The Monetary Times

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CAPITAL, COMMERCE AND WAR.

War scarces invariably affect the financial situation. Actual warfare may be labelled either as an integral part of the economic system or as a disturber thereof. War, according to cycle law, comes generally after a boom and prosperity. The over-fed in the animal world are liable to quarrel. There are exceptions. A bitter saying, a sharp retort, will bring one schoolboy's nasal organ against another's clenched first. So it is with nations. Just now, both in Canada and the United States, politics are helping to unsettle finance. With the pre-election dust in the air, the investment world wobbles in its orbit.

Last week came the announcement that Bulgaria had declared its independence of Turkish rule. That the Provinces of Bosnia and Herzegovina were to be annexed, was a declaration by Austria. The announcement of Austria-Hungary that it had taken possession of the two Provinces, almost completes the ground-work of a serious situation. Naturally, the news created excitement in the financial centres of Europe, and consequently in America. The conscience of the investment market is not always delicate, but its sensitiveness to scares is extreme. Good cause there is for fear in the prospect of an European entanglement.

But diplomacy these days has its tentacles spread widely. They usually grip the situation as the octopus its victim. Nothing but the gun or the axe will sever the hold. Diplomacy is further strengthened by this fact—that the capital of every one nation is invested partly in the realms of almost every other country. British money comes to Canada, Canadian money finds outlet in Mexico, and so on. Capital knows no one home, or color, or race. It finds its way into remote spots and multiplies. Thus the war vessel bombarding the opponent's forts may be sending skyward bricks fashioned with the help of money which also built the vessel. A gun shell dropped anywhere would scatter capital placed by a multitude of hands and nationalities. This all gives additional strength to the power of the diplomat. He has his own reputation at stake. Meantime capital is urging him to help keep the peace. The prospect of warfare, therefore, is a serious menace to investment when and wherever it appears.

On the other hand, belligerent talk is useful to the manipulator, who cares not what may come. He will shape events to suit his circumstances. His art is to mould the stock and other markets in handy clay. Bank failures, peace proposals, anything and everything, are utilized to give a passable, though actually false appearance to the market. The manipulator helps make the financial world tremble when nations talk of clashing arms. The tremble is not all from fear of the clash. Serious mistakes have been made by financiers who have counted warfare an accomplished fact when after all it has not occurred.

The more one examines the present situation, the less likely it appears for two or more nations to meet in naval or military combat. Unfortunately in the spheres of Mars, the unexpected frequently happens. Predicting peace or war is the most difficult prophecy. Nations now are bound together with commercial and financial ties. The primary object is to make these ties stronger and at the same time to create new ones. The sin of warfare, therefore, becomes to the economic world a disastrous destruction of capital and commerce. So a mighty pacific army will be arrayed against any handful of bellicose national units.

The next battle of supreme international importance will likely be between the powers of the Orient and those of the Western hemisphere. Before then may be witnessed a struggle in which Germany will participate. If so, the blame must be placed largely at the feet of an insane Press, a factor which has proved more than once the equal and the better of the best diplomat. The next few decades may see, too, another struggle with the British