

### FUTURE INTEREST RATES

The two views as to the future of interest rates do not come any nearer agreement. The two opinions were outlined in these columns recently. Briefly, one is, "that wealth is being consumed and destroyed abroad in enormous volume, and that the longer the war keeps up the greater will be the impoverishment of the European nations, and because of the destruction of property and wealth in Europe there is bound to be an enormous demand for capital for reparation. Consequently, there will be a tendency toward higher interest rates, which tendency will be maintained for an indefinite period." The other view is, "that the quiet, but extensive, liquidation which has been going on in recent years, the cessation of new enterprises and the marked caution followed in every direction in the matter of improvements and new developments are all having a most vital influence in lowering the average interest rate, and that this condition is likely to continue, regardless of whether or not we witness a fair revival in industrial activity next year."

This uncertainty as to what the investment situation will be after the war makes it hard for some investors to decide what class of securities they should buy—whether long-term bonds or notes. A well-known banker a few years ago advised the purchase of bonds when corporations are generally financing with notes. One who followed that advice, however, has seen market losses, rather than gains, in recent years. The converse of that advice may be equally untrue, now that corporations are financing with bonds instead of notes.

After eight years of increasing use of short-term securities it seems significant, the Wall Street Journal says, that at the lowest point for investment prices in two decades, corporations should turn from notes to long-term financing. In 1908, when short-term notes first came largely into use, the Pennsylvania Railroad could market its consolidated mortgage bonds on a 4.21 per cent. basis, and have them thirty times oversubscribed. This year the same issue has to offer a 4.31 per cent. return to bring a five-fold oversubscription. The change for most other roads has been greater than this.

It is true that many roads which have been selling notes have not until now had bond issues authorized of which they could avail themselves. This has been the case of New York Central and Baltimore & Ohio. But since the war started every road has seen the danger of temporary financing, and all who can are paying the ruling rates for long-term money to retire their notes.

Our contemporary thinks this is a healthy development which should have come in 1909 or 1911. Its adoption at this time, when good notes can be sold at lower interest rates than debenture bonds, must indicate considerable uncertainty regarding the investment market for the next few years.

In this connection, the Canadian finance minister, Hon. W. T. White, in his recent budget speech, recalled that so far as floating indebtedness is concerned, the Dominion will enter upon the new fiscal year with £3,000,000 of treasury bills maturing in June, and a bank indebtedness of \$5,000,000. Apart from these, Canada will have no maturing loans to meet until the year 1919, a very satisfactory situation. This fact Mr. White is disposed to attribute to the policy hitherto followed by the Dominion of financing by selling its permanent stock at such prices as could from time to time be obtained, rather than by issuing short date loans in the hope of more favorable

conditions developing later. To that opinion serious consideration should be given by Canadian borrowers. Short-term securities are very handy but they have their dangerous features.

Manitoba's moratorium may be protecting a number of land gamblers, but it is also going to hit the provincial credit, and hard, in due course.

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Calgary had a street railway deficit, which did not look sufficiently aristocratic. So the authorities reduced the charge for depreciation below what it should be and behold there appeared a shabby genteel surplus.

### PREVENTION OF FIRES

In analyzing the causes of fires in Canada, one is struck by the number which are preventable. An excellent appreciation of the fact is to be gathered from *The Monetary Times'* record, compiled as it is from reports received direct from insurance companies, adjusters, fire chiefs, government insurance departments and tenants and owners of properties visited by fire. The National Board of Fire Underwriters, in conjunction with insurance departments of the principal states in the neighboring republic, has just commenced a comprehensive work to ascertain the causes of fires throughout the country. Ninety per cent. of the companies in the United States are reporting their fire losses to an actuarial bureau established by the board. Some very interesting figures are likely to be collected as a result of this action.

Figures given by the fire marshal of Texas, regarding 41,000 fires in that state, between December, 1910, and August, 1914, classify 70 per cent. of the fires in dwellings as preventable. The preventable fires in dwellings, apartment houses, and boarding houses are classified as follows, the details being given, in order, as to cause, number and percentage: Flues, 2,950, 15.6; exposures, 2,860, 15.1; conflagrations, 245, 1.3; stoves and heating, 1,830, 9.7; kerosene lamps, 696, 3.7; curtains, gas, 606, 3.2; electric wiring, 657, 3.5; ashes, candles, carelessness, 769, 4.1; parlor matches, 717, 3.8; gasoline and volatiles, 636, 3.4; kerosene stoves, 389, 2.1; fireworks, 67, 0.3; burning grass and rubbish, 189, 1.0; spontaneous combustion, 143, 0.8; cigars and cigarettes, 254, 1.3; electrical appliances, 220, 1.2; totals, 13,228, 70.1.

Similar deductions may be drawn from the facts contained in *The Monetary Times'* fire record during the past four years. Here are some of the chief causes of fires in Canada in that period: Electrical defects, lamps and lanterns upset and exploded, defective and overheated stoves and furnaces, sparks from engines, chimneys, etc., candles, tapers, etc., defective and overheated pipes, chimneys, etc., smoking cigarettes, etc., forest, bush and prairie fires, live coals and hot ashes, lightning, incendiarism, matches, gasoline and gas explosions, spontaneous combustion, burning rubbish, tramps, rats and mice, cigar and cigarette stubs, thawing out pipes, hot box, oil stoves upset and exploded, fireworks, defective gas jets, stoves, grates, hot plates, heaters and irons, bonfires, explosions, overturned heaters, and grease and oil.

The fire waste in Canada is one of many phases of national carelessness, a trait which the pinch of economic readjustment and of war may help to cure.