EDITORIAL NOTES AND COMMENT

HOW CAN THE UNITED STATES PAY ENGLAND HALF A BILLION DOLLARS

The following, taken from the Toronto World, will be of valued interest to our readers, as well as to all Canadians, as the information contained therein is not generally known throughout Canada:

From "Commerce and Finance," New York, we get our first real information respecting the purpose of the visit of Sir George Paish to the United States. The American newspapers have not been telling their readers the plain truth about Sir George's mission and our Canadian papers have been accepting their statements at par. Sir George Paish may have discussed an international clearing house and the reopening of the stock exchange, and he may have given his advice, if it were asked, on a great many subjects to the secretary of the treasury and to the bankers who conferred with him at Washington, but he came to the United States and he is there today to see how much of the $500,000,000, due and owing to England from the United States, can be at once liquidated in gold.

Naturally the United States does not want to part with this huge amount of money and would prefer to settle the debt with shipments of wheat, corn, cotton, tobacco and articles of manufacture. Ordinarily England would be willing to trade out the amount, but just now she is in a big war and must have all the available specie she can collect. She may not be able to get the entire $500,000,000, but Sir George Paish has crossed the Atlantic to get all of it he can by convincing the United States that they will benefit instead of suffer in the end by making the largest possible payment in gold.

The editor of Commerce and Finance, Mr. Theo H. Price of New York, attended the conference at Washington on the 23rd instant, presided over by Secretary McAdoo, between Sir George Paish and Basil B. Blackett, representatives of the British treasury and the leading American bankers. He does not feel at liberty, so he says in his paper of this week, to publish what occurred but commends, as an able and accurate summary of the situation, an article written by Arthur R. Marsh, editor of The Market World and Chronicle of New York. We herewith reproduce it and ask all Canadians to read it in order to get a proper idea of the situation in the States and which must, more or less, affect Canada. This article of Mr. Marsh's to illuminate our articles of yesterday on "The Financial Nightmare of the United States."

ANGLO-AMERICAN FINANCE

(Arthur R. Marsh, (editor) in The New York Market World and Chronicle, October 28, 1914)

England Wants to Get her Money

It is impossible not to follow with great interest the newspaper accounts of the purposes and reports of the utterances of the distinguished English financial authority, Sir George Paish, who is now in the United States on a mission to arrange with our government and with our representative bankers and business men such an adjustment of the financial obligations of the United States towards Great Britain as will facilitate the resumption of normal financial and credit operations in the latter country. It may be assumed that more than one of the plans which it is asserted Sir George Paish has in mind to propose or has actually proposed in a tentative way, are more fanciful than real. In the nature of things, the true object of his visit must be to see what can be done here in the way of strengthening England in her vast undertaking to carry her war to a successful conclusion. Suddenly and, as we believe, most unexpectedly to herself, England has found herself in a position in which she needs to have in hand a very large part of the resources which she has been accustomed to leave in other countries, employed there to her profit and to the profit of those to whom she entrusted it. And, in so far as this is humanly possible, she needs these resources not in the shape of the commodities she has customarily taken in payment of interest or of such portion of her capital as she might choose to call in, but in actual money, at least at the start. All the nations of the earth, except possibly France and the Scandinavian countries, are debtors to England; and the chief of these debtors is the United States. Here she has invested more of her capital than anywhere else; here she sells more of her own products than anywhere else; and here more than anywhere else she expects to collect, through international exchange operations, the balances from other countries, like Brazil, to which she advances capital and sells goods. For so many years that we have forgotten any other order of things she has been able and willing to accept in payment of what we annually owe her, our cotton, our grain, our provisions and a great variety of our specialized manufactured articles. She has seldom called upon us for money in any amount. But in her present situation, she feels that, except for our foodstuffs, it is unwise for her to take and carry more than day to day stocks of our commodities and manufactured products. Like the sound business man who foresees and prepares for heavy drafts upon his resources, England now wants cash to put into the bank; and there can be little doubt that the real occasion of Sir George Paish's trip across the Atlantic is to ascertain how large a part of our indebtedness to Great Britain can be met by us in this form.

