

The War Loan as a Money Market Factor

Present Loan Likely to Affect Our Money Market Owing to Heavy Borrowings at Time Payments Fall Due

By H. M. P. ECKARDT.

There are some who think that the influence exerted by this year's war loan on the Montreal and Toronto money markets will be more important than that exerted by last year's domestic loan. Their theory is that the imminent approach of the instalment dates is more likely to cause keen demand for money, and perhaps a certain degree of stringency, than was the case on the former occasion. It is to be noted that the payments in connection with the first loan were spread over 159 days against 94 days in the case of the second. And it has been remarked that they this time come within the fall crop moving season, whereas last time they were set to begin in January. Another point worth remembering is that taking the two domestic loans, calling for \$195,000,000 in payments by subscribers, when the second operation is completed, no less than \$185,000,000, or say 95 per cent of the total, will have been paid during the calendar year 1916—the 10 per cent payable on application was the only instalment of the first loan falling within the calendar year 1915.

It is probably safe to assume that \$165,000,000 will represent the amount put up in the first instance by Canadian subscribers. The American subscriptions to the first loan are currently estimated at \$10,000,000; and there seems no reason to doubt that at least an equal amount will be forthcoming from the United States in connection with the second loan. These subscriptions from outside naturally tend to ease our monetary situation. They give us funds in New York and help to turn the exchanges favorable to this country. It is understood that American investors made substantial purchases of the 1915 war bonds after the lists were closed; and apparently it is the intention of the bond dealers to place considerable amounts of the present loan with clients on the other side of the boundary line.

Borrowings to Meet Payments on First Loan.

In considering the relative effect of the two loans on the home money markets, it is necessary to discuss the question of borrowing by the subscribers. The bank returns gave surprisingly small evidence of borrowing for the purpose of meeting the payments due on the first loan. According to the statements of the Finance Department the payments made on the loan in January, 1916, amounted to \$64,256,983; in February, 1916, they were \$9,318,114; and in every other month in which instalments were due the payments were less than \$8,000,000 (November, 1915, with \$7,975,090 showing the largest amount). In January the current loans of the banks did not increase at all—on the contrary there was a decrease of about \$17,000,000. This seems to indicate that the subscribing customers of the banks, apart from the brokers and financial houses, met their payments largely without borrowing. So, through the whole period from November, 1915, to May, 1916, there was only one month—March—showing an increase of current loans approximating \$10,000,000; and on May 31st, 1916, the aggregate of the banks' current loans was \$14,000,000 less than in November, 1915. In one of the months under review the call and short loans in Canada on stocks and bonds show an increase of about \$8,700,000. This was in November, 1915, and possibly there may have been loans to brokers, bank accommodations, initial payment.

Months of Loan Expansion.

One might presume that the course of the bank loans during the months in which the instalments of the second war issue will be different from that outlined in the preceding paragraph. In the first place these are months of loan expansion. Apart altogether from the war loan operations, the banks will be asked for large credits in September, October and November for crop moving purposes. The vigor of the Teutonic attack on Roumania from the south does not lend color to the theory that the Dardanelles will be immediately opened to shipments of Russian grain. So perhaps the fall movement of our grain will require to be financed with wheat in Winnipeg worth from \$1.40 to \$1.50 per bushel. This means that for a car of 1,200 bushels, a sight draft for about \$1,700 would be presented for negotiation; and 1,000,000 bushels in the elevators of a big grain or milling firm would probably

be represented by considerably over a million dollars in bank loans. These figures show that even with a western crop of no more than 160,000,000 bushels there will be very extensive demands for banking accommodations.

If the subscribers to the war loan also apply extensively for bank loans during the same season, it is easy to see that the money market may be characterized by considerable activity and there might be a noticeable tendency in the direction of higher rates. The prospect of an active demand for funds throughout the whole period might have a tendency to cause the big subscribers in general to wait this time until the respective instalments mature, instead of paying up in full on the second instalment date and getting discount on the pre-payment.

Call Money Rates in New York.

So far as the banks themselves are concerned, their attitude in regard to their own subscriptions may be affected considerably by the course of call money rates in New York. In January when the unmatured instalments of the first loan were so generally discounted, call money in New York ruled at a low level; and, rather than allow the surplus funds to lie there at 2 or 2½ per cent, it was better to take the 4 per cent allowed on pre-payments. At present call loan rates are around 3 per cent; and in case Wall Street's speculative activity is sustained, the rate may move to 4 or thereabouts.

With the outside call loans at higher rates there would not be the same inducement to call in the money for the sake of taking discount at 4 per cent on war loan payments.

Other Factors.

Another point is that some of the life insurance companies which entered large subscriptions for the war bonds have large amounts out in western farm mortgages. December and January are the big months for payments on principal and interest of Western mortgage loans; and it is within the possibilities that short loans may be required to meet war loan payments falling due in October and November. So far as the individual subscribers are concerned, one leading bank in Montreal has publicly announced that it will consider applications from its savings bank customers for loans up to 90 per cent on war loan bonds. Other banks, doubtless, will offer the same facilities; and it is quite possible that there may be a considerable amount asked for in the way of loans of this description. The instalments falling due in October, November and December aggregate \$87,500,000, and that is a large amount to provide in so short a time. Of course, the effect of the loan as a money-market factor will depend largely on the length of time the funds lie in the banks after being placed at credit of the Minister.

