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THE MONETARY OUTLOOK

A few days ago it was announced from London that France contemplates new issues aggregating \$200,000,000; Turkey, \$140,000,000; Austria, \$100,000,000; Bulgaria, \$80,000,000; and Greece, Serbia and Roumania, \$50,000,000 each, or in all \$730,000,000 will be required by these countries.

These enormous figures indicate graphically the great drain upon European surplus capital which is likely to eventuate in the near future. It is not to be supposed, of course, that any attempt will be made to float these new loans all at once, or in close contact with each other. Obviously most of the issues mentioned will not be made this year. But they have in any case to be provided for, and that apart from what may be called the ordinary demands upon the surplus capital of the lending countries for trade, industrial and commercial purposes. Almost the whole of the \$730,000,000 detailed above is required either for wars or war-like purposes. Little of it is likely to be expended in reproductive purposes. The clamor of new countries for more railways and other transportation facilities; the opportunities for new construction and development which will make natural resources at present untouched add substantially to the wealth of the world; the urgent responsibilities of public authorities in providing the ordinary necessities of civilization for rapidly-growing centres of population—all these demands upon the lending countries and in themselves alone more than sufficient to absorb all the latter's surplus capital, will have to meet the competition of these enormous European loans, to say nothing of the constantly increasing ratio of taxation in Europe and its waste largely upon armaments.

Sir George Paish, an English authority of world-wide reputation, thinks that the immediate result of this condition of affairs will be a contraction in the world's trade. There is not enough capital to go round; new enterprises must be dropped; and accordingly the world's commercial and industrial activity be diminished. It must be remembered that the countries who are in the established position of lending countries are very few in number. Great Britain, France, Holland and Belgium in Europe, and, to some extent, the United States on this side the Atlantic are the only ones among the number. It has been estimated that Great Britain has a surplus capital of a billion dollars every year available for new investment. But during the first nine months of

this year, Canada alone secured fully \$200,000,000 capital in Great Britain—or one-fifth of the total amount which is available during the whole year. In recent years public offerings alone of new securities in London have averaged more than the billion dollars new funds that are estimated to be generally available—apart altogether from the privately arranged new financing, alike of home industries and of foreign development, which must in the aggregate amount to an enormous sum over and above the amount of known new financing.

In these circumstances of what is practically a famine of capital, Canada's position is fortunately a favorable one. It is true that much harm has been done abroad by the failure of various consolidations and industrial organisations which were put through during the boom period of recent years. Though then heavy losses have been incurred abroad, so that for a time it is probable that a considerable amount of suspicion will attach to Canadian industrial flotations abroad and they will be subjected to much more rigorous analysis and investigation than in the past. However, this will be gradually lived down, and since the effect of it will be to keep away from the London market any propositions that are not of the soundest and most desirable type, in the long run, beneficial results will accrue. As a counter to the damage done by high-finance is the fact that thus far in a very difficult period we have pulled through in a manner which suggests the inherent soundness of our banking and financial systems. At the present moment, the pessimistic note seems to be dominant and, in fact, the outlook for the wage-earners in the Canadian cities during the coming winter does not appear any too bright. But while probably the present period of comparative depression will last longer than was confidently expected a few months back, there is good reason to expect that the adjustment to new conditions will take place without any severe crisis, such as was freely prophesied by foreign observers a short time ago. There will be in time recognition of the fact that a new period has opened and that we shall have to depend to a greater extent than we have for some time been accustomed to depend upon our own capital. It seems probable that for a long time to come only high-class securities at a figure that is particularly attractive to the investor will be able to be placed with any facility in London. So that we shall have to do our own financing to a greater extent than formerly. And accordingly there will be no surplus for high-finance gentlemen to conjure with and absorb.