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Where our Funds come from.

A competent critic has lately estimated that the United States have now about reached the point where their own accumulations of capital are sufficient to meet the demands for new capital within the country without reliance on funds from abroad. That the United States have only now achieved this stage of economic development is an indication of the prolonged period which Canada must yet pass in the rôle of a borrowing country. It is true that the development of Canada is being undertaken on a larger scale, and results are obtained more rapidly than was possible in the early days of the United States. Modern methods of transportation and the substitution of mechanical labour for the horse and the human arm in agriculture give Canadian development a unique character, which makes it not strictly comparable with the development experiences of other countries. Nevertheless it is highly probable that several decades will elapse before Canada approaches to the position where her capital requirements for new development will be mainly met by her own capital accumulations. So that aspects of the question of the supply of capital from abroad are likely to prove a perennial subject of financial and economic discussion in Canada for a very long period to come.

A large proportion of Canada's funds from abroad come to the country through bond and debenture issues by governments, municipalities, railways and corporations of all kinds and some interesting facts and deductions regarding these issues appear in the annual review of the bond market lately issued by Mr. E. R. Wood. The total bond issues of the year, including those of Canadian operations operating in foreign countries, were \$272,937,982. Of these, \$209,086,394 or 76.62 p.c. were sold in Great Britain; \$37,735,182 or 13.82 p.c. in Canada, and \$26,116,406 or 9.56 per cent. in the United States. From these calculations, it appears that an increasing interest in Canadian bonds is being shown by the United States. The present United States proportion of Canadian bond issues compares with 6.58 per cent. in 1911. "Under the influence of the present season of political unrest," writes Mr. Wood, "many private investors in the United States are seeking Canadian investments. The tide of immigration is also having its effect in that a community of interest is created between Canada and the United States—each coming into a better knowledge of the other. Large institutions in the United States are yearly sending representatives to study Canada as a field of investment.

In these ways the United States, as a source of capital supply, is annually becoming more important to Canada."

At the same time it seems clear that for a considerable time to come our chief source of supply of funds will be Great Britain. British financiers and investors took last year over 76 p.c. of the output of Canadian bonds, a fact which makes comedy of a grave threat by the *Montreal Gazette* that "it may be necessary to show the financiers of London that though they are an important part of the money market they are not the whole." The simple fact is, as the *Gazette* ought to know, that Canada cannot afford to quarrel with English financiers and investors, even if she wished to. Mr. Wood, an experienced financier, certainly has no illusions on this point. At the beginning of last year, he points out, Canada offered securities on an already over-loaded market in London with the natural result of a sharp recession of prices and a further increase in the glut. "Just at a time when," he writes, "it was felt that an extended period of normal business conditions would clear up the situation, the Balkan war broke out, with consequent hoarding by the large banks and the inevitable rise in the price of money, followed later by almost distressing scarcity. Taking this situation into consideration, it is at once apparent that during 1912 the British market responded generously to our demand for fresh capital. It was only natural that the return from Canadian investments should, during 1912, come into line with the world-wide increase in the price of money."

Mr. Wood very rightly answers a number of London critics, who have been lately noisily declaiming against "extravagant and unnecessary borrowings" by Canada, that their accusations are not true. The fact that there have been particular instances of borrowing to which these adjectives might truthfully be applied, does not justify their application to the whole volume of Canada's borrowings. The critics had better come and see the country for themselves. We are yet only touching the fringe of our resources; conditions are fundamentally sound; our future is assured. While about 14 p.c. of the total bond issues of 1912, the part absorbed in Canada, may not be a large proportion of the whole, yet it is considerable in view of the present circumstances of development of the Dominion, and affords ample evidence, as Mr. Wood points out, that we do not seek funds abroad for enterprises unworthy of home support. Canadians are rightly confident that, if reasonable care is taken—and this proviso is important—there is no better investment field in the world than the Dominion at the present time.