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THE GENERAL FINANCIAL SITUATION.

One of the features of the six months that have elapsed since the armistice with Germany went into force has been the new developments of financial enterprise and service designed to meet the new needs and fresh requirements of the economic development of a new era. While possibly the most striking of these developments have been in Europe and particularly in Great Britain, Canada has seen a proportionate forward movement in new undertakings by the banks and other financial institutions. Canadian developments have thus far taken the form of new moves by established institutions. The forward movement in this direction is, we believe, only at its beginning, and we are inclined to think also that the time is ripening for the creation in Canada of a new type of financial institution, which hitherto has been confined to Europe, and has contributed not a little to the development of the financial supremacy of the western countries of that continent prior to the war. This institution is the trust company, using that term in the European sense of the word, or as it may be more accurately described, the investment trust corporation.

An investment trust corporation is not at all like the trust company as we know it in Canada. Its business is the holding of investments, purely as investments, using for this purpose its own capital and the funds raised by debentures issued to the public. The nearest approach to this kind of institution which we have in Canada is the well-established mortgage companies, with this important difference, that whereas the latter companies use their own capital and the funds which they borrow from the public by means of debenture issues, primarily for the purpose of making loans and mortgage, the investment trust corporation does not touch mortgages, but holds bonds and stocks. In London, these institutions have for years past been important sources of the supply of investment funds. The war, with its requisitioning of foreign securities for Government purposes in the support of sterling exchange, has played probably considerable havoc with the investment lists of these companies, but certainly before the war, many of these companies were to be found holding scores, and in some cases, hundreds of different investments in substantial amounts. The individual investor in the stock of these companies thus secured the advantage of a

very wide diversification of investment interest; and the holders of these debentures a first-class investment with ample security issued by an undertaking of high standing.

It has become evident that under the new condition of things as we have them in the post-war period, that to secure a higher level of economic efficiency, and consequently a higher level of material well-being, that capital, as distinct from credit, must be more closely allied with industry. Take, for instance, the matter of export trade. At present we have made a start with it through Government credits—a courageous and far-seeing expedient, as we believe, but nothing more than an expedient. Admittedly such an arrangement can only be temporary. It will probably in due course be supplemented, and eventually supplanted by ordinary commercial credits. But even these will possibly be insufficient to hold on to markets in such a fashion that they will be available permanently for Canadian produce. To secure those markets permanently, and inversely to obtain from them under the most favorable circumstances the products which Canada needs, nothing is more effective than the investment of capital, and sooner or later, we believe, and whether obtained in Canada or elsewhere, that will have to be undertaken.

In this connection, it is necessary to clear our minds of cant and prejudice and take a broad view. It will be objected, as it has been objected scores of times already, that this means taking capital out of Canada which should be employed in Canada. To which the reply is that capital employed abroad which means dividends for Canadian shareholders, employment in Canadian factories, cargoes for Canadian ships, remuneration of one kind and another for Canadian finance and the supply of needed foreign products on favorable terms is certainly not being employed to the detriment of Canadians at home. As a matter of fact, this matter of foreign trade is only one direction in which these trust corporations would perform valuable service in Canadian finance. They could and would hold the securities of purely domestic corporations. Given adequate backing, these securities, whether stock or debenture issues, could be made attractive and, what is of primary importance, thoroughly safe securities for the small investor, and every dollar that is safely and pro-

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