INTEREST RATES AFTER THE WAR

Opinions Differ as to What Will be Their Course, but This One Favors the Low Rates Theory

There is much conflicting opinion as to what will be the course of interest rates after the war. The more popular view is that because of the vast destruction of wealth, huge government borrowings, and the demands for reconstruction after the war, capital will be scarce, and interest rates high.

As a superficial view, this theory seems quite plausible, but Mr. Mark Wells, of A. H. Martens & Company, Toronto, thinks that a close examination of the hard facts of experience, seems inevitably to lead to just the opposite conclusion.

"For example," he writes *The Monetary Times*, "after the close of the most destructive series of wars which ended with Waterloo, money became easy. The price of 3 per cent. British consols rose from 60 to 90 in the decade from 1815 to 1824, while their investment yield declined from 5 per cent. to less than 3⅓ per cent. During that period, Great Britain refunded large portions of its debt at reduced rates of interest.

"It is estimated that the Franco-Prussian war, though short, destroyed over $4,000,000,000 of wealth. The Bank of England rate, which stood at 4.10 per cent. in 1872, dropped to 2.61 per cent. in 1876. After the American Civil War, in which over $5,000,000,000 was destroyed, the rate ranged at low figures, being down to 2.10 per cent. in 1868. In fact, war's aftermath presents no paradox so surprising to the popular mind as the inevitable decline in interest rates, and the excess in supply of money over demand.

Supply and Demand.

"The reasons for this phenomenon, though deep and underlying, are easily understood. The inexorable law of supply and demand operates here, as elsewhere. Low money rates prevail, simply because the demand for the use of capital decreases more than does the supply. War impoverishes the people, and so lowers their purchasing power, and per capita consumption. War induces the sharpest of economies, and so further cuts down individual consumption of goods and commodities. Habits of economy engendered by the war tend to keep down the consumption of commodities long after the war closes. This means decreased activities by producers, manufacturers, merchants and carriers, not only in war stricken countries, but in every country in the world which sells to the war impoverished people. This decrease in economic activity sharply reduces the demand for capital, and thus interest rates fall.

"The action of interest rates in after-war periods is similar to its action in after-panic periods. In good times, the manufacturer is a borrower because he finds it profitable to increase his productive capacity on borrowed capital. The merchant borrows in order to carry a larger stock of goods to meet increasing demands. The transportation company borrows to build new lines, and new ships, and for betterments and improvements, in order to accommodate the larger volume of traffic. Increased demands on every hand further aggravate the situation by increasing commodity prices.

Low Rates to Prevail.

"The destruction of war, with its impoverishment of the people, and the inevitable stagnation in trade and commerce afterwards, brings the reverse results,—easy money, lower interest rates, falling commodity prices. In the seven years after the Franco-Prussian war, Dun's index number of commodity prices fell from 113.7 to 78.5.

"It is, therefore, reasonable to suppose that this tendency to low interest rates, seen after every war in recent history, will prevail after the present conflict.

"It must also be born in mind that the destruction of the present war is on a colossal scale; vastly greater than in any previous war, and the cost appears to be increasing at an accelerating rate. Another six months will probably cost the Allies nearly as much as the entire first year.

"According to the best estimates available, the cost of the present conflict, to all belligerents, for one month, is greater by far than the cost of the American Civil War for an entire year. It is now about a year since the war began, and already the destruction has probably exceeded the total destruction caused by all the wars of the eighteenth century combined.

"Bearing these facts in mind, and taking past experience as a guide, the logical conclusion is that interest rates after the present war will reach a point lower than anything hitherto known in recent history.

"What then is the practical lesson to be learned from this? It is simply this, that with low interest rates and easy money, bond prices will rise rapidly after the war. Therefore, investors and investing institutions would do well to take advantage of the situation, and buy to the limit of their power before the end of the war. Buy well-secured high-grade bonds, both for permanent investment, and for substantial appreciation in value.

