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THE GENERAL FINANCIAL SITUATION.

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offensive. Great satisfaction was manifested over the strength and tenacity with which the Allied lines held the initial rush of the enemy. It has been foreseen that as soon as assurance was forthcoming of the definite stoppage of the offensive the markets would in some manner specially display their confidence and satisfaction.

Call loans in New York have ruled rather firmly around the 6 p.c. level. Early in the week there was a report that the bankers who administer the money pool had assumed control of the market. It appears that the pool had been called upon to advance considerable sums. Time loans, all maturities, have been strong at 6 p.c. Much of the special firmness of the money market is traceable to Government operations. On Tuesday the Treasury withdrew 40 per cent. of the proceeds of the first offering of certificates of indebtedness, the amount estimated for the New York Federal Reserve District being \$100,000,000. Clearing house banks of New York City in their Saturday statement show increase of \$62,800,000 in loans; increase of \$5,100,000 in cash in vault; increase of \$40,900,000 in reserve in Federal Reserve Bank; and increase of \$76,600,000 in net demand deposits. The net result was to increase the excess reserve by \$29,700,000, bringing it up to \$56,200,000.

HOW NOT TO CORRECT EXCHANGE.

The well-known fact that a high authority on one subject is apt to blunder badly immediately he attempts to carry his authority outside his own special field, is forcibly illustrated afresh in an article recently published by Mr. E. L. Stewart Patterson, the well-known Canadian banking authority on exchange. Mr. Patterson, writing for an audience of bankers, makes several suggestions regarding ways and means of correcting our adverse exchange with New York, among them, the surprising suggestion now quoted:—

"Insure with Canadian companies. Millions of dollars are paid annually by Canadians to foreign fire and life insurance companies, and are invested abroad. In the Government report on insurance companies for 1916, the amount of premiums collected by foreign life and fire insurance companies licensed to do business in Canada is given as over \$44,000,000. The amount of premiums remitted unlicensed companies would probably bring this figure to between fifty and sixty million. These large remittances not only affect the exchange rate adversely, but deprive

the country of funds that are sorely needed for development and expansion. The above applies with double emphasis to insuring in companies unlicensed to do business in Canada, who contribute nothing to the upkeep of the country in the shape of rent, taxes or clerk hire."

Mr. Patterson's statements are sufficiently sweeping. The Dominion, in his view, is every year being deprived of millions of good Canadian dollars, millions badly needed for its development and expansion and these millions are being invested abroad. Let us compare these statements with the facts as they are for the year 1917:—

The licensed British, French and American companies transacting fire insurance in Canada last year received a total cash income in the Dominion of \$34,575,193. This total includes fire premiums, other premiums except life premiums, interest, rents, etc. Their total cash expenditure in Canada during the same period was \$26,621,957. Of the balance of \$6,953,236, a fair proportion had necessarily to be kept in Canada in order to care for increased reserves, for unearned premiums, which with the large expansion in premium incomes last year, necessarily absorbed a considerable sum. When these increased reserves had been deducted, there was a balance of several millions, available, if thought desirable, for remittance abroad as the profits of the year. What proportion of this balance was so remitted, we do not know for certain, but that the whole was remitted is extremely unlikely. A fair proportion of it would almost certainly be retained here for investment.

Now as regards the life companies. The British and American life companies transacting business in Canada last year had a total Canadian income of \$26,410,978. This total Canadian disbursements in the same period were \$17,321,345. The great bulk of the balance of \$9,089,634 was undoubtedly not remitted abroad but invested in Canada.

Thus Mr. Patterson's airy \$44,000,000 dwindles down on an examination of the facts to a maximum of \$16,000,000, plus remittances for necessary re-insurance, which however are to some extent compensated for in the long run by remittances from re-insurers, plus also any remittances (not reckoned by Mr. Patterson) on account of the business of Canadian companies, owned by British companies, which remittances, however, would not gravely affect the totals.

What proportion of this \$16,000,000 was really remitted abroad can only be guessed at; one-third would in our opinion be a liberal estimate. But there is a slight difference between \$6,000,000 and \$44,000,000.

Companies Large Investors in Canada.

Mr. Patterson's accusation that the British and American insurance companies are depriving the Dominion of funds "sorely needed for development and expansion" is really humorous in view of the fact that many of these companies have invested large amounts of funds in Canada, other than those accumulating as a result of their Canadian business. A very fair proportion of these companies' annual remittances abroad are of in-

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