

Journal of Commerce

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CAPITAL INVESTMENTS AND THE BALANCE OF TRADE.

When a country commences to invest capital in other lands its exports begin to exceed its imports. Capital investments by one country in other lands mean that the lending nation is furnishing the borrowing country with goods, and is receiving in exchange securities of all kinds which do not appear in the figures of trade. Should the capital investments extend over only one year the exports of the lending company will exceed its imports to the value of the sum invested. Should no additional investment be made, the imports of the lending country in the following year would exceed its exports to the extent of the interest or dividend it receives upon the capital invested. As time goes on, and the total amount of capital invested by it in foreign lands attains to larger and larger figures, the annual sum received as interest upon the capital embarked rises correspondingly. In this case the balance of exports over imports resulting from the investment of capital becomes smaller and smaller in consequence of the increasing sums received from the interest upon the capital previously invested. After a time the annual sums which a lending country receives for interest exceeds the additional sums it lends each year; and in spite of its continued investment of capital in other lands its imports exceed its exports.

In the same way the trade balance of countries which borrow capital from other lands is affected by the produce they import in respect of the capital they borrow, and by the export of produce for the payment of interest. A country beginning to borrow from other lands imports a larger amount of produce than it exports. When the interest payments of a borrowing country amount to large figures, its exports appreciably exceed its imports even in years in which it borrows freely.

In Canada, some of our business men are impatiently waiting a "favorable" balance of trade. They want to export more than they import. That day is rapidly approaching for Canada, when our huge borrowings abroad are considered. But we shall simply be paying a heavy interest upon our borrowings abroad.

Protectionists have for years been waiting for the pleasing spectacle of Britain's bankruptcy. Here is a nation that for years has been importing millions of pounds, sterling, more than she has exported. And yet the peculiar thing to explain is why her exchanges are usually in her favor. She is constantly flowing to her shores. She has laid the whole world under tribute. Instead of the decrepitude and decay that her enemies have predicted, she is to-day the mightiest power in the world. Her wealth is increasing by hundreds of millions of pounds, annually. And that is why the hard-headed Englishman pays so little attention to tariff reform.

There is practically no country in the world which neither exports nor imports capital, with the exception of Tibet. This type of country may be left out of consideration. The chief countries which supply capital to other lands are Great Britain, Germany, France, Holland, Belgium and Switzerland. Of these countries, Great Britain is by far the most important lender. That country has over \$17,000,000,000 of capital invested abroad, and is adding to her colonial and foreign investments at the rate of upwards of \$500,000,000 a year. Germany and France come next with investments of about \$9,000,000,000 each. The investments of Holland, Belgium and Switzerland are of much smaller amount, but are nevertheless considerable. The imports of all these five countries largely exceed their exports in consequence of the receipt of interest.

The principal countries whose exports exceed their imports in consequence of the large amount of interest they have to pay on capital borrowed from other lands are: The United States, the Australasian colonies of Great Britain, British India, Argentina, Brazil and Mexico. Several other countries whose imports now exceed their exports, will eventually come into this category. At the present time Canada's imports largely

exceed her exports in consequence of the vast amount of capital—\$200,000,000 a year—which she is borrowing from other lands, mostly from Great Britain. In the course of time Canada's indebtedness to other countries, and her expenditures abroad, will be so great that her exports will exceed her imports, although large amounts of capital will continue to flow into this country each year.

Canada should have no difficulty in making these interest payments, when one considers the rapid growth in the annual amount of wealth created by means of the capital she is importing. China, Japan and Chile are other instances of borrowing countries whose imports exceed their exports in consequence of the inflow of large amounts of foreign capital.

The crude, overthrown theory that we should sell more than we buy, and secure the balance in money, is rapidly going by the board. People are realizing more and more that domestic, as well as foreign, trade is concerned only with the exchanging of goods that we have for goods that we want. If money will make the wheels of industry revolve, then the machinery of trade, should be humming in Canada today, for there is more money in the country, than there ever was. But we are quite well aware that other causes—gambling in real estate, speculating in fox ranches and so forth—have brought things to the present pass. What Canadians should fix their minds upon is not a "favorable" balance of trade—which they will get soon enough—but the proper and safe employment of the capital they have borrowed from Great Britain; for upon the continuance of the flow of capital to this country its prosperity depends.

