The Victory Loan has Attractions for all Classes

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By H. M. P. ECKARDT.

From the point of view of Canadians who are willing to make a strong effort to save, in order that their savings may be placed at the disposal of the Government during the critical period of the war, the dates and amounts of the Victory Loan instalments, as fixed by the Prospectus, appear to be highly satisfactory. Anybody who can save $10 per month, through cutting out some unnecessary expenses can finance with ease a $50 or $100 bond. For example, in case of a $50 bond all that is necessary is to provide $5 on December 1st; $5 on January 2nd; $10 on February 1st; $10 on March 1st; $10 on April 1st; and $10 on May 1st.

Indeed, anybody whose circumstances permit of a monthly saving of $10, could undertake a $100 subscription, under this arrangement, without much trouble or inconvenience. Assuming that the monthly saving went into effect at the beginning of November, there would be no need to borrow until the $20 instalment of February 1st matured; and if $10 were borrowed at each succeeding instalment date, the subscriber on completing the last payment on May 1st next year, would be in possession of a $100 bond against which a debt of $40 would exist. This debt would presumably be cleared off by September, and then the bond would be owned outright.

So far as the loans are concerned, thousands of public-spirited employers will be only too pleased to extend assistance to employees in this manner. There are not many business men in Canada whose affairs will not be benefited in some way by the successful flotation of this great Canadian loan. As one of the chief purposes of the loan is to provide funds for enabling Great Britain to continue buying the output of Canada's farms and factories, the action of employers in buying the bonds for their own account and in lending money to subscribing employees, will really represent in many instances the giving of credits to facilitate the sale of their own products or services. Also there are many employers in the various provinces who will be desirous of extending all reasonable assistance to subscribing employees, even when the rendering of such assistance involves them in some inconvenience and loss.

The banks too, advertise their willingness to lend money to intending subscribers, including workingmen and others, taking bonds in small denominations. A transaction such as that outlined above, wherein the subscriber borrows $40 to complete his payments aggregating $100,and clears off the debt entirely within four months of the last instalment date, is perfectly sound and legitimate from the banking point of view. The security is beyond question, and the term of the loan, in the instance referred to, is not much longer than the average term of ordinary commercial loans and discounts.

In connection with these bank loans to subscribers, an obstacle to borrowing by the small people might be found in the minimum charge made for interest—unless the bankers generally followed the policy of giving these subscription loans specially favored treatment. It is well known that the banks have been accustomed to make a minimum charge of say 50c or more on each piece of discounted paper passed through the books. Every note or bill accepted for discount requires to be handled, checked and rehandled sundry times, and it is considered that unless the minimum charge is levied the transaction may result in loss. Now the small loans of $10 and upwards on the security of the war bonds will undoubtedly be more expensive to handle than ordinary unsecured loans of like amounts would be. In view of the fact that they are based on "bearer" securities as collateral, it will be necessary to take precautions similar to those taken in connection with loans to brokers,—that is to say custody and handling of the loans will engage the special attention and time of the highest-paid officials at the respective branch offices. Accounts must be opened for each loan, however small, and for the securities held against it. Considering the extra work and cost involved, the banks would be fully justified in making the regular minimum charge. But the question has another aspect, and doubtless it will receive due consideration at the bank head offices and branches.

HEAVY CONVERSION.

It is quite generally assumed that on the present occasion there will be heavy conversion of the existing loans. There is a distinct rise in the interest yield on the new issue—the increase being sufficient to make it worth while for holders of the outstanding domestic bonds to convert. As regards conversion opportunities, the 1925 bonds of course have a decided advantage. Those bonds have 8 years to run, and a holder thereof may by changing into the new 5 year bonds increased his net return to 5.81 per cent. This increased return, however, is achieved through shortening the term of the investment by three years. On the other hand they may lengthen their investment term by 2 years and increase the rate of return to 5.68 per cent through taking the new 10 year bonds. Lastly, the holders of the first war loan, in common with the holders of the second and third loans, may switch into the new 20 year bonds thereby more than doubling the term of investment and raising the yield to 5.61 per cent. As a considerable portion of the first war loan has been already converted into the second and third loans, it is obvious that if a general conversion movement occurs now it will converge upon the 20 year maturity. Thus it appears that the yields on the several maturities of the new loan have been skilfully arranged so as to ensure that the bulk of the outstanding domestic issues shall be represented by that maturity of the new loan which costs the Government the lowest interest rate. The rise in the interest burden which the country must bear is thus not so sharp as would be the case if all the maturities bore the maximum rate as specified in connection with the 5-year bonds.

