Journal of Commerce

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MONTREAL, AUGUST 3, 1914.

The Waste of Pessimism

Innumerable would-be wits have heaped ridicul and contempt upon the President of the Unite States because he ventured to assert that one of the prime reasons for the present industrial depression is pyschological in nature. The fact of the matter nowever, is that President Wilson stated the exact truth, only he is a little above the head of the ordin ary mass of his critics. They have never been quit able to forgive him because he has been a little mor courteous, a little more refined, a little more hones and a little abler than the common garden variety of political partizan. President Wilson made a ple that business men should display more courage and progressiveness in their business affairs. He aske them to spend more liberally, to undertake constructive work and in a word, attempt to get the wheel of industry revolving at their usual speed once again The Toronto Globe had a sane article in its editoria columns a day or two since on this very questio It asks Canadian business men and the well-to-de classes in the community to make a combined effor to revive the trade and commerce of this nation This does not mean, of course, that we are not t face the facts of the situation; but it does impl that there are many important works, in the presen condition of the market, that might be undertake with profit to the individual promoter and to th country at large. It is quite certain that if business men continue to hesitate in giving employment of labor by undertaking productive enterprises, the the return of prosperity will be long delayed. Properity does not rain down from Heaven, as a fre gift provided by nature. If it is to be won, energy capital and labor must be expended.

It is bad business to complain. In business the

should become an axiom. Nothing is ever accomp lished by talk about dull times, but on the contrar, complaining has a bad effect on others.

A Chicago publication has been gathering figure on building operation in the great cities of the Unite States. It publishes the fact that in San Francisc in the first half of the present year, building in creased in volume 80 per cent. over the first hal of last year. In almost every important center the country, however, building operations show a decrease for the past six months. But enormous of money are being expended in San Francisco of ents. The Exposition alone is putting or more than \$1,000,000 a month, and the rate of ex penditure is rapidly extending from week to weel The city is undertaking vast expenditures upon th construction of municipal street railways, the mal ing of tunnels and upon other important public works. In addition, the state is spending millions along the water front. Individuals are building es and warehouses to a value of about one-third of a million dollars per week. It is conceded that there are more men employed in San Francisco day than there has been at any one time in the his tory of the city, with the possible exception of the period following the great fire of 1906. And wages are high. Yet in the face of all this, the busines men of San Francisco complain of dullness. It is hypochondriacal manifestation, but it is characteris tic of conditions everywhere in Canada and the Un ted Stated to-day.

A business man in whose judgment we have ever onfidence, has just returned to the East from a tri to the coast. This gentleman has wide connection in several important Canadian enterprises. He re ports that business conditions are improving and that everywhere he finds signs of revival of busine and trade. The "Effete East" from time to time has been inclined to use the extraordinary term "bunk" in connection with much of the Western talk. Well there may be a little brag, a little bluster in it; but at the same time, there is a great deal of manliness also. Let us stop complaining and show a little nerve and courage in these difficult times en the prospect of a great European war should not throw us into hysterics. We have the country we have the men, and the will to do; let us combi these three great instruments and not merely wish for, but compel the return of prosperity.

Wall Street and the International Crisis.

The severity of the world's financial storm of the past few days can not be completely gauged, but some indication of the devastation wrought is found in the destruction of credit and the disarrangement of prices. In three days' time, consols broke from 72 to 69; wheat jumped at the extreme range of over 13 cents per bushel; trading on the New York holders. Insurance companies are not supposed to Exchange passed from a condition of coma to 3,200. 000 shares in three days; gold has flowed out at the rate of \$10,000,000 a day from New York to Europe. The burden of liquidation thrown upon New York, rearried to excess. That it has been carried to other markets had vanished, may be understood in part from the following table which measures the three days' depreciation in aggregate paper

value of the capitalisation of ten properties listed in New York. In three days, and in these securities collision has a right to send from of slope, there has been a capital shrinkage of almost graduates from our entries to Eur \$250,000,000. These securities were thrown upon the study Norman Angeli's book. The Great lift gold in Europe. The list shows:

Low. Close

Thurs. Mon. Decline. Amou 64% 15% \$24,387,360 Amalgamated 49 501/4 64 13% 6,875,000 melters Baltimore & Ohio ... 7.996.669 Can. Pacific 156 % 176% 20% 53,625,00 85 12.854.09 Northern Pacific 971/2 106 Reading 137 160% 23% 16,625,00 Southern Pacific 84% 93% 22,836,31 Union Pacific 1121/2 1241/2 123/2 27,509,563 Steel 50% 591/4 8% 43.841.09 237,630,09 Total

Americans maintain that the present crisis has indicated the usefulness of the New York Stoo Exchange, in that it has furnished a free unfettered ash market-place for securities. A recurrence what happened in Napoleonic days has brought about he present world panic. In those days there ex sted but a fraction of the present ganglia of finance o be deranged, and practically no reflecting or re-ieving media such as the changes constitute. Now hese media are much more comprehensive, although nost of them are out of commission. The Wall Street Journal rather proudly proclaims

he fact that war, and the dread of war, have con erred upon New York the distinction often prophe ied for it through the ways of peace-namely that will become the central capital of the world nance and speculation. The fact was that New ork for a day or two became not only the centra ut practically the sole market place of the world. It appears to us, however, that the Wall Street ournal is somewhat premature in its forecast of the inancial situation. The day after its article appeared, the New York Stock Exchange closed it oors. This does not strengthen the American con ention to any degree. As a matter of fact, the trutt that New York stands no chance of becoming th ney market of the world. Before it can attain that proud position, the United States must have ilt up a great merchant marine; it must have estal ished an intricate net-work of bank branches through out the civilized world; and it must have educate preigners to prefer bills of exchange on New York bills on London. Now London has been, during generation, the only centre of a free supply fold in the world: and although her position ma e menaced temporarily by a great war, all her vas restige and power can not be swept aside except as result of a great and overwhelming calamity The Wall Street Journal seems to have left the Bri sh navy out of account; but it will likely discover ifter the smoke of battle has cleared away, if battl hust come, that the meteor flag of England wil proudly floating over its conquered foes.

The simple truth is that an European war wi eal an almost irreparable blow at the foreign trade nd commerce of United States. Her great foreign arkets, with the exception of the British, will b While prices may be temporarily en anced on food supplies and food products, there will be a severe contraction in the prices of ray naterials and manufactured goods. If there is neral European war, the United States will as natter of fact, suffer almost as much as Great Brit in. England's powerful navy will undoubtedly lockade the coasts of her enemies; and the Unite States will be left free to trade with England onl nd England's friends. Moreover, enormous lies of European capital will be recalled from the nited States, thus retarding industry and hamper ng national development. The Americans may loo t the question from any angle they please, but the ituation. The New York Journal of Commerce wa erfectly correct when it warned its readers tha he prospect of a great European war brought with nothing of prosperity or progress for the Unite are one, and any blow struck at the prosperity of England, France or Germany must affect the economic status of the United States. No sane person an find anything good in this outburst of militar nadness whether his country is directly concerne in the conflict or not.

Borrowing on Life Insurance Policies

Insurance men both in Canada and the Unite tates are complaining about the excessive loan olicyholders are placing upon their policie During the past few months, money was at remium and many business men were at thei wits end where to secure funds. Those fortuna enough to have life insurance policies found in th mpanies a ready means of securing funds wit