Why United States Hesitates to Pay

The first impulse of the debtor, when any change is proposed, not in the stipulated, but in the usual and expected method of meeting his obligation, is to resent the fact and to feel that his rights are being invaded by the creditor. He attributes his own embarrassment to the unreasonableness and arbitrariness of his creditor. Economic history is full of illustrations of this truth, one of the most striking being the free silver agitation here in the United States, which was attributable in the last resort to the belief of western borrowers of Eastern money that the decline in the prices of agricultural commodities in terms of gold, so severe in the last years of the past century, substantially altered the conditions of the indebtedness and made it iniquitous for the lenders to demand payment of interest and principal in gold. Similarly, there is no denying that on the present occasion there has been a widespread feeling among American business men, bankers, and even officers of the government, that England, no matter what her necessities, has no right to change suddenly her practice of accepting payment from us in kind and to urge that we pay her in money. It has been only too apparent that the change is disadvantageous to us in at least two important regards: In the first place its immediate effect is to weaken our own financial and credit position; and, in the second place, it leaves our commodities, such as cotton, on our hands, to the serious depreciation of their market value, instead of giving us the most important of the usual remunerative outlets for them. And this latter burden upon us happens at this time to be the more grievous, because the war has absolutely deprived us of other outlets hardly less indispensable. In short, large numbers of people in this country can and do point to what appear to them to be substantial reasons why it is not equitable that we should be pressed by England for payment of our indebtedness, or a large portion of it, in the form that now best suits England's own situation. They resist in principle the remittance of large sums of gold to England; they urge that it is the first duty of this country to protect its own business interests and that the credits required by those interests should not be exposed to the danger of restriction by reason of the withdrawal of gold in quantity; they are for applying to our obligations to England the same moratorium which England herself applied in the first weeks of utter confusion consequent upon the outbreak of the war; and they argue that, as we are not immediately concerned in the war, it is highly improper that we should be compelled in effect to pay no inconsiderable part of the cost of it.

There Must be a Compromise

It is obvious that there are questions here, which, treated tactlessly, might give rise to no small amount of bad blood on both sides. Thus, the fundamental question of the absolute duty of debtors to creditors, or of a debtor nation to a creditor nation, is one of infinite complexity in face, in spite of its simplicity in appearance. The bald principle that creditors are entitled to be paid what is owed them and that it is the duty of debtors to pay what they owe, when called upon to do so, will not bear a moment's critical examination from the point of view of the present economic organization of the world. And this is the more true because those who assert the principle as governing are invariably found to have implicit in their thought the notion that because debts are stated in terms of money, therefore it is always money which debtors owe and ought to pay. How fallacious this notion is appears immediately if debtors as a class are set over against creditors as a class, and it is argued that in principle the former may be called upon to settle with the latter in money all at the same time. It is not even possible for limited classes of debtors to settle all at once, or within a short space of time, with their creditors in money. The savings banks in the United States, for example, could not do it in a period of many months without causing general ruin. And a fortiori a great borrowing country like the United States could not undertake to settle in money with a great lending country like England, without utter economic disaster to both countries.

No full Settlement Possible at the Moment

The year possibility of the settlement of obligations between debtors and creditors in money, then, is completely dependent upon having only a relatively small number of such settlements place at the same time. En masse, these settlements are impossible and even unthinkable in the modern economic world as it has come to be. General settlements of indebtedness between large classes of individuals or between nations can only be accomplished through credits, which are really the value of commodities or services in course of exchange, but translated into terms of money. And so evident is this truth that it must be assumed that lenders as a class, or the citizens of a great lending nation like England, are fully aware of it; and that it is undefensible for them to set up the claim that what was lent by them was money and that they are absolutely entitled to money in repayment of their loans, Indebtedness today in a general economic sense, is immeasurably removed from indebtedness in the Middle Ages when only actual money was lent and when equivalent money might with some show of equity be demanded in payment of the debt. To-day, in the overwhelming majority of cases, credit— i. e., the value of commodities of some kind—is lent; and the debtor may fairly expect to repay with credit, if money is not available.

