

## FUTURE OF CAPITAL AFTER WAR

### Economists Believe that for Some Time After Peace Money Rates Will Be High

Frequent allusions are made to the future of capital after the war, but it is a treacherous subject, and has been tackled by only a few economists bold enough to venture an opinion where conditions have been so unprecedented as during the past two years. At the same time, as the Wall Street Journal says, it is a very important question, and will become more so as the end of the war draws nearer.

In a recent address Professor Sprague, of Harvard University, said that during a period of some fifteen years preceding the war interest rates manifested a slight, but fairly constant rise in tendency. "In the opinion of most economists," he said, "this upward trend was due to advancing prices throughout the world, which in turn were a result of the large increase in the supply of gold. The rise in commodity prices has continued rapidly since the beginning of the war, and a further advance may be expected not only during its continuance, but also for a short period after its close, when the initial readjustments are being made. In the belligerent countries credits have been expanded upon a stationary or even shrinking gold foundation. For many years after peace the new gold produced will be used to strengthen the credit structure rather than as a basis for future expansion."

#### Canadian Economist's Opinion.

Another economist who has ventured a prediction on this point is Professor James Mavor, of Canada. He also thinks that interest rates must remain high for a number of years. "If the demand for government purposes connected with the war and its consequences are increased very largely during the next three years—and this is highly probable—we shall have rates for money beside which present rates must appear petty. Practically all the annual increments of credit will be absorbed by the governments, and capital for commercial and industrial purposes must be exceedingly scarce and dear."

Professor Mavor, however, goes on to say that it lies within the power of governments to check any excessive inflation of interest rates. It is the clear duty of all governments, he points out, to refrain from bringing into the market for capital any new demands which can be avoided. All public works which can be postponed ought to be. In short, to facilitate the accumulation of capital by refraining from drawing upon it is the only sound means by which governments can secure a decline in the rate of interest.

#### Will Differ in Various Countries.

Discussing this question of capital after the war, the London Economist, while accepting in a general sense the view that interest rates will remain high after the war, is of the opinion that "conditions will differ very considerably in different countries, according to the manner in which the war has been financed. Great Britain has suffered little destruction of real capital and her borrowing has been conducted on the sound basis of an adequate revenue from taxation to meet interest on war indebtedness. Her credit will, therefore, emerge from the war sounder and stronger than ever. A gradual reduction in the interest paid on British government loans would speedily be reflected by a lowering of the standard of interest on capital borrowed for commercial and industrial purposes."

Without going too extensively into this matter, the question of the price of capital after the war must not overlook the peculiar feature of the present struggle. It not only means a survival of the fittest in Europe, but it has developed a very intense struggle throughout the great nations of the world in international trade. The United States has loomed up as a great factor in the after-the-war struggle. It is fully realized among all financiers that no sooner will the sword be sheathed in Europe than every attention will be directed to the rehabilitation of trade, as that has been found in this war to be the secret of a nation's success.

Hence, what will assert itself after the war is great competition between the banking forces of the great nations to capture the trade of the world. And competition in banking means the offering of cheap money. The United States federal reserve system can contribute billions of dollars to this expansion of credit. About a month ago it was shown that the

world's note circulation had increased \$9,800,000,000, and that under this has been accumulated \$2,800,000,000 of additional gold by the various countries responsible for the increased circulation. This is a gold reserve of 28.5 per cent., which indicates not such a great inflation as to preclude the extension of banking accommodation in commercial lines, provided, of course, the war comes to an end within a reasonable time. So far, however, banking competition throughout the world after the war is a well-recognized factor. It is a factor that was not developed during previous wars, and this is why the after effects of the present struggle are likely to upset former recognized theories.

## HAIL LOSS RATIO, 132 PER CENT.

### Companies Had Bad Year in Saskatchewan—Income and Loss Returns

According to the reports filed with Mr. Arthur E. Fisher, Saskatchewan's superintendent of insurance, by the companies engaged in the hail insurance business during 1916 in Saskatchewan, the hail loss ratio approximates on the average 132 per cent. of the premium income. When to this percentage is added the underwriting expense, which covers commissions, adjustments and general office expenditure and which averages 30 per cent., it will be seen at a glance how disastrous for the stock companies has been the hail season of 1916. In short, the companies have not only paid out the total amount of money received by way of premiums, but they have also paid from their reserves an additional amount equal to 62 per cent. of the 1916 premium income.

#### Income and Losses.

The following tabulated report shows the gross income and gross losses of each company operating in the province this year. Many of the companies accepted notes in payment of premiums and in this schedule the note premium has been considered on the cash basis:—

|                               | Premiums.   | Losses.     |
|-------------------------------|-------------|-------------|
| St. Paul Fire and Marine      | \$ 54,802   | \$ 86,251   |
| Middle West                   | 39,662      | 49,690      |
| Excess                        | 102,437     | 130,739     |
| Acadia Fire                   | 31,860      | 66,593      |
| Canadian Indemnity            | 82,582      | 124,728     |
| Canada Hail                   | 72,542      | 95,127      |
| Canada National               | 95,685      | 193,055     |
| Rochester Underwriters        | 20,909      | 29,243      |
| British-America               | 48,176      | 64,539      |
| Winnipeg Fire Underwriters    | 3,150       | 3,887       |
| Nova Scotia Fire Underwriters | 9,657       | 11,686      |
| Home                          | 102,646     | 176,608     |
| Canada Security               | 70,898      | 83,934      |
| British Crown                 | 193,517     | 213,330     |
| Canada Weather                | 21,420      | 17,391      |
| American Central              | 18,155      | 49,823      |
| Connecticut Fire              | 13,553      | 24,312      |
| Hartford Fire                 | 96,360      | 112,592     |
| New York Underwriters         | 26,192      | 30,023      |
| Great North                   | 60,474      | 56,780      |
| Northwestern National         | 111,751     | 114,692     |
| Dominion Fire                 | 37,282      | 26,439      |
| Glens Falls                   | 80,987      | 76,827      |
| Westchester Fire              | 23,143      | 34,209      |
|                               | \$1,417,853 | \$1,872,408 |

#### Severe Hail Season.

In compiling the above figures no account has been taken of the matter of reinsurance, hence official figures, which will be obtainable at a later date, will show a large difference in the actual loss sustained by each company, although the gross amount of loss will remain practically the same.

The experience of the companies in former years as compared with 1916 gives some idea of the severity of the hail season of this year:—

| Year. | Premiums.  | Losses.    |
|-------|------------|------------|
| 1913  | \$ 783,194 | \$ 485,305 |
| 1914  | 747,838    | 173,443    |
| 1915  | 1,363,001  | 438,619    |
| 1916  | 1,417,853  | 1,872,408  |