"This is an opportunity for profitable investment which people now living will probably never see again. For by the time the present conflict is over, the nations will have had enough of war for many generations,—perhaps for all time."

ADDITIONAL INFORMATION CONCERNING FIRES ALREADY REPORTED

Vancouver, B.C.—The estimated damage by fire during June was $182,445. The insurance paid was $122,850, leaving the loss above insurance paid $59,595. The total value of property involved was $447,830. The department answered 48 alarms during the month, as follows: fires where damage occurred, 21; false alarms, 1; chimney fires, 7; bush fires, 3; fires where no damage occurred, 15.

Alberta.—The following fires were adjusted by Paterson, Waugh & Rankin, Calgary:—

Calgary, Alta.—June 16—J. B. Watson's automobile. Loss, $695. Cause, self-ignition. Insurance, Providence-Washington, $800.

Edmonton, Alta.—June 1—Alexandre Boivin's dwelling. Loss, building, $255; contents, $175. Cause, overheated stove. Insurance, British Crown, building, $300; contents, $200.

June 5—William Humberstone's coal mine buildings. Loss on boiler house, $1,070; machinery, $3,500; tipple, $10. Cause, probably cigarette stub. Insurance, Fidelity-Phenix, building, $800; contents, $3,000; tipple, $1,000.

June 7—Oliver's grocery store and dwelling. Loss, building, $1,500; contents, $450; fixtures, $252. Cause, clothes hanging too near stove. Insurance, building, Imperial Underwriters' Corporation, $2,000; contents, British Dominions, $700; fixtures, British Dominions, $300.

June 29—T. A. Blackburn's store; occupant, John P. Saemens. Loss, building, $546; contents, $350. Cause, overheated stove pipe. Insurance, Fireman's Fund, building, $3,500; Northwestern National, contents, $900.

Wasel P.O., Alta.—April 30—Orynsko Sheremeta's store and dwelling. Loss on building, $870; contents, $1,000. Cause, sparks from chimney. Insurance, building, Acadia Fire Insurance Company, $900.

Alberta.—The following losses were adjusted by E. A. Lilly Adjustment Agency, Edmonton:—

Deville, Alta.—James M. Verge's farm buildings. Loss on cow stable and milk house, $946.40. Insurance, Canadian Phoenix, $1,500; McDougall & Secord's store, offices and pool room. Loss on building, $346.90. Insurance, Guardian, $5,000; Atlas, $5,000; Northern, $5,000; Mrs. G. MacDonald's dwelling house. Loss on building, $192.65. Insurance, Royal, $4,000.

Edmonton, Alta.—Paul Rudyk's building, occupied as stores. Loss, $468. Insurance, British Crown, $2,500; Mike Kuchinski's general store. Loss, $1,379.60. Insurance, National Union, $1,500; Guardian, $1,500; H. Carreau's dwelling house, totally destroyed. Insurance, Rochester-German, $1,600; William Bindon's dwelling house. Loss, $475. Insurance, Occidental Fire, $900; John P. Saemens' ice cream parlor and candy store. Loss on fixtures, $562. Insurance, Firemen's Underwriters, $800; Frank G. Waters' dwelling house. Loss on building and contents, $445. Insurance, American, $300; Pacific Coast, $350; Harry V. Shaw's automobile. Loss, $2,000. Insurance, St. Paul Fire, $2,800; H. L. Welsh's dwelling house, totally destroyed. Insurance, Commercial Union, $800.

Edson, Alta.—Wm. Gold's dry goods store. Loss, $467.50. Insurance, National Fire, $1,000; Equitable, $1,000; Wm. Taylor's building, occupied as dry goods store. Loss, $1,054. Insurance, London & Lancashire, $1,800.

Erith Siding, Alta.—Swanson Brothers & Chappelle's construction camp near Edson, Alberta. Loss, $2,300. Insurance, Royal and Western, $3,000.