

HON. MR. WHITE'S \$45,000,000 LOAN.

Canadian Courier Attacks the Hon. Mr. White, Minister of Finance.

WE reproduce hereunder in full an article recently published in the Canadian Courier which is a severe indictment of the Hon. W. T. White in connection with his recent borrowing of \$45,000,000 in New York. Apart from the merits of the criticism, the article is specially noteworthy in view of the general belief that the Canadian Courier is controlled by men in close touch with the Canadian Northern Railway. It bears all the ear marks of the inspiration of "Bill and Dan," which leads us to enquire "What new game is afoot." Has the Tory Cabinet quarrelled with "Bill and Dan," and are the latter trying to shew them who are the real bosses?

Canada's Borrowings In New York; Are We Paying Too Dearly For Them? A Matter Affecting All Business.

(From the Canadian Courier, July 31, 1915.)

When the Canadian government borrows money and agrees to pay a certain rate of interest, that transaction affects every borrower, public or private, in the Dominion. For example, if the Canadian government will pay only $3\frac{1}{2}$ per cent, the provinces will probably be able to borrow at $3\frac{3}{4}$ or 4 per cent, the municipalities at 4 or $4\frac{1}{4}$ per cent, and private borrowers at $4\frac{1}{2}$ or 5 per cent. The Dominion government, according to history, can always borrow a little more cheaply than the provinces, while the provinces borrow a little cheaper than the cities, and the cities a little less than the private borrower.

Hence, every transaction by the Dominion government affects the provinces, the municipalities and the private borrowers.

With these circumstances in mind, let us examine the latest exploit of the Hon. Thomas White, Canadian Minister of Finance. He is getting all the money for War expenditures from London. The British government has agreed to help him in this respect. He has no difficulties so far as War expenditures are concerned. But if he has not enough money to pay for other expenditures, such as canals, post offices, armories, docks, dredging and other public services, he must borrow elsewhere.

Now, Hon. Thomas White needed forty-five million dollars to meet the deficit of the year 1915. Whether there ought to be a deficit or whether there ought not to be a deficit is not a matter to be discussed here. There is a deficit, and that deficit must be met. Therefore, the Hon. Thomas White arranged with the Bank of Montreal, J. P. Morgan & Co., Brown Brothers & Co., First National Bank and National City Bank of New York to raise the necessary forty-five million.

There can be no objection to our going to New York to borrow. It is practically the only market open to us, although the Dominion had never gone there before. The provinces and the municipalities have been going there since the War broke out.

How Rate Was Decided.

The next point for Hon. Thomas White to consider was, "What rate of interest shall I offer the New York bankers?" In deciding this he had several points to keep in mind. In the first place, the New York bankers were anxious to see Mr. White borrow there. They were

willing to make the loan. They are interested in seeing United States firms continue to sell largely in Canada, which they could not do if Canada had no money to pay for goods. It was just as vital to the United States to lend us that money as it was for Canada to get that money. Each party to the bargain was interested. Hence Mr. White must have known that the situation favored a low rate of interest.

In the second place, Mr. White knew that the Ontario government was borrowing there at five per cent interest, and that the city of Toronto had got money there at five per cent. He would know, therefore, that he should be able to borrow in New York at $4\frac{1}{2}$ or $4\frac{3}{4}$ per cent.

In the third place, he had to consider what other countries were doing. Great Britain has just raised over three billions of dollars at $4\frac{1}{2}$ per cent. But this interest is subject to income tax, so that the borrower would be netting between 4 and $4\frac{1}{4}$ per cent. If the income tax goes up in the near future, the man who lends to the British government will not net more than 4 per cent. Having examined this situation, Mr. White would have to decide whether the interest on his New York borrowings would be subject to any taxes. He did this and decided that they would not. It was announced that these interest payments would be "free from taxes imposed by the Dominion of Canada, including any income tax." Not only did Mr. White promise not to tax these interest payments himself, but he will not let anyone else tax them. Thus whatever interest the United States investor got would be "net." As the British government was paying about 4 per cent net, the Dominion government should pay about $4\frac{1}{2}$ per cent net.

The Generous Terms Offered.

These are the preliminary figures. Now let us see what Hon. Thomas White actually did. He agreed to take \$45,000,000 from the New York bankers, and give 5 per cent gold notes as follows:—\$25,000,000 due August 1st, 1916, \$20,000,000 due August 1st, 1917.

He agreed to pay the interest half-yearly on February 1st and August 1st. He agreed to pay the interest in United States gold in New York City. He agreed that these notes should be convertible, at the option of the holder, at any time prior to three months before maturity, into twenty-five per cent bonds of the Dominion of Canada, par for par, to be free from any right of prior redemption. Further he agreed to take this loan at the following prices:—

The one year note at 100 and interest.

The two year notes at $99\frac{1}{2}$ and interest.

Finally he agreed to pay the New York bankers $\frac{3}{4}$ of one per cent commission on the proceeds.

This was all he agreed to do. Yet when one figures it out, no other bonuses were necessary. Five per cent interest for the gold bonds of the finest British Dominion, no taxes, half-yearly interest, payable interest and principal in gold, convertible into twenty-year bonds at option—what more could the keenest Yankee want? And he didn't want any more. As a matter of fact, that forty-five million loan was taken up in five minutes. The books opened, the investors yelled "We take it," and the books closed. It was the swiftest sale of bonds ever made in the history of the world.

It was easy money for the bankers. Their commission amounted to \$336,750, and they earned it in five minutes. Of course, that wasn't much among five of them, but it would buy quite a few dinners at the Waldorf. It would pay the rent of the five institutions for two or three months at least.