

Canadian Investors and Britain's New Issue of Exchequer Bonds

*No Reason Why a Considerable Issue of British Exchequer Bonds
Should Not be Placed in Canada*

By H. M. P. ECKARDT.

On discovering that last year's domestic war loan had been heavily over-subscribed, the Finance Minister decided to accept all that had been offered and lend \$50,000,000 to the Imperial Munitions Board as representatives in this country of the British Government. On the present occasion again Canadian investors have applied for a very much larger amount of the war bonds than the Government proposed to issue; and again it is announced that the heavy over-subscription will be utilized, indirectly to extend credit to the Imperial Government in connection with munition purchases in the Dominion. Everybody here recognizes that if Great Britain is to continue placing orders with us for shells and other war supplies, we must contrive to give credit generously. Britain now has completed arrangements for borrowing funds in New York in large amounts if necessary to settle the accounts of American manufacturers engaged in war work. The last loan of \$250,000,000 was secured by collateral amounting to \$300,000,000, comprised of American railway and other securities, Canadian Government obligations, and securities issued by South American and other foreign countries. It is understood that England has still unpledged a very large amount of similar collateral; and to sustain their export trade at maximum figures the American bankers will be willing to grant additional loans from time to time as circumstances warrant.

British Securities in Payment of War Orders.

It will help us materially to compete with the Americans for British orders if we are prepared to take securities to a considerable extent in payment. It is to be noted that not only the United States, but other neutral countries as well have been extending credits to the United Kingdom in connection with war purchases. For example, Norway a short time ago extended a credit of this kind; and, speaking of our Allies, a new item of the other day stated that Japan had arranged to take British securities in connection with a certain amount of Russian purchases of munitions in that country. It is well understood that such credits besides promoting industry and trade in the countries advancing the money, also aid the British Government in its enormous task of financing the war operations. According to the press despatches from Ottawa, it is the intention of the Finance Minister to relieve the banks from all obligations in connection with their subscription of \$50,000,000 to the war loan, arranging instead for them to lend a further amount of \$50,000,000 to the Imperial Munitions Board to facilitate British purchases here.

Surplus Subscriptions to War Loan.

On cutting off the banks' subscriptions to the war loan there will still remain a heavy over-subscription; and it is said that the applicants for large amounts will only get a part of what they applied for. This means, in all probability, that there is at the present time a considerable investment demand unsatisfied. One would think that here is the opportunity of placing with the Canadian investment public, as distinct from the banks, a considerable amount of British Government securities proceeds of which would be applied to cover additional purchases of war material in the Dominion. It is stated that the outlay here of the Imperial Munitions Board has been running at \$1,000,000 a day. At that rate the new credit of \$50,000,000 which the banks are to grant to the Board would be expended in a couple of months; and in order to ensure continuation of the purchases at maximum activity, it will be necessary to arrange further credit facilities about December or January.

Bank's Holdings of British Securities.

Now Canada has advanced with the new credit just arranged to the British Exchequer through the Munitions Board, \$200,000,000. Apparently this amount is made up of the \$50,000,000 provided by the Dominion Government out of the first war loan, and \$150,000,000 subsequently advanced by the chartered banks. The first credit by the banks was for \$76,000,000, operative April, May and June, 1916. This was followed by another credit of \$24,000,000 in July. The successive bank statements fully support this statement that the banks have taken \$100,

000,000 in British Treasury bills. Their holdings of these bills are reported under the heading of "Canadian Municipal Securities, and British, Foreign and Colonial Public Securities other than Canada." Beginning with the total \$44,384,303 on March 31st, this item has progressed as follows: April, \$93,052,570—increase, \$49,000,000; May, \$106,680,437—increase, \$14,000,000; June, \$124,637,308—increase, \$18,000,000; July, \$148,916,278—increase, \$24,000,000; August, \$153,319,333—increase, \$4,000,000. The total increase for the five months is thus seen to be \$109,000,000; and to reflect the full amount of \$100,000,000 advance, leaving about \$9,000,000 to represent their investment in our own municipal bonds, etc., in the same period.

Exchequer Bond Issue in Canada.

It appears that the Treasury bills sold by the Bank of England have been at the rate of 5½ per cent for six months, and 6 per cent for twelve months. The total amount of Treasury bills outstanding is given as £1,000,000,000. The British Government apparently desires to switch the investment funds to a certain extent from the bills into Exchequer bonds, with a more distant maturity. So, in the closing week of September the rate of interest on Treasury bills, all dates, was put down to 5½ per cent, and at the same time a new issue of three-year Exchequer bonds bearing interest at 6 per

cent was announced. The Treasury bills with their short maturity are essentially a bankers' investment, but the Exchequer bonds, running for three years, appeal to investors generally; and, as far as one can see, there does not seem to be any overpowering reason why a considerable issue, say \$50,000,000 or so, should not be placed in the Dominion by public subscription or otherwise in order to take up the investment demand apparently to be left unsatisfied by the over-subscription to the war loan. Such a transaction probably would not interfere with the Dominion Government getting what money it needs — for when the proceeds of the present loan are exhausted there will be an opening for a new loan in New York; and by the time it is necessary to put out a third domestic war loan, a new investment demand will have accumulated.

