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Financing the Nations at War

OPINIONS are divided as to the policy of the United States administration with regard to bankers of that country making loans to belligerent powers. President Wilson always has held the opinion that money being an instrument of war, neutral countries should withhold that instrument. As indicated in the statement of Mr. Bryan, his secretary of state, to *The Monetary Times*, this ban includes loans to Canada's governments. It will not prevent, however, the financing of municipal and corporation loans in the United States.

Several Canadian bankers, discussing the question with *The Monetary Times*, held the view that the presidential ban would not apply to Canada's provincial governments. But evidently it does. An attempt to prepare the way for a flotation of Ontario's provincial government bonds in the United States met with a positive declaration that the Ontario government, under a strict interpretation of the obligations of neutrality, was a "government at war." Naturally, the gifts which the various provinces of Canada are making to help the Imperial government, have emphasized the fact that the governments of the British Empire are at war.

President Wilson's view was expressed in 1900 by Mr. Oscar Strauss, former secretary of commerce and labor in the United States. In a speech in 1908, Mr. Strauss said: "Everyone knows that the money advanced to belligerents signifies the giving to them of means for securing war instruments. Money is the most effective war instrument."

The press of the United States think it is practically certain, in view of the stand taken at Washington, that no loans will be made to the European powers at war or to their colonies. The Wall Street Journal expresses one view of the matter in saying: "It seems rather to be regretted that the administration at Washington has discouraged the raising of a French loan of \$100,000,000 by New York bankers, or in fact, any loans to the belligerents in the present war. Such loans are really in the nature of money market operations, and there is no reason why New York should not be the money market for Germany or any other of the belligerent nations."

Later, the same journal took even a stronger stand, saying: "In order that there may be no possible misunderstanding, some expert on international law should convey to Mr. Bryan, and even to the president, the information that their consent is not requisite to the making of loans to belligerents in time of war. Why J. P. Morgan and Company should consult with the state department at all is their own business. It is not beyond the bounds of conjecture that they may have desired a polite way of saying 'No' to the French government; and preferred the secretary of state should perform that distasteful task.

It is difficult to see otherwise why the matter was referred to Washington.

"Mr. Bryan's statement to *The Monetary Times* that loans to Canada at this time would be improper, is simply silly. There is no breach of neutrality involved. If J. P. Morgan and Company lend directly to a belligerent, not even through colonies, transferring the loan not in cash, but in \$100,000,000 of American produce, they perform a patriotic act.

"What is the difference, in fact, and which is the more proper, if the United States government should relieve embarrassed German companies with \$30,000,000, on the security of ships which cannot keep the seas? There can be only one answer. A straightforward loan to a belligerent is sound in international law and common morals. The relief to the steamship companies is vicious, morally and economically.

"That the belligerents will borrow money here when our financiers can see their way to make a reasonable profit on good security, there can be no manner of doubt. It will be a pity if the war is thereby prolonged. If nations could agree to make loans to belligerents absolute contraband, the question would take on an entirely different aspect. As it stands now, it is merely a question of the international movement of credit—with which the department of state, and even the president himself, may with advantage meddle as little as possible."

Senator Lodge of the United States is reported in London as saying that the administration's policy of preventing loans to belligerents is inconsistent with plan to pay Germany \$25,000,000 outright for ships she cannot use. This purchase, Mr. Lodge claims, would check exports from the United States, because individuals, who otherwise might purchase vessels in large numbers, would fear government competition.

On the other hand, the London Statist thinks that the people of the United States are doing a service to themselves and to mankind in general, even including all the belligerents, if they extend their neutrality so far as to refuse to lend to any of those engaged in the war while it lasts. "The sooner it is brought to an end," it adds, "the better it will be for all the parties engaged. Therefore, those who refuse supplies that may be used for warlike purposes will really be rendering a service, even to those to whom they deny assistance."

There is also consolation in the fact that if the belligerents are to do without United States loans, Great Britain and her allies are in better position to meet that situation than is the enemy. It is agreed that the war must be fought to a finish. Consequently it must be financed. Great Britain's fight, with the sword as weapon, is for the principle which is backed by President Wilson's fight, with finance as weapon.