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PRINCIPAL CONTENTS OF THIS ISSUE

SHORT-TERM FINANCING

Canadian industrial corporations have been among those who have made use of short-term notes during the current year. This form of financing raises some serious problems, and these will be discussed in the forthcoming *Monetary Times Annual*. The primary object of the short-term note is usually to tide over tight money times. It is thought better to pay a high rate of interest on a loan for one, two or three years with the possibility of obtaining a better rate on a long-term loan later. Sometimes, however, it may prove to be a better policy to make the long-term loan, when it is at all possible, even in times of stringency. There is a danger, too, of companies in financial difficulties getting deeper in the mire, and delaying the inevitable evil day by the issue of short-term securities. These securities must not be considered a remedy for all financial ills.

A striking example of what penalties sometimes have to be paid for this form of financing, is seen in the issue of $3,000,000 of three-year notes of the British Canadian Lumber Corporation, Limited. The issue was made in London at 95 and the company will have to pay 8 per cent. interest per annum on the face value of the notes, which is 100. In addition, it agrees to redeem the notes at 107. In short, for every $95 the company obtains, it will pay $24 in interest and $107 in principal. That is a cost of $36 on every $95 borrowed for three years, which is nearly 12½ per cent.

Again, the issue of £300,000 2 and 3-year notes in London at 96 by the Spanish River Pulp and Paper Mills gave purchasers, what is described in a cable message printed on another page, as "the enormous yield of £8 7s. 10d., allowing for forfeit on redemption."

To what an extent short-term notes have been utilized in the United States is shown by some striking figures given by the New York Journal of Commerce. The outstanding bond and note obligations of the leading railroad and industrial corporations of the United States which mature and must be paid or renewed before the end of 1916 amount to nearly a billion dollars—to be exact, $953,206,011. Of this total, $45,897,000 must be met before the end of the current calendar year, while the remainder is distributed over the next three years as follows: 1914, $474,583,381; 1915, $318,758,400; 1916, $113,967,230. In appraising these figures it should be borne in mind that the short-term financing to be reckoned with for the years 1915 and 1916 has not yet reached anything like the volume it will unquestionably finally assume, for there is no telling what amount of one or two-year notes may be issued in the interim.

It will be observed that the aggregate of maturing note issues is considerably larger than that of bond maturities, illustrating how extensively corporations have resorted within the past few years to short-term flotations in preference to bonded debts of longer maturities because of the refusal of capital to undertake long-term commitments. A striking example of this tendency is in the case of industrial maturities for 1916, the bonds amounting to only $850,000, while the note issues aggregate $22,387,000.

Investments in short-term notes have become a form of American hoarding. Money is timid; it will not invest in enterprise that means national progress; it will take no risks and seeks employment where the principal must be repaid within a year or so.

Commenting on these figures, our contemporary says: "There is a feeling of uncertainty about the future which has much to do with this situation, but if capital were plentiful and seeking investment, as it was fifteen or twenty years ago, it would have to accept lower rates for long terms or lie idle, and prosperous corporations would not be offering high rates for loans which would have to be taken up, renewed or converted in a short time. The fact is that great armaments, public loans and recent