

## OUR BOND ISSUES.

### Should They be Made at Home or Abroad?

The \$3,500,000 loan now being offered to the public by the Ontario Government has been severely criticized on two principal grounds. It is attacked first, because of its connection with the cheap power projects of the Whitney Cabinet. Financial interests whose investments are threatened by those projects, and disinterested critics who believe the Government's policy to be inconsistent with fair play and calculated to check the flow of capital from the United Kingdom to Canada, could not but regard with unfriendly eyes a loan designed to carry those projects and that policy into effect. Secondly, the loan is criticised because it is offered in the Dominion instead of in London. With regard to this latter objection it is urged chiefly by the professional banking element. A strong party among the laity is disposed to look with favor on public issues of this kind in Canada because they give Canadian citizens the chance to invest in sound bonds returning fully 1 per cent. more than a bank deposit will yield. Some newspapers urge that the Dominion Finance Minister should arrange his bond issues so as to encourage Canadian Subscriptions rather than go to London for all his borrowings.

#### Canada and Outside Capital.

If it be admitted that Canada needs all the outside capital she can attract, it will not be hard to show that a general policy of issuing bonds in London is better calculated to advance the interests of the Dominion than a policy of issuing in Canada would be.

Take the Ontario Provincial issue of \$3,500,000, for example, and suppose the treasurer's efforts to induce bank depositors throughout the country to take the bonds were in the end fully successful—the result would be a considerable fall in bank deposits. It could not fairly be assumed that deposits would fall \$3,500,000; for the transaction would, in fact, work out as a transfer of deposits in the bank ledgers from the accounts of individuals to the Government accounts. And afterwards, when the proceeds were disbursed, there would be a subsequent re-transfer from the Government to private parties. At the conclusion of the whole business it would be found that deposits had suffered a considerable net reduction.

If the course were followed of placing the bonds in London, as soon as the proceeds were paid over, the deposits of the Canadian banks would be increased by the whole sum of \$3,500,000; and even after the disbursement by the Provincial officers a considerable part of the increase would remain.

#### Decrease in Bank Deposits.

So that briefly the difference in effects, as thus considered, is that a London issue tends to increase the amount of bank deposits in Canada, while a Canadian issue tends to decrease them. No doubt some bankers are opposed to issues in Canada for the selfish reason that they tend to decrease bank profits through lessening the total of the deposit fund on which the banks make an annual brokerage. Others, broader minded, oppose them for patriotic reasons. It is known that the deposit fund of the banks is the means whereby loans and discounts to the business men are made. In other words it is the life blood that enables a large part of the people to carry on their trades, businesses, and industries. Barely two years ago we reached a stage in which the deposit fund of the banks was not sufficient to meet the legitimate demands of the Canadian business community. Owing to the business reaction and to the receipt of large amounts of new capital from abroad the fund at present has reached an amount far in excess of the needs of the commercial and industrial interests. So much so that huge amounts have to be carried abroad at 1½ and 2 per cent. All the best authorities are satisfied that this condition is but temporary. Practically everybody feels that in a comparatively short while business will be so active as to eclipse all previous records. While the country is working up to that stage the excess or surplus funds of the

banks must be absorbed into employment with great rapidity; and the time will come again when the farmers, the merchants, the manufacturers will have to curtail their operations because the banks have not money enough to supply them with all the credits they require, because, in other words, the deposit fund is not equal to the demands made upon it. So, a check is administered to Canada's progress.

#### Bankers Favor Foreign Borrowing.

This explanation should make it plainer why many of the bankers are in favor of the Dominion and the Provincial Governments borrowing abroad. When that course is followed the deposit fund in Canada is built up and the day on which our national progress is checked for want of money is postponed. If all the governments did their level best to sell bonds to depositors in Canada, and succeeded, one effect would be to deplete the deposit fund and to thus bring about an earlier arrest to our forward progress. Of course, one particular loan, or even a loan now and again, would not have so great an effect, unless the amounts were very large. But a persistent policy of absorption of domestic deposits while Canada is entering so freshly on the development stage could hardly fail to have evil effects. There seems to be no reason for supposing that the Provincial Treasurer contemplates that course. He has himself given it to be understood that this is an exceptional transaction, and he has given as one reason for adopting it that he did not wish to stand in the way of the big Dominion loan which has just been announced. Then, though the Treasurer did not say so, it is clear that because of the power policy, this loan would be rather unpopular with certain powerful financial interests in London. It is easy to see why it should have been decided to try it at home as a popular loan.

H. M. P. ECKARDT.

## ATTRACTIVE BOND OFFERING.

The Dominion Securities Corporation has issued a July Bond List offering Municipal, Government and Corporation Bonds amounting to \$2,081,061, to yield various rates of interest from 3½ to 6 per cent. In presenting this list, the bond firm says:

The bond market throughout the second quarter of the present year has been fairly active, with prices varying but little from the first three months, which was a period of unprecedented activity. Latterly, however, the demand for high-priced municipals has not been as great, while on the other hand there has been a continuous demand for corporation bonds.

During the last few years the bond market has greatly broadened, as much so in Canada as elsewhere. Investors who in former years confined themselves strictly to Government and municipal securities have been making a division in their investments, participating in the issues of public-service corporations and in those of tested and successful business enterprises. Noteworthy in this connection were the recent broadly distributed issues—the Provincial Light, Heat and Power Company, the Canadian Northern Railway Equipment Series, "S" and "T," and the Western Canada Flour Mills Company.

The bonds of our stronger industrial corporations have by reason of their higher interest return—the strength of the security being established—become attractive to investors.

## WINNIPEG PROPERTY SELLING.

R. C. Birkett, of Winnipeg, informs us that quite a number of lots have been sold in east Winnipeg townsite during the last 70 days, which is the townsite in connection with the G.T.P. shops and yards, that are now being built, and where in the course of time some two or three thousand men will live. East Winnipeg townsite is on the south of the main line, in exactly the same geographical position as all the other G.T.P. townsites west of Winnipeg.