

The Chronicle

Banking, Insurance & Finance.

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY.



Vol. XXXIII. No. 25

MONTREAL, JUNE 20, 1913.

Single Copy 10c.
Annual Subscription \$5.00

KEEPING CHEERFUL.

For a people who are travelling fast on the road to ruin, *pace* recent American critics, Canadians appear remarkably cheerful. It may be of course, that this cheerfulness is merely the folly of youth. But it seems more probable and consonant with the known facts that the American critics' vision was a nightmare—and a calculated nightmare. The events of the last few days and the explanations regarding previous events which are now forthcoming go to confirm the impression that there was an ulterior motive behind the spectacular attacks on Canadian credit emanating from the other side of the border. No doubt some extravagances of ours have "given a handle" for these attacks. But these extravagances have been already curbed, and there is no present reason to doubt the capacity of those responsible for Canadian credit, and the effectiveness of the means at their disposal, to ensure that whatever further restriction may be necessary, will be accomplished in an orderly manner.

During these last few days, it has become more clear that Canada cannot be made the scapegoat for the troubles of the international financial markets—for what is called the "silent panic" in London and similar manifestations in other financial centres. We may have sinned, have become a little excited at our own success and development, have been so busy with our own affairs that we failed to pay necessary attention to what was happening elsewhere and adjust our course of action accordingly, but we have not been the only sinners and the whole responsibility is not ours. That this fact is recognised by competent and unprejudiced observers abroad is shown by an article in the *London Times*. It is there pointed out that liquidation has been rendered necessary, and, in fact, could only have been postponed for a short time, because of the commitments entered into by the leading business communities of the world, as the result of a period of remarkable prosperity which has lasted several years. "Generally, it may be said," observes the *Times*, "that there has been too much borrowing. From all countries the clamour for money has been constant during the last two years; the demand has not always been made directly to London, but London has had to bear the brunt of it, and we are now beginning to experience some of the unpleasant results of having lent too much money, in some cases to people who ought not to have been allowed to have it, or, at any rate, not so much of it."

What has occurred, it would appear, is that a time of immense activity in world development has coin-

cided with a period in which huge masses of capital have been diverted into the unproductive channels of war and preparations for war, and these combined demands have, for the time being, absorbed the supply of available floating capital in the world's money markets. Possibly more would have been available had capitalists and investors, large and small, not been made nervous by a combination of circumstances which are now sufficiently familiar, and some European observers are inclined to attach great importance to the hoarding which has taken place on the Continent. But, broadly speaking, it would seem that until a fresh supply of capital accumulated as the result of reproductive enterprises is available, it is hopeless to anticipate anything like cheap money in the international financial centres.

There is at least one important lesson to be learned from the present developments, the necessity of devoting perhaps considerably more attention to events elsewhere than has hitherto been our custom. Those who are particularly the guardians of Canada's credit—the leading bankers and others—have, of course, long been accustomed to take into consideration the trend of events abroad, and it may be said that their expert knowledge in this direction has been no small factor in the successful steering of the ship of Canadian credit through this and similar troublous times. But elsewhere there has been perhaps a tendency to take an insufficiently broad outlook. The tendency is pardonable. The development of Canada is a task that calls for every ounce of energy that can be put into it, and the man who is engaged in a responsible position in that task may be excused if he desires to concentrate wholly upon it. But unfortunately the copybook maxims to "hoe your own row" and the like are inadequate for the circumstances of modern business and finance. Under those circumstances isolation is impossible, whether in the case of an individual or a nation—especially in the case of a nation advancing so rapidly in importance as is Canada. The money markets of the world are so closely connected that events which affect one of them, affect all, and it is to be expected that as time goes on, Canada will be even more intimately concerned than at present with the daily development of world finance. A large body of intelligent and well-informed opinion regarding the main trend of events in the leading financial centres would have an important effect in safeguarding Canadian credit from danger, and in guiding our development along lines where it would be least likely to receive serious set-backs whether from over-confidence within or untoward circumstances without.