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THE WAR'S FINANCIAL RESULTS.

An interesting divergence of opinion has lately arisen between those who are legitimately entitled to be esteemed as economic experts, in regard to the effect of the war upon the price of capital. Whatever its length the war will, of course, result in an immense destruction of accumulated wealth and in a serious impairment of the instruments by which wealth is produced. Accordingly it is argued on the one hand that following the war, there will be a demand for capital out of proportion to the supply, owing to the necessity of re-populating devastated countries, re-establishing industries and re-developing trade, and that in consequence the rates for capital will be exceedingly high. On the other hand, it is argued, that while it is true the supply of capital will have greatly diminished, the demand for it will be proportionately still less, owing to inability to command it through impoverishment and stress of economy; in effect, it will not pay to borrow.

The truth of the one or the other of these views can only be proved by time. The conditions which are being experienced are so unprecedented that no real analogy can be drawn from history. Destruction and waste of capital on such a prodigious scale have never been seen before, and their ultimate effects can now only be to a certain extent guessed at. To Canada the problem is one of vital importance. With the best will in the world to provide as much capital as possible for our own needs, it is certain that we shall be a borrowing nation for many years to come. It is interesting, therefore, to take stock of the position as it is at present in the Dominion with a view to seeing as clearly as possible what is likely to be the trend of circumstances.

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It is clear that while we shall continue for a long time to remain a borrowing nation, that in any event our borrowings in the immediate and somewhat further future need not be, and will not be, whatever the circumstances, on anything like the scale of, say, the last ten years. We had definitely closed before the war one period of exceedingly heavy construction, and now find ourselves equipped with the machinery to transact a much larger trade than we are at present transacting. It may be that in certain districts new railways are required almost immediately, but it is certain that we do not want two more transcontinentals or the pushing forward of schemes for quick trans-Atlantic travel via the coast of Labrador. Again, our municipalities will have to continue to borrow in order to

provide the ordinary necessities of life to the community, but they are likely to be much more cautious in regard to the shouldering of new obligations than they were a few years ago. Undoubtedly new industrial developments will be pushed forward, but cautiously and only where a sound basis for profitable business can be ascertained to exist beyond all doubt. Certainly our demands for capital will be less.

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Another important influence to be taken into consideration is the remarkable wave of economy in both public and private affairs which is sweeping over the Dominion. To economy in public affairs is largely due the probably lessened requirements of our municipal borrowers, already referred to. Thrift in private affairs is not less evident. A good deal of it at present is necessarily by reason of *force majeure*, but it is not too much to expect that as a result of recent and present "hard times," that there will be in Canada a fairly general movement for the cutting off of unnecessary and foolish expenditures and the wide realization of the fact that savings rather than income are the real basis of individual as of national prosperity.

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Both these movements, lessened capital requirements and the accumulation of savings, will have a distinct tendency to keep down the interest rate upon the borrowings which we are compelled to or find it good policy to make. After the war, in what circumstances will those who have in the past been our chief bankers be placed? A considerable amount of British funds, it seems likely, will be used to repair the destruction caused by the war. It is possible for instance, that a very large loan may be made by Great Britain and France jointly to the Belgian Government probably at a nominal rate of interest to help in the repatriation and re-establishment of the Belgian people on their own soil, and other similar operations, requiring very extensive funds may be considered as possible. Again, the British taxpayer for years to come will be heavily burdened by the taxation following the war. Already the Englishman of moderate means is paying almost an eighth of his income to the Government in income tax and the millionaire a quarter, and it is possible these taxes may be higher still before very many months have passed. Taxes of that sort mean the strictest economy, and there is plenty of evidence that that is being vigorously practiced in Great Britain. In any case, however,

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