Published Every Friday
by
The Monetary Times
Printing Company
of Canada, Limited

Publishers also of
"The Canadian Engineer"

Monetary Times
Trade Review and Insurance Chronicle
of Canada

Established 1867 —— Old as Confederation

JAS. J. SALMOND
President and General Manager

A. E. JENNINGS
Assistant General Manager

Half Billion Loan For Canada

Victory Loan Record Must be Surpassed—General Opinion Regarding Success of Loan is Optimistic—An All-Canadian Loan for the Canadian Government — Actual Terms Not Yet Announced — Importance of Small Investor is Greater Than Ever — Some Questions Under Discussion

WIDESPREAD attention throughout the Dominion is already directed to the coming war loan. Some questions have arisen which must now be viewed in a light different from the previous loans. It is safe to say, however, that this loan will be opened under more favorable auspices than was the Victory Loan, which had for the most part to break new ground. There were twenty times as many subscribers for the Victory Loan as for any other of the previous Canadian war loans. The total was much greater, and many of the purchasers had never bought a security of any kind before. The educational process is not by any means completed, for 800,000 subscribers in Canada is just about one out of nine in the population. This might easily be doubled.

It seems, moreover, that the small subscriber will be even more important in the coming loan than in the previous one. The large corporations, banks, insurance, trust and industrial concerns will, of course, be able to subscribe for substantial amounts. Probably many of them will surpass their former subscriptions, but there is not the same elasticity in corporation finances as there is, generally speaking, in the finances of the individual.

There is much evidence that not only corporations, but also individuals have been preparing for the coming loan ever since the previous one was closed. It is realized that the Canadian Government must be financed by the Canadian people, and this point cannot be too strongly impressed. It gives a meaning and purpose to the thrift campaign which would not apply otherwise. With few exceptions, Canadian institutions have experienced prosperous years, and in a great many cases have made new levels of profits. Agriculturists have prospered as never before in the history of Canada, and plenty of employment and high wages have fairly well kept pace with the high cost of living in industry. The markets, moreover, as was pointed out to *The Monetary Times* by a prominent Toronto broker, have been extraordinarily clear of provincial, municipal and corporation issues. What few issues have been made have been eagerly purchased within a very short time. There are, moreover, no more issues of size in sight, and there are yet several months to elapse until the books for the loan will be opened.

Considering, therefore, the large number of purchases of municipal and other securities which would ordinarily be made during this period, there is every reason to believe that large sums have been set aside for war investments. The fact that very few of the purchasers by instalment of the Victory Loan could not meet their payments, is also encouraging, as there is much more likelihood of intentional preparation for the next loan.

On account of the exchange situation between Canada and the United States a loan or credit in New York has been considered as an adjustment of trade relations. A small credit or loan might be justified, but there would be no necessity or advantage in resorting to New York for a considerable loan to finance our war requirements. Every dollar raised abroad requires the repayment in some form or other of, say, two dollars in principal and interest, and in the meantime our own income would be to a certain degree wasted, or savings invested in forms which would very probably not yield the 6 per cent. or more, which we would require to pay on the debt abroad. There are, in fact, very few new enterprises which could promise a return of 6 per cent. on the investment, and a fair degree of security.

Sir Thomas White was recently in Washington and New York on financial business, and upon his return stated that a large issue of Canadian Government bonds could only be made upon a 6¼ or 6½ per cent. basis, with flotation charges of 3 per cent. This is, of course, on account of the heavy demand for funds in New York, and more especially for subscriptions for Liberty Loan issues. There may, of course, seem to be much disparity between the yield upon the Liberty Loan bonds and an interest return of 6 per cent. on Canadian Government bonds, but this difference is to a large extent cancelled by the substantial income tax to which issues other than United States government issues are subject. The finance minister also stated that the market for the higher grade of corporation securities was practically upon a 7 per cent. basis. Canadian bonds can be sold in United States, and arrangements have been made with the capital issues committee for this purpose. Considering the state of the market, however, it is not probable that very many sales will be made.

It is generally supposed that the interest rate will be a little higher than the rate on the Victory Loan. The latter bonds are selling upon the market at 99½ per cent., which is slightly above the issue price, and the holder who desires to sell his victory bond could secure practically his cost price. The other Canadian Government issues are also selling around the same level, namely, a 5⅝ per cent. basis. Particular strength has been shown in the transactions on the stock market during the past two or