ELECTRIC RAILWAYS.

Electric railways in Canada and the United States are growing in favor each year. According to the latest Government report, there are 1,356 The total car mileage for the year was 19,419,000 miles; the passengers carried by electric railways in Canada, 1,100,000,000, while the freight carried amounted to 975,000 tons. The aggregate capital of electric railways amounts to \$141,285,900, while net earnings for the year amounted to \$19,482,000.

There are now 975 electric railway companies operating in the United States, over 41,065 miles of track. The employees number 282,000; the passengers carried in 1912 numbered 9,545,000,000, an increase of 100 per cent over the figures for 1902. The gross income in 1912 amounted to \$386,930,000, an increase of 134 per cent during the decade. The horse power used in operating the railroads was 3,665,000, an increase of 172 per cent in the ten year period under review.

The statistics indicate that the electric mileage is increasing rapidly, much more rapidly than that of steam railroads. The latter's receipts increased in the past decade 65 per cent while electric roads have increased 100 per cent. Another point to be noted is that the fluctuations in steam railroad earnings vary more widely than do the earnings of electric roads. Thus there were three occasions in the past decade in the United States when the steam railroads of the country failed to show increases in net earnings, but in every case electric roads have shown gains in both gross and net earnings. It would look, therefore, as if the future of transportation lay with electricity rather than with steam, although there are certain problems connected with the electric railway which are difficult of solution.

SHORTAGE OF COPPER.

According to figures recently compiled by the "Boston News Bureau," the consumption of copper is now 72,000 tons a year greater than production. The question naturally arises, what will be the effect on the price of copper when business improves and men realize that this shortage is starting them in the face? During the years 1902 to 1905, the world's consumption exceeded production by 64,000 tons, followed in the next two years by a halt in the price of the metal. During the last four years, the world's consumption exceeded production by 288,000 tons, or an average yearly shortage of 72,000 tons. In 1902, the world produced 557,000 tons, while in 1913, the production increased to 946,000 tons. In addition, the utilization of porphyry mines has added to the world's copper supply some \$21,000 tons, but even with

that there is still a big shortage. In the past, when the consumption overtook production, there were rapid increases in the price of copper, at one time sending it up to 28 1/2c a pound. Business men are now asking, will this be duplicated? The probability is, that as soon as business improves, the price will advance.

ELECTRIC DRIVEN BARGES.

A new venture is being tried out on the Erie Canal, which shipping men believe is capable of great possibilities. Charles W. Morse, who has had a somewhat spectacular career as a promoter, ice magnate, banker, and finally as an inmate of a penitentiary, has organized a company for the purpose of placing thirty boats on the Erie Canal. The boats are capable of carrying 1,500 tons of freight each and will operate between Buffalo and New York, stopping at all the towns and cities en route. Each boat will be independently driven by electricity, by means of a dynamo run by a stationary engine. This, it is believed, will furnish cheap transportation, and is expected to practically revolutionize freight carrying between Buffalo and New York. The trip will be made by express boats in three days and by boats stopping everywhere in about four and a half days. The cost of the vessels will be \$6,500 each.

Shipping men admit that it is somewhat of an experiment, but also acknowledge that Morse is a shrewd business man, and is not likely to undertake enterprises which have no prospect of being successful. The experiment will be watched with a great deal of interest, not only in the United States, but in this country as well. Anything which will lessen carrying charges will appeal to the business men of the country.

A CURIOUS CITY.

One of the most curious cities in the world is Valparaiso, Chile. It is built on a steep hillside, and its altitude is 1,500 feet. On these hills, the city is set, as was Rome upon her seven hills, 65 1/2 in the case of the South American city, the hills range in elevation from 1,500 to 2,500 feet. The houses are built on the steeply rising hills. Everything in Valparaiso is distinctly a part of the twentieth century. The business world is full of those who are seeking comforts through far less of luxury than at Buenos Ayres, which lies twelve hundred miles away at the opposite end of the great Transandine Railroad. A novelty that would interest Americans is the double-deck tram, or trolley cars, which have first and second-class compartments. The first-class fare is 5 cents, and the second-class fare is 2 cents. The former calls for a seat inside and the latter for a seat on the roof. Most of the conductors are women, which innovation was established while the women were away at the war with Peru and Bolivia. The women proved more efficient, so have become permanent.

