

giving rise to gold exports to Europe. Ordinarily there would likely have occurred a moderate outgo to London, but the Paris demand both stimulated the force and diverted the direction of the movement.

As to the reasons for the Bank of France making such special efforts to obtain gold, the chief is probably the desire to make its world position amply secure against all possible financial developments that the near or more remote future may have in store. The Bank's holdings of gold, which are still \$25,000,000 or so less than a year ago, were in June about \$40,000,000 below the 1906 showing. It was not unnatural, therefore, that it should have availed itself of recent conditions to draw as largely as possible upon New York with a view to making up in part this falling off. The outlook in Russian and home politics has, doubtless, had much to do in influencing to a precautionary banking policy. Then, too, general French industrial and commercial improvement is making an insistent demand for more money. Also there was doubtless considered the possibility of a European crop shortage—which, by entailing larger grain imports, would necessitate a heavy outgo of gold. Berlin, as well as London and New York, was called upon during June to add to the stores of France. The various French banks withdrew during the month a considerable part of the capital employed by them in Berlin—an action which was the more significant because at a time when rates were higher there than in Paris.

With regard to the drain upon New York, The Economist of London, states that it "may be in repayment of loans raised by Americans in Paris, or it may constitute part of the repayments due from London to Paris. London, in short, may be transferring from New York gold which belongs in the former centre."

The *modus operandi* of the Paris imports from New York would seem to have been as follows. Late in May the Bank of France apparently arranged with certain French bankers to conduct operations in a way to derange as little as possible the conditions favourable to continued importation. In this connection it was doubtless considered essential that the flow of gold should be to Paris itself—since for London to procure it might mean a receding in discounts there, thus weakening the general European attraction for America's gold. Import arrangements were, therefore, put in the hands of New York representatives of the French bankers. "These agents," to quote The Financier of New York, "agreed that if the American bankers would buy gold from the assay office and deliver it to the outgoing steamer, they—the aforesaid agents—would assume the cost and risk of its transportation to and delivery in

Paris, by the acceptance of the bill of lading, or receipt for the gold, and, in exchange for the metal, would give to the consignors a cable draft upon a credit in London for the equivalent value of the gold so shipped, which draft the consignors could sell in the New York market and thus obtain reimbursement for the metal." By those bankers who looked for a decline in exchange as the result of gold shipments, the proposition was not accepted. Others availed themselves of the offer; stipulating, it is thought, that the carrying out of the movement be confined to a limited number of bankers. It is probable that the participating firms had in view the arranging of foreign settlements rather than the question of arbitrage profits.

The reason exchange did not fall as the immediate outcome of offerings in the market of cable transfers drawn against London credits for the reimbursement of gold shippers was, to quote again, "that there was coincidentally with the export movement an urgent demand for exchange for remittance. This inquiry could not be satisfied with sight sterling, for bankers generally refrained from drawing these bills owing to the tense discount situation abroad; moreover, during the greater part of the month, exports of commodities and of merchandise were in insufficient volume to meet requirements for imports of goods and securities." Or, to put it otherwise, the favourable international balance due to the movement of merchandise had been wiped out by excess imports, travellers' credits, lavish spending abroad by Americans, and the return to the United States of considerable amounts of securities. However, the adverse balance this year was of much smaller magnitude than that of 1902-3, when excess of imports due to tariff changes and general distrust abroad (owing largely to the operations of the silver purchase clause of the act of 1900) made necessary over \$100,000,000 of gold exports in settlement of the country's adverse international balances. Evidence that the current year's movement is much less momentous lies in the fact that after the export of \$25,000,000 or so of gold, exchange responded, and the gold movement received a check.

If, however, the Bank of France maintains its vigorous bidding for gold to augment its reserve, exports of the metal may continue as a recurrent feature of New York monetary conditions for some time to come.

NOVA SCOTIA received last year on account of its minerals a revenue of \$643,457. Of this \$575,065 was coal and \$2,936 gold royalty, the remainder being made up of minor revenues, licenses, etc. Coal amounting to 5,194,590 tons was produced in 1906, as against 4,475,284 in 1905.