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THE PRICE OF CAPITAL.

The discussion concerning the probable trend in the price of capital when the war has been brought to a conclusion continues energetically. Of the opposing schools of thought, our own support goes to that which considers that the close of the war is likely to be followed by a period of high prices for capital—continuing and accentuating in some degree the movement which has been in progress several years. At best, however, this discussion can only be guesswork at possibilities. Present-day circumstances are unprecedented; what their economic sequel will be cannot at present be foretold with any degree of certainty.

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In any case it would seem that from the point of view of Canada as a borrowing country, it is the price of capital in London which is of the greatest interest. While important supplies of capital are at present being obtained from the United States, it is not to be expected that New York will supplant London as Canada's borrowing centre. The present borrowings made in the United States are merely in the nature of temporary financing at high rates of interest and it still remains to be seen whether the American financiers will be more willing than heretofore to take large blocks of our securities when it becomes once again possible to arrange financing upon a permanent basis. In anything approaching normal circumstances, funds for permanent investment can always be secured more cheaply in London than in the United States; in other words, the Englishman is, generally speaking, content with a lower rate of interest upon his invested funds than the American. The economic circumstances of the two countries make the difference. It remains to be seen whether, as a result of the war, conditions are changed. The Englishman will undoubtedly demand a larger return upon his new savings than heretofore. It must be remembered, however, that he has been gradually enlarging his requirements in this direction for several years, and one result has been the enormous influx of British capital to Canada and its dissemination, in an ever larger proportion than formerly, all over the world. There is no reason to doubt that after this war the offering of securities in London at interest rates at which Canada will find it profitable to borrow, will secure a very large amount of British funds, particularly in view of the preference which is likely to be developed among British investors in the future for investment within the British Empire.

Meantime, it is instructive to notice the trend of the price of capital in the London market last year. According to the London *Economist*, which has compiled a number of interesting tabulations dealing with this point, the public issues of capital in London last year were divided as follows:—debentures, bonds, etc., £477,595,800; preference stocks and shares, £15,405,400; ordinary stock, £19,521,400. The National War Loan overweighs, of course, the bond and debenture class, while the other classes belong almost entirely to industrial securities, and really represent a period of only seven months. The calculations which are of the greatest interest to Canada are those referring to the borrowings by means of bond issues apart from the War Loan. Thus the average yield of the colonial government securities offered in London last year was £4 5s. 1d. against £4 3s. in 1913, a rise of nearly one-eighth of one per cent. It is interesting to note that foreign governments borrowing in London last year paid an average rate of £5 9s. 6d. against £5 6s. 2d. in 1913, so that the credit of colonial governments borrowing in London averages nearly 1¼ per cent. higher than that of the foreign governments. Municipal loans issued in London last year produced an average yield of 4 13-16 p.c. against 4⅞ p.c. in 1913, the decline being accounted for by the much larger proportion of British municipal loans issued than in the earlier year. Indian, colonial and foreign railway issues in London showed a rise in the average yield of a quarter of one per cent. from 5¼ per cent. in 1913 to 5½ per cent. in 1914, and in the case of industrial and commercial bonds and debentures, the increase in the average rate was nearly one-half of one per cent. being 5 15-16 per cent. in 1914 against 5½ per cent. in 1913.

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While no analogies can be drawn from the prewar tendency, it is a fair argument that when some thing like normal borrowing operations are resumed in London at the close of the war, at least the higher interest level of rates demanded in 1914 will be maintained and perhaps, on an average, slightly advanced. While, as already stated, it is to be expected that Canada after the war will again have a valuable preference in the London market, the facts as stated constitute a reminder as to the necessity of borrowing only for undertakings which are likely to be productive of the interest contracted for and something over by way of profit, so that an unnecessary drain is not placed upon our resources, as there is reason to fear has been in the past by unnecessary and unremunerative borrowings.