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THE EUROPEAN SITUATION. NOTHING is to be gained by exaggerating, but on the other hand, nothing is to be gained by underestimating the seriousness of the European situation. The known facts are sufficiently grave. Mr. Lloyd George has made a carefully prepared speech, manifestly with the approval of his colleagues, which is universally accepted and was evidently intended as a public intimation to Germany, that British interests in Morocco will be maintained forcibly, if necessary. This declaration is evidently regarded as ominous in the money market. British Consols made a new low record, selling as a 2 1-2 per cent. security, at 77 3-4 which is 9-16 lower than the previous record of July 12; and notice has been given by Lloyds that all war risks will be cancelled from August 15th. The weakness in Consols is admittedly due partly to the Moroccan imbroglio and partly to the parliamentary crisis in England. There is a connection between the two things which is not manifest on the surface, but it is characteristic of German military policy to take cognizance of all such diversions and embarrassments in the enemy's camp in choosing the hour to strike. There is a rumour, which has been denied, that 400,000 German reserves have been called out; the explanation given is that 100,000 have been called out for the autumn manoeuvres. Here again, however, it may be said that the objects of the German War Office can only be conjectured from circumstances, and that mobilisation is likely to be well on the way before any hostile demonstration is made. One thing certain is that nowhere has Mr. Lloyd George's speech been taken more seriously than in Berlin, and that it will take considerable diplomatic ingenuity for Germany to recede from the position she has actually reached now without loss of prestige.

It cannot be too strongly insisted that the kernel of the situation is not in North Africa but in Germany. German military policy is cold-blooded and far-sighted. The war with Austria in 1866 was hardly over, before Germany commenced to prepare to deliver a crushing blow at France, before Austria could recover sufficiently to join with France in a war against Germany. The friction over the question of the Spanish throne had far less to do with the selection of 1870 as the date for the German army to march to the Rhine, than the fact that the German military organization was complete, the French War Department demoralized, the French

people disaffected towards their Emperor, and France diplomatically isolated. The seriousness of the present situation lies in the fact that for some years Germany has manifestly been making preparations for a great military and naval war, that the army has grown beyond the control of the nation, that the naval preparations are upon a scale of magnitude which forbids the idea of their being purposeless, and that for months past Germany has been scheming to isolate Great Britain diplomatically in Europe. Mr. Asquith's statement yesterday leaves no room for doubt as to Great Britain's position.

LONG AND SHORT HAUL. THE Interstate Commerce Commission, which is a good institution so far as it goes, but has not the powers and consequently not the usefulness of the Canadian Railway Commission, has rendered a lot of important decisions upon the long and the short haul question in connection with railway rates. Most of them reaffirm the principle of reduction in class rates in the territory between the Rocky Mountains and the Pacific Coast, where the abuses seem to have been greatest. The question of water competition is exhaustively dealt with by the Commission, which observes that a shipper finds it difficult to reconcile himself to paying \$500 for transportation of a car of merchandise to his city when the same carload will be carried from the same point of origin through his city to a point 500 miles beyond for \$300. The railroad answers that it grants the \$300 rate under compulsion of water competition, and that it would be contrary to the interest of the carriers and to the broadest public policy were the system changed. The commission thereupon queries to what extent, if at all, the present rate scheme rests upon the active rivalry of ocean and rail lines. It says: "The aggressive policy of the Southern Pacific in instituting a water line of its own between the gulf and the Atlantic drove its water competitors out of the field and took from the rail lines all but the most insignificant proportion of transcontinental traffic. . . . One water route after another has been rendered innocuous. . . . Since the year 1906, notwithstanding what purports to be active water competition, commodity rates by the rail carriers have been increased rather than lowered. The rate to-day from the Missouri river to the Pacific coast is 90 cents higher, first class; 85 cents, second class;