Financial Features

AN ATTRACTIVE ISSUE.

Public subscriptions to the British £15,000,000 threes at 50 for loans to the local authorities have amounted to only £4,125,000, the underwriters taking £10,875,000. This poor response is partly due to the coal situation, but evidently the Government's low interest, low-priced issue is considered unattractive.

PLAN ASSISTANCE FOR CUBA.

Plans for the extension of financial assistance to Cuba have not been completed. Various details purporting to represent the views of bankers were nevertheless discussed. In this connection it is said that as much as $100,000 000 would probably be required and that pending the completion of the details of a bond issue by the Cuban government, the bankers would advance the required amount probably on the security of Cuban treasury certificates.

There is a wide difference of opinion as to the probable action of the banks. It is impossible to ignore the parallels in the Cuban situation and in that of the cotton and wheat farmers although the Cuban situation involves the banking system generally, while our own difficulties are more or less special to the interests concerned. Some bankers are of the opinion that the Cuban situation will be met without the extension of any large amounts of money and estimates of as little as $20,000,000 are mentioned as the probable extent of the requirements. The price of "foreign silver" declined 3 cents in this market and 1 5-8 pence in London.

MONEY AND EXCHANGE.

The basis of currency in the British West Indies and British Guiana is British silver. In the Bahamas, Bermuda and Jamaica the pound is in use, but in the other islands the paper currency is dollars. The par value of the West Indian dollar is so close to that of the Canadian dollar that the two are often confused. The difference is that whereas one hundred cents make a Canadian dollar, one hundred half pence go to the West Indian. On a gold basis, this makes the West Indian dollar worth 101 2-5 Canadian cents. In the Bahamas, Bermuda and Jamaica the pound is, of course, of the same value as the English pound. The currency of British Honduras is specially coined for this colony and is of the some par value as the American or Canadian dollar. Their exchange rates are, at present, on a par with New York.

From the above it may be realized that the money of the British West Indies and British Guiana is tied to the money of England; their exchange rates fluctuate in sympathy with the rates on the pound sterling. When the latter is quoted at, for example, $3.50 in New York and $3.90 in Montreal, American funds in the British West Indies would be at a premium of approximately 39 per cent., while Canadian funds would be at a premium of about 25 per cent. Conversely, British West Indian funds would sell at a discount of 28 per cent. in New York, 20 per cent. in Montreal. The higher sterling rises in the United States or Canada, the lower the premium on American or Canadian funds in the British West Indies. During the period since armistice these premiums have been high, placing the United States at a disadvantage in this market when they have to compete with English or Canadian exporters. Poor transportation facilities handicap English trade. Canada, however, has direct connections, and advantages over the United States in exchange rates and tariffs. Practical opportunities undoubtedly exist for the development of a profitable market for many Canadian products.

B. C. BOND ISSUE.

To provide funds for loans to returned soldiers and industries under the Industrial Act, Hon. John Hart, Minister of Finance, is calling for tenders for $1,000,000 of British Columbia six per cent. bonds.

The bonds will run for three years and are identical with the $1,000,000 of Pacific Great Eastern bonds put out three weeks ago, for which bond houses all over the United States and Canada bid, and the price of which they put above par.

FRENCH LOAN LAUNCHED.

The French Minister of Finance, Frederick Francois-Marsal, in opening the subscriptions for France's great six per cent. loan appealed to the country to support the loan, first, as a duty, second, as good business. He said that no one could refuse, in view of the economic revival and the social stability as shown by his review of reconstruction and his declaration on the financial policy of France. A sane financial policy, he declared, required that the country stop short term loans, reduce and consolidate those outstanding, begin repayment to the Bank of France and reduce inflated currency Loans should be restricted to amounts recoverable from Germany or for the development of production in the country and colonies.

McCURDY SELLS BUSINESS.

It has been announced that Johnston and Ward have acquired the business of F. B. McCurdy & Company, which was founded by Mr. McCurdy, in 1901, and was subsequently extended until it became one of the leading financial houses of Canada, with branches at Montreal, Halifax, Sydney, Moncton, St. John, Sherbrooke and St. John's, Nfld.

The Guaranty Company of New York has announced that as subscription agent for the French Government it is prepared to receive subscriptions to the new Republic of France, 6 per cent. National Loan of 1920. The bonds offered in the United States are a part of the National Loan offered in France at the same time. The bonds, which will be a direct obligation of the French Republic, will have no maturity date, but will not be subject to redemption before January 1, 1931. On and after that date the bonds may, at the option of the French Government, be redeemed at par or converted into bonds bearing a lower rate of interest; if the French Government should decide so to convert them or to modify the conditions under which they were issued, the holders will be entitled to receive payment for their bonds at par. The bonds are payable in France, free of all French taxes.

Subscriptions entered in the United States will be payable in full, in dollars, at the time of subscription. Each day the price in dollars will be based upon the prevailing rate of exchange of the previous day, as fixed by the French Finance Commission.

VICTORY BOND DEALINGS.

Sir Henry Drayton, minister of finance, who arrived in Toronto Wednesday from his tour of the West with the Tariff Commission, was in conference during the day with members of the market committee of the Bonddealers' Association, which has charge of the sale of Victory Bonds.