Rising Tendencies of the Stock Market.

Then we have to consider the rising activity of the home stock markets. It is natural that the bullish enthusiasm characterizing recent Wall Street trading should find reflection in Montreal and Toronto. It is quite likely that important Allied successes in Europe would create cheerful sentiment in all the Anglo-Saxon financial centres. Greater activity in the general departments of the stock exchanges would necessarily be a further factor in increasing the demand for money. On the other hand, the vast receipts of new gold by New York may operate to keep money in North America easy for an indefinite period.

The Market Price of Mankind

The True Significance of Social Work can only be Realized when the Value of Our Vital Assets, viz. Mankind, is Considered

By J. W. MACMILLAN.

No estimate of the physical assets of a people is complete until the market value of the people themselves has been included. During these years of unprecedented financing one often finds printed in the magazines the detailed balance sheet of a nation's business. Everything is counted in which has a money price, whether publicly or privately owned. And so we learn what is the national capital, and income, and its net assets or liabilities.

The statisticians who prepare these statements are quite well aware of the existence of the tangible human factor which they refrain from mentioning. The reason for their silence may be that it is a constant, and scarcely affects the comparative profit and loss of the several peoples. Or it may be because of the difficulty of appraising so subtle and elusive an item in the calculation.

One naturally shrinks from attaching a price tag to human beings. It savors of the slave trade, or the hunt for a fugitive criminal. It seems to be little, if it does not deny, the moral and spiritual values of mankind. One feels that, even though the calculation may not be set down on paper in cold figures, that there is too much of that sort of evaluating in the world already. Men are thought of as "hands," and their part in production is strictly limited to the wage fund. All that is just and generous in us protests against the callousness and brutality which sees in a human being nothing but a tool or a commodity.

The Spiritual and Physical in Mankind.

But the antithesis is false. The spiritual and the physical in mankind are not rivals or foes. They are indissolubly united. They are inextricably tangled. A soul without a body is a ghost. A body without a soul is a carcass. And neither a ghost or a carcass performs any recognizable task in the business of human life. The spiritual and the physical are always united, and ever producing the most momentous, and sometimes startling and baffling, effects upon each other. A home means a house, and the joy and cheer of the home depend much upon the proportions and stability of the

house. We shall not get far with the correction of human ills till we look the question of man's market value in the face.

The Net Worth of a Person.

In Irving Fisher's invaluable study of the wastes and conservation of national vitality, prepared for the National Conservation Commission of the United States, he gives a summary of the several attempts which have been made to find the dollar value of human lives.

These attempts have been of two kinds. One of them has adopted the method of finding the cost of production. Thus it is reckoned that each child costs society \$25 at birth, \$26 the first year, \$30 the second, and so on. At the age of twenty each will have cost \$560. But one-half die before reaching that age. Hence each person who reaches the age of twenty costs society over \$1,000.

The other method is a better way of estimating the economic value of life. It endeavors to capitalize the earning power of a person. Professor Fisher takes \$700 as a safe minimum for the average earnings of all grades, from day laborers to railway presidents. Remembering that about one-quarter of the persons working age are not workers, but are supported by the earnings of others, the average has to be cut down to three-quarters of this figure, or \$525. The next step is to multiply this by the years of probable life, and subtract the cost of rearing it during the period of dependence and of maintaining it when helpless through old age.

Thus the following table is computed:

Age.	Net Worth of a Person
0	\$ 90
5	950
10	2,000
20	4,000
30	4,100
50	2,900
80	700

(The table is intended to include the earnings of women, and counts housewives as earners).

(Continued on page 20).

At the close of forward eagerly the population of deed, that our debt that has be is to be carried upon the people. we may desire four quarters of fact that it is the various races to entering Canada where their hope therefore, of m that the United with this proble literacy test in from Europe an years, however, ed in the Domi migrants from A determined fig to restrict immig Northwest Euro remains for, us whether South be excluded from racial stock; or, non-essential, a

It will be reca dent of the Unit it was proposed grants seeking that time there President's actio the policy that the fundamental dians would find

illiterates

When one pro illiterates from fact that the ig has given rise to raised with res the new world, so disturbed fe camps, and in frontier. It can't have been large for reduced wag fractory materia deed, contrary of a class that the immigrant h ist in any confli less, the hope of admission of the their education Our whole histo States, proves th ous to deprive enter the New V policy to offer a ties that come w

Trend

At the same t for considering this almost unre It has been by n quality of the ill the nation's life ways taken plac between what stocks of Europ must be so sin veloped in Amer in Canada. It is one hundred yea will have more f possibly be giv graduates of ou at large. This b trend of our nati possible, what i will have upon pacity of the ave It is undenia determine the f