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Canada and American Capital.

A notable development of recent months has been the broadening of the relations between Canada and American capital. Since the beginning of the year a number of important operations have been completed, resulting in the supply of American capital to our municipalities. It has been chronicled that within the last few weeks, the two largest purchases of Canadian municipal bonds ever made by an American bond house have been arranged, each issue being of slightly over $1,000,000. Moreover, in the first two months of the present year, more than $3,000,000 of Canadian municipal securities were disposed of in the United States, whereas during the whole of 1912, the amount sold in that market was less than $4,000,000. These facts show that a very distinct development is taking place. And the frequent visits of our financiers to New York and Boston are an indication that other borrowing operations, probably referring to industrial undertakings, are also at the present time being taken in hand.

This tendency among American investors to take a substantial interest in our municipal and other bonds is comparatively a new development and one which, it would seem, is likely to be of considerable importance. The influx of American capital into Canada is no new thing, of course. But hitherto, the activities of American capitalists in the Dominion have been mainly devoted to industrial development; they have built factories, and organised lumber operations, working at these things themselves, and as settlers, have contributed much to the agricultural development of the West. It is true that a certain amount of high-class Canadian bonds have always been taken in the United States, and the insurance companies have been notable purchasers in this connection. Those companies, too, have from time to time loaned very large amounts of funds on the security of city real estate, and, as showing the important part which the American insurance companies occupy as lenders of capital here, the fact may be mentioned that the company which does the largest business in the Dominion of any American life company, invests each year in Canada an amount equal to the premiums which it collects from its Canadian policyholders. However, with the exception referred to, hitherto American capital has not played an important part in the market for Canadian bonds. The calculations of Mr. E. R. Wood show that last year the total Canadian bond issues, including those of Canadian corporations in foreign countries were $272,937,982. Of this amount $26,116,406 or 9.56 p.c. were sold in the United States, compared with 13.82 p.c. sold in Canada, and 76.62 p.c. sold in Great Britain. It will be seen that the proportion taken by the United States of the total output of our bonds is not large. But as in 1911 the proportion taken by the United States was only 6.58 per cent., it is clear that 1912 was a year of distinct progress in this connection. And it may be taken for granted that at the close of 1913, the figures will show that again a notable advance in the proportion of Canadian bonds taken by the United States has to be recorded.

An important reason for this increasing interest of American investors in our bonds is to be found in the more attractive rates which we are now offering. It was not to be expected that American investors would enter into competition for our bonds at a time when they could be sold on the basis of a low yield that would satisfy no one but the conservative British investor. But economic conditions have changed, and our bonds of the highest class are now being sold at prices which make them attractive to the American investor. We incline to the view, as already suggested, that considerable importance is to be attached to this growing interest of American investors in our bonds. It is not merely that it is important that under normal conditions capital from abroad should flow into Canada freely and in such volume as we can legitimately use. Our attractions *per se* are probably sufficient to ensure that our requirements in that connection will be freely met by foreign lenders. The really desirable thing is that we should be in such good standing—in fact, popular, in more than one financial market that when the normal supply of capital from one or other falls off owing to causes which are beyond our control, our development may not be entirely stopped, or our legitimate expansion curtailed by a severe monetary stringency. It is of course true that owing to the close relations of the various markets—the international ramifications of finance—that causes which affect unfavorably one market affect also the others. But local circumstances make a sufficient difference between them to make it well worth the while of a borrowing country like Canada to have more than one market whence it can draw with freedom and ease large supplies of capital.