The conference gave rise to discussion in financial circles as to possible development in the way listing the bonds on the Stock Exchanges, but so far as could be learned, although the situation was no doubt canvassed, it is not believed that any early change in this respect will take place.

On the Street for some time past the trend of opinion has been that the re-listing of Victory bonds was a probability at the end of the year, when the existing agreements between the Government and the stock exchanges and Bonddealers's Association expired.

U. S. TO SPEND FOUR BILLIONS.

Expenditures by the United States Government of four billion dollars during the next fiscal year were forecast by Secretary Houston, of the Treasury Department, in an address before the convention of the American Bankers' Association, in which he covered a wide range of financial and economic problems.

The Secretary outlined the Treasury's programme for handling the war debt, liquidation of which, he said, must go on steadily in order that final redemption be accomplished without disturbance to national life. He appealed for "the strictest economy not only in our expenditures, federal, state, county and municipal, but also by thrift on the part of our people," adding that the programme necessitated the maintenance of taxation "after this fiscal year on a level of not less" than $4,000,000,000 annually.

Mr. Houston said there were indications of falling receipts because there was no means of predicting the course of business or incomes and profits. The receipts for the present fiscal year, he reported, would be materially lower than the record of $5,500,000,000 last year expressing the belief that the receipts would not greatly exceed the required $4,000,000,000 under the present levy.

Turning to the demands of agricultural interests for Government help, Mr. Houston said that "scarcely had a reduction in the cost of living manifested itself when every producer manifested resistance. Every producer is willing for the products of every other producer to decline but protests the decline in his own," he continued. "There is much human nature in this, but not much reasonableness."

"The situation is the result mainly of war and in no small measure the failure of this nation and nations everywhere to date to devise better arrangements for storage and marketing of farm products. For these things, no one in particular is now to blame."

WAR SHIPMENT OF BULLION

Interesting accounts of how immense shipments of bullion were received on both coasts of Canada during the war, and of the precautions taken to avoid interference from the enemy and to prevent information reach the German Government have been given, by V. G. R. Vickers, of Montreal, a retired official of the Dominion Express Company of thirty years service. Mr. Vickers is now vice-president of the Holden Company, Limited.

At Halifax, during the war, $700,000,000 in gold was received and on the Pacific coast $262,000,000 of Russian gold was landed and shipped to Ottawa.

The shipments from Russia came at different times. The smallest was $40,000,000 in gold bullion, while the greatest was $98,000,000, which took an all-steel train of thirteen cars to transport it from Vancouver to Ottawa. The shipments were usually taken from Japanese warships at sea by the Rainbow. Putting to sea under sealed orders the Rainbow steamed in various directions to deceive any enemy craft as to her destination or object, then made for some small cove on the Pacific coast, as uninhabited and remote from shipping as possible. In such quiet rendezvous the bullion ship would be met. The vessels would warp alongside each other, and rapidly discharge the bullion in cases through chutes slung between the ships. This was done under the supervision of the Finance Department and the Dominion Express officials.

The Rainbow with her valuable crago would head by devious routes to Vancouver, slip alongside the C. P. R. wharf in darkness and in the grey hours of early morning, transfer her cargo to a waiting train. The bullion trains, amply guarded by long-service Dominion Express men and Canadian Pacific special police, heavily armed, and with telephone communications throughout the train, were away before Vancouver was awake.

The Reason for No-Par-Value Shares

Several clients of Royal Securities Corporation have asked that some explanation be given for the issue by many Canadian corporations of common shares having no par value. The question might very much better be asked, "Why should common shares have any par value ?"

Shares represent ownership of a business. Mortgage securities, bonds and debentures, are certificates of indebtedness and represent money loaned to a company and secured by a mortgage on a company's assets. Possession of a bond, does not, therefore, so long as the borrowing company fulfills its obligations carry with it any ownership rights. Bonds and such securities are repayable at their face value, and represent the investment of approximately that amount of capital. Common shares, on the other hand, representing as they do the net worth of a business, naturally vary in value as the company's assets and earning power increase or decrease according to the success of its operations.

Until recently the various incorporation laws of the Dominion Government and the Canadian provinces required that common shares when issued should have a stated par value, and this was usually set at $100. In a great many cases, as a result of the reinvestment of earnings in the undertaking, the intrinsic value of the shares has increased very greatly in excess of their par value, and the amount of investment which they actually represent bears no relation to their nominal or par value. Similarly, it is an admitted fact that when many corporations are organized, common shares when issued, though they have a par value of, say, $100, do not represent an investment of anything like this sum of money. Frequently it is many years before the corporation, through the reinvestment of its earnings, is able to acquire assets having a total value equivalent to its nominal capital.

It is, in some cases, a much simpler and more logical process to issue a number of shares each one of which represents an equal fractional part in the ownership of the company, and to give these shares no par value at all. Their value from time to time depends upon the actual value of the company's assets and its earning power. Shares of this kind are bought and sold at so much per share and the earnings are expressed at so many dollars per share, and not at such and such a percentage of the par value, par value having but little real significance.