

FINANCIAL REVIEW

FRANCE GIVES PROOF OF ITS NEW STRENGTH

Increase in Exports Shows Adjustment of Trade to War.

DIFFICULT YEAR VALIANTLY MET

Enthusiasm of the Masses Appears in Response to Loan of Victory.

By VYVES GUYOT, Editor of Public Works, Editor of "L'Agence Economique de France."

Paris, Dec. 30.—The year just ended has been a difficult one financially. But all difficulties have been valiantly met, and the enthusiasm with which the people have supported the great national military campaign has been fully demonstrated in the freedom with which they subscribed to the huge "Loan of Victory."

This, too, was done after billions and billions of francs were subscribed for temporary loans in the form of treasury bonds and offers for the national defence, and other billions in gold were turned over to the Bank of France without those who gave their gold receiving compensation in any form of interest.

The great loan at the end of the year brought in more than 14,500,000,000 francs, and how much its success is due to the patriotism of the masses is shown by the fact that the number of individual subscriptions exceeds 3,000,000, of which upward of 2,000,000 were in the provinces and 1,000,000 in Paris. Of the great sum subscribed 6,000,000,000 francs represents new money placed at the disposal of the government, while nearly 9,000,000,000 francs are temporary government obligations changed into a permanent form.

Business Much Improved. The end of the year finds also considerable amelioration of the commercial situation. If the statistics of imports and exports for November, 1915, and the same month of 1914 are compared it is found that between the fourth and sixteenth months of the war the commercial business of France increased 467,000,000 francs, and this was not due alone to an increase in imports for war purposes, for exports also increased 116,000,000 francs, of which 75,500,000 francs was taken in through the parcel post and also represented manufactured articles.

In October, 1915, the increase over October, 1914, was less than 3,000,000 francs, so one can see the increase was very rapid despite the lack of workmen.

French industry is beginning more and more to renew its export business, and this will have excellent results, particularly in reestablishing a normal rate of exchange.

If the length of the war and the consumption of arms and supplies have passed all expectations, the same thing has been true in the matter of cost. The most audacious calculations, which were laughed at as ridiculous exaggerations, have been far surpassed. In October, 1914, I ventured an estimate that the cost of the war would pass \$20,000,000,000. My estimate was called fantastic.

To-day the credits already voted in France and demanded until the end of March, 1916, exceed \$7,000,000,000; those of Great Britain amount to almost \$9,000,000,000, while those of Russia are between \$6,000,000,000 and \$7,000,000,000. Thus the cost of the war to the Allies has already passed \$20,000,000,000, without counting Italy, Belgium, Serbia and Japan.

Growing Cost of War. These figures are, of course, only approximate and are generally below rather than above the reality. On September 21, 1915, Mr. McKenna in the House of Commons placed at \$4,500,000 per day the English expenditure for the war that six days before Mr. Asquith had estimated at \$3,500,000 per day. Mr. McKenna said at the same time that in the last weeks of the financial year the expenditure would increase to \$5,000,000 per day. In France the monthly expenses have progressed from 1,365,000,000 francs for the last five months of 1914 to an estimate of 2,150,000,000 francs for the first three months of 1916.

All expenses of the government are included in the figures given. If military expenses only are considered, the progression in France has been as follows: For the last five months of 1914, Frs. 805,000,000; for the first six months of 1915, Frs. 1,100,000,000; for the third quarter of 1915, Frs. 1,200,000,000; and for the fourth quarter of 1915, Frs. 1,570,000,000. The total military expenses from August 1, 1914, to December 31, 1915, reaches Frs. 22,800,000,000. By March 31, 1916, the total military expense for the war to that date will be Frs. 26,440,000,000.

