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## THE EMBARGO ON BRITISH CAPITAL.

The embargo on the export of British capital imposed by the Treasury, appears to have stirred up considerable feeling in circles whose reputation is such as to preclude the idea that the objections to the ruling are made, because of petty or merely money-grubbing reasons. Thus the London *Economist*, one of the most responsible of the London commercial and financial journals, says it would have been better for the Government to have left the matter to the judgment of the financiers. Since the outbreak of the war the new loans to all and sundry in the United Kingdom, apart from the Government's war loan, have not exceeded 20 million pounds in the aggregate, and have all been applied to a good purpose. The *Economist* fears that the paragraph indicating that only under very special circumstances will the Treasury allow colonial undertakings to borrow "may cause needless annoyance in the colonies." Exception is also taken to the embargo on loans to foreign countries—doubtless not only because a blow is given to London's prestige as the leading world-centre for international financing operations, which is at the worst only a temporary matter, but also on account of the restrictions thereby imposed upon British trade with foreign countries, which is very largely dependent upon capital being supplied to those countries, so that a restriction of the kind made by the British Treasury has ultimately a boomerang effect in preventing "business as usual" being carried on and its profit secured by the British nation.

The terms of the embargo, it will be in recollection, are that new issues for undertakings outside of the British Empire will not be allowed at all. Those proposed for undertakings within the United Kingdom will only be allowed if considered to be advisable in the national interest, and those for undertakings in the British Empire only where urgent necessity and special circumstances exist. That is to say, practically all public borrowing in London is stopped, so far as Canada is concerned, by Government decree, except that which the Dominion Government may be compelled to make for military purposes, and that which, say, a factory supplying war munitions or equipment might desire to make in order to handle a rush of business. It appears very likely that in this rigid from the embargo upon issues within the British Empire will not be long maintained. A com-

mittee has been appointed to deal with the matter and it seems not improbable that before long such borrowers as Canadian municipalities which can give good reasons for requiring funds at this time will be able to satisfy their demands through the London market. At the same time it will be well not to count too confidently upon this eventuality.

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There can be little doubt that immediately permission is given for issues of this kind, very large funds will be available for Canadian issues in London. At the present time there is actually a glut of funds in London available for immediate investment and undoubtedly Canada is in a highly favorable position to secure a very fair share of them, when they can be got at. The favorable financial position in London at the present time is strongly indicated by the announcement, unofficial but coming from a source that is usually well-informed, that Great Britain will conduct the financing of the war for the Allies. The arrangements made recently by the financial representatives of Great Britain, France and Russia do not, it seems contemplate a huge joint war loan. What has been arranged is a practical pooling of the Allies' gold resources together with such measures as will facilitate a movement of Russian exports, while Great Britain, France and Russia become jointly responsible for advances which may be found necessary to aid Belgium, Serbia and other allies, not so richly endowed with national wealth as the leaders. The effect of this joint arrangement is that while Russia and France henceforth become responsible for a share of the advances to the minor allies hitherto made by Great Britain alone, they will now receive substantial benefit through a participation in Great Britain's immense liquid financial resources for conducting the war. In this connection it must be remembered that Great Britain's liquid resources are not necessarily drained to any extent by these loans to the minor allies. The latter are using the funds very largely for the purchase of munitions of war and equipment in Great Britain, and it is likely the proceeds of the loan leave Great Britain more in the shape of exports of these things than in hard cash. To the extent to which equipment and supplies are purchased in Canada by the minor allied governments—and also probably by Russia—we also are benefiting from Great Britain's immense liquid financial resources. And there need yet be no fears that the immense expenditures of the war will exhaust them.