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## LOANS TO BRITAIN.

Undoubtedly, one of the objects of Sir Thomas White's present visit to London is the arrangement of details in connection with further advances by Canada to the Imperial Munitions Board. Up to the present, these advances made by the Canadian Government and the banks amount to \$150,000,000, to this extent offsetting the advances made by the Imperial Government to the Canadian Government for war expenditures. The latter advances up to the present amount to, in round figures, \$190 millions, and of this amount over \$100 millions has been already funded into long-dated securities. Presumably, loans are continuing to be made by the British Government to the Canadian Government through the former's supply of munitions, etc., to the Canadian forces at the Front, for which munitions, etc., it is generally understood Canada has undertaken to foot the bill. Under present circumstances, the raising of further munition credits in Canada becomes a sort of "one for you and two for me" arrangement. Through these credits, Canada is giving exceedingly useful aid to Great Britain, but at the same time, the Dominion is helping itself to an even greater extent. Not only is this the case through the insurance of industrial activity in the making of munitions but also through the building-up of international credit balances to offset the obligations of war incurred abroad, and our obligations abroad incurred before the war, in other words to reduce proportionately—and at a most critical time—the strain of meeting our obligations abroad. Moreover, should *post bellum* developments in Canada call for the immediate employment of large amounts of banking funds, the British Exchequer bonds now held by the banks as a result of the munitions credits will be easily turned into cash for the purpose.

These loans to Great Britain have, of course, been made without any specific security; they are simply a general charge on the resources of the British Government. In this respect, the loans granted to Great Britain in Canada differ from those made in the United States. The Anglo-French loan, which was a failure from the point of view of wide distribution among permanent investors, was not backed by any collateral, but the loans which have been since floated in the New York market by Great Britain, as is well known, have been secured by approved collateral of a market value 20 per cent. in excess of the amount of the

loan, with a third of this collateral consisting of American and Canadian bonds and stocks. It is evident that Great Britain is now desirous that future loans in New York shall be unsecured, and an unobtrusive campaign is going on towards that end. The suggestion that loans of the British Government, unbacked by collateral, are perhaps not quite safe, is apt to make a Canadian smile, and British Treasury officials when they first heard of the idea, must have had a *mal quart d'heure*. But the American investor as a class is only now getting accustomed to the idea of handling foreign bonds (*i. e.*, outside North America), and something must be allowed for the natural caution of the *nouveau riche* in international finance.

Apparently, Great Britain's determination to secure unsecured loans in New York is not due to any shortage in the supply of collateral. Accounts agree that an enormous supply of mobilised securities are still at the disposal of the British Government. One suggestion that is at all events plausible is that these securities are being kept back as a measure of precaution against mishaps. The British view may be that with a pronounced advantage of military achievement on the side of the Allies, New York will be ready to grant all the unsecured loans required by Great Britain as the Allies' banker. But there may be mishaps, in which case, collateral might be useful again to "sweeten" a loan. This suggestion of extreme care on the part of British financiers fits in with regard to what is known regarding the extraordinary measures taken by the Allies in regard to gold resources. Enormous accumulations of gold at Ottawa, ready for immediate shipment to New York if necessary, have been rumoured this week and a London correspondent, usually well-informed, cables:—"I must repeat that the Allied Governments' command of gold is so great that, even without fresh credits at New York, the indebtedness could be settled in gold for a very long period ahead." But the British financiers believe that the effect of settlement of indebtedness exclusively on that basis might eventually be to precipitate an absolute crisis in the United States. Leading American bankers are showing some anxiety in regard to the abnormal flow of gold to the States and probably from a number of motives will not be unwilling in the future to arrange loans to Great Britain without collateral.

An important fact to remember in connection with

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