Economic Effects of Railway Building.

A fair and impartial view of Canada's national financing requires that due account be taken of the probable economic effects of the railway building policy. It is desirable, of course, that the new railway system shall be able to pay its way, meet all charges, and provide a reasonable return on the capital invested in it. But, looking at the matter from the national standpoint, it is reasonably certain that Canada will derive very substantial benefits even if the enterprise does not prove immediately to be a great success in operation. Along the line there will be hundreds of new towns and villages containing many millions of dollars of taxable property and carrying on business that will cause large sums to flow into the national exchequer. And besides, the new settlers and residents, drawn into these localities because of the building of the railway, will contribute yearly an immense sum to the propertied wealth of the Dominion.

Canada and the World's Money Market.

In the foregoing section attention has been confined chiefly to a broad discussion of the railway policy and of its effects. It will be worth while next to discuss the particular methods adopted for raising the money. At the outset it should be said that one of the most pleasing features of the financing to date has been the absence from the programme of any new-fangled or popular schemes for raising the wind. It is greatly to the credit of the government and of both parties in Parliament that no proposals have so far been made for expanding the government note issues, or for diverting other resources in Canada to the Treasury by forced loans or by tampering with the present stable conditions. It is to be hoped that the later stages of the financing will also be free and clear from suggestions and propositions of this sort.

At the same time it is permissible to question the wisdom of the policy followed last year of appearing frequently in the money market as an applicant for credit. In the twelve months there were three different appearances—the two loans of £5,000,000 each, and the last loan of £6,000,000—to say nothing of the temporary loans negotiated. This seems to be knocking at the door too often. It would be but natural if the familiar sound, on some occasion, drove the old gentleman, residing inside, to observe with a frown "There he is again."

Frequency in Borrowing.

If a railway company came on the market every three or four months with a new bond issue its credit, generally speaking, would be more injuriously affected by the circumstance than if it put its whole requirement for a year into one large issue. This applies to any borrower. It would be more dignified if we had taken £16,000,000 in one lot and made but the one appearance in Lombard Street during the year. Judging from the indications, Mr. Fieding's object in borrowing the smaller sums has been to get the lowest possible interest rate. When our borrowings began, money rates were high and conditions stringent. That naturally led one in his position to suppose that, by merely borrowing what was actually needed, and tiding along, money would get cheaper and loans might be floated at lower rates. Though money has got very cheap in the open market, there does not seem to be much probability that long term bonds such as we have to offer can be floated at more advantageous rates than at present. If the Finance Minister will, when next he goes into the money market, ask for a sum that will carry him a full year or more, his position will be much more independent and probably investors will have a higher opinion of his bonds. To do this it is not necessary that a big bond issue of £18,000,000 or £20,000,000 be taken up by investors at one slap. Arrangements could doubtless be made for the underwriting; the public could be invited to take what it would on the date of offering, and the balance could be worked off gradually. It is not to be supposed that the cost of putting through a transaction of this kind would be greater than that of putting through three smaller loans. Quite likely the cost of the one large transaction would be less than the aggregate cost of the three smaller ones.

As to Temporary Loans.

And, with regard to the temporary loans, it certainly seems as if the Canadian bank position just now were such as to make it advantageous for the banks to take part in a respectably large advance to the Government, if one were needed, to save the Minister from appealing to London again before he is wanted there. It may be, of course, that Mr. Fielding can borrow from the London bankers at a less rate than the Canadian banks would care to accept. As to this the test would probably be found in the rate of call loans in New York. Apparently Canada has paid from 2¾ to 3 p.c. for temporary loans in England. Call loans in New York are 2 p.c., and have been right along. Under the present circumstances a temporary loan to the government might quite properly be made at 3 p.c., unless the bankers think New York call rates will go above that level during the currency of the loan.

Providing for Sinking Funds.

Mr. Fielding's suggestion as to attaching a sinking fund to future loans is worthy of commendation. As a matter of fact it might be a good idea to consolidate our whole debt so to speak; to have a certain figure or sum recognized as the consolidated debt of Canada; and to provide that all borrowings in excess of that should be with sinking fund that will extinguish them within a period of say fifty years or any other period considered desirable from the date of the respective new borrowings. The proviso would have an excellent effect upon our credit, and it would also enforce upon us the necessity of beginning right away to provide for payment of new enterprises. Further, the sinking fund could be used for repurchase of some of the securities, thus enhancing their market value.