It is not advisable to have our banks loaded up too heavily with British and Canadian government securities, as the over-loading has a tendency to impair their ability to take care of the requirements of the home industry and trade; and for our people to support a British loan for the purpose designated would be just as patriotic as for them to support a Dominion war loan. In one respect we might offer better terms than did New York. Our investors would be quite satisfied to lend money to the British Government without collateral. As regards rate of interest, the 6 per cent fixed to apply to sales of Exchequer bonds in England would appear a most attractive rate to institution and individual investors in this country.

According to the cabled reports, the prospectus of the new issue states that the bonds and the interest on them are exempt from British taxation if held by persons neither domiciled nor ordinarily residing in the United Kingdom or Ireland. This exemption feature, along with the gain in exchange through remitting the funds, should make the bonds very attractive in Canadian eyes. With demand sterling exchange around 4.76 a purchaser here may virtually get the three-year six per cent at 98.

Economic Conferences

*Two Appeals Have Been Made from Government Sources Favoring
Conference of Canadian Citizens to Discuss Economic
Problems. Which Should be Followed?*

(SPECIAL CORRESPONDENCE.)

The seriousness of the probable situation, at the moment the war shall cease, has raised among our political men a praiseworthy emulation tending to foresee the troublesome events that logic makes us dread, and make serious investigations to gather the maximum of information and suggestions, with regard to the means to be taken and what conduct to maintain once the time has arrived.

Thus it is that the Business men have received a pamphlet sent them through the attention of the Minister of Commerce, Sir Geo. E. Foster, for the purpose to prepare the Commercial and Industrial Forces of Canada to a large consultative convention which is to be held this fall, and where influential men of affairs will be invited to give their opinion upon what shall have to be done to avoid weakening the economic standard which likely will be produced upon the signing of peace.

In this pamphlet of incontestible interest, the Minister of Commerce in the name of the Government of the Dominion, seems to solicit the collaboration of the commercial and industrial interests, to elaborate on a plan susceptible to moderate the depressing effect of the abrupt cessation of war orders and the return in bodies of hundreds of thousands of Canadian soldiers at the moment that the war shall be ended.

Shall this convention be official; will it truly have a beneficial influence upon the decision of the government? Shall the suggestions which shall be made there by trades people be taken into serious consideration and tested for the good of the public in general? Will this full assembly bring palpable results, or will it only be a nursery of speeches and receptions?

If we permit ourselves to take up this question, it is because we consider that for this convention to attain its aim, which is a worthy one, for it anticipates the solution of national problems after the war, it must truly have a Parliamentary character, so that it will bring our statesmen and our men of affairs closely together, not in assembly where resolutions are made which, alas, remain only resolutions, but, in official debates susceptible to give birth to regulations, credits and laws, capable of helping in the accomplishment of programs suggested and

acknowledged before hand.

If these courses, from which we can expect a great deal, do not obtain immediate results, if they only reach to vague promises or to projects of distant fulfillment, the conference will be a pure loss and we shall have made ourselves actors of a burlesque comedy which will not even have had the gift of helping anybody.

Far be it from our thought of wishing to undervalue this action of economic defence outlined by a member of the Government. On the contrary, we are ready to give every assistance, but we wish to know if the convention called by the Minister of Commerce is really the one which is to accomplish the work of support and maintenance of our prosperity, or if the special committee from the Senate launching the same appeal to the public has the mission to accomplish this important and necessary task.

We have in fact also received a circular bearing the imprint of the Senate of Canada, informing us that a special commission for economic development was appointed by the Government in October, 1915, to perform a mission of inquiry on what has been done, and what should be done to further the commercial, industrial and agricultural interests of the country during and after the war.

This committee makes an appeal to the public in the same sense and for the same object in view that the pamphlet of the Minister of Commerce, though these two actions seem to be totally independent of each other.

We readily conceive these these two appeals, emerged from different sources may be of a nature to create some perplexity among the public, which asks itself with just cause, to which of these initiatives it should consecrate its efforts and rely in these suggestions.

An explanation on the part of these Governmental authorities would be well received; the Public is very well disposed in all that concerns its participation in the work of solution of great national problems, but his intelligent contribution, his willingness and perspicacity should not be divided, so that it may yield gratifying advantages and that the Canadian population can benefit in all its intensity and maximum of happy results.