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FINANCE OF THE WEEK.

The announcement of the re-constitution of the British ministry has had a favorable effect on business sentiment. Sober people were not disturbed by Lord Northcliffe's frenzies (which have been received with delight in Germany), but undoubtedly the "Lusitania" horror, followed by the superabundant gossip of alleged friction among high authorities in London and of grave errors in the war administration, was disturbing, not only in Great Britain, but throughout the Empire. Only very ignorant or very foolish people imagine that it is possible to get through the war without mistakes being made. Some have been made; probably more will be made. Human nature cannot be expected to retain an infallible judgment when it has been overworked for months, under a strain of anxiety that is inconceivable to the man in the street. Sensible people allow for this, if the unthinking do not, and are content to set off solid achievements of hard work and administrative genius against an occasional blunder.

Except for its evidence of the unanimity of the British people, the composition of the new Cabinet as a whole is of less importance than the appointments made to a few important offices, charged with the direct administration of the war on land and sea and with the delicate task of handling foreign relations. The strain of the latter upon Sir Edward Grey will be relieved by the advent of Lord Lansdowne. Similarly, Mr. Lloyd George will lift part of the burden of responsibility from Lord Kitchener by organising the supply of munitions. Mr. Balfour may not be a born party leader, but nobody questions his matured wisdom and diplomacy and at the Admiralty he may be expected to exercise a calming influence, while leaving the tacticians to work out by themselves the problems for the solution of which they are responsible. The financial community in London has undoubtedly been distinctly disappointed by the withdrawal of Mr. Lloyd George from the Exchequer and the selection of Mr. McKenna. The war has done marvellous

things for Mr. Lloyd George. It has changed him from a rather narrow partisan, with the saving graces of enthusiasm and high ideals, to a statesman who has handled admirably a host of financial problems of unprecedented character and difficulty to the satisfaction of the financiers who were formerly his most scathing critics. The financiers have the assurance, however, that the present changes are only temporary and that there will be no innovations in policy.

THE CANADIAN OUTLOOK.

In regard to the Canadian business outlook, there appears to be good reason for the preservation of a spirit of sober optimism. The economic backbone of the country, as has been aptly expressed, is being stiffened in two ways. Production—particularly agricultural production—has been stimulated to an amazing extent and orders for war munitions and supplies continue to pour in. The extent of the munition business, which a year ago was unknown in Canada, may be gauged from the fact that 12,000 shells a day are now being manufactured in the Dominion, an output which it is expected by the middle of next month will be increased to 50,000 a day; over 500,000 shells have been shipped to England; orders for nine millions have been given out by the Shell Committee, the value of these orders being something like \$170,000,000; and 30,000 workmen are being employed. At the same time, many other factories than those manufacturing shells are busy with war supplies of all kinds. The effect of these war orders must be to offset at least in part the heavy expenditure which is being made by the Dominion Government on account of the Expeditionary Force and in other ways, and, as has previously been pointed out, is extremely valuable as a means of helping to meet foreign obligations at a time when they could not be met by the simple process of further borrowing. Additionally, capital expenditure on construction, which is not immediately productive, has been reduced to a minimum, and thrift is being steadily practised both in private and in public expenditures. As regards immigration, this is being continued to a certain extent from the United States, and at the conclusion of the war it seems likely enough that there will be a great wave of immigration here from Europe of a desirable character, which will not be content to stop around the cities but will seek the open spaces we have waiting to be filled up.

FINANCIAL ASSISTANCE TO ITALY.

An interesting point regarding the foreign exchange situation is raised by a Montreal correspondent of a New York journal. He suggests that France and England will extend financial assistance to Italy so as to enable their new ally to obtain supplies to the greatest advantage in New York. At present Italian exchange there is at a discount