HOW THE TRIBUNE'S AVERAGES MOVED

FIFTEEN DAILY	
December 31, 1915	131,366
December 31, 1914	100,221
July 30, 1914	104,423
High, full year, 1915	121,433
Low, full year, 1915	101,192
High, full year, 1914	126,191
Low, full year, 1914	102,009

TWELVE MONTHS	
December 31, 1915	96,831
December 31, 1914	70,310
July 30, 1914	67,422
High, full year, 1915	95,700
Low, full year, 1915	69,242
High, full year, 1914	81,864
Low, full year, 1914	62,422

445,000,000, provided the estimates for the next three months are not exceeded.

In round numbers Frs. 4,000,000,000 is the amount expended under the vague general heading "solidarity social," which takes in all the allocations to the wives, children and other dependants of the men called to the colors. These expenditures have increased in the course of the war from Frs. 48,000,000 per month to Frs. 178,000,000, and the figure will probably soon be Frs. 200,000,000 per month.

Means of Payment. The experience of the assignats of the French Revolution has inspired France with a terror of paper money. The state does not issue it. It has had recourse to two kinds of temporary loans. The first is advances from the Bank of France, "payable in the shortest possible delay." By three successive laws, August 5, 1914; December 26, 1914, and May, 1915, these loans have been authorized, and they have now reached a total of Frs. 9,000,000,000. But of this credit the state has only used Frs. 7,400,000,000.

The second species of short term loans springs from the law of July 14, 1914, which authorized the government to issue Frs. 600,000,000 of treasury bonds. This was followed by the law of February 10, 1915, which authorized an issue of three months' and six months' bonds for the national defence. By the end of November the issue had reached Frs. \$319,000,000. The same law authorized the government to issue a second series of bonds for the national defence, payable in 1920. They have produced Frs. 2,288,000,000.

Refunding the Debt. Evidently the government would have to convert these temporary loans into consolidated funds, and it is this operation which is being carried out by the 5 per cent loan for which subscriptions were opened on November 25. From the proceeds of this loan the advances made by the Bank of France must be repaid, and it can be estimated that the loan will absorb in the neighborhood of Frs. 6,000,000,000 of the short term bonds. A certain proportion of the subscribers to the short term bonds have to keep their capital liquid. The Frs. 1,028,000,000 of bonds put out in England do not have to be paid until one year after the conclusion of peace, while it is not necessary for the moment to be preoccupied by the loan raised in America.

The rise in prices has been serious, but the cost of living has involved so far little or no privation among the working classes as a whole, owing to the higher wages and the mobilization of female and child labor. There is practically no unemployment, although a certain amount of machinery is standing idle through shortage of labor. The Lancashire cotton trade is dull, but nearly all the staple industries of the country have more orders than they can execute. Our chief commercial difficulties spring from want of shipping, congestion on the railways, and in the ports, and from unfavorable exchanges with New York, Holland, Scandinavia and Spain.

How to Meet Interest. There is another question. How will the interest on the public debt be paid after the war? The interest can be paid in a large part by economies in the annual budget. A former director of the Ministry of Public Works, M. G. Schelle, published in the "Journal des Economistes" for January an article showing that more than Frs. 1,300,000,000 could be saved on the budget without injury to the public service.

Meanwhile, it is time for the members of Parliament to show the electors, many of whom are at the front, that the Deputies and Senators can also do something. They have voted laws for the requisition of grain; they have given the state the monopoly of the importation of grain; they have given the prefects the right to tax all foodstuffs and all materials for heat and light. The French people have up to the present accepted these measures with indifference, for practice has shown that the laws have for the most part been impossible to put into effect. The tables for the taxation and requisition of grain have no less than sixty-six subdivisions!

The civilian population does not doubt victory and it awaits it with confidence. Last year the soldiers at the front thought much of the end of the war. This year they do not occupy themselves with such speculations. They play their part with patience and a determined resolution. Victory must be ours! That is the order of the day.

HOW ENGLAND VIEWS WAR AND ITS AFTERMATH

Difficulties with Currency Credit and Exchange Work for Peace.

A SLOW RECOVERY IN TRADE PROBABLE

Great Britain Has Met Drain of Gold and Maintained Her Exports Well.

