CANADA AND BRITISH TRUSTEE LIST

Difficulties Are Not Insurmountable—Amplification of Treasury Regulations Would Open the Door

In *The Monetary Times* last week, were printed comments of the London financial press, regarding the desire to have included in the British Trustee List, Canada's provincial securities. The editorial of the Financier was answered by two letters, signed "Canadian" in that paper. We have a good idea of the identity of the writer, who is thoroughly posted on the subject and whose words carry considerable weight. Here are the letters:—

"In common with many Canadians, I have read your article in to-day's issue with much interest. No one can take any exception to the first paragraph, which states the position very fairly; and, as you say, the case for the inclusion of Canadian Provincial securities in the British Trustee List is admittedly a strong one.

"In the second paragraph, however, there are two statements somewhat open to question, which I think ought to be noticed. You state quite accurately that the Provincial Governments are able to comply with two of the conditions or regulations laid down by the Treasury under the Act of 1900. You go on to quote the third condition, but the quotation is inaccurate. It reads, as you put it, that any Colonial legislation which is likely to be injurious to the stockholders, or to involve a departure from the original contract in regard to the stock, would properly be allowed. Of course, it should be disallowed. Although the provinces cannot comply with that condition, they have made a suggestion by which the same result could be attained.

Regulations can be Altered.

"Then you go on to say that the provinces cannot, therefore, obtain what they require until the law has been altered. The regulations are not included in the Statute bearing upon the question. The Act provides that regulations may be made by the Treasury, and the regulations you have quoted are the consequence. If regulations can be made under the Act, they can presumably be altered; and there seems to be no reason, in law, why some modification should not be made in the regulations to meet the case of the Canadian Provinces—if there is any desire to do so.

"It is—to put it mildly—an injustice that the privilege of having their securities available for trustee investment should be denied to provinces like Ontario, Quebec, Manitoba, British Columbia, and the others, while it is freely given to the States of the Australian Commonwealth, and to nearly all the Crown Colonies throughout the Empire.

What Would be Included.

"Many of your Canadian readers will learn with disappointment that the Financier, which has always devoted much attention to Canadian interests, and is popular in the Dominion, is "confident that the grievances of the Canadian Provinces could not be redressed at the present time without inflicting some injury on the holders of existing stocks." That, of course, is only a matter of opinion after all, but surely the best answer to the statement is found in the remark made in another portion of the article that the Canadian Provincial loans do not exceed £20,000,000. (I doubt if more than £13,000,000 would be affected if the suggestion were carried out), and that such an addition to the list of eligible Trustee stocks would be a small one—smaller, indeed, than the additions which are automatically made to it every year by the issue of further securities of the Trustee class."

To Modify Regulations.

Commenting on this letter, the Financier says:—

"Our correspondent states that our suggestion that the grievances of the Canadian Provinces could not be redressed without inflicting injury on the holders of existing Trustee stocks is a matter of opinion. At that we must leave it. Perhaps, when financial conditions have improved, the authorities will be able to carry out our correspondent's suggestion that some modification should be made in the Treasury's regulations to meet the case of the Canadian Provinces. Our estimate of the amount of Canadian Provincial loans outstanding was taken from *The Monetary Times* pamphlet, which states that nearly $100,000,000 of British money is invested in the securities of the Provincial Governments of Canada."

Position Clearly Explained.

The second letter of the correspondent follows:—

"It occurs to me that I may with advantage amplify my letter of yesterday a little in order to make the present position of the matter quite clear.

"It is admitted that the Provinces of Canada are not able to comply, for the reasons given previously, with the third condition of the Treasury regulations, relating to the investment of Trustee funds in Colonial securities. That regulation provides that 'the Colonial Government shall place on record a formal expression of their opinion that any Colonial legislation which appears to the Imperial Government to alter any of the provisions affecting the stock to the injury of the stockholder, or to involve a departure from the original contract in regard to the stock, would properly be disallowed,'—i.e., by the Imperial Government, which has power of disallowance in connection with the legislation of the self-governing Colonies and of the Crown Colonies. The provinces are not in a position to make the statement in question, in view of the fact that the Imperial Government has no veto over the legislation of the Provinces of Canada—that power being vested in the Government of the Dominion. That is the only reason which prevents the Provincial Governments giving the stipulated assurance. What they have done, however, is to make it clear and beyond question that they are quite willing to place on record their opinion that any legislation coming within the terms of the Treasury regulations would properly be disallowed by the Dominion Government.

Is a Genuine Grievance.

"If, therefore, the Treasury regulations could be amplified by the addition of the words 'by the Dominion Government,' or some other suitable formula, after the sentence 'would properly be disallowed' it seems to me that it would meet the case and enable the difficulty to be overcome. If that suggestion should not be satisfactory the Provinces of Canada have declared that they are prepared to act upon any other suggestion that may be made for dealing with the situation.

"The amount involved is not large. I am aware that *The Monetary Times* pamphlet states that about £20,000,000 of British money is invested in the securities of the Provinces of Canada. It should be borne in mind, however, that several millions of that indebtedness is in the form of bonds, which are not eligible for Trustee investments in any circumstances. If the request of the provinces were acceded to, it is not likely that more than about £13,000,000 of securities would be added to the Trustee list—an amount which would not affect the position as it is to-day to the slightest extent.

"It seems a thousand pities that some steps cannot be taken to remove what is certainly a genuine grievance on the part of the great provinces which form the Dominion of Canada."

FINANCIAL INSTITUTIONS AND CRISES.

Addressing the Institute of Bankers in London, England, Viscount Goschen referred to the condition of the financial world and the state of the money market. He pointed out that with supply of capital a craving had been stimulated which it was difficult now to satisfy. Another cause for the great demand for money was the spirit of restlessness which was abroad. A great development in foreign countries and colonies of railways and enterprises needing capital was taking place, but one which had been accompanied by a spirit of haste. Governments—all governments—seemed to think that they must crowd all manner of public works into as short a time as possible. It had followed that there had not been sufficient new capital to go round and to satisfy the demands made for it by new countries in process of development and countries where commercial enterprise is active. Then the war in Eastern Europe dislocated trade and caused a great demand for money. The result had been that new issues had followed one another in such discomforting haste that the digestion of the market had been upset and caused weakness and depression, for which a rest was only needed to restore its strength. There was one feature to which they might look with satisfaction. Last century they were accustomed on an average to a financial crisis every 10 years, always attended by some failures; but was it not a little remarkable that although they had passed through times of trouble since then, times when it appeared as if Europe was on the brink of war and stocks from abroad had been thrown on this market to be sold at panic prices, yet they had not been attended by any serious failures? Might not this be largely attributed to the financial institutions, which had acquired such power in the world of finance that at the moment when credit appeared to be inflated and speculation unhealthy, they were able to restrict credit for other than legitimate trade purposes?

Exports of toys from the United States amount to less than $1,000,000 per annum and have somewhat declined in recent years. Most of those exported however, go to English-speaking countries, the $828,518 worth exported during the past fiscal year going chiefly to England, Canada, Australia and New Zealand; the next largest exportations went to Germany, Cuba, the Philippine Islands, France and Japan.