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### THE GENERAL FINANCIAL SITUATION

At the time of writing, surprisingly little effect upon the financial markets has been produced by the news of the fresh upheaval in Germany. Except in the case of marks, the Exchanges have shown no signs of reaction, and the markets, while comparatively idle, have maintained, on the whole, the more cheerful tone which followed the rise in sterling last week. There is now no doubt of the considerable effects which the announcement of the British Government's bold and far reaching policy in regard to the re-payment of the Anglo-French loan has produced. In rejecting all temporising measures and in beginning to send gold to the United States in anticipation of the payment in full of this loan, the British Government has strikingly shown not only its willingness, but also its ability, to set about in no half hearted fashion the business of cleaning up war indebtedness, so far as the external obligations of Great Britain are concerned. The violent movement in sterling in London's favor, a fortnight ago, was a logical result of that bold and straight-forward policy and it will we believe, be a lasting result. Moreover, it is considered by the financial experts, both in New York and London, that gold shipments will be needed for only a portion of the payment. The remainder will be provided in other ways, not least through the encouragement to international trading which is given by the gradual recovery of the exchanges. While, admittedly, this re-payment of the Anglo-French loan is only a first step in this direction of reducing the inflation in Great Britain, necessarily brought about by war finance, it is a most important one, and the Stock Exchanges are justified in the view which they have taken of it—a view which has led to a change in sentiment from one of depression to one of comparative cheerfulness.

With regard to the discussion which has lately taken place in reference to the position of Canadian Municipal debentures, and particularly the defaults and arrangements with creditors, which one or two of the smaller places in the West have found necessary, the publicity which has been given to this matter is likely, it seems to us, to lead to some misapprehensions regarding it by those who are not

very closely familiar with the facts. It may be well, therefore, to state, particularly for the benefit of overseas readers, some of whom are still responsible for very large amount of these securities, that there is not at present, nor has there been at any time, any question regarding the soundness of the securities issued by municipalities in Eastern Canada. Any trouble which has taken place has been confined to a few places of minor importance in the West, and while the losses have undoubtedly been annoying to those concerned, their effect has been altogether out of proportion to their importance. It is said by some of those familiar with the situation that the result of these defaults has been to make the debenture issues of the smaller Western towns practically unmarketable for the time being. This result is by no means an unmeasured evil. The ability to borrow too easily did a great deal of harm in the West in the years immediately preceding the war, and even if the present condition of affairs works a certain amount of hardship to Municipalities in a good position and with clean records, the fact that borrowing is not easy for a few years will, in the long run make for a condition of financial stability, through forced economy, that otherwise would not be attainable. Meantime, overseas holders of the debenture issues of our Eastern Canada municipalities and of the larger cities of the West, need not keep awake of nights worrying over their investments. There is not the slightest doubt that Municipalities generally, throughout the whole of Canada, are in an absolutely sound condition, and with the severe lesson which has been experienced, it is almost inconceivable that there should be a repetition of the unwise financing which has taken place in the past in certain instances.

Apparently, the business community will, at an early date, find itself faced with the question of increased railway freight rates. That increased rates are an absolute necessity in the case of the Government owned roads, if these roads are not to continue piling up enormous deficits, goes without saying, and Mr. Hanna, who is obviously doing his best on a job that looks like a thankless one, recently made out a good case for increased rates in his