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## THE GENERAL FINANCIAL SITUATION.

The announcement of a close working agreement between the Royal Bank of Canada, and one of the great English banking institutions, the London County, Westminster and Paris Bank Ltd., will not have come as a surprise to readers of this column, where a development of this kind was forecasted several months ago. The move is a logical step in that policy of vigorous expansion by the British banking institutions which was begun a year or eighteen months ago in anticipation of post-bellum opportunities and since the armistice, has been pushed with great rapidity. Within the last few months, several of the English institutions have announced new connections in various European countries, in South America, and in other parts of the world, and it was obviously merely a question of time and opportunity before one or other of them turned to the matter of strengthening Canadian connections. It seems not at all improbable that the present arrangements between the Royal and the London County, an arrangement which has obvious advantages for both sides, will be followed in due course by one or more similar arrangements between other Canadian and British banking institutions. Such arrangements are important means to the end of building up afresh the resources of the British Empire as a whole and of developing the reciprocal trade of the Mother Country and the Dominions. At the present time, Canadian banking institutions, as well as their British confreres, stand at the threshold of a new era of development, of which some signs have been seen during the last few months, and it would not be surprising if some of the larger Canadian institutions, which perhaps hitherto, have not cultivated the British end of Canadian banking business to any extent, found it well worth their while to open up new connections in this direction.

The financial community has been to some extent interested in the flotation of the U. S. Victory Loan which has been started this week, from the point of view of its bearing on the next Canadian Government domestic issue. Such an issue is apparently scarcely likely before the fall, but under the new circumstances of 1919 as compared with 1918 and 1917, the problems which it will present will be new in a number of respects. Clearly, Canada's next domestic loan will be more of a finan-

cial and less of a purely patriotic effort than its predecessors. The principal appeal of overwhelming need, which was so prominent before will be absent. Two outstanding features of the U. S. loan which have attracted attention are its short date, and the fact that two classes of notes are being issued, one exempt from taxation; the other only partially exempt. These are two important points, which it appears not unlikely will also appear in any new domestic financing by the Canadian Government for the purpose of clearing up the debris of war finance. Under the new conditions, such attractive terms as those which marked the last two loans will scarcely be necessary; at the same time a fairly attractive rate of interest will be needed in order to make certain the loan's success. On the other hand, with interest rates tending to decline—and the movement in this direction during the last few months has, in Canada, at least, been a good deal faster than many good judges anticipated—the Minister of Finance will not be anxious to issue a security of longer term than is necessary as a condition of a successful flotation. As regards the matter of freedom from taxation, Canadians as a whole are perhaps not yet thoroughly accustomed to the idea of Dominion taxation on incomes and freedom from taxation has a considerable sentimental, as well as practical appeal. But it will possibly be found by the fall that some restriction on the freedom from taxation which marked the last two loans can be safely made without endangering the loan's success, and sane revision of terms in this direction, looking towards a partial exemption only may, we think, be anticipated with sane confidence.

A good many of the political "platforms" which are making their appearance just now need not receive too much attention. At an unsettled time like the present, anyone with a sufficiently strident voice and a stock of impossible ideas can get a hearing and a certain following in Canada as electors. But the growing strength of the Western farmers' organization demands that some attention should be paid by business men engaged in other lines than farming to the "platform" which has lately been put forward by the Canadian Council of Agriculture. A good many of these proposals for the reduction of the tariff, etc., naturally would, if adopted, involve a heavy loss of revenue,

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