BRITAIN'S FINANCIAL POSITION UNIMPAIRED

Sir George Paish Says She is No Poorer Than Before the War

Sir George Paish, in a letter to the New York World, says that in any great war the question of financial resources is one of immense importance, and in the present one the part that is being played by finance cannot be overrated.

In finance Germany and Austria started the war with no advantages. It is true that after German bankers had informed the Kaiser during the Moroccan crisis that financially the country was not prepared for war, Germany exerted herself to the utmost to readjust her financial and banking situation in order to be ready for war, and that Great Britain, in her belief in the maintenance of peace, made no war preparation, but continued to lend money with unexampled freedom to all the world. Nevertheless, fundamentally Great Britain's financial and banking resources at the beginning of the war were infinitely greater and stronger than were those of Germany.

Great Britain's Big Balances.

Prior to the summer of 1914 Germany had pulled her money in from the world as far as possible, whereas Great Britain had sent her money out to almost all countries, with the result that immediately after war began Germany found difficulty in making payments abroad, while Great Britain was able to draw upon her foreign balances in order to buy all the goods she and her Allies needed to purchase from other lands, and has since been able to finance with ease her great imports of goods.

It is true that the American exchange upon London has fallen to a lower point than normal, but it must be borne in mind that the quantity of American goods purchased by the Allies has been, and is, enormous; that interest, freight and insurance on gold sent across the sea is unusually high, and that a fall of less than 2 per cent. below the usual minimum in sterling exchange against a discount of 14 per cent. in the German exchange affords strong testimony to the ability of Great Britain to pay for the great quantities of goods she and her Allies have bought from abroad.

Germany's wealth consists mainly of her own lands, houses, factories, business premises, railways, etc., a considerable amount of Russian and other securities that cannot be sold, and a very moderate amount of American securities.

Could not Withdraw Capital.

It was calculated that Germany had about £1,600,000,000 ($8,000,000,000) of capital invested abroad before the war began, but of this total only a very small sum was realizable. Most of the money was invested in neighboring countries, including Austria and Turkey, and it is obvious that Germany cannot withdraw capital invested in Europe either from friend or foe. Indeed, Germany's difficulties in financing her own great war expenditures are enhanced by demands upon her for large sums of money both from Austria and Turkey.

It is now obvious that her supplies of floating wealth in other countries, including her investments in the United States, are fast disappearing and that payments for goods imported, if they continue, must drain her gold reserves.

It is obvious that apart from any sums Germany can borrow in the United States, her power to pay for goods imported has now become very reduced.

Just as Wealthy Now.

All the available evidence shows that Great Britain, after a full 12 months of war, is just as wealthy and just as well off as she was before the war began, and that she has met the full cost of the war out of the money she would otherwise have saved, out of extra savings, and out of an increased income.

Great Britain is about £400,000,000 ($2,000,000,000) less well off than she would have been but for the war, but she is no poorer than she was before the war. Moreover, Great Britain still possesses a large amount of floating capital in other lands which, in case of need, she can call home, as well as a great sum of money in American investments which can be gradually realized. Hence, the financial resources of Great Britain are so far quite unimpaired, for while her supplies of floating wealth have been somewhat reduced, her great fund of fixed wealth is greater than ever.

OVERCOMING EXCHANGE DIFFICULTIES

Canadian Loan in New York Weakens Market Price—New Credits

A United States dollar is now worth $1.02 of English money; $1.08 of French money; $1.16 of German money, and $1.32 of Russian money. Canadian rates being based on the United States rate.

In regard to Canada, a United States dollar is worth nearly $1.01 of Canadian money.

The exchange rates between Canada, United States and the United Kingdom are at present as follow:—

Demand rate in Canada for sterling	47986
Demand rate in United States for sterling ...	47656
Difference between above rates	330
New York exchange in Canada .... premium.	11/16

Three Methods of Trade.

There are three ways by which this situation might be remedied, suggests The Teller, the Sterling Bank's monthly journal, namely:—

1. The shipment of gold.
2. The shipment of goods.
3. The establishment of a credit in New York.

The first two remedies cannot be used, as belligerent countries are not exporting gold and are already selling all the goods they can, but the sale is not sufficient to counterbalance the enormous purchases in the United States.

The third remedy is being discussed, and has, in fact, been put into operation by the Canadian government in the placing of a loan of $45,000,000 in New York. This loan has already weakened the price of New York exchange and with the moving of our crop in sight a further drop might be anticipated.

This in its turn should lead to a fall in sterling rates in Canada as England is a large purchaser of our crop.

Financing the Grain Crop.

The operation will be as follows:—

The western farmer sells his crop to a grain company. They sell it on the grain exchange for delivery, at say, Fort William. The grain is then shipped through Montreal or New York to England. In order to get paid for the shipment the shipper will draw a bill on the purchaser in England and sell it in New York. In this way a large amount of sterling bills are likely to be sold in New York, which will still further depress sterling exchange. This operation, however, will produce New York exchange and thus make it cheaper.

To offset this the government are discussing the question of establishing a credit in New York to pay for their purchases of war material. By this means the actual transfer of funds for the payment of these large accounts will be deferred until conditions enable gold shipments or a readjustment of trade takes place.

TURNING DOWN BIDS

Several municipalities lately have refused good offers for their bonds, thinking that the bids were not satisfactory. This is an unwise civic financial policy and has proved very costly to municipal authorities in the past. A reasonable offer should not be declined, especially in these times.

The Orillia, Ontario, smelter has begun the treatment of molybdenum. This metal is used for hardening purposes in connection with the manufacture of guns and other armament. The ore is found in Renfrew county, but it has not been treated in Canada previously.

Hon. T. W. McGarry, provincial treasurer of Ontario, left Toronto this week for San Francisco, to attend the ninth annual conference of the National Tax Association of America, to be held there from August 10 to 14. He was accompanied by Mr. John T. White, solicitor to the provincial treasury department.