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OUR BORROWINGS ABROAD.

To those who have not been following the matter closely, the magnitude of our borrowings in New York during the past twelve months, as recently announced by Sir Frederick Williams-Taylor, must have come as a surprise. The fact has not been generally appreciated that in volume these recent borrowings in the New York market compare not altogether unfavorably with the total of our borrowings in the London market in years past when Canada as a borrower was a prime favourite there. Including the \$45 millions Government loan, Canada has borrowed in Wall Street during the past twelve months about \$142 millions. This may be compared, as Sir Frederick pointed out, with \$165 millions borrowed by Canada in London in 1913—a time when, although the enthusiasm of the British public for anything and everything in the way of Canadian investments and speculations was beginning to pall, British funds were coming to us freely and readily. The present total of our borrowings in the United States is also the more notable by reason of the fact that, while American investors have in recent years been taking a more lively interest in our bonds than formerly, the aggregate of our American borrowings in the preceding twelve months was only some \$50 millions. That under the circumstances of the past year, American capital should have been sent so freely to Canada, is certainly matter for gratification, and satisfactory evidence of the high standing of Canadian credit in New York.

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At the same time, our borrowings are exceedingly good business for our American neighbours, not merely because their investors secure a very fair rate of interest upon our securities, but also, because Americans send us their capital not in cash but in goods and merchandise. Up to the outbreak of war, Canada had been in the position for several years of buying American goods and merchandise with British money. Funds borrowed in London made possible the immense balances in favour of the United States in its trade with us.

With the outbreak of war, the British funds were cut off, and the United States was in the position of having either to give us credit, or see its Canadian trade sharply contract. Necessarily trade would have contracted since, short of obtaining credit; there are only two ways in which we could obtain goods from the United States, either by giving the equivalent in our own products or by paying gold. Our exports to the United States could not possibly offset what may be termed a normal volume of United States imports, and if the alternative of gold payments had to be adopted, the Dominion would speedily be impoverished—obviously it would be necessary to make every effort to minimise any movement of that kind. Therefore, Canadian imports from the United States would have contracted very sharply had not the United States been prepared to give us credit by absorbing our loan issues in the New York market. They have been absorbed to the extent of \$142 millions; and thus a trade balance in favor of the United States of \$113 millions plus interest of approximately \$32 millions on our previous borrowings in the United States has been provided for. Had these credit arrangements not been made, probably there would not have been a trade balance in favor of the United States of \$113 millions. Canada would have gone without the things she wanted, and United States trade would have been correspondingly the poorer.

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It is to be anticipated that during the war, United States funds will continue to come freely to Canada. It is reasonable to expect also that their free flow will continue after the war is over, providing that great care is taken to maintain our credit. New York's ambition as an international money centre has been perceptibly stimulated by the war, and there are in the United States many signs of a realization of the truth that foreign trade follows capital and that if American trade is to be extended abroad, American capital must go ahead of and with it. The recent formation in New York of a corpora-

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