At the seventh annual convention of the Association ion of Life Insurance Presidents of the United States, held in New York some time ago, one of the thief questions up for discussion was the excessive As a result of the conference t was decided to hold an investigation into the whole matter and see the exact amount of money now borrowed on life insurance in the United States the reasons for the borrowing, the uses to which he hundreds of millions are put and any other facfors bearing on the situation. The Association ar trying to do all in their power to lessen this habit of borrowing on life policies. It has frequently been pointed out that loans made to policyholders are seldom if ever repaid, and the amount thus borrowed s deducted from the policy payable at maturity of leath, thus lessening its value to the beneficiary t has also been pointed out that, while some loan are absolutely necessary, a very large proportion o policyholders borrow funds for speculative purposes or to provide themselves with luxuries. It is to dis ourage this kind of borrowing that insurance com panies everywhere on this continent are studying this question. In some States in the Union efforts are being made through legislation to curtail excessive borrowing. It is probable that a campaign of education combined with legislation will be neces sary to lessen the borrowing habits of many policy on policies is a worthy and helpful practice but, like many other good things, can become an abuse if extremes is admitted by all, except some misguided youths who borrow money on their insurance policies to buy diamonds or automobiles.

New York Stock Exchange because of the foreign They are a little too late. By the time they get to clears and foreign necessities, and the demand for Europe, the whole Continent will be engaged in war.

In the hour of trial, Canada must come to the sup port of the Mother Country. We have no ships t offer, but there are thousands of Canadians who can give a good account of themselves on the field of battle. State of

The outbreak of hostilities shows the total disre ard Germany has for treaty obligations. That no tion has been the storm centre in Europe for half a century and it is to be sincerely hoped that she will receive a setback as a result of the present struggle

It is to be hoped that Canadian business men wil eep their heads during the present crisis. It is a period of strain and stress for all business men and specially for our banking institutions. Nothing will e gained from a panic.

"A LITTLE NONSENSE NOW AND THEN"

Doubtful compliment to call that river the "Ri Theodoro." It has a small head, a large mouth, and ilways running .- Wall Street Journal.

"Was there ever anything more Frenchy than th aillaux trial?"-Buffalo Courier. Yes, the Tha rial.-Sheridan Observer.

The world is so full of a number of ladies, says chymster in Life, I'm sure we should all be as happy as hades. Stevenson could not have done it.

"I believe most of these mountain-climbing record re fakes."

"Well, now, you couldn't expect mountain-climb o be on the level, could you?"-Baltimore American.

"No purpose once undertaken should be given up

"Maybe you're right," replied Farmer Corntos But I know a hen that lost a lot o' chickens by tryin o hold out an' hatch a china egg."-Washington Sta

Dr. Lyman Abbott, the anti-suffragist, said at a nti-suffrage tea in New York.
"They call woman the weaker sex. Yet I hav

nown more than one woman to bend a man's w uring his life and break it after his death."-Wash ngton Star.

A few days ago a rather bashful girl went into or our leading stores carrying three chickens. Sh nquired the price of chickens, and at the san ime put them on the counter. The clerk didn The clerk didn't now the chickens' feet were tied and asked if the would lay there. She bit her handkerchief and said: "No, sir; they are ropsters."-Jasper (Miss.) Re view.

At the Union Iron Works, San Francisco, a steam was undergoing repairs. The chief engineer-a Sco if course-requiring a hammer in a hurried momen urned to a German mechanic, and in his momenta xcitement lapsing into his native speech, said: "Gi'e s yer pelty mon

"Vat?" asked the Teuton in surprise. "Yer pelty-pelty!"

"It's yer hammer he wants," interpreted anoth cot who was also working on the job. "Thank the Lord there's one mon among ye who nderstands God's English," growled the chief en ineer as he took the "pelty."-Argonaut.

THE MEN OF THE NORTHERN ZONE.

h, we are the men of the Northern Zone Shall a bit be placed in our mouth? ever a Northerner lost his throne Did the conqueror come from the South? ay, nay-and the answer blent In chorus is southward sent. nce when has a Southerner's conquering stee Hewed out in the North a throne ce when has the Southerner placed his heel

or hearts are as free as the rivers that flow To the seas, where the North Star shines; or lives are as free as the breezes that blow Through the crests of our native pines.

