

# Facilitating British Purchases of Canadian Shell

(By H. M. P. ECKARDT).

It is generally understood that the Dominion Government and the banks have been from time to time discussing practicable methods of extending credit to Great Britain as a means of facilitating British purchases of munitions, etc., in Canada. Some time ago the Finance Minister intimated that our manufacturers would probably have to take a certain amount of British Government securities in settlement of accounts owing by the Government of the United Kingdom for shells and other munitions supplied. On glancing over the list of large subscribers to our Dominion war loan, one notices the names of several corporations or companies which have been large sellers of war munitions to the Government; also it is well known that some of the heaviest subscriptions to the Anglo-French loan in the United States came from the great munition manufacturers. This naturally favors the assumption that our manufacturers can do extensive work in the same direction, especially in connection with British orders. Manufacturers and merchants alike are accustomed to grant credit to individuals and firms as a means of inducing them to buy goods; and no doubt the same policy can be applied to a certain extent to facilitate the purchases of a big customer like the British Government in the present case.

It is well to remember in this connection that when the manufacturer extends credit to his ordinary trade customer he does not as a rule use his own capital altogether to carry the debts. A few concerns perhaps are so strong in quick assets that they can carry the book accounts and bills receivable without leaning on their bankers, but as a general rule the manufacturer requires to look to his bank for the funds to carry the debts. He discounts the trade paper and may have also direct loans secured by raw materials. Therefore, when it is stated that our manufacturers could take British Government bonds in payment for shells and other war material supplied by them, financiers know that the statement carries the inference or implication that the banks will take these items off the manufacturers' hands. As suggested above, there may be a few wealthy concerns who could take the bonds and hold them or part of them, perhaps as reserves, but in the majority of cases they would be promptly proffered to the banks as collateral.

Thus it comes down to the ability of the banks to take these securities. Although the deposits and resources of the banks increased at a tremendous rate throughout 1915, it is necessary to remember that much of the increase is represented by special balances which will be extinguished in a short time, and against which the banks must hold cash or its equivalent in reserve. For example it is supposed that the Bank of Montreal hold large sums at disposal of the Russian Government. One can easily see that in case of a heavy deposit of this nature the bank would be compelled to hold the money ready for instant withdrawal — it would not be safe to put it into loans and discounts or any long winded investments. Many of the new deposits held by the banks are of this nature; hence the heavy increase of call loans, balances in international banks, and actual cash.

At several annual meetings recently the bankers have pointed out that while they are willing and ready to do everything possible or practicable to facilitate and encourage our trade in munitions with the Allies, there were limits beyond which the banks could

not pass with safety in financing the transactions. If the loans to the munition manufacturers stood by themselves, no doubt the banks could advance very large amounts on the security of British Government bonds, but as a matter of fact these loans merely represent one of several forms in which the banks are required to lend extensive assistance. First they are carrying something like \$30,000,000 of Dominion notes in excess of normal requirements — these notes being at present inconvertible. Next they subscribed \$25,000,000 to the Dominion war loan and are giving up very large amounts of their deposits in connection with the subscriptions of their customers to the war loan. It was stated at the Bank of Toronto meeting on January 12th, that while the bank's own subscription to the loan was roundly \$980,000, its customers subscribed for nearly \$7,000,000 — so presumably there would be a considerable transfer of deposits from the accounts in general to the account of the Government. Also the banks have in the last three months or so materially helped the financing of the provincial governments and the large cities through buying blocks of their securities.

Of course, while the Dominion Government's \$50,000,000 fund lasts, the Government can, through the banks, take from the manufacturers the British bonds that are sent over here; and when the fund is exhausted there will be something like \$50,000,000 worth of British bonds in the national treasury. Up to this stage the chartered banks would perhaps not be required to put any large portion of their funds into the investment. Subsequently, however, fresh financing would be called for. To go ahead and make further large advances in connection with the British orders our government would require to get fresh funds from investors here or in the States through issuing new bonds, or utilize its holdings of British bonds as collateral for bank loans.

Some will think that it is not deemed advisable to issue fresh Dominion bonds for raising new money, the best plan might be for the Finance Minister to borrow from the New York banks on short date treasury bills. It would, no doubt, be possible for him to negotiate the Dominion's treasury bills without putting up any collateral, but possibly if the British bonds were pledged as security, the rate of interest on the loan would be somewhat less. If this were done it would not signify anything more than that Canada was, so to speak, rediscounting in the New York market sundry bonds taken by her from Britain in the course of trade. An alternative plan would be to sell the British bonds outright in New York instead of borrowing on them. Considered solely from our own point of view this would have advantages; but it would have a certain tendency to spoil the New York market for a fresh loan negotiated there by the United Kingdom if that should be necessary — and we do not wish to put difficulties in London's way with circumstances as at present. Again, the financing or borrowing in New York might be done by our banks — they pledging the British bonds as collateral; or the banks might pledge some of their American railway bonds and hold the British bonds free in their treasuries. It is possible that as the purpose of the loan would be to facilitate British trade with Canada, the Americans might not look on this proposition with so much favor as they would on others which involved large expenditures to their own industrial concerns.