OPIMUM CONSUMPTION GROWING LESS.

According to United States Consul at Hong Kong, the opium trade is slowly but surely dying. During the past ten years exports from India through the Straits have diminished rapidly, and government restrictions are crushing the once extensive business. The authorities concerned in the opium trade consider that all has now gone toward that end which can be done in the way of legislation or in the way of administrative action. The future of the trade now rests upon the terms in which existing legislation and treaty agreements are to be enforced.

A BIG SAVING.

It is estimated that it costs a modern steamer 10 cents a ton registered tonnage to maintain itself on the high seas, so that every extra ton of such a vessel, of say, 10,000 tons, consumer in making a voyage from port to port, is about the cost of \$1,000. In making 300 knots a day an average steamer would require about 25 extra days at sea via the Straits of Malacca. The Panama Canal route via the Panama Canal route from the west coast of America and her excess cost by the former route would be \$15,000. This is a 10,000-ton vessel, and \$15,000 is even by paying a \$10,000 toll for the use of the trans-oceanic waterway.—San Francisco Journal of Commerce.

FORD'S LATEST MOVE.

The philanthropic Mr. Ford is going to "lay off" 5,000 employees. As these employees have been paid double their services were worth in the market are they not entitled to normal wages during the slack season? And 100 per cent. Another point to be noted is that the fluctuations in steam railroad earnings vary more widely than do the earnings of electric roads. Thus there were three occasions in the past decade in the United States when the steam railroads of the country failed to show increases in net earnings, but in every case electric roads have shown gains in both gross and net earnings. It would look, therefore, as if the future of transportation lay with electricity rather than with steam, although there are certain problems connected with the electric railway which are difficult of solution.

"A LITTLE NONSENSE NOW AND THEN"

Judge: You say it was pitch dark when you received the blow, how can you swear the prisoner gave it? Complainant: When he hit me I saw stars, your honor, and I recognized his features by the starlight.—Public Ledger.

HOW HE EXECUTED FIRST BIG TRADE

When the new office boy reports for duty the way usually set him to work polishing the eyes of the stuffed owl and the green printer's devil is provided with a bucket and sent to the foreman to get a "pint of itale perole." On the curb a "falek" with which is made for the benefit of the novitiate trader, and he is usually finished off by being forcibly deprived of his collar and shirt or rolled in the mud. At the Stock Exchange the hoary customer stalks of giving a new member an order to buy A. O. T., i.e., Any Old Thing, which is a hard-earned veteran of one of the big Exchange Place firms tells the following story: "I got my first order from the order clerk to buy A. O. T., in due form, and I made a bid of \$100,000. I was so enthusiastic to execute my first big trade. The only trouble was that the hastily scribbled memorandum apparently read 'A. O. T.' with a letter that looked suspiciously like an 'F.' Any way, I took it for such, and frantically bid for 1,000 shares of American Cotton Oil preferred. I had a board member smile reminiscently. "And I took the firm three months to get out of the stock without a loss. I think we made a mistake of the transaction, but on no one. Don't you think so?"

IDEALS NEEDED.

Of late years our Maritime Provinces colleges have become more practical in the sense that they now direct-ly equip students in engineering, forestry, and other pursuits, for the path falls they intend to pursue, and the work is done in most instances at least without ignoring the fact that culture, after all, must be the principal aim of the higher education, and that while the world needs engineers and foresters it needs still more men of well balanced education who will assist in restoring that sense of proportion which has been increasingly disturbed by the materialistic standards of this century. To many young men, through their training and associations, set before themselves money as the thing to be sought above all others. The universities ought to do much to correct this materialistic standard, and to lead the student to regard life as a whole, and happiness and true success as things to be achieved only through the conscious and willful pursuit of the noble. Our age needs philosophy much more than it needs money, and while many think it needs enlightened agriculture, it needs more men of letters and Greek, it needs more men of letters and Greek, it needs more men of letters and Greek, it needs more men of letters and Greek. It needs idealists.—St. John Telegraph.

