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PRINCIPAL CONTENTS OF THIS ISSUE

ON THE SITUATION

The New York financial mind has a reputation for quick action. On the Canadian situation, however, it is working about two months behind time, having only just discovered that matters generally are quiet in Canada. In order to counterbalance belated thought, exciting stories come weekly from Wall Street as to "the impending Canadian crash," "the coming Canadian panic," and "Canada's trade balance running wild." As a matter of fact, what may be truly termed a period of rest is being experienced in the Dominion, and the banks prepared some time ago to adjust matters. That is far removed from a crash, a panic or trade balance insanity, and at the same time it is a good thing for the country.

The primary cause is the world-wide money stringency. Canada is a heavy borrower, and prevailing conditions abroad making loans possible only at a high rate of interest, Canadian borrowing has been curtailed to a considerable extent. In consequence, railroad and other construction work, municipal improvements, especially the latter, have been reduced to the point of bare necessity. No blame can be attached to the Dominion for being a borrowing country. It is in the process of making, and for many years to come its main needs must be financed by outside capital. It can commit financial indiscretion by over-borrowing, a sin which has yet to be proved against it—besides which London has a knack of closing the door to Canadian applications for money, when it thinks they are becoming too numerous.

Another cause of the general business quiet is the reaction from real estate gambling last year. Much land was purchased at unreasonable prices, with a view to the making of large and early profits. It has now become apparent that it was easier to buy than it is to sell. Consequently, considerable funds are locked up. Those who follow Canadian affairs must not, however, take this incident as branding Canadian real estate generally as a poor investment. The rapid growth of the country makes real estate one of the best investments, but it must be purchased at the proper price and with due regard to location and general prospects. Both East and West have erred.

Those who have analyzed conditions throughout the Dominion, find that basic conditions are perfectly sound. There is no hint at a serious check to development and prosperity. We are suffering partly from minor indiscretions, but mainly from the general financial stringency. Some of the London experts anticipate a relief to that condition in the early fall. It is thought probable that by that time, the accumulation of gold in the great monetary centres will be sufficiently large to prevent further stringency. One prophet asserts that if the various continental loans which will be issued in the next two or three months bring back to the monetary centres the large amounts of cash that have been hoarded, London may get through the coming autumn not only without stringency but with ease. In the course of his budget speech Hon. W. T. White, Minister of Finance, stated that he looked for improved conditions, so far as interest rates are concerned, towards the end of the calendar year. Notwithstanding, he thought that during the coming year generally, we may look for reasonably high rates of interest.

The Canadian situation, therefore, needs no alarmist reports from New York, or even the sympathy of well-wishers. Canada is passing through the present year with the economic brakes slightly applied and can afford to take the breathing spell. Perhaps, too, a little time will be devoted to reflection as to how the country will economize when money again becomes plentiful.