

PUBLISHED EVERY FRIDAY

BY

The Monetary Times
Printing Company
of Canada, Limited

Publishers also of

"The Canadian Engineer"

Monetary Times

Trade Review and Insurance Chronicle
of Canada

Established 1867

Old as Confederation

JAS. J. SALMOND

Managing Director

FRED. W. FIELD

Editor

A. E. JENNINGS

Advertising Manager

London and New York, Financial Centres

REASONS *For London's Supremacy—World's Financial Centre Will Always Remain in Europe, Says Canadian Banker—New York's Present Dominance is Temporary—London is the Only Free Gold Market.*

LONDON'S supremacy is the cumulative result of numerous forces, political as well as economic, spread over a long series of years during which time the world has learned to think in terms of British money and the bills of exchange on London have been raised almost to the dignity of an international currency, while the safety of the Bank of England and the value attached to the word "sterling" have become proverbial. Sovereigns and to a great extent Bank of England notes pass current the world over without recourse to money changers. The dollar and the dollar bill must be made equally well-known and acceptable.

This is the conclusion reached by Mr. E. L. Stewart Patterson, of the Canadian Bank of Commerce, in an instructive article in The Annals of the American Academy of Political and Social Science, Philadelphia.

Mr. Patterson points out that since the beginning of the present European war there has been a great deal of discussion in the financial papers and elsewhere as to the effect of the war on London's position as the financial centre of the world and the probability of New York succeeding in assuming and keeping the position. It is, of course, natural that the serious interruption in shipping, commerce and exchange throughout the world would minimize for the time being London's supremacy, especially when the stupendous task of financing not only Great Britain's munition requirements but those of her Allies devolves upon her. He continues: There is no question that at the end of the war, New York's position as an exchange and financial centre will be vastly enhanced but not necessarily at the expense of London. Sovereigns and dollars are the only two important mediums of exchange that have been at all reliable since the war commenced and this will no doubt put both of these exchanges immeasurably ahead of the exchange of any other country at the end of the war.

London has been for centuries the commercial clearing house of the world. This is due not only to its central situation, its immense foreign trade and its large mercantile navy, but also because, through its highly perfected banking system, it provides facilities of such magnitude and of such entire efficiency for the final settlement of exchange operations, that drawers or negotiators of bills in every quarter of the globe gave preference to sterling over any other form of exchange. It has been estimated that nearly 90 per cent. of all letters of credit

issued throughout the world were, prior to the war, drawn in English money.

London is situated on the threshold of Europe in the heart of the world's commercial activities, directly opposite the estuary of the Scheldt and nearly opposite that of the Rhine and is within a short distance of every important exchange centre in the world with the exception of New York. This alone may be considered as an insuperable obstacle to New York's ambition.

To be a world centre of finance it is essential that a city must in the first place be the unquestioned financial centre of its own country. London is indisputably recognized as the financial centre not only of Great Britain but of the British Empire. No local jealousy is evinced by Birmingham, Liverpool, Glasgow or other large cities as to London's supremacy in this regard. New York is the principal financial centre of the United States, but it is not the only financial centre. Chicago, St. Louis, San Francisco and other important centres are strong competitors with New York for domestic business and to a certain extent for foreign business. Aside from sectional jealousy, the vast area of the United States makes this competition inevitable. Will these cities abandon selfish motives and aid New York in her ambition? Will not the expansion of the country's foreign trade accentuate rather than diminish this competition? Chicago and Minneapolis will share in the development of the great Canadian West, San Francisco will become more and more important with the extension of business with the Orient and New Orleans will benefit by the opening of the Panama Canal and the expansion of trade with South America. The United States is not a country but a collection of countries or commonwealths of which New York State is only one. The tendency is to minimize New York's financial supremacy rather than to assist it. A study of the discussions on this feature preceding the passing of the present federal reserve act will bear out this statement.

It is not a question of the ability and enterprise of the American, but one of his overcoming the handicaps of temperament, environment and tradition and we might add prejudice and suspicion as the world has not yet forgotten the frequent and serious crises in American financial history.

It must not be overlooked that, when an international business is so long established and well centralized