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THE GENERAL FINANCIAL SITUATION.

The statement made by Sir Thomas White in the House of Commons last week regarding the position of the Dominion currency contains considerable information on a subject which is of primary importance to the economic well-being of the Dominion, but is distinctly "caviar to the general." The occasion of the statement was the giving of Parliamentary sanction to various measures, which during the war were put through under the authority of orders-in-council and which it is desired to continue in force. Broadly speaking, these measures concern the powers of the banks and of the Dominion Government to issue currency. It is desired, as the Minister of Finance explained, to continue this legislation in force for a period of two years, by which time, it is estimated, conditions will have become normal, and this emergency circulation legalising the expansion of currency beyond the limits which were permissible before August, 1914, will be no longer necessary.

It appears that at the end of January last, Dominion note circulation amounted to $319,315,689, compared with $112,000,000 in 1914—in other words, in less than five years Dominion note circulation has been practically tripled. The present issue is secured by gold and securities amounting to 80 per cent. of the issue, the percentage fully covered by securities being 51.8 per cent. Of the balance of the issues, the percentage covered by gold is 75.2 per cent., the percentage of gold held against the total issue, irrespective of securities also held being 36.2 per cent. The securities held against this circulation include a large amount, over $80,000,000, of British Government treasury bills and small amounts of Canadian Government treasury bills (deposited by their owners in exchange for currency) and provincial and municipal bonds. In addition, $20,000,000 G. T. P. and Canadian Northern bonds, guaranteed by the Dominion Government, are held in connection with the issue to an amount of $16,000,000 of Dominion notes against railway securities under legislation which was passed in 1914, and securities to a value of 11,000,000 pounds sterling, pledged by the British Government and deposited with the Bank of Montreal in London to the credit of the Canadian Government, are held in respect of an issue of $50,000,000 Dominion notes made in August, 1917, in order to enable the British Government to buy cheese and other Canadian agriculture products.

The net result of these arrangements is this: The Dominion Government holds against its note circulation, in addition to gold holdings, British Government, Dominion Government, provincial and municipal securities to the amount of $90,000,000; railway securities guaranteed by the Dominion to the extent of $20,000,000, and securities owned by the British Government, but lodged with the Bank of Montreal in London for account of the Dominion Government, to a market value of 11,000,000 pounds sterling. Holdings of gold against Dominion notes amount in round figures at the present time to $120,000,000, this last named figure comparing with $97,000,000 of gold which was held on July 31st, 1914. At the earlier date, therefore, the percentage of gold held against Dominion currency was approximately 80 per cent. at the present time it is 36 per cent. plus the securities which have been enumerated. Some further figures given by Sir Thomas White regarding the currency position of Great Britain and the United States show that Canada's position in this respect compares not unfavourably with both countries. In Great Britain the percentage of gold held is barely 10 per cent., and in the United States, which was in an exceptionally strong financial position when it entered the war at a much later date than Canada, 53 per cent. It should also be noted that during the war, the Canadian banks have increased their own holdings of gold from $54,000,000 to $91,000,000, an increase of $37,000,000.

The removal of British Government control of sterling exchange in New York, marks undoubtedly an important step in the restoration of financial dealings to a normal basis. The slump in exchange which has immediately followed the removal of the control, is probably not regarded with a great deal of anxiety by English statesmen and financiers, since it forms a very effective hindrance to British purchases abroad and is a useful aid in checking the volume of imports. The desire to take effective steps in this direction has probably had something to do with the decision to remove control at this time. The British support of New York exchange since 1915 has involved an enormous amount of costly work and operations. Four distinct methods, it is pointed out by New

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