This is the large economic truth of the matter; and if England because of her present need of money in the bank, were to revert to the mediaeval conception of her rights as a creditor, the result in this country could only be growing indignation and resistance. And yet it is just as true that the debtor is under the most imperative obligation not only to pay his debt, but also to accommodate the payment, within the bounds of reason and human possibility, to the desires and needs of the creditor. In normal times, the individual debtor is unquestionably in duty bound to repay his creditor in money, if the latter calls upon him to do so. Our economic system makes this possible, just as it makes it possible for the borrower to get his loan in money, if he desires; and the duty of repayment in money is co-extensive with the possibility of borrowing in money. The same principle appears as between borrowing and lending nation. In so far as it is possible, without economic ruin, for the debtor nation to pay its debts to the creditor nation in money, if the latter desires it, it is a plain duty for the debtor nation to do so, and not to assert an absolute right to repay only in kind, in the present instance, therefore, there is not only not the slightest impropriety, but rather the clearest justification for England's calling upon the United States to marshall all its resources in money, and to pay England in money the largest possible portion of its indebtedness consistent with the maintenance of a sound economic and credit situation in the United States itself. Nor is it a tenable argument aganst this that the United States is not directly engaged in the European war and should not be expected to bear any part of the cost of that war. It is a general truth that the borrower, by the very act of assuming the obligation of a debt to the lender, makes himself to a degree dependent upon the fortunes of the lender. He must be prepared to suffer loss, if need be, in case the situation of the lender becomes such that the latter requires for his own use what he has lent. This truth is seen illustrated on all sides at all times.

A Debt of Half a Billion Dollars

That the United States at the present moment owes England, in the way of matured indebtedness, a large sum— perhaps $500,000,000—nobody would venture to deny. Equally undeniable, on the other hand, is the fact that this indebtedness could not be paid in full in gold, without economic ruin to the United States. Somewhere between paying the entire indebtedness in gold and paying none of it in gold, lies the present duty of the United States. Sir George Paish, as financial adviser of the British Government, has come to us to ascertain, if possible, how much of our debt we can pay in gold, and how much of it England must expect to get in other forms of payment. This is a wholly reasonable quest, and deserves to be treated by us as such. And there is all the more reason so to treat it, because Sir George Paish himself is a widely and deeply experienced man of affairs, completely familiar with all the commercial and financial inter-relations between this country and England, conservant with the most intimate details of our credit and banking situation, and probably better able than any other man living to bring about wise co-operation between those who are doing the constructive work in restoring normal economic activity in the United States and those who in England are bearing the double burden of making adequate and dependable provision for the awful cost of the war and of setting in order the disturbed machinery of world-wide credit, whose functioning is of such inestimable importance to every people on the globe.

We have no information, other than that contained in the newspaper reports, as to the proposals which Sir George Paish is making or is prepared to make to the officers of our government or to our financial and commercial leaders with respect to the adjustment of our obligations to England. As has been indicated above, we cannot think that all which the newspapers have said on the subject can be correct. We do not think, for instance, that there can be substantial truth in the intimation that Sir George Paish is holding out the prospect to us of paying a large part of our present matured or maturing debt to England in cotton, to be bought en bloc and stored as a cotton reserve by the British Government. However much we might wish this to be true, for the sake of American cotton producers, we cannot believe that at this juncture England is prepared to embark on what after all would be a gigantic speculation in cotton. We assume rather that he is discussing appropriate means for making available some portion of our vast supply of superfluous gold—not by drawing it from our banks, but by wringing it out of our gold saturated circulation—and getting this gold to London, where it will serve the double purpose of paying a part of our indebtedness to England and of serving as a basis for many fold its own amount to international credits, of which we as well as England herself will get the benefit. We suppose, further, that Sir George Paish is studying ways and means for co-operative action between the London securities market and our own stock exchanges, so that on both sides of the water dealing in securities may be resumed under such supervision and control that there may be no danger of insensate trading, with its possibilities of an irrational collapse of prices, spreading technical, even the not intrinsic insolvency in all directions. There are the lines of fruitful activity for Sir George Paish to pursue in this country at the present moment; and we are willing to believe that his sagacity, so often demonstrated in the past, has led him to them. He can do both us and England great good in these matters; and we deem it of good augury that it is the general opinion that this is the case.