HOARDINGS OF GOLD.

Following the German case given last week, the hoarding of gold by the various Continental national banks has been going on for some time. The hoarding of gold, even invading London for the hoard articles. The results are pictured in the following accession to their respective gold holdings between Jan. 1 and the last fortnight of April:

Table with 3 columns: Country, Gold Holdings (Jan. 1), Gold Holdings (April 15). Rows include Russia, France, Germany, England, Austria, Belgium, and Russia (particular).

WHAT IS COMMERCIAL PAPER.

In an article by "Holland" on the magnitude of the war confronting the Federal Reserve Board, appear these references to "Commercial Paper": "What shall constitute commercial paper within the meaning of the Federal Reserve Act? The question would not be difficult to answer; in fact it would answer itself, if conditions at the present time were similar to those universally recognized eighteen or twenty years ago. Then commercial paper was understood to represent the purchase price of commodities that had been sold. Therefore the actual value was behind the paper. But about fifteen years ago there came a change. Now the almost universal practice is for the purchaser of goods to borrow money on his own paper from the banks, with which he can make a cash payment to those who sold the goods, so that in that way he can get the benefit of the discount. That paper is regarded now as the best kind of commercial paper. The clearing house association of New York, through its chairman, A. H. Wiggin, apparently believes that it is a matter of great importance that there be a general restoration of the former methods. Should the recommendation be adopted, then it is plain that there will be far-reaching changes in the method of doing business. The paper—there is a return to the old system. This, however, cannot be done abruptly. It must be accomplished in a series of steps. The most important change required by the law must be made."—The Nation's Business.

CO-OPERATIVE BANKS.

"Where the people's banks (co-operative) banks come in boveis and mortgagors disappear, the owners have to take the loss. There used to be grading, say and delight in each other troublings, there is now fellow-feeling. The co-operative banks, they are, and together by a common interest that their neighbors' good their good. The Hungarian, to investigate the work of these banks. I have seen a new world, he said, a world of improvements referred to by everyone is the protector and assist of his neighbor."—H. D. Lloyd in Co-Operation.

GREAT BRITAIN'S NAVY ESTIMATES.

The First Lord of the Admiralty of Great Britain has presented to Parliament the Navy estimates for the year 1914-1915. The important fact which stands out from the writer of statistics is that the estimates have been increased £2,740,700—more than 12 million dollars. The navy estimates of the British government £33,573,261 in one of the most important of the world's armaments. The navy estimates of the British government £33,573,261 in one of the most important of the world's armaments. The navy estimates of the British government £33,573,261 in one of the most important of the world's armaments.

BIG BUSINESS IN MEXICO.

The highly deplorable state of affairs in Mexico will have at least one extrajudicial remedy. The enormous wealth of the country and the magnitude of its industries. It will be a surprise to everybody not intimately acquainted with the country to learn that Mexico possesses five of the largest industrial undertakings in the world. These are: The cotton industry of Orizaba, which is larger than any mill in Lancashire. The cement factory in the State of Chihuahua, which is the largest in the world. The soap factory at Gomez Palacio, in which the Watsons of Liverpool are even larger than the works at Port Sunlight.

TELEPHONES IN BRITAIN AND CANADA.

According to explanations recently made in the House of Commons there are in use in the United Kingdom 723,000 telephones, representing a value of about \$115,000,000. At the close of the fiscal year 1912-13, according to the statistics of the Department of Railways and Canals, there were in use in Canada over 465,000 telephones, which represented a capital liability of \$69,214,000.

WHITSUNTIDE HOLIDAYS.

Liverpool, May 20.—The Cotton Exchange here will be closed May 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st.

THE FUTURE OF RAILWAY RATE REGULATION.

By H. M. P. ECKARDT.

