive expenditure should be avoided. It is probable that the next few months, before increased production has had time to make its effects felt, will be the critical time in this connection. For this reason, it is essential that the construction programme of public undertakings should be modified by municipalities and others. To continue them would be to give a certain amount of supposed prosperity to the country, since it would be at the cost of capital within the country at the present time which could be more wisely employed in other directions.

That this modification of the programme of public works will inevitably result in a large measure of unemployment which could be prevented were they continued is an unfortunate fact. But the unemployment and distress problem must be dealt with—as presumably it will be dealt with during the coming winter—on broad lines. The problem undoubtedly will be a difficult one, but a solution of it which would increase the difficulty of meeting our obligations abroad cannot be acceptable.