MAIL CONTRACT

SEALED TENDERS, addressed to the Postmaster General, will be received at Ottawa until Noon, on Friday, the 11th December 1914 for the conveyance of His Majesty's Mails, on a proposed Contract for four years, 6 times per week each way, between Boiestown and Parkers Ridge, from the 1st of January next,

Printed notices containing further information as to conditions of proposed Contract may be seen and blank forms of Tender may be obtained at the Post Offices of Parkers Ridge and Boiestown, and at the office of the Post Office Inspector.

N. R. COLTER,
P. O. Inspector

Post office Inspector's office,
43-3 St. John, N .B., Oct. 19th 1914

Synopsis of Canadian Northwest Land Regulations

Any person who is the sole head of a family, or any male over 18 years old, may homestead a quarter section of available Dominion land in Manitoba, Saskatchewan or Alberta. The applicant must appear in person at the Dominion Lands Agency or Sub-agency for district. Entry by proxy may be made at any agency, on certain conditions, by father mother, son, daughter, brother or sister of intending homesteader.

Duties: Six months' residence upon and cultivation of the land in each of three years. A homesteader may live within nine miles of his homestead on a farm of at least 80 acres solely owned and ocupied by him or by his father, mother, son, daughter, brother or sister.

In certain districts a homesteader in good standing may pre-empt a quarter section alongside his homestead, Price $3 per acre

Duties: Must reside upon the homestead or pre-emption six months in each of six years from date of homestead entry (including the time required to earn homestead patent) and cultivate fifty acres extra.

A homesteader who has exhausted his homestead right and cannot obtain a pre-emption may enter for a purchased homestead in certain districts. Price $3 per acre. Duties: Must reside six months in each of three years, cultivate fifty acres and erect a house worth $300.

W. W. CORY.

Deputy of the Minister of the Interior.

N. B.—Unauthorized publication of this advertisment will not be paid for.

THE NEWCASTLE STEAMBOAT CO., LTD.

TIME TABLE, STR. "DOROTHY N." 1914

Commencing on May 11th, the Str. "Dorothy N." will run on the Redbank route, daily, (Sunday excepted) calling at all intermediate points, as follows:

Leave Newcastle for Redbank at 5.30 a. m. every Monday and will leave Redbank for Newcastle at 7.45 a. m. daily.

Leave Newcastle for Redbank every day at 3 p. m. except Saturdays when she will leave at 1.30 p. m., returning will leave Redbank for Derby at 3.30 p. m.

Leave Bell's Wharf, Derby for Newcastle at 6.40 p. m., calling at all intermediate points. Returning leave Newcastle for Derby at 10 p. m., returning to Newcastle same night.

Tuesdays will be excursion days from Redbank and intermediate points to Newcastle, return fare 35 cents.

Saturdays will be excursion days from Newcastle and intermediate points to Redbank and Derby, return fare 35 cents.

Excursion Tickets Good for Date of Issue Only

Freight on Saturdays will be held over until the early Monday morning trip.

Str. will be open for engagements for excursion parties every day, except Saturdays, from 10 a. m. until 2 p. m., and any evenings from 7 p. m.

After Oct. 15th Steamer will leave Newcastle at 2 p. m. instead of 3 p. m.

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