We never will bend the knee, We'll always and aye be free or liberty reigns in the land of the leal; Our brothers are 'round her throne Southerner never shall place his heel On the men of the Northern Zone.

On the men of the Northern Zone

Oh, shall we shatter our ancient name lower our patriot crest: And leave a heritage dark with sham To the infant upon the breast?

Nay, nay-and the answer blen In chorus is southward sent; claim to be free—and so are we— Let your fellow freemen alone; or the Southerner never shall place his heel On the men of the Northern Zo

Shall the mothers that bore us bow the head, And blush for degenerate sons? are the patriot fires gone out and dead? Ho! brothers stand to the guns!

Let the flag be nailed to the mast Defying the coming blast; or Canada's sons are true as steel, Their mettle is muscle and bone. Southerner never shall place his heel On the men of the Northern Zone.

th, we are the men of the Northern Zone Where the maples their branches toss; he Great Bear rides in his state alone, Afar from the Southern Cross. Our people shall aye be free

They never will bend the knee; for this is the land of the true and leaf, Where freedom is bred in the bone, The Southerner never shall place his heel On the men of the Northern Zone.

-The Khan,

Number fifteen in a Short Series of Articles on Bu ness Economics. By Prof. W. W. Swanson.)

In last analysis the value of the paper currencies of the world depends upon the ability of the govern nent's issuing such to redeem them in gold on de and. We say gold advisedly, because any atte to pay out an inferior metal will inevitably depreciat value of the notes

Fiat Money.

Paper money issues, that are created by mere gov rnment decree without making preparations to keep e money equal to the value of the national unit o gold, are termed "fiat" money. Illustrations of such attempts are numerous, but the experiment has been abandoned because of the expense and dangers in colved. Only in a time of great national peril can uch paper money issues be justified. During the French Revolution the authorities issued

paper money called "assignats," which was secured by the lands that had been confiscated from the no-These assignats fell rapidly in value until hey became practically worthless.

During the American revolutionary war the con inental congress set the printing presses at work urning out paper money that was supported by nothng more than the promise to pay coin at some future ime. These continental notes soon sank in value zero, and were used by barbers to paper the walls of their shops.

The paper money issued during the declining years French supremacy in Canada by the Intendant Bigot brought such suffering to the people of Quebec hat for many years they refused to become reco o paper issues of any discription, even after the glish had established a stable Government in Can-The early note issues of Canadian banks found ittle circulation among the French farmers and coun try dealers.

During the war of 1812-14 the Canadian govern nents of Upper and Lower Canada issued short-time reasury notes which circulated as vertical money. They were payable on demand in bills of exchange on the United Kingdom, and hence fluctuated in value with the rate of exchange. No losses, how ever, occurred, and they served a very useful pur ose during that period of stress and trial.

The Greenbacks of the Civil War.

During the American civil war the federal and onfederate governments both issued paper currencies. as the confederate paper was never redeemed roved ultimately to be valueless

The federal government issued altogether \$450, 00,000 of these notes—called "greenbacks" because of heir colors they bore on their face the promise to pay many "dollars"; but as they were not made pay able on demand, and as gold had disappeared entirely from circulation, there was no guarantee that the would ever be paid in gold. As a matter of fact they ided in driving gold out of circulation, as debtor aturally used the cheaper money to discharge their lebts and everyone hoarded gold which was at a emium. This admirably illustrates Grisham's Lav which may be stated as follows:-