By FRANCIS W. HIRSE, Editor of "The Economist," London.

London, Dec. 27.—To write an adequate financial and economic review of this by far the most disastrous year in the modern history of Europe would, of course, be an impossible task. Only a few impressions can be recorded in response to the request of the editor of The New York Tribune. How complete the disaster will be and how many of the belligerent nations will be solvent in the sense of being able to go on paying interest upon their war debts after the contest depend entirely upon the date at which peace is concluded. As I write, for the first time since the war began fifteen months ago there emerges a possibility, and in the opinion of some, a probability, of an early peace.

From all accounts, the internal situation in Germany and in Austria, and the sufferings of the populations, have induced an utter weariness of war which the governments can no longer ignore. One may say generally, without fear of contradiction, that the atmosphere at home and abroad is becoming more and more favorable to peace, and that the task of diplomacy, though still very difficult, is no longer hopeless. Individual longings for peace are assisted by the financial situation and by difficulties of credit, currency and exchange, which become more formidable month by month as prices and war costs rise.

Since last Christmas we have seen our expenditure rise from less than two to nearly five millions a day. We have seen the exchanges, which first favored Great Britain, turn against us; we have seen a serious depreciation in the currencies of France and Italy, and a fall of more than 50 per cent in the external value of the Russian ruble. On the other hand, the seas are open to us and closed to the enemy. Our exports, though inadequate, have so far been wonderfully well maintained, despite the enlistment of three millions of the best workers in the country. We have had magnificent support from the colonies.

The rise in prices has been serious, but the cost of living has involved so far little or no privation among the working classes as a whole, owing to the higher wages and the mobilization of female and child labor. There is practically no unemployment, although a certain amount of machinery is standing idle through shortage of labor. The Lancashire cotton trade is dull, but nearly all the staple industries of the country have more orders than they can execute. Our chief commercial difficulties spring from want of shipping, congestion on the railways, and in the ports, and from unfavorable exchanges with New York, Holland, Scandinavia and Spain.

So far the drain on gold has been met as well as could be expected, but London will certainly need more supplies from the great gold hoards in Paris and Petrograd. There was a remarkable rise last month in the price of silver, which is explained by the demand for a silver currency, resulting from suspicion of small paper money. This only applies in England to the ten shilling notes. Workingmen dislike these, as they get crumpled up and lost. So our mint has been working day and night to supply silver currency, which, of course, is a profitable business for the government.

Gold Disappears on Continent. On the Continent (I mean in belligerent countries) gold has long disappeared from sight. It is hoarded by the governments and by individuals. In France many of the towns have issued small notes down to a franc, and silver has been largely hoarded. In Belgium and in the occupied districts of France small squares of thick paper are issued in lieu of copper or nickel coins to assist the distribution of food by the Relief Commission. Redundancy of paper money in Germany and Austria accounts for the growing weakness of their exchanges, and is all the more striking in view of their very small foreign commerce.

One question raised in connection with the exchanges is whether the business drawn from London to New York, Amsterdam and Copenhagen will return after the war. That, like so many other financial problems, depends upon how far this war of attrition and exhaustion goes. If we have peace early in the new year and the world settles down, I should expect it to return to the old ways, unless indeed by the adoption of a protective tariff this country commits commercial suicide. An island dependent for its wealth on free markets and overseas trade cannot afford to imitate a continent like America or a Zollverein like modern Germany.

Another problem which is beginning to exercise our minds is this: Can we expect the mark and the franc (not to mention lire, rouble and krona) to recover their values after the war? That they will do so in time may be conceded; but will the process be long or short? This question has a practical bearing just now for British investors in the new French loan, who stand to get over 6 per cent on their money if the franc return speedily to its old par with the sovereign.

AMERICAN PROGRESS IN THREE YEARS' FIGURES.

