

## FUNCTIONS OF THE MONEY MARKET

### Simple Explanation of Its "Mysteries"—Inter-relation of Trade and Finance

Each country has its imports and exports, and the difference between the two might be regarded as constituting the balance to be settled either way. Transactions between nations, however, are not merely confined to the actual shipping of commodities. So said Mr. A. W. Kiddy, in an address in London on the money markets. Let us, for example, suppose that to some particular country (the United States, for instance), English shipments of commodities were much smaller than the foodstuffs and the goods which we received, continued Mr. Kiddy. At first sight there would obviously be a balance in favor of America, but as a matter of fact it is just as likely that the balance might be in the opposite direction, though it could not be demonstrated on paper in the same way as in the case of imports and exports of goods, of which official records are kept by the respective countries.

In the first place, Great Britain holds an enormous amount of American railroad and industrial securities which English investors have purchased from time to time out of their savings. On these securities interest has to be paid, and such interest constitutes a debt on the part of the United States just as much as in the case of the payments due for imported goods. Not only so, but the number of Americans visiting the United Kingdom is far greater than those who visit America, and a further portion of this suppositious balance in favor of the States is adjusted by the large sums spent by Americans during their visit to England. And finally it must be remembered that freight charges are matters also affecting the trade balances between the respective countries, and owing to Britain's supreme position as the carriers of the world that item may be regarded roughly as constituting an item in their favor. These are what are sometimes described as invisible imports and exports, but you will see that they have a material influence upon determining the true balance in favor or against a particular country.

#### How Balances Are Adjusted.

And now how are these balances between the respective countries adjusted? I need scarcely say that it is not along the crude lines of an annual balance-sheet with a cheque drawn by one country in favor of another. No; the settlement is going on automatically and naturally every day. Both the trade and financial transactions are for the most part financed from day to day by bills of exchange, supplemented by what is sometimes known as cheque remittance, and which, reduced to its simplest elements, is the equivalent, in international transactions, of purchasing a postal order to remit to someone at a distance in Great Britain.

#### London the Monetary Centre.

Because London is the chief monetary centre, bills are drawn more freely on London than on any other centre, and that fact, coupled with London being a free market for gold, renders that centre peculiarly liable to be called upon, when international balances have to be settled in gold, to perform the duty of chief paymaster. Let me tell you what I mean by a free market for gold. In one sense every nation, I suppose, nominally recognizes its liability to settle its trade balance in gold when called upon to do so, but as a matter of practice almost the only countries which impose no artificial restriction in this matter are Great Britain and the United States. When the State Banks of France and Germany are confronted, at a moment inconvenient to themselves, with the likelihood of losing gold all kinds of devices are adopted to stave off the movement as long as possible. In Great Britain, however, there is only one simple and natural weapon of defence. If the Bank of England is losing its gold reserve to an inconvenient extent the Bank rate is raised to a sufficiently high level to attract gold from other quarters. It is a weapon which is not without its injurious effect upon home trade, for until the high rate has served its purpose by checking foreign demands for gold and of bringing fresh stores of the metal to the Bank, traders in the United Kingdom are compelled to finance their necessities upon terms which materially encroach upon profits, and even at times render profitable working an impossibility.

The welfare of the money market is not simply a question of academic interest, but of real practical importance. Whether we wish to determine the likelihood of a continuance of the recent rise in securities, or the possibility of a further reaction in trade, it is to the condition of the world's money markets that we have to turn our attention.

The causes of distrust, such as the fears about international politics, the labor unrest, etc., need not concern us for the moment. The point is that the temporary contraction in credit occurred, and now we are witnessing the effect of the actual demands for monetary accommodation to finance trade having become smaller, at the very moment when credit resources, through the release of hoarded money as the result of returning confidence, have been increased; and so we find, for the moment, at any rate, that the volume of credit available is greater than the demands made upon it, and the result is seen in a decline in the value of money at almost every centre in the world.

## INCOME TAX

A second edition of the well-known volume on Income Tax, by Professor E. R. A. Seligman, has been issued. This is an exhaustive survey of this topic. In addition to the revision done, a new chapter on the federal income tax has been added, as also has a description of the Wisconsin income tax.

A review of the legislation, etc., relative to income tax in England, Germany, France, Austria, Italy, Switzerland, as well as in the United States, is contained in the various chapters.

A bibliography on the subject occupies twenty-three pages. The book is well indexed.

The Income Tax, by E. R. A. Seligman, \$3. Macmillan Company of Canada.

## REAL ESTATE NEWS.

At a recent meeting of the Fort William real estate board, Mr. J. H. Perry, the president, quoted some statistical figures of the Twin Cities, comparing the development of the present with a period of 11 years ago as follows:—

	1902.	1913.
Population . . . . .	7,796	44,000
Assessment . . . . .	\$5,816,000	\$60,000,000
Street railway passengers carried . . . . .	584,128	6,378,330
Grain storage, capacity (bushels) . . . . .	6,000,000	42,000,000
Grain shipments from the twin ports . . . . .	36,000,000	203,000,000

Comparing the per capita debt of 25 cities of the Dominion, President Perry showed that Fort William stood the seventh lowest in the list with a per capita debt of some \$43.00.

At the sale of government lots at South Fort George, \$350,000 worth of property was sold in three days. Mr. M. A. Aldous, representing the European capitalists, was the heaviest purchaser, investing \$64,000. The price was 30 per cent. higher than at the Victoria sale. The record price for a single lot was \$7,900 paid for a corner on Dominion and Third Streets.

The Medicine Hat school board has awarded the contract for the new technical high school, which will cost about \$300,000, to the Willoughby-Kelso Company of Winnipeg. The tender of Horton and Willox, local contractors, for the erection of an eight-room addition to the Alexandra School, has also been accepted, which will represent approximately \$70,000.

Plans are also being prepared by the school architects for a new eight-room school to be erected this year on the north side of the river, and another primary school will be built. The eight-room addition to the Elm Street School, costing around \$70,000, is nearing completion.

All these additions and enlargements will be substantially built of brick and stone, and are necessitated by the increasing school attendance in Medicine Hat.

## NO NEW FINANCING FOR SCOTIA.

The president of the Nova Scotia Steel and Coal Company, R. E. Harris, K.C., informs *The Monetary Times* that the company does not require to do any financing and none is contemplated at present.