

The Chronicle

Banking, Insurance & Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY



Vol. XXXIV. No. 48

MONTREAL, NOVEMBER 27, 1914.

Single Copy 10c
Annual Subscription, \$5.00

TELL-TALE DISCOUNTS.

To those who recognise that sound finance is as important a factor in the successful waging of modern warfare as up-to-date armaments, there is distinct encouragement at the present time in the course which is being taken by German funds in neutral money markets. Germany, it is the general opinion of foreign financial critics, started her war-financing upon an unsound basis. Her issues of currency were enormously inflated. It is credibly said that the total issues of new currency and bank money in August and September, to avoid a technical moratorium and to make possible the recent loan, amounted to at least \$1,100,000,000. The flotation of enormous quantities of incontrovertible paper money is a common enough expedient and some of Canada's amateur financiers have been lately urging the Dominion to take a somewhat similar course. But it is usually resorted to by countries of questionable financial standing and hardly ever with impunity. Almost inevitably this step means eventually a depreciated currency, a depreciated currency means difficulty in carrying on foreign trade, and in this way a steady multiplication of economic difficulties, which produce a deplorable effect.

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The consequences of Germany's unsound policy are already becoming visible in the neutral money market of New York. There the Reichsbank note has now depreciated to a figure which is fully 10 per cent. below the "mint par." In relation to the United States, Germany is a creditor nation as are Great Britain and France, but whereas at the outbreak of war, the rates for sterling and francs exchange rose to unheard of levels, owing to the desire of those countries to collect their balances, German Reichsbanks moved and have continued to move in exactly the opposite direction.

It is possible, of course, that the stoppage of Germany's overseas commerce may have something to do with the abnormality of German exchange in New York. But having made a suitable allowance for this, the marked depreciation in Reichsbank notes is not fully explained. It is evident in the opinion of

competent critics that those who have funds in Germany are apparently willing to accept a very large discount on those funds in order to realise upon them, while at the same time francs and sterling are at the same time at or above par. Why this eagerness to realize on unfavorable terms?

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Apparently those who hold these funds have no very high opinion of the way in which Germany's finances have been handled, or of the manner in which they are shaping. A discount of as much as 10 per cent. would under ordinary circumstances reflect a strong suspicion that ultimately Germany might go off a specie basis. Possibly under the present circumstances, it is an indication of the opinion that economically and financially Germany is in a poor position to meet the wear and tear of the present struggle and that the measures taken to meet it have really been nothing else but steps on the road to ruin. If indeed, Germany's financial position be as serious as the discount on Reichsbank notes in the New York market suggests, then it is possible that Germany is in no position at all to stand the strain of a prolonged war—that economic and financial pressure, inexorable and pitiless, will force her to give in, much sooner than any possible military successes on the part of the Allies.

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The foreign exchange market, mysterious at it is even to the average business man and excusably so, has an importance of its own. It is a sensitive and accurate barometer of coming conditions. When Reichsbank notes are at a 10 per cent. discount in New York and the German 100-mark note in Denmark has fallen to an equivalent of 113 francs, compared with a face value equivalent of 125 francs, then it can be said that things promise to be serious. Nothing less than the possibility of the wrecking of the whole fabric of German finance and credit can be said to be in sight. Of course, German methods may be changed for the better. But that is easier said than done under the pressure of such circumstances as exist at the present time, and when once the wrong policy has been got well under way.