	1915.	1914.	1913.
Merchandise exports for eleven months ended November	\$3,191,639,975	\$1,867,991,192	\$2,250,822,664
Merchandise imports for eleven months ended November	1,615,386,684	1,674,619,456	1,608,570,909
Excess exports for eleven months ended November	1,576,253,291	193,371,736	642,251,755
Gold exports for eleven months ended November	19,536,833	22,485,232	81,226,017
Gold imports for eleven months ended November	406,541,913	33,278,678	58,631,475
Excess imports for eleven months ended November	387,005,280	169,206,542	22,594,542
National bank deposits September	6,762,182,715	6,139,081,279	5,651,689,087
New York Clearing House Surplus, end year	145,951,130	121,874,510	9,372,750
Bank clearings	185,127,249,000	153,830,153,000	168,222,452,000
New York Stock Exchange shares sold	171,747,200	187,417,400	83,322,600
New York Stock Exchange bonds sold	966,241,800	161,572,000	593,216,800
Commercial failures (liabilities)	309,081,000	357,909,000	273,672,000
Railroad earnings	2,478,609,000	2,402,247,000	2,469,200,000
Iron production (tons)	29,600,000	23,850,000	30,956,000
Value of principal farm crops	5,568,773,000	4,973,527,000	4,966,497,000
Wheat crop (bushels)	1,011,505,000	891,917,000	763,380,000
Corn crop (bushels)	3,054,335,000	2,672,801,000	2,416,988,000
Cotton crop (bales ex linters)	11,161,000	16,135,000	14,156,000

*Excess exports. †October call.

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OPPORTUNITY AT AMERICA'S DOOR

Bankers Foresee the Year Rosy with Promise for the United States.

PROSPERITY TO STAY AFTER THE WAR ENDS

Industry Is Now Practically Independent of Europe's Munitions Purchases.

Bankers generally have a strongly optimistic view of the future. They see before us our year of greatest opportunities. Their only concern is lest these opportunities be let slip for want of the cooperation that is necessary to improve them.

As with all industry, the war enters as a factor into the calculations of what is before the United States. The needs of the great financial institutions in many instances express the belief that the business recovery which began with the heavy purchases of war munitions by the European belligerents is now almost independent of war business for its continuance.

"Foster domestic trade" is the adjuration of nearly all the bank presidents. At the same time it is urged that the field opened up for the United States in other countries by the paralysis of European competition be not neglected. We shall retain our prosperity after the war is the consensus; but now we must not fail to attend Opportunity knocking at the door of the United States.

JAMES S. ALEXANDER, chairman New York Clearing House Committee; president National Bank of Commerce.

The circumstances under which we enter the new year are favorable. The terrible conflict waged on the other side of the Atlantic has resulted in an increased demand for the products of our fields and factories, and our sales to the world are in unprecedented volume and at full prices. The supply of labor, the outlook for transportation interests is more favorable than for a long time past.

The outlook seems to indicate a continuation of favorable factors for some months to come. It is, however, a part of wisdom to prepare for readjustments that will take place with the return of normal conditions. We should foster our domestic trade and endeavor to prevent our costs from going too high, that we may be reasonably prepared to meet European competition, which will be severe after the war.

The United States is to-day the brightest spot on the world's map. Present conditions and the outlook for the future are so favorable that there is every reason to believe that the United States will permanently hold in the future the advanced position as a commercial nation now attained.

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We all felt a year ago that in the present world situation we had no precedents to guide us. I think now we feel even less that we have rules or precedents to go by. We have seen such an upheaval in political and economic affairs as we did not believe possible, but we are definitely in the midst of it, and problems of an unthought magnitude are confronting us. The United States, apart as it is from the horror of the calamity, has had an exceptional opportunity to promote its commercial and industrial activities.

Our business has, of course, given a great impetus to our domestic business. It remains for us now to adjust ourselves that we may dissociate ourselves from dependence upon war business and prepare the way for a continuing prosperity of a more rational and normal character.

