

# The Chronicle

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## THE GENERAL FINANCIAL SITUATION.

In banking and brokerage offices as elsewhere, the war developments fill people's minds to the exclusion of almost everything. Everywhere in the world the Governments and bankers have been taking extraordinary measures to safeguard themselves. Scarcely anywhere are there full or unlimited cash payments in vogue. The central banking institutions, and in countries where plural issue prevails, the issue banks have been relieved of the obligation of paying depositors in cash. Forced issues of paper currency have already made their appearance, and doubtless they will be more in evidence in a little while.

Under the circumstances it would be difficult if not impossible for any one country to maintain payments in gold unrestrictedly. Other non-specie paying countries would simply collect its obligations and drain it of its holdings. It has been confidently believed that the Dominion Government and the Canadian bankers would as soon as necessary make an arrangement for safeguarding our finances; and on Monday announcement was made of the terms of such arrangement. First, the date on which the

emergency issues of the banks are legal is put forward from 1st September to August 3rd—in other words the banks can issue emergency notes at once instead of waiting till the beginning of September. Next the banks are given the right to take legal tender notes from the Receiver-General on deposit of securities approved by the Minister of Finance. Heretofore they have been obliged to give gold in order to obtain the Dominion notes. Finally the banks are authorized to make payments in their own notes instead of in gold or legal tender notes. The press reports of the arrangement do not give definite information as to whether the bank notes are to be inconvertible or not. It is made clear that a chartered bank can if it chooses pay its depositors with its own notes; but the news items do not say whether a note holder can demand gold or Dominion notes. If the banks are not obliged to pay in specie or legal and if they take advantage of the exemption thus given them, it is almost inevitable that gold will command a premium, in other words, the bank note currency will depreciate. There is not space here to discuss the possible effects of the measures. As yet the whole monetary situation is so chaotic that none can tell what will develop. It may be the case that the banks will not have recourse extensively to the new powers and exemptions. They may be intended as precautionary measures available for use if the occasion arises.

With regard to the whole monetary situation on this side of the Atlantic it depends to a very great extent on the developments between Britain and Germany, and particularly on where the undisputed supremacy of the sea lies. If naval matters develop as we Canadians hope and expect, there should be a marked relaxation of the monetary strain in a few months after the panicky feelings subside. So many things depend on the maintenance of British naval superiority that it is difficult to speculate on the future until it becomes clear that it will be maintained. Bound up in that question are a number of others: the question of grain and other shipments from the United States and Canada to Europe, the continuance of the weekly deliveries of Transvaal gold in London, the degree of confidence felt in London as regards the final outcome of the whole great struggle, etc., etc.

With the situation as it is, it seems idle to discuss loan rates. They are largely nominal, since it is next to impossible as yet to obtain loans on securities. And the absence of trading in stocks does away with the urgent necessity for loans in many cases. However, the quoted rates on existing loans is apparently 6 p.c. or thereabouts. As regards commercial paper the situation appears to be fairly satisfactory considering the circumstances. Business men are able to discount good trade paper to such an extent as is necessary for carrying on their ordinary business; and where moderate sized loans are urgently needed