

The Monetary Times

Trade Review and Insurance Chronicle

Vol. 46—No. 7.

Toronto, Canada, February 18th, 1911.

Ten Cents

The Monetary Times OF CANADA

PUBLISHED EVERY SATURDAY BY THE MONETARY TIMES
PRINTING COMPANY OF CANADA, LIMITED.

Editor—Fred W. Field.
Business Manager—James J. Salmond.
Advertising Manager—A. E. Jennings.

The Monetary Times was established in 1867, the year of Confederation. It absorbed in 1869, The Intercolonial Journal of Commerce, of Montreal; in 1870, The Trade Review, of Montreal; and The Toronto Journal of Commerce.

Terms of Subscription, payable in advance:		United States and other Countries.	
Canada and Great Britain.		One Year	\$3.50
One Year	\$3.00	Six Months	\$2.00
Six Months	1.75	Three Months	1.25
Three Months	1.00		

ADVERTISING RATES ON APPLICATION.

HEAD OFFICE: Corner Church and Court Streets, Toronto.
Telephone Main 7404, or Main 7405, branch exchange connecting all departments.

Western Canada Office: Room 404, Builders' Exchange Building. G. W. Goodall, Business and Editorial Representative. Telephone Main 7550.
Montreal Office: B33, Board of Trade Building. T. C. Allum, Editorial Representative. Telephone M. 1001.

London Office: Grand Trunk Building, Cockspur Street. T. R. Clougher, Business and Editorial Representative. Telephone 527 Central.

All mailed papers are sent direct to Friday evening trains. Subscribers who receive them late will confer a favor by reporting to the circulation department.

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BRITISH CONSOLS.

The low price of British Consols has been a matter of concern for some years past. A London contemporary, in a semi-official statement, states that the government will before long take steps to bring Consols within the reach of the small investor by converting part of the National Debt into bearer bonds in amounts as low as £5. This is a reform which has been advocated for many years, and never hitherto seriously considered by the National Debt Commission. "It is believed that by making our premier national security as easily dealt in by small investors as are national securities in other countries Consols can be revived."

In the meantime, Sir Felix Schuster, the well-known international banker, who, by the way, has just been elected a director of the Grand Trunk Railway, has suggested the offer of an option to holders of Consols of a voluntary conversion from $2\frac{1}{2}$ to 3 per cent. Consols at one time fell to $78\frac{3}{8}$, their lowest quotation since 1847. Such a fall in the price of the premier security is not only injurious to the actual holders of the stock, but to the nation at large, for the price of Consols is the measure of the national credit, and if it had not been generally thought twenty years ago that that credit had been firmly established on a totally different basis, the conversion to a lower rate of interest could not have taken place. Allowing even for the smaller yield, we have to go back

thirty-three years before we find a equally low quotation, for a two and a half per cent. stock at 78 is equivalent to a three per cent. one at $93\frac{1}{4}$, and not since 1878 has the price of old Consols been quoted so low.

The conversion, as Sir Felix explained, must be purely optional, and certain inducements must be offered to the holder to compensate him against the sacrifice of nominal capital consequent on the operation. On the other hand, the transaction must be one which entails no great cost to the State and the tax-payer generally. In the first place, it is evident that the new stock must not be redeemable for a large number of years, say, at least, sixty years, otherwise when money becomes cheap again the temptation for a further conversion and renewed reduction of interest would be great. Secondly, some slight further inducement should be added, and Sir Felix suggested that the interest on the new stock should be paid free of income tax. A three per cent. stock, free of tax, would at once attract a large number of investors, and would become extremely popular as the only stock to which such a privilege was granted. The sacrifice involved to the State would not be so great as one would be led to suppose at first sight, for, as the State itself is a large holder of the security, there would be no actual loss involved in such holdings, whilst it may be assumed that the stock would soon be absorbed, as it is desirable that it should be, by a great number of small investors, who would, in any case, be entitled to claim redemption of the whole or part of the income tax.