I believe that we have reached the stage in our domestic affairs and in our position in the world where we are becoming more and more independent of this war business. If we exercise our intelligence and if we cooperate effectively I feel sure that the prosperity which we have now will continue. There are grave political and economic problems still to be solved. That they are serious no one can deny, but notwithstanding this fact our economic position, our freedom from the strain of war and our intensive study on foreign trade problems should assure us a real prosperity not founded upon the misfortune of others, but founded upon our energy and our desire to render cooperative service in the world.

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Last Year's Upturn Has Promise for New Foreign Trade Should Still Be Large, Even Though Changed in Goods Shipped—Confidence Restored—Financial Strength Great—Business on Liquidated Basis.

Of the influences that have made 1915 a year not merely of recovery but of actual prosperity at the close, our great foreign trade is expected to continue, changed though it may be in the nature of our exports. We should still supply what warring Europe needs and what it cannot furnish to neutral countries. Phenomenal harvests which have blessed us for two years rest with nature, but what wise cultivation and generous credit for farmers can do toward making big crops 1916 should furnish. Our banking strength, concentrated through the new Federal Reserve act, has been increased by gold imports of some \$400,000,000 which actually gold was less needed because of our more efficient use of bank reserves. The new year starts with what was lacking at the beginning of the two years preceding a great, expanded volume of domestic business.

At such a time of world upheaval there is little use in prophecy, but should we continue it is believed that we must gain as we did last year, only on a greater scale. Peace, ever a possibility, will bring new problems as we have to readjust ourselves to the different needs and to the renewed competition of Europe. At least no other great nation will be so well prepared as we to meet this period of readjustment. We overcame the unprecedented shock of outbreak of war, and with all the added strength we are accumulating may look forward to rearranging our affairs for a peace basis without apparent loss.

The danger that we ourselves through some misfortune might be drawn into the war abroad seems remote. After the sinking of the Lusitania our disruption of our customs trade, interrupted security trading and little to certain general business beyond intensifying the spirit of caution that prevailed. The general attack brought forth our trade with Austria last year, but this complication was never taken as seriously here or throughout the country as in Washington.

Foreign Orders Immense. At the end of 1914 orders from foreign governments here for supplies other than food were reckoned at \$200,000,000. Before 1915 actual estimates of as much as \$2,000,000,000 had been made of contracts placed here and in Canada. Shipments of supplies other than foodstuffs and clothing from our country to warring Europe in October were put by our government figures at upward of three-quarters of a billion dollars.

Though the Allies organized their factories and were able to turn out more munitions at the end of the year, men available for production are limited by the immense number devoted to war. So far the world has not had to meet a demand for such abnormal quantities of goods to shipperents and to neutral nations, the limit of lack of purchasing power being raised as the credit arrangements for war financing cause foreign inflation.

This great stimulus to our business, that produced an export excess of more than a billion dollars in the fiscal year ended June 30 and approaching \$1,500,000,000 in the calendar year, was anticipated in finance before general trade fell its effects. An upturn in securities in the spring, stimulated by talk of great profits from war orders, swollen pressure on the market capitated the Stock Exchange, which had started the year with fixed minimums to protect our market from being overwhelmed by foreign liquidation, had been in industrial supplies to the benefit of our exports. The market culminated in the fall, the market was able to stand price reductions of remarkable extent without serious consequences.

Foreign Selling Absorbed. The fear of foreign liquidation that had persisted for so long after the market opened in the fall, was allayed in the last week of July, 1914, gradually disappeared. Millions of securities were taken back, prices of stocks in the industrial group rose, and the market in check by this foreign selling. Great Britain, as an aid to meeting debts here, has under way a comprehensive scheme for gathering together our securities and selling them here as collateral or selling them outright. Assurances are given that these operations will be conducted discreetly, and the proposition is viewed here with favor.

