

The Chronicle



Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY

Vol. XXXIX. No. 26.

MONTREAL, JUNE 28, 1918

Single Copy 10c.
Annual Subscription \$3.00

THE GENERAL FINANCIAL SITUATION.

The sharp rise in New York funds, during the last few days, to a new high premium of 2 13-32 at mid-week, is popularly attributed to Sir Thomas White's announcement on his return from Washington, that no arrangements will be made for a Dominion loan in New York. However, the rich explanation of this movement is more likely to be found in the approval of the half-year and the consequent heavy demand for New York funds by Canadian public authorities and other borrowers, who have remittances to make for interest payments and, in some cases, have to meet maturing short-term obligations. The announcement by the Minister of Finance came as no surprise in financial circles, where there is still a vivid recollection of the fact that, on the occasion of the Canadian Government's last borrowing in New York, the New York bankers followed the good old rule of charging "all that the traffic will bear," to such an extent as to invite criticism. The present position of exchange is admittedly a serious annoyance, and a cause of some loss, to those who have to make remittances in American currency or sterling. Nevertheless, it constitutes only a part, and a minor part at that of the whole financial problem with which Sir Thomas White and the Canadian banks are at present faced, and can only be wisely dealt with in relation to the whole.

How far it is possible to go wrong on this question of exchange, when it is considered a part from larger financial and business considerations is illustrated somewhat forcibly in a recent article by a well-known Canadian banking authority on exchange, who advocates as a remedial measure for the present exchange situation, insurance with Canadian companies. "Millions of dollars", says this writer, "are paid annually to foreign fire and life insurance companies and are invested abroad". It would be interesting to know where this writer gets his facts. The remittances abroad of the majority of the foreign fire and life companies doing business in Canada, are in fact, in very small proportion to the extent of the Canadian business they transact. A very fair number of the companies have actually brought to large funds from abroad, with which Canadian policy-holders, have had nothing to do, to invest in Canada. And it may be enquired, where would Canadian business be, but for the protection and help afforded it by the foreign, and particularly the British fire insurance companies? The simple truth is that Canadian business could not get on at all without them. At the present stage of Canada's development, and probably enough for a century to come, these companies will be absolutely essential to the country, and any exchange remit-

tances arising out of their operations will constitute a necessary and unavoidable charge.

With regard to Sir Thomas White's announcement on the subject of arrangements for the sale of Canadian securities in the United States, it is evident that any would be Canadian borrowers, who desire to raise funds in the American market will not find it a particularly easy matter. The issues must first be approved at Ottawa, and the application for permission to issue must be supported at Washington by the parties interested. Moreover, the recent rates paid for borrowings by representative American industrial concerns suggest that any Canadian borrowers would have to pay a very stiff rate in order to make their issues go. Leading industrial borrowers in the States are now making approved issues of securities at rates to yield from 7 to 7½ per cent. and probably Canadian borrowers of somewhat similar standing, would have to go notably higher than that.

While the acreage of the western crops is satisfactory enough, there yet remains an anxious period before it will be definitely known how our harvest this year is likely to turn out. While a 300,000,000 bushel crop has seemed a justifiable hope from recent indications, certain Western experts are pointing out that the weather during the next sixty days is all-important, and on that account are inclined to deprecate any rosy views, scorning of the counting of chickens before they are hatched. If hopes regarding the coming harvest, should be fulfilled, the times of its readiness for market would coincide with a probable increased expansion in shipping facilities, as a result of the completion of numerous units of the ship-building programme now being undertaken on this side of the Atlantic.

Apparently, there is still a good deal of misunderstanding among business men, particularly those associated with the smaller limited liability companies and firms, regarding the effect of the amending legislation to the Business Profits War Tax passed at the last session of the Dominion Parliament. These amendments extend the operation of the Act to companies, and firms and associations, having accepted of not less than \$25,000, the previous limit having been \$50,000. Companies with capitals of between \$25,000 and \$50,000 are given a 10 per cent. exemption from taxation instead of the 7 per cent. exemption applying to the larger corporations. This legislation comes into effect for the current year, or for the fiscal year ending this year or early next year for which, instead of the calendar year, limited liability companies are permitted to report to the Ottawa authorities.