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DEMANDS OF A LONG WAR.

The financial markets here and abroad have necessarily been affected adversely by the initial German successes on the French frontier and in Belgium. The monetary strain produced by the war will depend largely on the length of time in which hostilities are actively prosecuted. Even if the struggle lasted only four or five months and was then terminated by the overthrow of the world-hated German militarism, the financial strain would be severe. It had been hoped that if the offensive movements instituted by the French in Alsace and Lorraine and by the British and French in Belgium proved successful, one effect would be to materially shorten the war. With the rolling back of the French armies to their positions formerly occupied within France itself, the hopes of a comparatively short war have probably been abandoned by our military and financial authorities. What is hoped now is that the defeats experienced by the allies have not been so severe as to demoralize them. If the various corps retain their courage and determination, it will perhaps be possible for them to hold back the German

tide until the progress of the Prussians in the East forces the Kaiser's generals to withdraw masses of the troops now fighting against the allies in and around France.

TREMENDOUS DEMANDS OF LONG WAR.

Obviously a long war means tremendous demands upon the financial resources of all nations participating therein. So far as Britain and France are concerned, it means a long succession of war loans of large amount probably at rising rates of interest to finance their military and naval operations, purchase food and supplies, etc. It means also that these two countries will be obliged to advance large amounts, in cash, to the various countries allied with them, just as England was forced to subsidize the European powers a century ago in order to keep alive their resistance to Napoleon. The Belgian loan of 500,000,000 francs, in which Britain and France are said to have equally participated, may be the first of a series of such loans designed to keep alive and active the resistance of the smaller nations to the monumental German aggression. Russia has a vast supply of gold, but it is quite possible that the western powers will be obliged to extend financial aid to her also, as the expense of keeping three or four millions of Russian troops in active service will be very great.

So, the news of the week points distinctly to continued heavy borrowing by the interested governments, and the monopolization of nearly all available funds for defensive purposes. There is every reason to believe that the French and British, acting carefully on their pre-conceived plans, will succeed in holding back the German advance. If the invaders' progress is dangerously rapid and another investment of Paris is threatened, we may perhaps expect to hear of the transfer to London of the vast specie holdings of the Bank of France.

IMMEDIATE EFFECT NOT IMPORTANT.

While these events notably affected the outlook for our home money markets, the immediate effect was not important. Quotations for mercantile discounts and for call loans remain unchanged—the former at 6 to 7 p.c., and the latter at 6 to 6½. The arrangements for financing the crop movement are believed to be well under way. This has been greatly facilitated by the resumption of export business at Montreal and the principal United States ports. Numerous grain cargoes have passed down the St. Lawrence and out of New York, in the last week or two—the shipments from American ports being quite equal to those for the corresponding period of 1913. Nearly all of the grain is consigned to British ports. Also the banks in Canada and at United States centres are buying more freely the bills of exchange drawn against grain shipments—probably under an arrangement that they will be accepted and paid in due course, notwithstanding the moratorium. The bankers could scarcely be expected to buy the bills