The cost of war has been even heavier than the unprecedented scale on which it was being waged had indicated. Credit expedients, however, not only have been used but have been possible for the belligerents to borrow at rates not yet comparable with those we had during the Civil War. Bond prices here have not made the expected recovery. Heavy foreign orders which some expected. In part this has been due to the unfamiliarity of the mass of our investors with foreign securities, and in part to the heavy financial standing of the belligerents after the war.

Great Britain's 4 1/2 per cent war loan in the summer did displace a considerable amount of our credit, and as the loan came back to our market prices for the highest grade seasoned issues went unusually low. Before the year had ended there had been remarkable recovery. Railroad bonds, for example, were able to borrow on junior mortgages at as low as 5 per cent, while underlying issues sold on a much lower basis.

Trade Expands Slowly. Trade responded to renewal of confidence and benefits of war orders much more slowly than expected. The industrial fabric to an extent, however, that increasing operations of plants devoted to supplying Europe's needs, together with bountiful crops repeated for a second year, gradually made themselves felt throughout the nation. Labor changed from a state of acute unemployment to what in some places became scarcity. Gradually wages, in which a large proportion of Europe's spending went, became distributed, and the year ended with general business described by competent authorities as equal to that of boom times.

The steel industry, ordinarily considered a trade barometer because of the demands which domestic construction make on steel products, proved this year the measure of ammunition business. When the Allies suddenly read their great need for shells, came here with ordinance orders, the steel mills, that at the end of 1914 had been running at the rate of only about one-third of capacity, were called on and they were turning out practically all they could, and arrangements were made to increase production. Domestic orders, delayed through doubt as to the effect of war on export industry, came later, and in spite of higher prices pressed upon producers.

Pig iron making expanded until that product was being turned out at the record rate of more than 3,000,000 tons a month, and practically all available furnaces were called into blast. Here as well as in steel there was notable recovery in prices. Copper producers, who had been suffering from a glut of their product, benefited through ammunition orders. Sudden call for copper sent the price up to above 20 cents in the summer, and though there was some recession as production liquidated through the depression that preceded the war, the price advanced again toward the end of the year to over the slack and the price advanced again to over 22 cents, its highest for years.

Buying Increased at Year End. Other industries were quickened directly through foreign purchases or indirectly, as increased employment and good wages meant renewal of buying power. In the agricultural districts proceeds of 1914 great crops were spent with a view to reaping the benefits of plentiful harvests has brought freer expenditures. Retail trade quickened wonderfully in the late autumn, and business being pretty well liquidated through the depression that preceded the war, the price advanced again toward the end of the year to over the slack and the price advanced again to over 22 cents, its highest for years.

Wonderful harvests, so important the year before, were repeated last year, so that we could do our part in feeding the world. Russia's harvests were still shut off from Western Europe, and security of shipping made it possible for America to become a more available source of supply. There has not been the reckless competitive foreign buying that sent wheat to such heights last season, but the wheat crop surpassed the record set in 1914, amounting to over a billion bushels. The yield of corn was the second largest in our history, reaching over 2,000,000,000 bushels. In oats, barley, rye, sweet potatoes, rice and hay.

Cotton, through reduced acreage, unfavorable weather and lack of fertilizer, amounted to only a little over 11,000,000 bales, which was less by some 500,000 bales than the crop of the year before. The price rose in the early part of the year, but the staple of great quantities of cotton was not on our list of contraband, and the value of the crop to growers was greater than in 1914. The South planted more grain and harvested well. In the West, where the price of foreign markets for its principal staple were cut off at the outbreak of war.

Great Upturn in Stocks. On the Stock Exchange this great return of prosperity was anticipated in a remarkable expansion of business and rising prices. The market was expected in finance before general trade fell its effects. An upturn in securities in the spring, stimulated by talk of great profits from war orders, swollen pressure on the market capitated the Stock Exchange, which had started the year with fixed minimums to protect our market from being overwhelmed by foreign liquidation, had been in industrial supplies to the benefit of our exports. The market culminated in the fall, the market was able to stand price reductions of remarkable extent without serious consequences.

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