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PRINCIPAL CONTENTS OF THIS ISSUE

CANADIAN PACIFIC RAILWAY'S FINANCING AND THE MONETARY SITUATION

It was noted, in connection with the February bank statement, that the increase of $8,500,000 in the deposits elsewhere than in Canada served to enable the banks to avoid reporting a large net decrease of their deposits in that month. Furthermore, it was noted that this increase of outside deposits occurred nearly altogether in case of the Bank of Montreal. So the inference was drawn that the increase of deposits took place chiefly in the books of the London branch of the Bank of Montreal and that it was due to the receipt by the Canadian Pacific Railway Company of the first instalment of $21,000,000 on its recent issue of new stock.

As the increase of the deposits outside Canada in February did extremely useful service in bringing about a slight improvement in the ratio of available reserve to net liability, shown by the banking institutions of this country, it will be worth while to consider whether it is reasonable to expect that the position of the banks will be similarly strengthened when the railway company receives the remaining instalments, one of which is due on the 14th of this month. First of all, it will be interesting to refer to the Canadian Pacific Railway's stock issue of $18,000,000 in 1912 in order to see what effect, if any, was produced on the bank position. The 1912 issue was at a premium of 50 per cent., so the total amount received was $27,000,000—$5,400,000 on each of the instalment dates. As in the case of the 1913 issue, the instalments fell due in February, April, June, August and October.

On referring to the 1912 bank returns it is seen that in February the deposits outside Canada increased $4,300,000; in April they increased about $1,000,000; in June they increased $4,200,000; in August they increased $300,000, and in October they decreased $3,400,000. The payments to the Canadian Pacific appear to have influenced the bank returns in 1912, especially in February and June. As about 85 or 90 per cent. of the company's stock is supposed to be held abroad, the amount paid into the Bank of Montreal, London and New York, by the stockholders resident abroad would be about $4,800,000 on each instalment date. Of course the Canadian banks in London would also be receiving proceeds of other security issues; and their deposits would be subject to deduction on occasions from causes entirely apart from the Canadian Pacific Railway transactions here referred to. Those other movements of funds would serve to obscure or offset the effects of the Canadian Pacific payments.

But this year each instalment payable to the big railway company is of commanding size—$21,000,000—and unless the company makes haste to disburse the funds or to transfer them to Canada, the balance of deposits outside the Dominion is likely to be swollen considerably at the end of April, June, August and October. At each instalment date, the stockholders resident in Europe and the United States are required to pay to the company's bankers about $18,000,000. With conditions in Canada as at present the arrival or receipt every two months of such a large amount of funds from outside must prove very welcome indeed. Although the funds pass in the first instance into the coffers of the Bank of Montreal, they do not stay there permanently. The London branch of the bank transfers them to Canada, via New York; the funds next figure in the railway company's accounts at Montreal, Winnipeg, Calgary, Vancouver, and from those resting-places they are scattered far and wide over the country. Much of the money will go in the ordinary course to settle the claims of the contractors who are engaged on the company's works. These contractors