

Possibility of Getting United States Funds

While Canadian Funds for War and Capital Expenditure May Be Obtained in London, Other Financing Will Have to Look to New York.—A Despatch From Washington to Journal of Commerce, Montreal, Gives Sir George Paish's Opinion on Canadian Finance.

Sir George Paish is of the opinion that the Canadian Government should stand a good chance of securing money for general capital expenditures in London next year, but that other borrowers will probably have to look to the United States for such funds as they may require. Sir George's views are elaborated in the following interesting manner:

"The Canadian Government, which has already arranged for the immediate war financing in London, would probably find a sympathetic feeling there towards a loan for other necessary capital expenditures if it decided to approach the same market next year. Britain's ability to loan, of course, depends very largely upon the ability of the rest of the world to meet their obligations to her. While she is at present spending at the rate of about one-half of her savings upon the war, she has her own capital requirements for commercial purposes to meet, and the extent to which she will measure up her recent position as a leading country is contingent upon a number of developments in the international position.

"It is this situation which, I think, will impel the United States to enlarge its operations as an international money-lender. With its enormous crops and good markets for its products the United States must continue to save a great deal of money. It is a question for it to decide whether it will continue to lay additional tracks on its railroads, construct costly terminals and build beautiful buildings, or whether it will take up the task of helping furnish the capital for the world's development, and particularly for the newer countries on the American continent.

"In view of the trade relations between Canada and the United States, whereby the latter country has obtained an enormous market for its goods, which were paid for by money borrowed in Great Britain, the logical buyer of Canadian securities is New York. While the Government of Canada might finance its requirements in London, other issues, including possibly those of the provincial administrations and the larger municipal and industrial borrowers, might very well approach New York."

Sir George expressed the view that if Canadian applications for funds met the rate other borrowers were willing to pay the capital required would be forthcoming.

"It would seem as if in this period of unsettlement the larger Canadian borrowers whose securities in a time of acute discrimination are able to find a market should provide for the needs of those who are less able to place their securities, and this, I think, should apply not only to the Government, to the provinces, to municipalities, but to railroads and other borrowers," he said. "It is, of course, greatly to be desired that the credit of Canadian securities should be maintained. I have no doubt but that Canada will be able to finance herself, and by righting her trade situation and

increasing her production will be in a position to meet all her charges, both principal and interest.

"Canadian borrowings this year in London had already reached a large amount when the war broke out, and if conditions had been unchanged the Canadian loans in London in 1914 would have been probably in excess of the previous years. Through the failure of some of her creditors to pay their bills a percentage of Britain's immediate income has been cut off, and the country must place aside the sums due to capital account. These sums are involuntary savings, which must be described as contingent assets. The German and Austrian liabilities are believed to amount to fifty or sixty millions sterling.

"When I came to America," said Sir George, "I was rather optimistic over the prospects for a favorable turn to the international situation, because of the efficacy of the measures which had already been taken by Great Britain. At the outset of the war every means was employed to preserve the world's credit, and in Great Britain provision was made not only for all pre-moratorium obligations, but for the due payments of post-moratorium bills. The Government through the Bank of England will see that all bills of exchange will be paid at maturity which are not met by those on whom they are drawn, and will finance them until after the close of the war. Personally I do not think that the defaults at that time will be more than a very small percentage of the whole. These bills are very largely based upon products which the world needs, which are eventually sold and are secured both upon the commodities upon which they are drawn and upon the general and valuable assets of the firms responsible for their payments. After peace is established these firms will be able to provide for the obligations resting upon them. It may be five years after the war before all of the advances extended at this time are wiped out. In the interest of world credit it was desirable there should be no defaults.

"The liabilities of the world to Great Britain in respect of accounts due and bills of exchange have been estimated at some three hundred and fifty millions sterling, and whatever amount Great Britain realizes from this she will continue to pass along for the maintenance of world-wide trade, as well as whatever additional money is needed to maintain international commerce in a normal condition of activity. The attitude of her financiers towards the United States includes not only the plan by which the current indebtedness on account of trade and finance bills due by the United States abroad can be liquidated with as little export of gold as possible, but also arrangements whereby she may establish in New York credit or funds by means of which payment can be made for all goods purchased by the British people.

"The situation in the United States has improved greatly since we have been here. There is now a feeling that the credit position has been saved. The bankers of the United States, as you know, have provided \$80,000,000 for the purpose of reducing New York city bonds, and are establishing a gold fund of \$100,000,000, against which exchange may be drawn, so that American debtors may find the means by which they can pay their debts to Britain; and these sums, together with the credit balance which Great Britain may leave in the United States, should effectively meet the exchange situation."