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## THE OUTLOOK.

A strange fit of excitement appears to have come upon some American observers of Canadian affairs. The why and wherefore of it is rather difficult to discover. It may be, as Sir Henry Pellatt suggested the other day, only a part of the hitherto ineffectual campaign to stop the flow of emigration from the States to Western Canada; it may be merely the natural consequences of having awakened suddenly and very tardily to the fact that conditions now in Canada are not exactly the same as they were, for instance, twelve months ago; it may be the laudable desire to keep the foreign investor away from the edge of a yawning precipice. However that may be, with the aid of our ancient friend, "the adverse balance of trade," the critics have discovered that Canada is on the road to ruin, and one gentleman is even good enough to tell us when we shall arrive at the goal.

It is necessary to say once again that "an adverse balance of trade" so-called, is not of necessity an unfavourable feature. That "adverse balance of trade" last year was about \$300,000,000. But, to quote Mr. D. R. Wilkie, "it has been more than compensated for by borrowings from abroad on capital account, amounting to about \$250,000,000 by Government, municipal, railway and loan companies, and by the cash value to us of an additional 400,000 people who have come to settle among us from Great Britain, the United States and elsewhere." An official estimate says that these 400,000 immigrants have brought with them at least \$200,000,000 in money and goods, and that of the 141,000 immigrants included in this total who came from the United States each one brought an average of \$1,000. These immigrants' effects and the large investments being made by American manufacturers in the business of the country are included in the excess of imports over exports—constitute, in fact, the so-called "adverse balance of trade." If this "adverse balance" had been built up as the result of a wild riot of expenditure in unproductive ways, there would be reason to be seriously disturbed. But, in fact, so far from this being the case, the "adverse balance" is merely a natural incident in the rapid progress of a developing country. True, we may not be as economical as we might be; there has possibly been too little attention bestowed upon the old-fashioned virtue of thrift. But the indications go to show that already the curb has been put on extravagances.

Admittedly in some respects we have gone too far. There has been too great an extension of speculation in more than one direction. Many important

borrowers, as well as smaller people, had recently got themselves into an over-extended position, from which the only possible retreat lay in liquidation. But the fact which our critics do not appear to appreciate is that this liquidation need not be of a drastic character and that there is simply no sense in alarms and excursions. For this reason, that the banks, who are the guardians of the country's credit, saw the growth of this over-extended position and took measures accordingly long before the critics got busy. For at least eight months, the banks have been endeavoring to repress or restrain their borrowing customers. And there is no reason to doubt the capacity of the banks for their task. Their ratio of reserves to liabilities has been consistently increased each month since last December, and as is shown by some interesting comparisons made in the *Financial Post*, they are at the present in a considerably better position than in 1907, when conditions were somewhat similar. In April, 1907, the banks' proportion of reserves to liabilities was 18.2; of loans to deposits, 96.2; in April, 1913, the reserve was 22.5 and the loans 84.9. There is substantial reason for believing that a further considerable improvement will be seen.

It is said that Canada has been over-borrowing. A more accurate diagnosis of the case would be that a little excited by our own success and development, we have been borrowing too fast, in view of exterior circumstances—the flinging away of huge masses of capital in the unproductive expenditure of war; unparalleled activity in world-trade and development; an enormous output of new securities by hungry borrowers in all parts of the world, which phenomena are coincident with a wide-spread feeling of distrust and nervousness on the part of investors owing to the wars and rumours of wars and preparations for wars that fill all Europe. As Sir Edmund Walker said in London this week, there have been no promises made in responsible quarters regarding Canada that will not be amply fulfilled. There is no doubt of our capacity to repay our borrowings in due course. It is often forgotten that the conditions under which the Dominion is being developed are entirely dissimilar to anything which has been seen before in history. Instead of the ox-wagon there is the railroad; in the place of the lone pioneer, the gasoline tractor. Railroads cost more than ox-wagons and it is only capital which makes the gasoline tractor possible. To sum up, there is good reason for confidence that in the present period of world-wide strain Canadian interests will be safely steered by the banks, who are well-fitted for the task. Some speculative froth will be blown away, but there is no reason yet to be seriously disturbed by the nightmares of the American critics.