It follows also that a large proportion of the new money paid in will go into the 5 and 10 year bonds. The high yield on the 5-year bonds in particular is likely to attract the insurance companies and other financial corporations which are not accustomed to attach so much importance to the matter of speculative possibilities. The best chances for speculative profits perhaps lie in the 20-year bonds. While no one can foresee what the market course of these bonds will be, there certainly should be a period, between now and 1932, in which the 20-year bonds will sell at much better than par. Doubtless there will be fluctuations both ways,—this cannot be avoided when the volume of securities is so large—but at cessation of the war, there should be steady appreciation in value of the outstanding Dominion issues; and holders who take advantage of the market rise many reap substantial benefits or profits in addition to the yearly interest.

Probably the conversion privileges enjoyed by the new bonds will help materially during the course of the war, to keep them from declining. The cause of the prospectus dealing with the matter of conversion states that bonds of the various maturities of this issue, will, in the event of future domestic issues of like maturity or longer, be accepted at par and interest, as the equivalent of cash for the purpose of subscription to such issues. This evidently means that the new 20-year bonds, into which the bulk of the 15 and 20-year bonds now outstanding may be converted, can only be converted into future issues of 20 years or longer; and, as regards the new 5-year bonds, it practically means that they can be changed into any future issues which the Dominion Government may make prior to their maturity. This more extensive conversion right will be an additional feature, along with the specially high rate of interest calculated to attract institutional money into the short-date section of the new loan. If the war lasts throughout 1918 there may be the other domestic loans perhaps at higher rates. The advantage to the Government in conection with large subscriptions to the 5-year bonds is that it does not bind itself to pay the high rate of interest for a long term of years.

PRICES IN CANADA, 1916.

Department of Labor's annual review of prices.

The situation as to prices, wholesale and retail, during 1916, with a supplementary statement bringing the information down to August, 1917, is discussed in the report just issued by the Department of Labor entitled "Wholesale Prices in Canada, 1916," which also contains information as to retail prices and prices in other countries.

The following table of index numbers shows the more significant changes in prices.

WHOLESALE PRICES.

	Canada.	Great Britain.	United States.	France.
1913	135.5	85	81	115.6
1916	182.0	137	100	217.6
January	172.1	123.6	89	205.1
July	180.9	130.5	97	210.6
December..	207.4	154.3	118	235.3
1917, August ..	245.0	175.7	150	.....

RETAIL FOOD PRICES.

	Canada.	Great Britain.	United States.	France.
1913	$7.33	102	98	....
1916	8.79	160	112	....
January	8.28	145	106	1439
July	8.46	161	109	1387
December	10.11	184	125	1491
1917, August ..	11.68	202	147	....

"The marked rise in prices toward the end of 1916 was not only the continuation of a steeply upward general movement, beginning in August, 1914, from a level already high, but involved a much steeper rise in food prices as a result of short crops throughout the world, while the demand and the problem of distribution were intensified by war conditions."

"The upward movement in prices therefore appears to have been affected by both factors, supply and demand, the increase in the latter due to war conditions and made effective by practically unlimited Government expenditure, while the decrease in the supply of most commodities was also due to war conditions, reduction in the labor force, destruction of supplies, increase loss and waste in transportation, handling, etc., and, notably in 1916, by unfavorable weather for crops. The increased money distributed among people from government war expenditure further tended to create a greater demand for the decreased supply of goods, becoming a factor in raising prices."

"At the beginning of the year trade and industry had recovered from the depression experienced during 1914 and the part of 1915, the large crops of that year having made possible still greater exports of grain and other foodstuffs, while providing farmers, both in the West and the East, with the means of paying off much accumulated indebtedness and extending their operations for the future with better facilities and under more favorable conditions. The demand for machinery, livestock, fencing, building materials, household goods, clothing, etc., was greatly improved and caused greater demand for the products of manufacturing industries, for transportation, etc., in addition to the demand due to the manufacture of munitions and other war supplies."

"The cost of foods increased by a greater amount during 1916 than during the ten years 1900-1909, or from that date to 1915, the rise occuring chiefly from August to the end of the year, and being much steeper than during the same period in 1914 and 1915, when substantial advances had occurred. The great rise in the prices of potatoes was the chief factor in this result, but eggs, butter, cheese, milk, bread and flour were also rising considerably. In the season 1914-1915, however, potatoes had been cheaper than for years. Coal also advanced steeply during this period, while rent began to recover from the steep decline during 1914-1915, which was prevalent in the western provinces, but was substantial in Ontario also."

Department of Labour, Ottawa, Nov. 3, 1917.

COMPANIONS IN CRIME.

(Toronto Globe.)

The Kaiser entered Constantinople in state to embrace his brother in blood, the Sultan. They are the only two great despots left in the world, and no other two in ancient or modern history equalled their record in the slaughter of men, women, and children.