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THE POST-BELLUM INTEREST RATE.

The probabilities in regard to the ruling rate of interest after the war constitute a matter of intense importance to borrowing countries such as Canada, and the continued vigorous discussion of it in many quarters from divers points of view is evidence of the thought and attention which is being given to what is not only an urgent but also a fascinating problem. With the passing of time and the gradual taking into consideration of matters the importance of which was over-looked at the outset, it becomes clear that the early views regarding a probably unexampled high rate of interest after the war need some qualification. The matter is not so definitely and clearly cut as once appeared. It is recognised that a number of influences will tend to off-set, though in what degree is not yet clear, the rise in the interest rate caused by the huge expenditure of capital in the European war.

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There may be considered in this connection the character of the Canadian borrowing which is likely to develop when capital is once again procurable from the leading lending countries without let or hindrance. Within the last ten or fifteen years, the borrowings of Canada abroad have been largely for the purposes of construction. Immense amounts of capital have been expended in the development of railways, terminal facilities, canals, harbours, industrial equipment and the like. The net result of these vast expenditures, it is generally conceded, is that Canada is at the present time equipped with a transportation and industrial plant capable of handling an immensely greater business than it is at present called upon to handle or is likely to be called upon to handle for the next few years. It is probable therefore that our post-bellum demands for capital for these purposes will be very much smaller than they were before the war, and in view of the large proportion of our borrowings within recent years which came under the headings above given the falling off in demand

for these purposes will probably have an important effect upon the total of our applications for capital. These are, in fact, likely to be greatly reduced.

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Moreover, with the competition of important borrowers lacking, the way will be more clear for those other classes of borrowers who are likely to continue to make large or fairly large demands for capital. The Dominion Government will, no doubt, be compelled to put through some important operations at the conclusion of the war in order to provide for its war expenditure and other requirements; the provincial governments will be in the field for various purposes, and the municipalities likewise, though it may be hoped that in both these cases something will have been learned by experience, and their borrowings be made upon somewhat more conservative lines than in the past. Additionally, on account of the stimulus given to new production and in consequence of the new immigration on a large scale which is likely to follow the end of the war, there will be probably a steady and large demand for mortgage money, necessitating further large borrowings on this account. Finally there will be some demand for capital by new industries, but these particularly are only likely to achieve success in their flotations when their prospects are unexceptionable. On the whole, while there may be persistent demands for capital in some connections, it seems likely that in the next few years Canada's demands as a whole for capital will be considerably less than they have been in recent years.

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With regard to the loan fund which will be available in the leading lending countries, it is calculated by the Brussels journal, *Le Moniteur des Interets Materiels*, that the annual average supply of capital available for investment is about \$4,000,000,000. Estimates by various authorities of the annual cost of the war suggest that one year of it consumes four years' savings. But, as is pointed out by

(Continued on page 911)

