CAPITAL INVESTMENTS IN CANADA

—XIII.—

CANADIAN BANKS, BRITISH AND FOREIGN CAPITAL

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A fairly large amount of foreign capital has been placed in Canada by the purchase of Canadian bank shares. The following table gives details as to the approximate amount:—

Germany	$1,096,150
France	284,750
Italy	32,700
Spain	12,350
Sweden	3,300
Japan	2,100
Belgium	1,650
Servia	1,500
Austria	1,250
China	1,200
Russia	800
Turkey	750
Brazil	600
Holland	400
Cuba	100
Mexico	50
Total	$1,439,650

The investment of the Dresdner Bank of Germany in the defunct Sovereign Bank of Canada, amounted to $1,000,000, and is the second largest individual sum placed by a foreign country in Canadian bank stock. It is possible that a small proportion of the amount tabulated above represents bank stocks purchased by Canadians in Canada who later removed to foreign countries.

Purchase of Bank Shares.

Large and numerous purchases have been made in Great Britain of Canadian chartered bank shares. These investments extend over a greater period than five years, in which time the investment was approximately $1,125,000. This sum represents but a small percentage of the total British investment in bank shares. As is known, The Molsons Bank sold $2,000,000 worth of its stock to a London syndicate.

It is highly probable that British capital will play a larger part in Canadian banking. The wheat area of Canada twenty years ago was 623,245 acres. In 1910 it was estimated at 8,377,949 acres, a gain in that period of 1,244 per cent. While the increase in acreage may not prove so remarkable in the next twenty years, it will certainly be large. Before then, one of two things will probably happen—the introduction of European aid in crop financing, as has been the case in the United States, or the increase in the total available bank capital in Canada. The tendency of banking in this country has been to the conservation of banking strength in a comparatively small number of banks. For instance, in 1889, we had 41 chartered banks, which number ten years later had been reduced to 38, and in April, 1911, to 27. On the other hand, the number of bank branches has more than made up for the diminution of the head office total. Two years ago the number of bank branches was 1,608; in April, 1911, it was 2,434, with additional branches in the United States, England, Newfoundland, the West Indies, France and elsewhere.

Canada Offers Best Bank Stock.

While the bank figures show astonishing increases during the past forty years, the paid-up capital figures do not show such large gains proportionately as do other items. The paid-up capital of Canada's chartered banks in June, 1869, was $30,289,048. In March, 1911, it was $97,441,842, a gain in 42 years of 221 per cent.

In view of these considerations, the introduction of British capital by the sale of a large block of Canadian bank stock in England is of unusual interest. In connection with this, the British investor must remember the double liability clause of our Bank Act. Colonial bank shares have complications of their own, the principal one being reserve liability, which in some cases is equal to the amount of a share, and in others double. The fact that there is such a great variety of bank shares known to the London investor causes him to study carefully the exact position of any given share. This is one of the chief reasons why bank shares are so little dealt in on the London Stock Exchange, but comparing those of the various overseas Empires, it is safe to say that the Canadian bank share offers the greatest attractions.

A new development was the purchase by British capital of a block of shares of the Molsons Bank, a public flotation of £100,000 of this block being later made in London. An offer was also made for a block of shares of the Union Bank of Halifax, which institution, however, was absorbed by the Royal Bank of Canada.

French Capital for Banks.

The most important development in banking spheres along this line is the chartering of the International Bank, promoted by Mr. Rodolphe Forget, M.P., of Montreal, and backed with $7,000,000 of French capital. It has been suggested that this new bank will not cater solely to the country's commercial needs. Therefore, one may, perhaps, anticipate that through his new institution he will loan money to stock brokers, underwriters and promoters. In short, the Bank of Canada will be a stockbrokers' money institution. To some extent, Mr. Forget is already doing that business, as several times his willingness to loan any part of one million dollars has been reported. Our chartered banks have always regarded Canada's industrial and commercial needs of primary consideration. For this reason perhaps stock exchange trading has suffered to some extent, the banks loaning money on call to brokers and withdrawing it at the first sign of pressure from commercial spheres. With the exception of times of panic and extreme depression, nearly all complaints regarding money stringency have emanated from brokers and their colleagues. A bank, therefore, inaugurated for the special purpose of catering to that market, and honestly operated, should prove successful.

There are several reasons for supposing that the Forget bank, which will be largely supported by French capital, will not attempt to cater to the financial necessities of captains of industry. The Forget bank is an experiment in Canadian banking. French capital probably understands that fact. Mr. Forget thus has considerable responsibility on his shoulders. If the bank succeeds, the increase in the influx of French capital should be large. If the institution finds that profits from financial banking are not as great as anticipated, it will mean a decided blow to the cause of French investments in the Dominion.

Canadian Enterprise Abroad.

It is Mr. Forget's opinion that periodical money stringencies experienced not only in brokers' spheres, but also in business circles, is caused by Canadian enterprise abroad. The Dominion, he says, is beginning too early in her career to father these enterprises which have, however, met with considerable success in Mexico, South America and in other parts of this hemisphere, although not under the British flag. England and France, each country having a plethora of money to embark in foreign enterprises, can do this well, but Mr. Forget does not think that Canadians should send money out of the country when there are so many places awaiting development all over the Dominion.

In selling exchange in his own business since he had established financial relations with France on a fairly large scale, Mr. Forget said that in many instances he had received replies to the effect that banks were not in the market, so he is of the opinion that another large bank will relieve the situation generally, and the fact of four French directors sitting on the board and keeping