There are various reasons why the Dominion Parliament considers that it is entitled to control and regulate, through the Board of Railway Commissioners, the freight and passenger rates of the railways. In the first place, it has not been possible to rely on competition as a means of keeping the transportation charges down. It is true that in certain districts and in certain parts there is effective competition, but in many territories, and at numerous shipping points, one company or another enjoys a complete monopoly and if rates were not regulated could charge whatever the traffic would bear. Again, Parliament has granted to many of the roads of systems large sums in the form of cash subsidies or bonuses; and it has loaned round amounts at various times and guaranteed bonds in order to help the promoters complete their construction programmes. Because of such assistance rendered the companies have acquired some right of claim to have a voice in the fixing of rates to be charged by the carriers when they commenced operations. A third reason is found in the growth of radical sentiment or opinion and the extension of the paternalistic idea. The doctrine of commercialism, that the corporations cannot be trusted to conduct their affairs by themselves—that if left free and unregulated they would prey upon the public; and that the people will be benefited if their representatives in Parliament take to themselves the close control and oversight of all great undertakings such as these. A fourth reason for the existence of rate regulation in Canada exists in the fact that it is an established thing in the United States. Across the line they are especially harrasing the corporations, and the railways, and we are accustomed to take many of our ideas from them.

These are the principal reasons why we have established regulation of railway rates. As to whether the rates are sound or sufficient, some will not in all respects entirely satisfactory or in the best interests of the public. One of the officials of the Pennsylvania Railroad, in testifying before the Interstate Commerce Commission at Washington last October, drew attention to some points which have the closest bearing on the situation in Canada. This gentleman, Mr. L. S. Lee, pointed out that the United States had just entered a new era in railroad regulation, "an era demanding elimination of grade crossings, improved road stations, steel cars, automatic signals, higher wages to the men, better accounting, and numerous other similar details." It can be said, with reference to Canada, that the same is true of this new era, and that the amount of new capital must be secured by the railway companies. And the public officials and newspapers in Canada and in the United States who are active in pressing for the costly improvements referred to have no doubt been giving sufficient attention to the matter of providing the necessary capital. The Pennsylvania official pointed out a most serious deficiency which he said, "There is to-day no established policy on the part of the people or the government concerning the railroads which, in fact, is a man putting his money into a railroad investment to know the kind of treatment he is going to receive." Owners of a given class, who are accustomed to take a long range view of the prospects confronting them in the case of any particular investment, cannot but move freely or confidently into a given class of securities unless their owners can feel reasonably well whether they will receive fair treatment. The uncertainty of capital in United States, railway securities, implies quite decisively in some localities, the prosperity of the country has been adversely affected.

The Board of Railway Commissioners in Canada, like the Interstate Commerce Commission at Washington, is a judicial body, before which the railway companies, on the one side and the general public on the other may appear to present their arguments. Our Commission as yet has not been constituted in any regular manner, and it is apparent that it is no certainty that it will continue so. The Ottawa Government appoints the members of the commission, and to a certain extent, reflect the views of the predominant section of the Cabinet. That is to say, if an advanced radical government were in control at Ottawa, the appointments to the Board of Railway Commissioners would be given to men of pronounced radical types and the result might be "packed" by one of the Hittites so to speak. In that event, the railways would be in perpetual fear of unfair treatment. Their position would be something like that of a borrower, in case his customers were to be given the power of fixing the prices at which he must sell beefsteak and other meats to them.

It will be of big import for Canada and abroad are not able to see clearly or satisfactorily how they will fare on putting their money into Canadian railway securities. Commenting on the question raised by Mr. Lee, above mentioned, the New York Evening Post says: "The time is bound to come, and that before very long, when the policy of the Government in this matter will have to take more definite shape." In other words, if the Government will have to let the owners of railway securities and owners of securities, know exactly what they have to expect. Probably the same thing will have to be done in Canada. The anxiety of British and foreign holders of our railway securities has been aroused by the recent provisions for the Dominion and the railway securities. That method, though extensively practised, is altogether unsatisfactory, as the people are becoming dissatisfied with the policy of railway rate regulation in the United States. And besides, if the policy of rate regulation is to be maintained, it will be necessary to regulate dividends at a certain rate, and to regulate the amount of interest on the securities, as well as interest on the bonds. It would be much better to discontinue the present method of guaranteeing the interest on the securities and to give them instead every assurance that they will have a fair show, and let them stand on their own feet. The experience of recent years is to the effect that Canadian conditions are as a rule extremely prosperous and that the result is a great volume of capital from abroad; and it is a most important matter for us that the owners of this capital should have a fair show, and let them stand on their own feet.

