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A CHANGE OF METHODS.

While we believe that when the financial horizon clears, there will be a renewal on a fairly large scale of the influx of British capital into Canada, it is not to be expected that capital will come here under the same conditions as heretofore. There are two points which would-be borrowers in the London market will have to bear prominently in mind: first, that they will have to pay, generally speaking, a higher rate of interest than heretofore; secondly —and this applies more particularly to industrial and commercial flotations—they must be prepared to adopt sounder methods of financing and give the British investor who supplies the funds a more adequate share of the profits from the use of those funds than he has had under the methods of flotation in common use in Canada during recent years.

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With regard to the rate of interest, it has already been suggested by English financial authorities that one result of this war will be the creation of a new scale of investment values. A process of that kind has been distinctly visible during recent years in the depreciation which has taken place in the values of first-class investment securities all over the world, and its effects have been widely felt, not least by Canadian municipalities and borrowers of that type. Whether, however, there is a further sudden change of the kind or not, it is obvious that the immense destruction of capital which is taking place as a result of this war must have a distinct tendency to heighten the rate of interest to borrowers. Not only are vast expenditures being made on munitions of war and the carrying on of half a dozen great campaigns, but hundreds of thousands of men, many of whom under normal circumstances would be producers of wealth, are removed from that sphere, and whole districts in Europe, closely settled and under ordinary circumstances active wealth producers, have been utterly devastated and impoverished and will require the use of exterior capital to replace the losses of the war and put them again in the position of producers. In brief, as a result of this war, the amount of the world's capital ordinarily available for borrowers will be sharply lessened, while the crowd of clamorous borrowers will be considerably increased. Generally speaking, the lender will be in an even better position than before to impose his terms upon the borrower. Probably the effect of this destruction of capital will be seen less at the end of the war than two or three years later. It is well known that at the present time immense funds have been accumulated in London, and these will be further added to substantially by the general slowing down in trade. So that immediately peace is in sight, an immense amount of capital will be available for new borrowers. But as the machinery of trade gets again into working order and plans are pushed forward for the replacement of destroyed industries and the re-settlement of devastated countries, there will be a strong and sustained demand for capital, the satisfaction of which will form a problem of no small calibre.

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The necessity of a revision of our methods of financing industrial and commercial flotations is shown by the simple fact that up to the present the British investor has not got over a certain suspicion of them. He can hardly be blamed for that suspicion, considering the way in which he has been treated in a number of notorious cases. Just at present it is painfully obvious that a good deal of the financing of our industrials is of the fair-weather kind, which may have been good for the promoters, but has been poor policy for the bulk of the shareholders and for the company itself. It is certain that if we are to continue to obtain freely British capital for our productive industrial enterprises, there will have to be a drastic revision in our methods of securing it. Some financial authorities have recently stated that within recent months London financial houses who have had Canadian industrial proposals submitted to them have declined to have

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