## Foreign Exchange Rates in New York

Closing prices on January 21 for large amounts were, as follows:

London—Bankers' 60 days	4.73%
Bankers' 90 days	4.71%
Demand sterling	4.76%
Cable transfers	4.76%
Grain bills, 7 days	4.75%
Commercial bills, sight	4.75%
Documents for payment, 60 days, against grain	4.71%
*Commercial, 60 days	4.71%
Commercial, 90 days	4.69%
Paris—Bankers' 60 days	No quotations
Bankers' 90 days	No quotations
Bankers' checks	5.86%
Bankers' cables	5.85%
*Commercial, 90 days	Nominal
*Commercial, 60 days	Nominal
†Commercial, sight	5.87
Berlin—Bankers' 90 days	No quotations
Commercial, 90 days	No quotations
Bankers' 60 days	No quotations
Bankers' sight	74%
Bankers' cables	74%
Commercial, 60 days	No quotations
Commercial, sight	No quotations
Antwerp—Bankers' sight	No quotations
Bankers' cables	No quotations
Commercial, 60 days	No quotations
Swiss—Bankers' 60 days	No quotations
Bankers' cables	5.15
Banker's sight	5.16
Amsterdam—Bankers' sight	43%
Bankers' cables	44
Commercial, sight	43%
Commercial, 60 days	No quotations
Lire—Bankers' sight	6.62
Bankers' cables	6.61
Greek exchange—	
Banker's checks	5.15 1/4
Copenhagen—Checks	27.40
Sweden—Bankers' checks	27.40
Norway—Bankers' sight	27.70
Kronen—Bankers' sight	12.70
Roubles—Bankers' sight	29%
Pesetas—Checks	19.05
Shanghai on London—	
Four months' bank credits	2s 8 1/4 d
Hong Kong on London—	
Four months' bank credits	1s 11 15-16
Japan on London—	
Four months' bank credits	2s 2 1-16 d
Far Eastern check rates:	
Hong Kong	46.70
Shanghai	62 1/2
Yokohama	50%
Manila	49%
Singapore	57
Bombay and Calcutta	33
Mexican rates:	
Mexican sight exchange	No quotations
Mexican exchange on N. Y.	No quotations
Mexican exchange on London	No quotations

In a general way sterling quotations involve transactions approximating £10,000 or more. In the case of Continentals rates cover amounts approximating 100,000 or over.

\* Documents for acceptances. † And three days' sight.

## DEVELOP LIVE STOCK PRODUCTION

With a view to building up the Canadian live stock industry and placing it in a position to meet the heavy demand for stock which will be required in Europe, for breeding purposes, after the war, the Department of Agriculture have announced a scheme for Government aid to farmers desirous of improving their herds and flocks. The Government scheme of aid to the live stock industry provides that in the event of a group of farmers in any one district desiring to purchase breeding stock in carload lots from some distant point, the department will pay the expense of their duly appointed representative during the time required to effect the purchase and transport the shipment.

Two hundred and thirty-five million dollars is the estimated value of grains, dairy products and that portion of live stock for which figures are available, produced in the western provinces last year, according to figures prepared by the Free Press. Over two hundred millions of this amount is credited to grain. Seventy per cent of the wheat crop has been marketed.

## Credit Ratings from Australia

No Rate Books are Published.

Members of The New York Merchants' Association sometime ago asked it to furnish the names of local credit agencies in Australia.

After they had received this information they made further inquiry as to whether or not there were any agencies in Australia publishing books containing commercial ratings of firms in that part of the world.

### Laws Oppose Rating Books.

The Association asked the Commercial Attache of the Department of Commerce at Melbourne, Australia, to report on this subject. His report, received a short time ago, states that no such rating books

exist in Australia because the laws of that country are somewhat adverse to such publications. None of the mercantile agencies, therefore, have cared to run the risk of possible suits for libel.

### Information on File.

The report further states that there are several mercantile agencies in each leading city which supply individual reports upon firms. The names of some of these agencies, and the rates at which they will issue complete reports on the standing of different houses are on file in the office of The Association's Industrial Bureau, which will be glad to place them at the disposal of members of The Association.