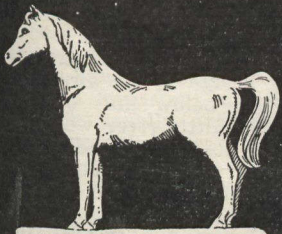


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Cost of the War

ECONOMISTS of eminence are busy figuring out the cost of the war. Many are using estimates prepared before it began, these estimates being based on cost of other wars. There are some official statistics, however, as to actual cost. The British Exchequer's weekly statements indicate a daily average war outlay of \$3,800,000. The French Finance Minister states that their war expenditure is \$7,000,000 per diem. On this basis it would seem that the unofficial Berlin estimate of \$5,000,000 a day by Germany was too low. This was the rate estimated for Germany ten years ago by a Parisian statistician, based on cost of the Russo-Japanese war. His estimates for Russia, \$5,600,000, seem also too low, in view of the size of her army, although her daily outlay in the other war was given at \$3,000,000 a day. Austria's outlay is estimated at \$2,500,000. With Japan and Belgium at war, and allowing for the outlay by neutral states in maintaining mobilized forces, the total daily war expenditure is generally placed at about \$30,000,000. This, for six months, would scarcely reach the total of \$16,000,000,000 estimated by the eminent French economist, Yves Guyot. Probably he takes into account many other items than the actual expense of maintaining the forces.

Britain's Borrowings

Practically all this expense is being met by "Scraps of paper." The governments are borrowing, and giving notes or bonds as acknowledgment of their debts. Britain is raising her funds on short-date Treasury bills at a little over 3 per cent. The British market also furnished some funds to France. Britain has also assisted Belgium. Germany is left to her home market, and the scant news from there indicates the placing of a billion dollar loan at over 5 per cent. These, of course, are temporary expedients, and the test of credit will come when short-term debts mature and have to be cared for either by similar or more permanent issues.

Does the cost of new funds have any material relation to the gold supply of any country, or are subscriptions to such loans more inspired by relative confidence in the national credit than by the amount of gold held? Unless for international credit, the amount of gold held may be a matter of minor importance. Germany's international credit is declining. It is authentically stated that a recent transaction was made in New York in German exchange at 85, compared to 97, early in September. There has since been some slight recovery. Yet British credit in New York remains at an abnormally high rate, notwithstanding the formation there of a gold pool of \$100,000,000 to protect the situation. Britain's credit shows the value of mercantile probity. She honours "scraps of paper" which bear her name. This is the element which distinguishes a nation of shop-keepers from a nation of shop-lifters.

Modifying the Shock

STOCK exchanges committees are gradually widening the regulations regarding dealings. Holders of securities of all sorts, including real estate, will naturally seek to buy or sell even in war times. This public demand has developed a stock market in London and another in New York, neither of which is regulated by any restrictions of exchanges. Prices in these open markets show that securities still have values. But they show that the effect of the war had not been fully discounted by the declines up to the end of July. Some stocks, such as C. P. R., have had a relatively steady market at about the prices then prevailing. Others have declined because the conditions created by the war have had special influence on the properties they represent. The same thing would occur in stock markets even in peace. It is not improbable that had the exchanges never closed, prices would by this time have been at the levels now existing in these outside markets. But it would have been reached by an unpleasant route, with shocking periods of panicky conditions. By closing exchanges the financial community has been saved some painful experiences. Such panicky periods would have reflected worse conditions than could be justified by the facts. The fact of curtailed credit is giving the financial community enough worries without having to bear those created by imaginary causes.

To Prevent Slaughter

CREDIT has been curtailed. That is the reason for new regulations by stock exchanges. They are designed to keep conditions as healthy as possible. When a man mortgages real property he does not expect to borrow more than 60 per cent. of its current value. Methods of dealing in stocks generally include loans through brokers up to 80 or 90 per cent. of the current value. Should the current market value decline, the borrower is asked for immediate delivery of more security for the loan, either in cash or in the form of other securities. Failing such addition, the lender is in position of a mortgagee, who may sell at once to repay the loan. The great decline in prices at the end of July has resulted in placing many accounts in such condition. If all such mortgagees took action to sell at the same time, there would be such great pressure to sell as would be harmful to them all. It is to prevent such conditions that bankers and brokers have restricted dealings.

September Bank Statement

THE Canadian Banks' statement for the end of September shows no unusual conditions developed by the war. Circulation of notes has increased as usual at this season, when the crops are being marketed. The creation of the Central Gold Reserve permits this increased circulation of bank notes without the fine formerly enforced. For this reason the gold reserve fund was increased to unusual figures in September, being over ten million dollars for the first time in its history. The banks materially increased their holdings of Dominion Government bills. Deposits in savings accounts were not materially altered and there was a good increase in general deposits, indicating "business as usual." Reduction of current loans shows the commercial world meeting its liabilities, and that there has been some slowing down, during the transition from the former business activity to the new lines of trade that are expected to be developed in this country by the war. Municipalities increased their indebtedness to the banks by over \$4,600,000, whereas a year ago they reduced them during September by nearly \$4,000,000. These advances are now nearly \$7,000,000 above last year, the total being \$44,338,000.

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