

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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One year	Six Months	Three Months	Single Copy
\$3.00	\$1.75	\$1.00	10 Cents

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The Monetary Times was established in 1867, the year of Confederation. It absorbed in 1869 The Intercolonial Journal of Commerce, of Montreal; in 1870, The Trade Review, of Montreal; and the Toronto Journal of Commerce.

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REGULATING CAPITAL ISSUES

Considerable interest has been excited by the control of new capital issues in Great Britain introduced by the British Treasury. The official announcement of the treasury is as follows:

"In connection with the re-opening of the stock exchanges, the treasury have had under consideration the general conditions under which new issues of capital in the United Kingdom can be permitted during the continuance of the war.

"It appears to the treasury that in the present crisis all other considerations must be subordinated to the paramount necessity of husbanding the financial resources of the country, with a view to the successful prosecution of the war. Accordingly, they wish it to be understood that until further notice they feel it imperative in the national interest that fresh issues of capital shall be approved by the treasury before they are made. Treasury approval will be governed by the following general conditions:—

"1. Issues for undertakings carried on or to be carried on in the United Kingdom shall only be allowed where it is shown to the satisfaction of the treasury that they are advisable in the national interest.

"2. Issues or participations in issues for undertakings carried on or to be carried on in the British Empire Overseas shall only be allowed where it is shown to the satisfaction of the treasury that urgent necessity and special circumstances exist.

"3. Issues or participations in issues for undertakings carried on or to be carried on outside the British Empire shall not be allowed.

"4. The treasury will not in ordinary cases insist upon the above restrictions where issues are required for the renewal of treasury bills or other short instruments held here and falling due of foreign or colonial governments or municipal corporations or railways or other undertakings.

"All applications should be made in the first instance to the treasury. The treasury will not be prepared to approve under paragraph 4 (3) of the temporary regulations for the re-opening of the stock exchange any dealings in new issues which have not been approved by the treasury before they are made."

Authorities as eminent as The Economist and The Statist, of London, take divergent views on this matter. The former journal thinks that the treasury regulations will not help to conserve the nation's financial resources. "The treasury," it says, "has yet to learn that credit is not like a bowl of water, diminishing as cupfuls are borrowed from it. Anything which lowers the value of invested capital reduces the basis upon which new credit can be created. The basis has sustained heavy enough blows already; let us beware of too much meddling. Our capital exports are not exports of money; they go abroad in the form of British manufactures and services rendered. In exchange for them we get the produce of all nations. If we cut off the one, we cut the other down to the level of a sum sufficient to meet interest on obligations already incurred. Just now we require the produce of other nations more than ever. If we do not pay for them with goods, can we pay for them with gold? It appears probable that unless the new regulations are circumvented by some means, the effects they will produce will speedily bring about their modification. This country lives on free-trade in foodstuffs and all commodities. Does not the treasury see that finance is merely the reflection of commerce? Protection in finance is an impossibility if London is to remain the world's banker."

Quite the opposite view is taken by The Statist. In view of the enormous cost of the war, it is clearly the duty, says our contemporary, not of the government alone, but of the people themselves, so to husband and manage their resources that they shall be able to fully carry out the operations which are planned, and also to give such financial aid as may be required to all the daughter countries and to India. "There is one other very important consideration," it adds. "A large part of France is occupied by the enemy. Therefore France cannot, rich as she unquestionably is, raise the great loans she would be in a position to raise if she had been successful in repelling invasion. Belgium, again, is in the grip of the enemy, and there are multitudes of brave and public-spirited Belgians who would be ready to serve their country if they had the opportunity to organize. Then Serbia has done wonders. Only the other day she went through two great and exhausting wars. Now she has single-handed met and defeated great Austria armies. Is it not certain that France, Belgium, and Serbia will all need financial assistance? And is it not desirable—is it not even prudent—that we should give it to them in their need? Russia is a great empire, but only in the process of development. As yet she has not much available and accumulated wealth. She would naturally look for help to France. But so much of France is occupied that it would be difficult for her to give the accommodation. Would it not be wise, therefore, that we should also accommodate Russia? All the world believes, rightly or wrongly, that Italy, Roumania, and Greece are about to engage in the fray. Is it not likely that they also will need financial assistance? Bearing all this in mind, then, it can hardly be seriously disputed that the government ought to exercise its sharpest vigilance in preventing any waste of the national resources, and therefore in watching closely over all public issues."