

Mr. F. L. Appleby, manager of the foreign exchange department of the Union Bank of Canada, Toronto, in an interesting letter to *The Monetary Times*, discusses the phase of the sterling exchange situation relating to the experience of the silk merchant and Canada's repayment of indebtedness, etc., to London. To do this, Mr. Appleby points out, we must clearly grasp the fact that financial conditions in every country of the world are totally different now to those which existed prior to the outbreak of hostilities. Dealing only with sterling exchange in Canada, we must first get down to fundamentals, and find out what these were before the war, and what they are now. Mr. Appleby continues:—

How Conditions Have Changed.

"The following will provide a comparison, although no statistics are given, and details are eliminated:—

Relative Conditions on Balance Between Canada and Great Britain Prior to July, 1914.

Canada had to pay Great Britain for—

- (a) Merchandise imported.
- (b) Coupons, dividends, etc.

Canada had to receive from Great Britain for—

- (c) Capital supplied.
- (d) Merchandise exported.

Approximately Relative Conditions on Balance Between Canada and Great Britain, October, 1915.

Canada has to pay Great Britain for—

- (a) Merchandise imported.

Canada has to receive from Great Britain for—

- (b) Merchandise exported.

"Prior to the war no distinction was made between merchandise and securities, because the sale of securities had the same effect on exchange as the sale of merchandise. But here is the important point: The result of these sales was that Canada obtained real money for promises to pay, but as she is no longer obtaining from Great Britain money under these conditions, the only item now affecting exchange between the two countries are actual merchandise imported, and actual merchandise exported.

Paid in New York.

"This will be seen when it is remembered that when paying her interest on borrowings now, with very few and small exceptions Canada does not have to buy sterling, firstly, because all the bonds sold by Canada to Europe had coupons attached, which were payable at the option of the holder, either in London, New York or Canada. The result is that all these coupons are now being paid in New York. Secondly, dividends on all stocks held in Europe are declared in dollars. Thus, a \$10 dividend in 1914 would mean that Canada paid \$10, for which the holder of the stock received, say, £2 1s. 1d., while in 1915 Canada still pays \$10 for its dividend, but the holder in Great Britain would receive £2 2s. 3d.

"In this way the biggest item in our balance sheet—interest on securities—has been taken away from sterling exchange, and become an item in New York exchange.

"There are, of course, still many other features which, while large in themselves, have also something or some things equally large to balance them. For example: Great Britain is still advancing the Dominion government a large sum of money every month, but on the other hand Canada is maintaining and keeping, roughly, 125,000 soldiers in Europe at, let us say, \$2.25 per head per day (including food, clothing, pay, etc.), equal to about \$8,500,000 per month.

"What is obvious is that the people in Canada who apparently benefit by a low sterling rate are the importers, while those who apparently lose are the exporters, and as the imports of merchandise this year from Great Britain are far less than the exports of produce and merchandise, the many would be suffering for the benefit of the few.

Invoice Price Raised.

"But the matter does not even end here. While the importer may pay fewer dollars per pound, and fewer cents per franc, for the invoice cost of his goods, in the majority of cases it will be found that the invoice price is higher, and in the same way, while the exporter may receive fewer dollars and cents per pound, and fewer cents per franc, he obtains a higher invoice price from the buyer in Great Britain or France.

"In individual cases only this is not true, but in such cases a clever competing firm could, without loss, reduce its selling price by the amount of its saving in exchange, and thus take business away from a rival firm not keeping themselves posted on current conditions.

"The crux of the matter is that if the pound sterling depreciates sufficiently, the cost of imported goods to those in Great Britain will be so high that they must curtail their imports, and the natural result of this is that Canada must either find new markets, or have on hand a large surplus of exportable merchandise.

"It is obvious, therefore, that this country's interest lies in continuing its export trade, which is only possible so long as the cost to the consumer in Europe is not prohibitive.

Help One, Help All.

"The Hon. Mr. White's statement, 'Any improvement in sterling exchange rates will benefit Canada,' was evidently only made after he had gone into the matter much more fully than I have, and without going through the various steps of his reasoning, the result of same appears to be that Canada as a whole, being one of the Allies, in the final analysis must profit by any conditions which act to the advantage of any one of them, and per contra, suffer also from the effects of any conditions which act to their disadvantage.

"There is to-day a slogan in France, 'Joffre Knows His Business.' In Canada we are particularly fortunate in our minister of finance, and could well say, 'White Knows His Business.' That he does so is amply proved by the clever way in which he succeeded in obtaining a \$45,000,000 loan from New York, and although the price aroused the criticism of some arm-chair critics at that time, future events showed that his foresight and good judgment have been the means of saving the country a considerable sum of money."

LATEST CUSTOMS FIGURES

Comparative figures of customs revenue contributed by the different provinces are furnished by the annual report of the Customs Department just issued and covering the fiscal year, 1913-14. Ontario leads with \$33,218,000 collected in duties, Quebec comes next with \$22,919,000. The revenue from other provinces was as follows: British Columbia, \$7,373,000; Manitoba, \$6,413,000; Nova Scotia, \$2,930,000; New Brunswick, \$2,162,000; Alberta, \$2,484,000; Saskatchewan, \$1,356,000; and Prince Edward Island, \$160,225.

Quebec takes first place in exports. In the fiscal year they totalled \$181,982,000 compared with \$167,685,000 for Ontario. New Brunswick is third on the list with \$54,322,000.