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THE GENERAL FINANCIAL SITUATION.

The announcement that arrangements have been made for a credit by the Canadian Government to the Roumanian Government of \$25,000,000, to be expended on purchases in Canada, is interesting not only in itself, but as an indication of the widespread character of the activities of the Canadian Trade Commission now in London. Although no announcement to the effect has been made, it is to be presumed that this Canadian loan to Roumania (for that is what the arrangement comes to), is secured either by a guarantee of some or other of the Allied powers, or in some other way. It is stated that one-fifth of the amount of the new credit is to be expended in foodstuffs, one-fifth in raw materials of various kinds, and the remainder in manufactured articles. The development of events in this connection since the armistice justifies the emphasis which has been laid from time to time in this column, on the importance to Canadian trade of foreign credits during the period of reconstruction in Europe. It is abundantly clear that for a year or two at least, and perhaps longer, Canadian foreign trade will depend largely upon the volume of credits forthcoming to finance that trade. With Europe in its present condition, trade will follow credits, and other considerations will have to give way to the primary one of meeting the convenience of the purchaser in the matter of payment.

Long before the conclusion of the war, it was remarked by someone that one effect of it was to accustom people to thinking in billions. "Thinking" is perhaps to put the case inaccurately; it would be more accurate to say that the course of events has accustomed the average person to expenditure, particularly by governments in a colossal scale that a few years ago would have been considered unbelievable. That this is not without its dangerous after-effects has been for some time recognized by economists and financial students, and it is interesting to note the attention which is being given to this particular after-war problem by bankers and others in Great Britain. The contempt for big figures which familiarity has bred is not looked upon with approval by these eminent authorities, and it is useful to note what one of them, Lord Inchcape, the chairman of the Na-

tional Provincial and Union Bank of England, had to say recently on the subject. "As regards the financial future of these Islands," Lord Inchcape remarked, "the outlook is not promising. It is difficult to say what revenue will be required when things are squared up, to meet the expenditure together with the interest and sinking fund on the public debt, but a moderate estimate must be in the neighborhood of 600 or 700 millions annually. The position can only be met by the most rigid economy, and I am afraid even with this, we shall be under a heavy burden of taxation for many years to come. In the meantime in some quarters there seems to be a complete absence of any sense of proportion, and an idea exists that as we have been able to finance the war by borrowing, we can go on financing all sorts of uneconomic schemes in the same way. Nobody stops to ask where the money is to come from. Indeed people are almost astonished at their moderation when they put forward a scheme that will cost no more than was spent in a week or a month of the war. That habit of regulating our peace expenditure by our war expenditure is one we have got to out-grow."

The tendency which Lord Inchcape so aptly describes in Great Britain is evident also in Canada, and it is to be expected that for some Government assistance for this and that scheme or complaints that the Government is not undertaking the one or the other vast plan of development. The simple fact is, however, that excellently as we have done financially during the war years, and surprisingly good as our financial position has been, we cannot afford to go on spending and sinking capital at the same rate as has been hitherto necessary. "I know of nothing more urgent," says Lord Inchcape, "than that we should recover our money-sense, and begin cutting our coat according to our cloth. If we don't we shall find ourselves on the slippery slide of a rake's progress, which if persisted in, can only have one end. If the British Government is to meet its obligations in the future as it has done in the past, if the country's credit is to be maintained, we must live within our income and not on our capital. It is the same with a Government as with an in-

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