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## CANADA AND THE BRITISH PRIVATE INVESTOR.

It was mentioned in the cables a few days ago that it had been calculated that the subscriptions of the British private investor to the new British war loan, apart from the subscriptions of banks, insurance companies and other financial institutions, totalled \$325,000,000. As the amount of the loan issued was \$1,750,000,000, the private investor, according to this calculation, subscribed less than one-fifth of the whole amount required. This fact emphasizes the point, which has been frequently put forward in these columns, that the war financing will not affect the flow of capital to Canada to anything like the extent that has been believed in some quarters. On the contrary, once the outlook clears, British capital will begin to flow freely again to Canada, in reduced volume in comparison with some recent years, it is true, but still in sufficient volume for our necessities, and possibly somewhat more than that.

The idea that the special financing necessitated by the war would cut off the flow of capital to Canada arises from a confusion of ideas. It is considered that those whose funds have kept Canada going in recent years will divert them for the present into the various war loans. This view ignores entirely the wide difference between the British institutional investor and the private investor. It is the British private investor who has in the main kept Canada going during recent years—and sometimes suffered in the process, as is unpleasantly evident at the present time. British institutional interests in Canadian securities, important and large as they are in the aggregate, are probably in a smaller proportion to the whole of British investment holdings in Canada than are those of the British private investor. He it is who has absorbed our highest class issues to a moderate extent, our public utility, power and industrial issues almost entirely, and who has besides invested scores of millions of dollars in mortgages and other investments through private transactions, the volume of which is untraceable even by the most acute statistician. On the other hand, British institutional investments in Canada have been mainly, though not entirely, in our securities of the highest class—Dominion and provincial issues, the issues of our larger cities, guaranteed railway bonds and the like. If anyone in Canada feels when the war is over, the direct pinch caused by war financing, it

will be these borrowers, with whose securities the new war loans enter into direct competition.

But with our securities of other classes, which appeal mainly to the British private investor, the case is different. The average middle-class Englishman is patriotic enough, but in these days when he can get 5½ or 6 per cent. for his money quite nicely, his patriotism cannot be expected to extend to his being contented to invest in a 4 per cent. war loan, and that just at the time when his income tax has been doubled and the price of beef is up six cents a pound. It may quite reasonably be expected, in fact, that as a result of war taxation many British investors will be compelled to secure higher returns from their investments than those they have hitherto been content with. The investment field where they can best obtain those higher returns is Canada.

At the same time it is useless to blink the fact that some recent occurrences in Canada are likely to have a prejudicial effect on the mind of the British investor. It is possible that to a certain extent the flow of mortgage money to Canada may be affected for a time by the disclosures in the Dominion Trust case. The established mortgage companies will continue to receive their quota of new capital as usual, and in increasing amounts probably, but it is thought by well-informed observers that the disclosures already made may operate as a check in the volume of private transactions. To what extent this fear will be realised remains to be seen. It is abundantly clear, however, from this and other recent happenings, that the time is overdue for the Government to give to the British investor in Canada better legal protection than he has hitherto enjoyed. To the outside observer, the fact that a company like the Dominion Trust was allowed to take deposits when it legally had no power to do so must be amazing. Moreover, the notoriously antiquated Dominion Companies Act wants thoroughly overhauling from beginning to end. Presumably the Government is waiting for the Privy Council's decision before acting in this matter. It is to be hoped that circumstances will so develop that at an early date the Government will be able to go forward with a drastic revision of the existing law and arrange for its subsequent rigorous administration. In this way invaluable service would be done to Canada in securing the continued confidence of the British investor.