

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXVIII. No. 47.

MONTREAL, NOVEMBER 22, 1918

Single Copy 10c.
Annual Subscription \$3.00

THE GENERAL FINANCIAL SITUATION

Canada has gone "over the top" in the matter of the second Victory Loan in most brilliant fashion. The magnificent total of over \$676,000,000 announced as the result of the last three weeks' efforts—a total that will certainly be substantially increased as delayed returns come in—is far in advance of the result which could have been anticipated even by the most sanguine, and is a remarkable ending to the very fine record of Canadian war finance. Undoubtedly, the events in Europe during the last week of the campaign had a highly stimulating effect upon the amount of subscriptions to the Loan. While the effect of the armistice with Germany may have been to decrease the number of small subscriptions, owing to the mistaken feeling that further financial efforts were unnecessary, on the other hand, any loss in this direction was undoubtedly much more than offset by the keen appreciation of the fact by those who were able to make or arrange for large subscriptions that this was the last occasion on which they would be able to secure Canadian Government bonds on such attractive terms as those offered. Hence it is to be expected that during the last few days, there were many substantial additions to original large subscriptions from quarters where the financial significance of last week's European events was fully appreciated.

The immense over-subscription of the Loan will presumably be followed by the cutting down considerably of the larger subscriptions, as it is doubtful whether the Government can usefully employ at present any more than the \$500,000,000, which was the real objective of the Loan. This cutting down will have two effects, both of much importance in regard to the immediate financial future of the Dominion. For one thing, it will lighten considerably the task of the banks. Banking arrangements had been made by many large subscribers to the Loan, and the fact that they will not be allotted as much as they applied for will reduce proportionately the expansion of credit caused by the Loan's flotation, and keep the banking credit of the country on a less extended basis for the time being than would otherwise be the case. Secondly, those large subscribers, who had funds in hand to take up their subscription in full, will be able to utilise part of these funds in other directions. They will be able to support new financing by the provinces and municipalities, which with the Victory Loan now out of the way, will presumably be undertaken at an early date, and thus the financial way will be cleared for the carrying on of new public works, which will give employment to those now being freed from war-work, and thus set the wheels of industry and devel-

opment going along new lines. Similarly, many industrial corporations, who were prepared to tie up large amounts of funds in Victory Bonds, will have considerable margins for enlargements and extensions of plants. The overwhelming success of the Victory Loan, therefore, is not only important in its direct results—of which the continued granting of credits to Great Britain in connection with the purchases of our foodstuffs and other supplies is not the least—but also in its indirect results.

The dominant thought of the business community at the moment is naturally concerned with the industrial and commercial outlook of the immediate future, brought about by recent events. In this connection it is an excellent sign that public confidence so far remains undisturbed. There are no signs of panic, and the vast changes which must necessarily take place are being faced thus far with a spirit of confidence and equanimity that augurs well for the way in which they will be accomplished. Regarding the matter of the course of prices, a subject which is naturally uppermost in the mind of the general public, it is recognized in commercial circles, that while a decline is inevitable in the long run, it is likely to be quite gradual. As regards staple articles of food and clothing, the fact has to be faced that it will be almost twelve months before the stocked new harvests in the western hemisphere become available, and over six months before any harvest at all can be gathered even in southern Europe. Also, staple products like wool and leather cannot be grown in a few months, and while a portion of the available supplies will now be available for general use, which under other circumstances would have been rigorously kept for army purposes, the world-wide demand for these in the next two or three years is likely to be so pronounced that anything more than a very gradual decline, as supplies grow to more reasonable proportions with demand, seems unlikely. Such a course of events, while perhaps not so pleasing to the anxious consumer as a rapid break in prices, is certainly more desirable from the point of view of financial stability, since a pronounced break in prices would almost certainly be followed by commercial troubles on a widespread scale.

It is generally recognized that the great task of restoring Belgium and France can only be accomplished with speed and thoroughness through the employment of a great international effort, involving the common use of the labour and other resources of all the principal belligerent countries. It is, therefore, fair to suppose that Canada will take its share in this work of restoration, and that the supply

(Continued on page 1197.)

