

United Kingdom in the period we are dealing with amounted to only \$251,000,000, the balance in our favor being \$1,819,000,000, as compared with the unfavorable balance of \$1,045,000,000 due to the United States. In Canada the cause of diminished imports from Britain is thoroughly appreciated. We know that her men and her physical resources were mobilized for the defence of freedom more intensively and unselfishly than is as yet fully realized, with the result that her exports, which had been steadily increasing before the war, were curtailed. To facilitate imports of the materials necessary for the prosecution of the war she made free use of external credits, and the credits granted to her by Canada for this purpose were liberal, as already indicated. The purpose of the sacrifice made by Great Britain and her allies is now attained, but there is left to be adjusted an unbalanced and critical state of foreign trade. Canada finds herself already a considerable creditor of Britain, and likely to become a more important one, and ranks as one of the chief debtors of the United States. The adjustment of our trade balance with Britain cannot be expected until conditions in that country have become more settled, or until her factories can again turn out, and her ships move, the goods we need. The cause of a premium or a discount on New York funds, although well understood by those who have to handle foreign exchange trans-

actions daily, remains somewhat of a mystery to the general public. When making purchases in cities across the border of the United States it is found that the Canadian dollar is discounted at rates varying from five to six cents, and sometimes more. The unbalanced state of trade already indicated is the cause of this. The position of the Canadian buyer in the United States, although not a desirable one just now, is, relatively speaking, more advantageous than that of the buyer from any other country, excepting Japan, Spain and Argentina. German money is at a discount of 74%, Italian 39%, Belgian 30½%, French 30%, English 10%, Swiss 7½%, Dutch 6%, Danish 17%, Norwegian 11% and Swedish 7.6%.

"The following graph shows the range of New York exchange in Canada from August 1st, 1914, to August 15th, 1919, a period which includes the lowest and the highest points that have been recorded in recent years. Since the graph was prepared New York exchange has fallen as low as 3¼ per cent. premium.

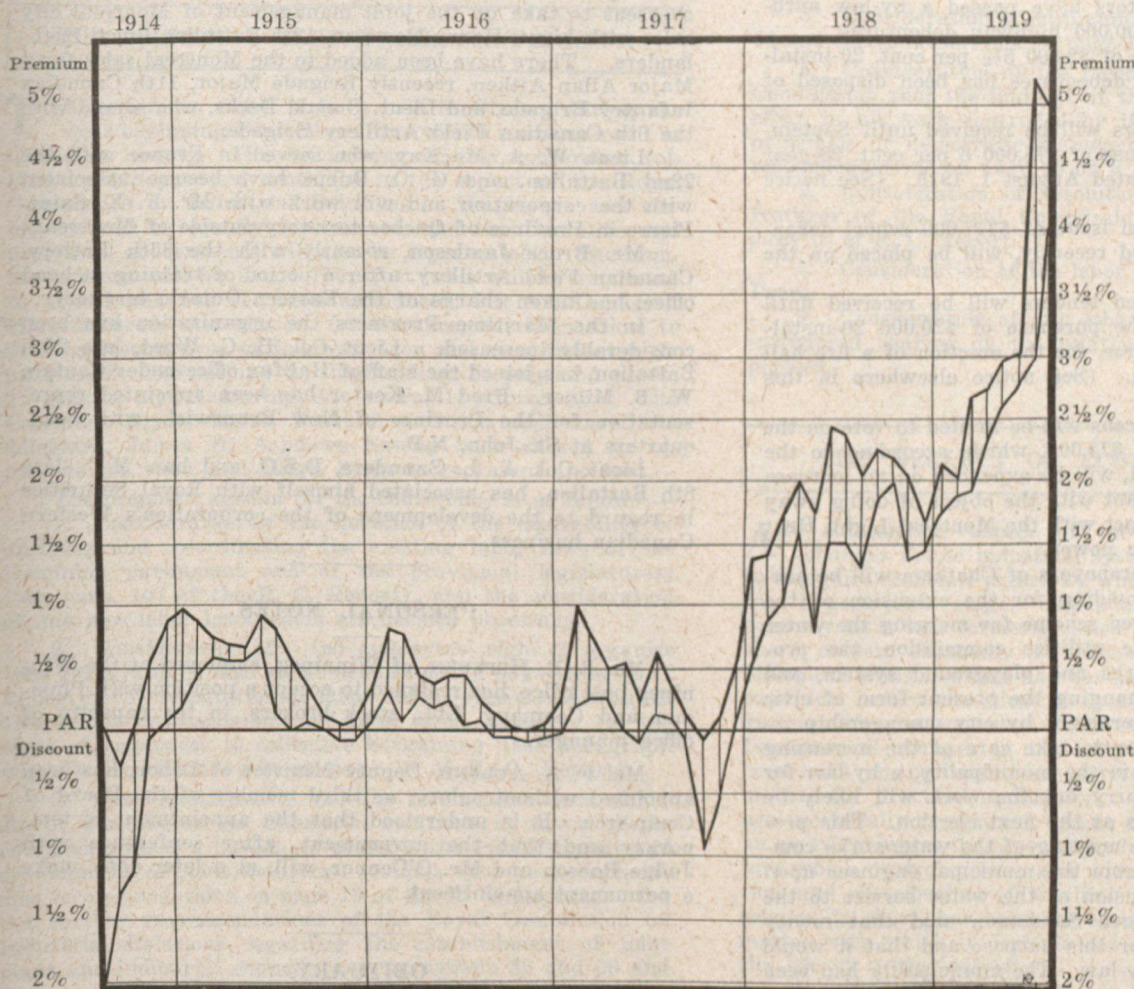
"It is of interest to recall that prior to Confederation a high premium on New York funds was not unknown. A minute of the board of the Gore Bank on January 9th, 1838, orders 'that no drafts on New York shall be sold at less than 3 per cent., and only then to persons who keep a regular account at the bank, unless the same is paid in

specie, Upper Canada, or Gore Bank notes.' A monetary crisis in Great Britain in 1836 had precipitated the panic of 1837 in the United States, owing to the endeavor to withdraw large amounts of British capital recently invested in that country. During this panic large numbers of the banks in the United States suspended payment and for a short time a similar suspension took place in Canada. The Gore Bank acted as redemption agent in Hamilton for the notes of the Bank of Upper Canada, which explains the allusion to notes of that bank.

"Again, in December, 1838, the cashier of the Gore Bank writes the cashier of the City Bank, Montreal: 'The Bank of Upper Canada sells on New York at 5 per cent. advance, and I am told some of the other banks charge a still higher rate.' Then, as now, the trade of Canada was largely with the United States, and the balances were frequently against us."

NEW YORK EXCHANGE AUGUST 1ST, 1914, TO AUGUST 15TH, 1919

The vertical lines connect the monthly maximum and minimum points.



A London correspondent of the Toronto Globe cables that the Royal Wheat Commission has offered to buy 19,000,000 bushels of Canadian wheat at last year's price, or on the basis of \$2.24½ for number 1, Northern, provided that it can be shipped before the close of navigation. This

is very close to the Canadian government's guaranteed price of \$2.15, and, in view of the fact that large surpluses are available from Australia, South America and the United States, it would appear that little more, if any, can be expected for the Canadian crop.