THE TRADITIONS OF WAR.

By Randolph S. Bourne, whose essays on various subjects have appeared in the "Atlantic Monthly," has written, for the American Association for International Conciliation, a vigorous exposition of what he calls "The Traditions of War." His main thesis is that while peace proposals are often offered at for purely practical expediency, it is the militarists who are irrefragable and sentimental and who are "adapting themselves to ghosts which have long since ceased to inhabit the corporeal bodies of facts."

In the first place, militarists are entirely on the defensive. Whereas 75 years ago they might have said that war was valuable because it kept the nations of a nation "virile," now they are silent on this point. Whereas 50 years ago they might have confessed that war was valuable because it kept the nations of a nation "virile," now they are silent on this point. Whereas 50 years ago they might have confessed that war was valuable because it kept the nations of a nation "virile," now they are silent on this point. Whereas 50 years ago they might have confessed that war was valuable because it kept the nations of a nation "virile," now they are silent on this point.

Already in 1914, and in the following months, the Montreal Stock Exchange to-day was in diminishing volume, with quotations for the most part little altered. The influence of the approaching holidays is making itself felt, the brokers here having voted to close down both on Saturday and Monday in accordance with the observance of Victoria Day. London has adopted a similar course and Toronto is also expected to follow into line. The New York Exchange and the continental houses will, of course, be opened as usual.

Quebec's Elimination.

No perceptible general trend was observable in London to-day, and in fact, the fact of the elimination of Huerta appears now to be only a matter of time, was inclined to be heavy. The tendency was to mark time. The fact as a whole has been pretty thoroughly liquidated. Very few stocks are offering. In the dullness that consequently prevailed there was no outstanding feature. Canadian Pacific was stronger, a morning, opening at 19 1/2, and selling at 20 1/2. The buying is said to be based on the bright crop outlook. Quebec Railway.

Quebec Railway Steady at 16.

Quebec Railway was steady at 16 and 16 1/2. There was no change in the affairs of the company, but the Street is confidently looking for some announcement that will redound to the advantage of the shareholders. It is expected that in this respect have been known to fall of realization. Twin City, which the other day, reports that the dividend would be shortly increased to 108 1/2, was easier again at 107. Some are inclined to think that the company is in a position to set an example for other traction enterprises.

More Shareholders.

Old lots of Richelieu and Ontario sold at 88 and 100, the latter for cash. When the transfer of this stock into that of the Canada Steamship Lines is effected, there will be a large increase in the shareholders' list of the new company. At present there are approximately 100 names on the list, these will be enlarged, it is thought, to about 150. A unique feature of the prospective listing of Canada Steamship shares by investors will be that half of the common shares will be in the form of voting trust certificates and half in the usual form of regular common shares.

Alberta Loan Met With Great Success.

London May 20.—Remarkable success has attended the flotation of the Alberta loan. The issue of £1,000,000 on behalf of the Province of Alberta, offered by Harris, Forbes & Company. So quickly was the loan taken up this afternoon, that the list was closed advertised time.

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CANADIAN NEWSPRINT PRODUCTION.

An official of International Paper Co. estimates that Canadian newsprint production in 1913 will have increased approximately 500 tons, or about 25 per cent. Daily consumption of 3,300 tons of newsprint in the United States, Canada is supplying 1,000 tons, or 30 per cent. By the end of this year this will have increased to 1,200 tons daily. The Canadian newsprint production in 1913 was 1,200 tons, or 30 per cent. By the end of this year this will have increased to 1,200 tons daily. The Canadian newsprint production in 1913 was 1,200 tons, or 30 per cent. By the end of this year this will have increased to 1,200 tons daily.

A RANK STATEMENT

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Local Market is Well Liquidated

New Stocks Now Being Offered for Sale on the Exchange

QUEBEC RAILWAY FIRMLY

Effect of Approaching Hot-Days Making Itself Felt—Exchange Closing Saturday

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