"When two types of money are in circulation, an oth are a legal tender, the cheaper money will drive he more valuable out of circulation." This has been roved over and over again. The principle is calle Gresham's Law," because Sir Thomas Gresham wa he first to observe the phenomenon, or at least to but the principle in the form of a clear statement. The American greenbacks fluctuated in value, ac

ording to the success or otherwise of the armies of he North. With a federal victory the chances ere better for ultimate redemption of the notes in \$20..... cold; with a defeat the outlook appeared dubious and \$50..... he notes fell in value. Naturally, the disturbance of \$500. rices which ensued wrought much suffering and ardship. Even after peace was proclaimed the otes did not rise to par, for the United States was not able to redeem them in gold. Finally, however n act was passed providing for the resumption specie payments in 1879. The notes gradually gaine n value until by January 1, 1879, they attained par They were at that date redeemable in gold on demand This makes it perfectly clear that the ability to redee paper money in gold at once, on demand, is the only nethod by which its par value can be maintained. Naturally, when the United States once more wen n a gold basis, prices fell. The money was mo valuable and less of it was given than formerly in ex hange for goods. This undoubtedly wrought hard shin to the debtor classes, who now had to meet the oligations in more valuable money-practically with gold. An agitation then arose to issue more pa per money, and to prevent the retirement of the green backs, in order to maintain prices and prosperity. Th Paperlist party took up the cry for more money. agitation did not finally cease until the defeat o Bryan on a free-silver platform in 1896. But it result ed in forcing upon the government the policy of keeping the unretired greenbacks in circulation. Out of the 4\$50,000,000 issued during the war \$356,000,000 went unredeemed by the government. This amount of greenbacks still forms part of the monetary media of the United States, although it should not be overooked that any person holding these notes may have hem paid on gold on demand. The government, however, must re-issue the notes.

The greenbacks, it should be noted, were made full legal tender for all purposes except payment of inerest upon the national debt and for discharging

Canada's Paper Currency.

It should be kept in mind that we are here consider ng government issues only, and not not obligations of the banks. These latter will be discussed later, In Canada, fortunately, we have only a small pape

urrency issued by the government. The Canada Ga ette (July, 1914), shows the notes issued and the gold held by way of security. The \$5,000,000 odd mentioned on the statement as being held against government savings deposit has, of course, nothing to do with the security of the Dominion notes. The paper money is-sued and the gold reserves held to protest it are seen in the following statements:-

Provincial \$	27,785.25
Fractional	795,980.28
\$1	12,392,483.00
\$2	8,790,462.50
\$4	65,303.00
\$5	2,254,062.50
\$50	12,700.00
\$198	4,700.00
\$500	2,167,500.00
\$1,000	5,022,000.00

INCORPORATED BY ACT OF PARLIAMENT

CAPITAL Paid Up.... \$16,000,000.00 \$16,000,000.00 UNDIVIDED PROFITS . \$ 1,098,968 4

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THE Royal Bank of Canada Incorporated 1869

Capital Authorized -Capital Paid up -Reserve Funds -Total Assets \$180,000,00

H. S. HOLT, President E. L. PEASE, Vice-President and General Manager 335 Branches in CANADA and NEWFOUNDLAND; 35 Branches CUBA, PORTO RICO, DOMINICAN REPUBLIC and BRITISH WEST INDIES

LONDON, Eng. NEW YORK Cor. William and Cedar Street

\$500 Legal Tender Notes for Banks . . . \$5,000 Provincial Notes.

\$1.....\$ \$10..... 2,500.00

pecie and Bullion held by the Receiver General and the several Assistant Receivers General, on the 30th May

Revised Statutes of 1906, chapter 27, intituled "An Act respecting Dominion Notes," 25% ecie to be held in excess

93, 432, 476, 53 Reserve on amount of deposits in Savings

Revised Statutes of 1906 intituled 'An Act respecting Savings Banks".... \$5,314,207.65 The method of Canadian government not

On the first \$30,000,000 of notes issued \$7,500,000. Of that amount the govern 15 per cent, in securities guaranteed by the seen by a glance at the figures, the go the whole amount-\$7.500,000-in gold.

cold basis. The only uncovered issue is the 75 per ent. of the \$30,000,000—\$22,500,000. On this sum the Government makes some return, as it represents a orced loan from the people without interest. On the note issues above \$30,000,000 the government gai othing, as every dollar must be backed up by gold. Some critics have demanded that the Government

