

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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One year	Six Months	Three Months	Single Copy
\$3.00	\$1.75	\$1.00	10 Cents

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CANADA'S NEW YORK LOAN

The success of our \$75,000,000 loan in the United States is the result of good financial arrangements and of the high credit the Dominion enjoys abroad. There is little room for criticism of value regarding the terms. Sir Thomas White, the finance minister, and Sir Frederick Williams-Taylor, general manager of the Bank of Montreal (the government's fiscal agent), have done well in conjunction with the largest financial houses in the neighboring republic. The United States investor appreciates the value of Canadian securities and this appreciation will increase as years pass. The Dominion government will not float another loan there during 1916, but United States investors are likely to have an opportunity of subscribing to a further loan, possibly of similar amount, about twelve months hence.

The competition of the present bonds with the Anglo-French securities has aroused interest. In comparing the two issues, Sir Frederick Williams-Taylor points out that the Anglo-French loan has been non-successful in the sense that it has not even yet reached the hands of permanent investors, and has been selling at a serious discount under the issue price. This means that these greatest international creditors and other foreign borrowers seeking loans in the United States must of necessity feel the influence of this adverse factor.

When the terms of the Canada loan were first under discussion, the Anglo-French loan was selling on a 6½ per cent. interest basis yield to the purchaser. Notwithstanding this fact, Sir Thomas White has been able to float that portion of his loan, *vis.*, \$25,000,000 five-year 5 per cents.—corresponding thus closely with the Anglo-French loan—on a 5.10 per cent. basis, or 1.40 per cent. better terms to the borrower than the market price of the Anglo-French loan.

"If the average price of the three loans is taken," says Sir Frederick, "it will be found that the interest basis yield to the investor is 5.36 per cent., whereas the Anglo-French loan was issued on a 5.45 per cent. interest

basis yield to the investor, or a difference in favor of the Canadian loan of .09 per cent. The underwriting of the Anglo-French loan was open to practically everyone and on the underwriting price, *vis.*, 96, the difference in Canada's bargain would widen to over ½ of 1 per cent."

Why are many investors favoring the Canadian loan with a yield of from 5.10 to 5.50 as against the Anglo-French issue returning 6¼ per cent.? For one thing, our loan is for \$75,000,000 while the Anglo-French issue is for \$500,000,000. The fact that no large blocks of the loan will be taken by munitions firms to be released at the first favorable opportunity may be another reason. The nearness of the debtor country to the lending country is a third reason, for, as pointed out by the New York Times, "experience has shown that American investors lose interest in a bond issue in direct ratio with the distance of the issuing municipality or government. They feel that they know Canada and Canadian municipal issues have been popular in the United States."

MAIL ORDER BUSINESS

Canadian farmers last year received high financial returns. Their purchases are heavier and the mail order houses are strengthening their organizations. The large departmental stores, which turn over an immense volume of cash business every year, have by enterprise, advertising, and the fact that they manufacture and deal in large quantities with manufacturer and wholesaler, obtained a valuable business. A buyer, for example, more than 1,000 miles from Toronto, is able to purchase from the departmental store, through the catalogue, and have the delivery charges prepaid on orders of \$10 and over. And the buyer pays cash, which he usually does not do when dealing with the local retail house. In the Manitoba legislature has been proposed a measure for the taxation of the business done by mail order houses in that province. It is designed for the protection of the local stores. Other western provinces may take a similar step.

That the farmers of Alberta owe to the merchants about \$30,000,000 and that during the past year the agriculturalists sent \$12,000,000 to mail order houses, is the gist of a letter recently written to the United Farmers of Alberta executive by Mr. W. H. Andrews, of the retail merchants' association, in an appeal for patronage of the local merchants.

Mr. Andrews says: "This enormous drain on the circulation of money which rightly belongs to this province is a very serious handicap to the progress of commerce in our own territory, and if that money had been in circulation here the whole financial situation would have been tremendously improved and the merchants would have been much better able to have carried the farmers through times of stress."

Mr. H. W. Wood, president of the United Farmers of Alberta, in replying to this letter, agrees that the "evils of such a situation are incalculable," blames the banking system. "A banking system that is not intended to supply the necessary credit to the farmers," he says, "forces them to seek credit elsewhere, and unfortunately for both parties this credit is often found with the retail merchant. We believe it is conceded that this is decidedly the most expensive form of credit that the consuming public are using. We believe it is a curse to both our farmers and your retail merchants."

In the meantime, there seems to be brewing war between the mail order houses and the retail stores.