UNITED STATES ALLIED BOND ISSUE

Next Loans to France, Italy and Belgium—Arrangements for Offerings

The next allotments of credit by the United States government to Allied nations will be to Italy, France and Belgium, the loans to the three nations aggregating approximately $450,000,000. According to Washington dispatches, these allotments are not any part of a plan of regular periodical advances of money. They are preliminary and intended purely to meet present necessities for funds to pay for war supplies contracted for in the United States and being delivered every day.

The bill authorizing an issue of $5,000,000,000 of long-term bonds of the United States and $2,000,000,000 1-year certificates of indebtedness was signed by President Wilson on April 24th. The bill authorizes a loan of $3,000,000,000 to the Allied powers, the first payment of $200,000,000 having been made to Great Britain, as noted in these columns last week. Tentative plans under consideration by Administration officials call for the issue of $2,000,000,000 in bonds on the first public offering. While the programme is subject to revision, officials are considering the advisability of collecting the proceeds of the first issue in instalments thirty days apart, and lasting over a period of from four to six months. Should the first issue be $2,000,000,000 and the instalment feature be adopted, subscribers may be given four months in which to complete payment. This would bring revenue into the treasury at the rate of $300,000,000 a month, which would probably be ample to meet the needs of the Allies for the immediate future.

Bankers' Objections.

The instalment method has been suggested to Secretary McAdoo by banking interests and others with strong endorsements. Gradual payment for the bonds, advocates of the plan declare, would result in minimum disturbance to present financial conditions and would tend to prevent derangement of the money markets. According to New York dispatches this week the bankers' objection to the instalment plan is that it may tie up a large amount of their money at a low rate, while the banks cannot re-sell any considerable part of the certificates to individuals or institutions. The proposal made to the secretary of the treasury by the Federal Reserve Board is for the sale of from $150,000,000 to $200,000,000 of certificates of indebtedness every fortnight pending the receipt of funds from the first offering of long-term bonds. The method proposed has advantages from the standpoint of the treasury officials, and might result in getting the bonds out with much less disturbance than may be looked for if an effort is made to finance sales of $2,000,000,000 worth at once. It is the Reserve Board's theory that the banks should take the treasury certificates as they are put out to meet the government's extraordinary need for funds, and use them in lieu of cash in paying for the 3½ per cent. bonds when the latter are issued. The plan has the merit of being easily changed to suit conditions, and if the treasury department finds that the short-term paper is not being absorbed easily some other method will undoubtedly be devised.

Meantime the secretary of the treasury, to take care of immediate needs, is issuing, at par, 3 per cent. treasury notes payable June 30th, 1917. These notes are in denominations of $5,000, $10,000, and $100,000.

Uncertainty is Dissipated.

That the uncertainty as to the effects of the $7,000,000,000 government loan has been pretty well dissipated, is the opinion of J. H. Bache and Company, New York. The provisions of the bond bill make it possible for the secretary of the treasury to redeposit amounts withdrawn by and from banks to pay for the bonds—both the amounts of the banks' own subscriptions, as well as the money withdrawn by depositors for the same purpose

What is equally important also, no reserve is required to be kept against these government deposits; otherwise if the 18 per cent. reserve were enforced, nearly one-fifth of the amount of the loan so taken would be locked up, which would produce stringency in the money market. All this establishes a minimum of disturbance as far as the immediate money market at the time of payments is concerned.

The effect of so large an offering of 3½ per cent. bonds of the highest world safety and tax-exempt upon the market for other high-class bonds, is a matter of surmise, but to some extent the operation has been discontinued by lower price levels in this character of bond. It would be natural that in times like these, conservative individuals and estates should choose such an investment for funds as is afforded by this government issue.

Looked at broadly, this loan operation is as if a great corporation had decided to buy vast amounts of the country's product and had borrowed $7,000,000,000 to finance the operation. Such an influx of new business could not fail to stimulate all business and to increase prosperity.

Compared to the total bond and note issues of the European belligerents, and based on the theory that the United States could borrow in the same proportion to our national wealth, $7,000,000,000 is only about one-sixth of the nation's total loan capacity.

MONEY ORDERS FOR CANADIAN WAR PRISONERS

About the beginning of 1916 arrangements were made by the chief paymaster, London, England, through the Red Cross and post-office, to forward small amounts of pay to Canadian prisoners of war in Germany. The requests come from the men themselves by post card, and up to January, 1917, the remittances were made by post-office order. This practice was discontinued at the Canadian government's request, because no receipts or absolute guarantee that the money reached the men were obtained. Since January, 1917, the American Express made payments in cash to the men themselves and obtained individual receipts, at first through their own agents in Germany, and, since United States declared war, through Dutch agents of the American Express Company in Germany. Small sums are sent, not exceeding three pounds, which are charged to the men's accounts in London. The pay of prisoners of war is credited to the men's accounts, and accumulates, less these small remittances.

TRADING IN WHEAT FUTURES RESTRICTED

No trade in any futures of any grains may now be executed in the pit of the Winnipeg Grain Exchange without first obtaining sanction of a censoring committee composed of the secretary, Dr. Robert Magill; the manager of the clearing house, F. O. Fowler,; and Thomas Brodie, representing the floor committee.

The following statement, signed by J. Stewart for the Royal Wheat Commission, was read on the exchange: "This is your authority to announce that no buying of Winnipeg wheat futures has taken place by the allied governments during the last forty odd cents advance, and that we have sufficient bought for present requirements."

Almost immediately the effect was the lowering of the market, which in fifteen minutes had sold off twenty cents for May wheat. At Minneapolis May wheat declined 16 to 18 cents in the same period, but Chicago did not decline to the same extent.

TO ENCOURAGE EMPIRE TRADE

The following resolution has been forwarded by the trade and industry committee of the Royal Colonial Institute to the governments of the dominions and of colonies not possessing responsible government and of crown colonies having power to legislate, as well as to chambers of commerce, boards of trade, etc., in all parts of the Empire:—

"That with a view to encouraging the establishment of new industries in the British Empire and giving a measure of confidence and security to capital to be embarked therein, as well as assisting the expansoin of existing industries, the governments of the Empire be urged to make it obligatory on all government departments, municipalities, railways, dock and harbor boards, gas, water and electric light corporations, and all such bodies spending public moneys, or enjoying charters from government or other public authorities, to purchase Empire-made goods and to place all contracts with British firms, exceptions to be made, by special permission of proper authority, only in cases where such a course is considered to be at variance with public interests."