

American Capital and Canadian Investments

Favored Position of Canada Among Investors of the United States—Pride in Dominion's War Record—Misapprehensions that Need to Be Dispelled.

The following is an interview with Major W. S. Dinnick, of Toronto, published in our esteemed contemporary, "The Financial Times," Montreal, issue of June 10, 1916:—

Major W. S. Dinnick, president of one of the most conservative and influential real estate and building companies, and vice-president of a well known mortgage corporation of Toronto, has been travelling extensively in the United States in recent months, and on his return from his latest visit to New York gave the representative of "The Financial Times" an interesting summary of his impressions concerning the changed and changing relationships of the American business public, and particularly the investing centres such as New York, toward Canada.

"I think," said Major Dinnick, "that one can make no mistake in saying that Canada is just at the beginning of an era of tremendous popularity in the United States. Every one knows the record of the last Ottawa Government loan floated in New York. It is common knowledge that American investors are actually seeking certain classes of Canadian securities, such as municipal bonds and so on. But, until one meets the Americans face to face and hears their comment and the questions they ask about Canada, the real significance of the 'Canada-boom' on the other side of the boundary is only half appreciated.

"Apart from other interests that took me to the American cities, I have been studying the question of capital for Canadian enterprise. Obviously the lender of the world today is the United States. It is likely to remain in that position for at least some time to come. And in the eyes of that lender, in the estimation of this nation whose banks are literally overflowing with capital, Canada stands absolutely foremost.

"At the risk of repeating facts that have already been made public in certain quarters, let me just summarize first of all the American monetary situation. Her favorable trade balance in 1913 was a mere \$502,444,459. In 1914, it was a little less. But in 1915, it was \$1,122,386,954! These enormous balances represent, obviously, surplus American earnings. They have been piling up at a rate threatening to make money altogether too cheap unless investments other than American investments become available.

"For this surplus capital there are, roughly speaking, four outlets: Europe and Asia, South America, the United States, and Canada. To lend money to Europe practically means to invest it in the American munition trade. There are limits even to that field of investment, and moreover investors are showing an increasing preference for investments in enterprises less likely to be suddenly cut off by the declaration of peace. South America—especially South American railroads—is getting some American capital. Canadian holdings of Brazilian traction have almost all been bought up by Americans, and British holdings in South American railways have been similarly transferred. But that field too is limited. Shipping facilities have been dislocated and exchange demoralized. The United States itself is trying to develop a number of new industries formerly monopolized by the Germans. But these are largely experimental, and therefore not popular. Greece and Turkey once bid fair to attract American enterprise, but they are obviously out of the running now. Unsettled conditions in China account for continued aloofness toward Oriental investments. In short, of all the world, one area alone meets the all-round approval of the American investor—Canada!

"Why are we not seeing more American money, then? Because the American investor is still a little uncertain about the conditions under which capital is to be allowed to work in Canada in the near future. If the American can be reassured against the bogey of excessive war taxation by the Ottawa Government, he will hurry to find investments in the Dominion. In the first place Canada is not a far-off foreign land in the eyes of the American. It lies snug alongside his own country. There are no great intervening natural barriers. The most settled and accessible parts of Canada are contiguous to the thickly populated areas of the United States. Half of New York has cousins in Ontario or Nova Scotia or British Columbia. The managing editor of one of the big New York dailies spends his summer holidays fishing in Quebec. Four Pittsburg bankers whom I know go regularly to Muskoka; and so on. To an American to have an investment in Canada is like investing in the house next door. He can watch it grow.

"And what is more: Americans—the real Americans—are almost pathetically proud of Canada's part in the war. 'You know,' a Chicago man said to me, 'this country of ours has been kind of embarrassed about the war. A lot of us wish that we could have shown up better—something like you Canadians. But we just naturally seem to be in wrong.'

"In that man's mind, Canada had really saved the honor of the western hemisphere by her share in the war. Canadians have always stood high in the estimation of American business people, but today they stand infinitely higher. One man said to me, with something like bitterness in his voice, 'You have a white man's country up North. You ought to thank God for it. You aren't hyphenated. You're British!'

"I agreed; but to Canadians, let me add, there is no finer guarantee of good credit anywhere in the world—business credit, moral credit, or any other kind of credit—than just that 'being British.' Canada is the nearest British thing to the Americans. It is more popular with them as an investment centre than even Britain itself. It combines 'being British' with 'being close to home.'

"How is Canada going to pay for the war? That is the question the American bankers are asking. 'If we invest in Canadian enterprises, are we going to be faced with tremendous war taxes?'

"I have always said 'No' to such questions and have explained that the policy of the Ottawa Government, as I understand it, is to spread the cost of the war over future generations and to make the burden on each generation as light as possible.

"'But,' said a Wall Street man, 'I didn't think Ottawa had the say-so in a case like this. I thought England would be the one to say what taxes you paid on account of the war!'

"That banker, passing for an educated man, and well informed on almost all ordinary subjects, had this strange misconception of Canada's part in the war. When he understood that Canadians legislate for Canada, he changed his view. 'In that case,' he said, 'you people aren't likely to put any more taxes on capital than capital can bear all right. They wouldn't be fool enough.'

"American money and American enterprise," continued Major Dinnick, "will clamor for admittance to Canada after this war if for only one reason. That is the fact that in Russia, France, Belgium, Great Britain, Australia, New Zealand and South Africa and India, American-made goods will not have the advantages that Canadian-made goods will have. First of all, a sentimental alliance is certain to remain between the Allies and will affect their trade relations. Secondly, the inter-allied trade preferences which are cer-