

America's War Financier

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used the machinery of the Federal Banking System for it, and has used the officers of the Federal Reserve Board for this purpose; and in each of the 12 centres where there is a Federal Reserve Bank the headquarters of the Liberty Loan activities are concentrated. The Federal Reserve Board in turn commanded the services of the officers of the member banks who were advised that they need not fear withdrawals of deposits, for the Federal Reserve Banks would re-discount their paper at a rate of interest corresponding to the amount they paid on deposits. As a matter of fact the deposits in the National banks have suffered very little in the United States as in Canada. The marvellous success of these loans is a great tribute to the organizing ability of Secretary McAdoo as well as to the patriotism of the American people. A "War Saving Stamp" campaign was inaugurated and every man, woman and child in the United States was asked to curtail all useless expenditure and purchase War Savings Stamps. The aggregate amount which has been made available for governmental purposes by this scheme of small savings amounts at the present time to a very large sum.

The Railway Situation

Owing to the tremendously increased traffic that was created by war necessities the privately-owned railways were not able to take care of it. Moreover the increased cost of operation was pressing very heavily on the railways, and public sentiment was such that it would not stand for any increase of rates while the railways were privately owned. The railways were very unpopular in the United States, largely because of the huge fortunes which had been made by manipulations in the financing of the roads. Many of the participants in this loot had disappeared from the scene and the innocent holders of the securities of the railways were now the victims. But that did not make the railways any the more popular. There appeared to be only one thing to do and that was for the government to take over the operation of the railways. McAdoo was given charge of the organization and immediately proceeded in his energetic way to reorganize the whole traffic system of the United States. He asked Congress to approve of a measure allowing a very considerable increase of rates, which the public accepted without much complaint.

There was a very bad spirit existing among the railway employees. Much of the unorganized help was very poorly paid. A commission was appointed, headed by Secretary of the Interior, Lane, who were to go into the whole question of railway wages. In the meantime all railway employees were informed by Mr. McAdoo that they would be fairly dealt with. Mr. McAdoo's award was the result, and while there have been some complaints, particularly by the higher paid employees who did not participate in as large increases as those who were receiving smaller remuneration, the award has been accepted not only in the United States but in Canada as well.

Insurance for Soldiers

It was found necessary when the United States undertook to raise huge armies that there should be some scientific arrangement made at once to provide before hand for pensions for disability and war risk insurance, and separation allowance for the dependants of the soldiers at the front. A well-thought-out scheme of war risk insurance was devised whereby the soldiers paid the ordinary term insurance without any loading whatever for expenses. These were paid by the government. In addition to this there was a contract entered into with each soldier that his dependants would receive a certain sum of money, and that he, if incapacitated in any way by injury or loss of limb would receive, according to his rank in the army, a stated sum. Mr. McAdoo is at the head of this organization. This insurance now amounts to nearly as much as all the rest of the life insurance in force in

the United States, and when the armies now contemplated are completely raised the insurance will exceed all the rest of the life insurance in existence in that country. There was no compulsion, however, on the part of the soldiers to take this ordinary insurance, but the opportunity seemed so great that they made the necessary sacrifice, and out of their proportion of their indemnity they paid the insurance premiums.

There was some opposition on the part of life insurance companies to this scheme, but as the greatest of them are mutual companies, Mr. McAdoo gave a hint that he might extend the activities of the war risk insurance into other fields, the implication was that he would ask the policy holders of the Mutual Life Insurance Company to send their proxies to him. There has been practically no more criticism.

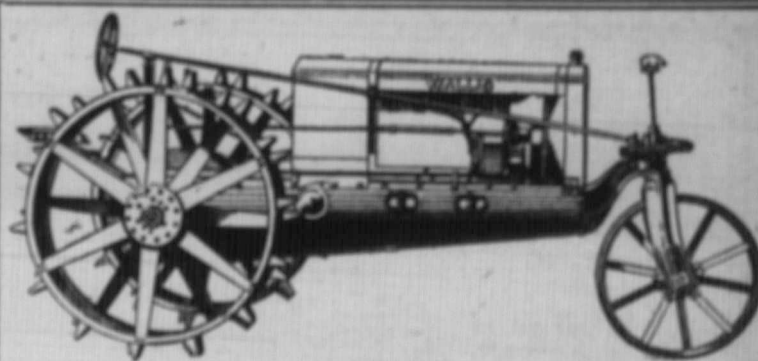
In connection with the mercantile risks in the war an insurance department was organized and the owners of ships engaged in the mercantile service were able to receive marine insurance at cost.

Mr. McAdoo has recently intimated that it is his intention to provide a scheme of life insurance for railway employees on the same basis, and also pensions for all railway employees. He is fast becoming as popular with the employees of the railways as he was formerly with the employees of the Hudson River Tunnel.

Providing for Public Utilities

In the United States, particularly in the East, and on the Pacific coast, many of the largest banks in the country are mutual savings banks. Many of these banks have been in existence for a very long period, some of them before any other banking system existed in the United States. They have grown immensely large. There are no dividends whatever to stockholders. The bulk of their money is devoted to provide housing for the people as well as for building railroads, financing cities, and many other permanent public necessities. When the nation asked the earners of the United States to purchase Liberty Bonds from the nation it had the effect of very seriously interfering with the flow of deposits into these banks. Their securities were of a permanent nature and not easily realized on without great loss under the existing financial conditions. They must, if they were to carry on business, look after the needs of their clientele and be able to meet any calls on the part of their depositors for withdrawals, have some governmental relief. The existing banking situation was not able furthermore, to provide the necessary capital for the great munition activities of the nation. Mr. McAdoo organized the War Finance Corporation with a capital of half-a-million dollars and power to issue bonds to the extent of three billions more. This was for the purpose of rediscounting the paper of the savings banks, and also providing temporary finance for those who provided the war material for the government, and if it was found necessary to provide the capital for public utilities such as hydro-electric companies which were necessary to develop the power for the operations of those holding war contracts. The law gave this huge bank, for such it is, very much the largest in existence, the power to create a security which would be rediscountable in the Federal Reserve Banks by its endorsement.

It would have been impossible for a financier of the old school, no matter how patriotic he was, or determined to serve the country to the best of his ability, to have such immediate and complete response to his demands from congress and the nation as McAdoo has had. The public look upon him as their man. He is doing this work, more prodigious perhaps than ever undertaken in modern times by one man, for the meagre salary paid to the official of the United States government, not over \$15,000 a year. McAdoo is ambitious and it is not at all outside of the range of probability that he will be President Wilson's successor as the nominee of the democratic party at the next presidential election, and perhaps the next president of the United States.



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