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Banking, Insurance and Finance

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WAR FINANCING AND CREDIT EXPANSION.

Some interesting figures have lately appeared regarding the exact effect of Canadian Government borrowings for war purposes upon the Dominion currency, a great expansion in which was the direct result of the Government's borrowing. At the outset of the war—on July 31, 1914—there were outstanding in the Dominion, bank notes amounting to \$94,815,000 and Dominion Government notes of \$112,793,000—the total being \$207,608,000. Of the Government notes, \$90,616,000, or, roundly, four-fifths of the whole issue, were held by the banks; these being mostly large denominations used for reserves and for clearing-house settlements. Against its issue of \$112,793,000, the Government held \$91,736,000 in gold, the uncovered issue being, therefore, \$21,057,000. On March 31, 1917, the Government notes outstanding amounted to \$183,248,000, backed by \$113,110,000 gold, leaving \$70,138,000 uncovered. The increase of uncovered notes is accordingly \$49,081,000. The banks held at the same date \$137,401,000 of Dominion notes, and they had pledged to Central Gold Reserves as cover for excess issues of their own notes a further amount of \$22,890,000 in Dominion notes. Thus altogether they accounted for \$160,291,000, or more than five-sixths of the total Government issues. But the bank-note issues at the end of last March had also risen to \$148,265,000, an increase of \$53,545,000 during the war; though they had at the later date \$35,200,000 deposited in Central Gold Reserves against these issues, the deposits comprising \$22,890,000 in Dominion notes and \$12,310,000 in gold. The uncovered bank notes, therefore, show an increase of only \$18,250,000. Altogether the increase of uncovered Dominion Government and bank notes during the war has thus amounted to \$67,331,000, or about 60 per cent.

It is pointed out that most of this currency expansion occurred in the Government issues, and as the banks took and held the newly issued Government notes, the transaction really represented a free loan by the banks to the Government. But these increased holdings of Dominion notes have also served partly as the base for a huge expansion of bank liabilities, represented by very large loans to the British Government in connection with munition purchases and further short loans to the Dominion Government. This expansion of credits has led directly to the sharp advance in commercial loans and discounts, which has lately been in evidence.

CONSCRIPTION AND FINANCIAL OBLIGATIONS.

A point that is apt to be overlooked in connection with the question of conscription is the matter of the financial obligations of those who are called up. Whether, in the event, many or few classes are mobilised, a proportion of those called to the Colours will be men who are definitely committed to meeting certain financial obligations, a mortgage on a home, insurance premiums and the like. To call up these men without making any provision whereby these obligations may continue to be met would be not only disastrous to the individuals and dependents concerned, but re-act most unfavourably upon the whole economic body. In Great Britain, a similar difficulty has been met by an enactment whereby the Government meets the obligations of approved applicants for assistance, up to, we believe, about £100 annually. The high Canadian scale of pay and allowances, in comparison with the British, to some extent possibly makes this matter a less urgent one in Canada than in Great Britain. Nevertheless, such cases must occur if conscription comes into force, and it would be an endless disgrace to the Dominion if those in good position or fair financial circumstances who are called up through the mere accident of age, are thereby compelled to reduce themselves and their dependents to penury, while other folk, who also through the mere accident of age are not called up, can go on earning and saving as usual. Talk of "equality of sacrifice" in such circumstances as the present is, of course, mere cant; the thing is impossible. But it would be possible to take such steps as would enable those called up to leave their affairs in reasonable condition with the assurance that in their absence urgent obligations would be met. Needless to say, any such relief should be made available at the same time for those who have voluntarily enlisted.

THE DOMINION'S REVENUES.

The revenue of the Dominion for the two months of the current fiscal year to May 31st totalled \$41,494,009, compared with \$33,172,755 in the corresponding two months of the preceding fiscal year. May's revenue was \$22,849,499 against \$18,497,707 in May, 1916. This year's growth is practically accounted for by the further increase in customs' duties, which for the two months are reported as \$30,404,939 against \$22,605,295 in the two corresponding months of 1916. Expenditure on current account for the two months was \$4,437,553 against \$5,276,715. Expenditure on capital account during the period totalled \$12,445,666, of which \$11,399,875 was war expenditure, against \$12,713,304, of which \$9,733,843 was war expenditure, in April and May, 1916.

Of 162 policies in the "old Equitable" of London, which became claims by death during 1916, twelve were quadrupled by addition of bonuses, a further ten trebled and 72 in all doubled.

The English courts, confirming a former decision have ruled that "tips" from passengers received by a railway porter, which he is not forbidden by his employers to receive, must be taken into account in estimating average weekly earnings, in respect of which he may be entitled to compensation under the English compensation acts.