

# The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXVII. No. 43.

MONTREAL, DECEMBER 14, 1917.

Single Copy 10c.  
Annual Subscription \$5.00

## CAPITAL FROM ABROAD.

An important passage in Sir Frederick Williams-Taylor's address at the annual meeting of the Bank of Montreal, referred to the effects, which are only just beginning to be felt, of the United States entry into the war, upon the inflow of capital from abroad into Canada. THE CHRONICLE was the first financial journal in Canada, we believe, to sound a warning on this point, at the time of the United States declaration of war. The forecast then made in regard to the compulsory cessation of our general borrowings in the United States, that had to some extent taken the place of our borrowings from Great Britain, which necessarily ceased in 1914, has since been borne out by events. As Sir Frederick put it: "Little money is coming into Canada except in payment of exports, and for the first time since Confederation, the Dominion is cast upon her own financial resources."

It is to be noted that the effects of this condition are only just beginning to be felt. Up to the time of the United States declaration of war in March last, our provinces, municipalities and other borrowers were engaged in an active and successful canvass for United States capital. Thus the sales of Canadian securities in the United States during the last twelve months were \$152,000,000, compared with \$153,000,000 for the previous year. The former amount includes the \$100,000,000 Canadian Government loan floated in July last, of which \$20,000,000 was required for refunding purposes. As things stand at present, practically the only possible Canadian borrower in the United States, for other than refunding purposes, is the Dominion Government, which as a result of diplomatic negotiations, and in order to preserve a healthy condition of Canadian-American trade, might be allowed, as in July last, occasional access to the New York market. But in view of the enormous demands which will be made upon American investors by new issues of Liberty bonds in the next year or two, as well as the uncertainties of international developments, no reliance can be placed upon this source. We have to rely upon ourselves. We have to meet, unaided by new borrowings, interest payments abroad at the rate of \$180,000,000 yearly, in addition to the gradual withdrawals of British and other capital, which under the circumstances of the present day, are inevitable. Thus, we have to maintain an average surplus of exports over imports, of say \$200,000,000 annually, in order to

meet our obligations abroad. Moreover, there is the possibility, mentioned by Sir Frederick, that before the war is ended, we may have to cope with inability or unwillingness, on the part of potential purchasers, to provide payment for our surplus productions.

\* \* \*

The philosophically optimistic view which Sir Frederick Williams-Taylor takes regarding the turn of events is decidedly interesting. While on the one hand, industrial development will be checked, on the other hand the inability to borrow, in Sir Frederick's opinion, may well prove a blessing in disguise, once affairs have been adjusted to the changed conditions. So long as the stream of money flowing into the country was uninterrupted, he pointed out, it was difficult, if not impossible, for people to see the necessity for economy. While the development of Canada could never have reached its present stage, but for moneys borrowed abroad:—"the misuse of borrowed money is in great measure responsible for some of the chief evils that have come upon us. I refer especially to the inflation which before the war started the increase in the cost of living, and to the creation of debt unrepresented by productive investment. Now that the inflow of money is suspended, we must pull ourselves together, practise economy, till the soil, produce to a greater extent the manufactured goods we require for our own use, until in the fullness of time we emerge a wiser and a better people in a sounder economic position." Our present job, is "to take stock of our resources, and with stout hearts to set about the work of conservation and rehabilitation." We have made a start on that job by promising to save \$400,000,000 during the next few months. How long it will be necessary for us to continue on it remains to be seen. But it will be the part of wisdom to make up our minds that we have a long row to hoe. The very significant fact is now reported that financial London, which is particularly averse to State control, such as has been exercised during the war, has now made up its mind that for some time to come it will be necessary for all the Governments in the belligerent countries to keep a very careful hand on the reins, if the war is not to be followed by financial crises upon an unprecedented scale. At one time it appeared reasonable to anticipate fair facilities for Canadian borrowing abroad after the war. But with its financial problems piling up on so gigantic a scale, it is easy to be too optimistic on this point.