\$25,000,000 \$11,560,000 \$13,500,000

HEAD OFFICE: MONTREAL

SAVINGS DEPARTMENTS at all Branches

" 7...7: 82,140,000.00 \$115,932,476.53 6.066.00

specie to be held under The

on \$30,000,000.00\$ 7,500,000.00 of \$30,000,000.00 85,932,476.53

Banks on 30th May, 1914, being 10 p.c. on \$53,142,076.49, to be held under The

ay be explained very simply and clearly. ent must hold a gold reserve of 25 per cent

For every dollar issued in notes above \$30,000,000, the government must hold dollar for dollar in gold. The statement shows that \$99,000,000 odd are held for that purpose.

The odd figures occur because there is, as the state ment shows, still a small amount of old provincial notes outstanding. These notes were part of the issues of the old Province of Canada, and have never ogen presented for redemption. In all likelihood they never will. They have either been lost, destroyed or kept in part in the collections of monies by different

Canada, it will thus be seen, is practically on a

should keep a gold reserve of 25 per cent against the total amount issued. There would doubtless be a great gain in interest if the Government should set this vast amount of gold free; but the dangers involved are too great to make the experiment worth while. Canada is far better off on a sound gold basis.

Quit growling about the heat, take baths, keep your lik cans clean and don't eat too much. Then you'll live 'til Fall, if you deserve too .- Little Arthur Echo.

YOL XXIX. N

Local Traction Con

of \$38 MUCH NEW C

any Is Considering th More Cars of the Motor nts Demand

The Montreal Tramways

une 30 last, had gross ear ease of \$388,576.82, or 5.7 operating expenses rain of \$173,450, or 4.30 per The net earnings cons an increase of \$215,126.82, The ratio of operating ex per cent. compared with which is considered quite The sum of \$417,124.99 contingent renewal accour enting expenditures made The sum of \$829,706.18 h naintenance of the compa equipment, and charged to amount, together with t harged to renewal Accountotal expenditure of \$1,246, the upkeep of the company' is equal to 17,46 per cent. c During the year there ha

ecount for additional roll improvements to the proper There has been also rede 893.27 of the underlying bo \$838.606.59 "Large additions have I stock of the company durin

d Mr E. H. Robert, the P his annual survey. "A ne railer has been introduced helped the service on St. line, and the company is n ability of building more car "The increased rolling st have necessitated further ex

ents, which has also during the past year. "The company has also of the rebuilding of its trac continue as fast as possil rowth of the city, for son been requesting the compar tensions of its service in or the contract between th and negotiations are now po of the existing contract, and

factory agreement will be o the constant demand necessi

of greater Montreal." Here is thefi nancial stat perating expenses Net earnings City percentage on earning interest bonds and loans Interest debenture stock ... Net Incom urplus

Discount on bonds sold . insferred to contingent account Transferred to general sur-Traffic statistics compare

Passengers carried Car earnings per pasenger ransfers . Total passengers carried . Car earnings per passenger, carried

A DELIBERAT So London Press Terms Sei Kiel Canal-Punishmer

(Special Cable to Journ n, Aug. 3.—The Daily orially: "To-day the peo pire will learn with one unive ation of an act of delik have been wantonly challenged

stantly into war. "The seizure of the two Bi Calan is, in all circumstance plain aggression as was ever c upon another. "To-day the world will hea the British government is to the first answer will not be of that answer which has constituted of the British by the power which has constituted of the British by the power which has constituted by the British by the

of the European crisis' will be and the whole might of Great into the task. "No nation ever went into or clearer conscience than Gree

THE PELL FA Yew York, August 3 .-- At a editors of S. H. P. Pe brought out that 206,000 bale on the firms books when th market came. Of this 126,00 leaving unliquidated a balance time the suspension was ann receivers is expected to 1

WITHDRAWS MILL

New York, August 3.—Abor to-day from sub-treasur.