

WAR AND THE LONDON MONEY MARKET.

Mr. A. W. Kiddy, editor of the London Bankers' Magazine, contributes to the current issue of the Journal of the Canadian Bankers' Association an interesting review of the effects of the war upon the London Money Market. Mr. Kiddy points out that the greatest problem of all calling for solution at the present time is that which is involved in the question of the financing of the imports of the Allies, because upon its satisfactory solution hangs the power of London to uphold its proud position as the monetary centre pending the time when with the termination of the war we shall revert to those normal conditions which will in themselves contribute to the restoration of her full power. Mr. Kiddy points out that Great Britain has large reserves of gold, in addition to that in the Bank of England, in the joint stock banks and in the pockets of the people while she has the call of very large amounts both from France and Russia. Of still greater importance is the immense volume of American securities still held in Great Britain which can be used as a basis of credit in New York while the United States is willing enough on terms to place huge credits at the disposal of the British Government:—"It is to the extent to which these various resources are economically and skilfully used, and in no way frittered," says Mr. Kiddy, "that this great problem of financing the imports of ourselves and our Allies will be determined. And it is all to the good that the situation promises to be assisted on the one hand by dearer money in the London Money Market, and by greater economy and thrift on the part of the general community which should in its turn lead to a curtailment of our imports."

AN ECONOMIC STRUGGLE.

"Nevertheless," he proceeds, "it cannot be too clearly understood that while the great naval and military struggle is proceeding, there is also another battle taking place, and that in the world of finance and economics. Our ships have succeeded in sweeping the seas of German merchant vessels, and that country must be suffering sorely in the matter of its usual trade profits, and even as regards the importation of some necessary materials for war. Nevertheless as we know, Germany is largely a self-supporting country, and this problem of financing imports is consequently of minor importance to her. This is most important to be borne in mind, because while in the sense of financing the entire direct cost of the war the combined financial resources of the Allies are infinitely greater than those of the enemy, our liability in connection with the imports of munitions and goods is also infinitely greater than anything which has to be met by Germany.

"Economy and efficiency, therefore, must be the watchword in all matters pertaining to the Empire's finance, not only until the last shot has been fired in the battle, but until the real period of recuperation has arrived. The Mother country will have to respond to all absolutely necessary financial requirements of her oversea dominions by advances if necessary direct from the public purse, but all unnecessary financial outlays must cease, whether at home or in Greater Britain."

CANADIAN BANKS AND STERLING EXCHANGE.

It is pointed out by a Toronto correspondent that the June bank statement shows an increase of about \$5,000,000 in the balances due by London banks to the Canadian institutions. As this increase follows other substantial increases in the months immediately preceding, he says, one might presume that the Montreal and Toronto bankers have been tempted to buy and hold sterling exchange since the quotations for demand bills at New York dropped below the \$4.78 level. It is just possible that such purchases might show a fair profit. If, for example, the British Government were to arrange a credit of \$10,000,000 or \$150,000,000 with New York bankers, one would expect that sterling rates would rise rather sharply, inasmuch as the American shippers who had sold produce, foodstuffs, munitions, etc., to England, would be paid, while the funds lasted, through drawing on the proceeds of the loan instead of through selling in the exchange market their bills on London. In other words, the flood of sterling bills would be decreased temporarily and the buyers of remittances on London might be forced to bid up to get what they needed.

This state of affairs could be temporary only, as when the great movement of grain, shells, etc., gets fairly started in the early fall, it is likely that a British credit of the amount named would be absorbed or used up in the course of two months, or three at the outside. Unless a big British loan is brought off in New York it is difficult to see how sterling quotations can rise above the present level.

CONDITION OF THE CROPS.

Spring-sown grain crops continue to show an excellent average condition, all being for Canada above 90 per cent of the standard representing a full crop, reports the Census and Statistics Office at Ottawa. Beans, buckwheat and flax are 88 per cent of the standard, potatoes and turnips are above 90 and the remaining crops are as follows: Corn 82, mangolds 89, hay and clover 81, alfalfa 87, sugar beets 89 and pasture 89. Converted into a standard wherein 100 represents the average yield per acre of the seven years 1908 to 1914, the condition of the principal grain crops at July 31, 1915, is as follows: Fall wheat 120, spring wheat 112, all wheat 113, rye and barley 111, oats 108, flax 107. That is to say, the yields per acre of these crops, according to their appearance on July 31, are expected to be above the average yields of the previous seven years to the extent of 20 per cent. for fall wheat, 12 per cent. for spring wheat, 13 per cent. for all wheat, 11 per cent. for rye and barley, 8 per cent. for oats and 7 per cent. for flax.

The general agency of the National of Hartford with Pace, Harrison & Millar, at Winnipeg, has been discontinued, and after August 1 all business in Western Canada will be reported direct to the western department of the National, in Chicago. Pace & Harrison continue as local agents for the National at Winnipeg, and F. Grant Millar has been appointed special agent, this being the position he occupied prior to the organization of the general agency.