

the British investor. But one result of this war will be to strengthen this preference in capital-lending. The fact that Canada has rendered substantial help to the mother country in her time of need will be gratefully remembered, and we shall benefit by it. Within the last twenty years, the British investor has loaned his money in large amounts abroad. He has invested hundreds of millions of pounds sterling in development all over the world under many foreign flags. It would not be at all surprising, if after the present war, many of these investments are realized, and the proceeds transferred to new investments under the British flag, as a result of the intense sentiment of sane Imperialism which is being developed by the present struggle. The probabilities certainly point that way.

But in any case the considerations here put forward do not relieve us of the necessity of as far as possible accumulating capital for our own enterprises, instead of dissipating it in unproductive expenditure. We may be able to get all the British capital that we want, or that is good for us. But our own position will be the stronger if some of our own capital is mixed in with the British.

MR. J. GARDNER THOMPSON ON THE SITUATION.

Mr. J. Gardner Thompson, president of the Canadian Fire Underwriters' Association, in discussing the fire insurance situation to-day, states that the fire losses in Canada to date exceed those of 1913 for the corresponding period. He says that notwithstanding the financial stringency, caused by the outbreak of European war, business in other respects continues normal.

People are naturally economising and necessarily will continue to do so. Mr. Thompson further states that in his opinion with the cessation of hostilities, the outlook for increased activities throughout the Dominion, and larger immigration is very bright.

Mr. Thompson says that it is a matter for congratulation to the people of Canada, that in times of such stress, our leading financial institutions are on such a sound financial basis, and particularly so that the public are having the benefit of the protection of the strongest fire companies in the world, which is a feature that cannot be too thoroughly appreciated.

MODIFYING BACKING OF DOMINION NOTES.

The Minister of Finance has given notice of a resolution modifying the gold backing of Dominion notes by providing that the minister shall hold gold as follows:

(a) To the amount of 25 per cent. of Dominion notes issued up to a total issue of \$50,000,000, instead of up to a total issue of \$30,000,000 as heretofore.

(b) As respects Dominion notes issued in excess of \$50,000,000 equal to such excess.

The amount of Dominion notes at present issued is about \$120,000,000. Five-sixths of these are large notes held solely by the banks and not in general circulation. What the present proposals mean may

be summed up in brief as follows:—Under the existing arrangements and supposing that Dominion notes issued totalled \$120,000,000, the Minister has to hold \$97,500,000 of gold against them; under the proposed new arrangements he will only have to hold \$82,500,000. Thus \$15,000,000 gold will be freed to back a further issue of notes to that amount should it be considered necessary or for other purposes, such as war expenditure.

STEPS TO MEET THE FINANCIAL SITUATION.

Text of Order-in-Council—Keeping Business Stable.

The text has now been published of an order-in-council regarding the various steps which the Government, after consultation with leading bankers, has deemed it necessary to take in order to keep the financial situation in Canada stable. "While the chartered banks of Canada, as shown by their official returns," states one order-in-council, "are in a position of normal strength, there is ground for belief that, in view of the exceptional conditions, which are likely to prevail and may become aggravated as the European war proceeds, Canadian bankers will find it necessary to restrict to a considerable extent all commercial credits. They may also experience difficulty in meeting abnormal demands upon them for gold or legal tender. Such a condition could only result in grave and lasting injury to all the great interests of the Dominion."

The order-in-council sets out that valuable assistance can be afforded by enabling the banks to maintain the volume of credits available to their customers and supply them with additional liquid resources. For this purpose the Minister of Finance recommends that the Dominion Government "advance to banks to be designated by him such sums as he may deem reasonable and proper to be used by the said banks in the usual course of their business."

ADVANCES UPON SECURITIES.

Provision is made for the advance of such sums upon high class securities approved by the Minister of Finance, who is to be advised by a committee of bankers with regard to the securities and of the interest to be charged upon the advances. The advances are to be repaid by May 1, 1915, with interest of not less than 5 p.c., securities being held by the Royal Trust Company of Montreal, subject to release from time to time. Provision is made for these advances by an issue of Dominion notes, the issue of Dominion securities in London under existing conditions being considered inadvisable. The order-in-council authorizing payment in bank notes instead of gold contains the statement that this action will tend to preserve the Canadian gold supply against demands from foreign countries.

It is further stated that:

"The Minister also recommends that the Government be prepared to give every other possible assistance in order to prevent any unavoidable interruption of stable business conditions and for this purpose to use to the fullest extent all existing powers and if necessary to ask further powers from Parliament."

The Minister of Finance gave instructions on August 4 that until further notice Dominion notes would not be redeemed in specie at the offices of Assistant Receivers-General, this action being taken to preserve the Canadian gold supply from depletion.