Monetary Times

Trade Review and Insurance Chronicle

of Canada

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PRINCIPAL CONTENTS

THE EMBARGO AN INEFFECTIVE REMEDY

AGAINST a world-wide depression of the security market the Canadian government has opposed a voluntary embargo upon the importation of securities. Having borrowed immense sums abroad in the past, we now attempt to stem the return wave by retaining all accumulating capital here. Profit has proved a more effective factor than patriotism, however, and the request of the finance minister, made last February, has not been lived up to. The members of the Bond Dealers' Association, of the Montreal and Toronto Stock Exchanges, of the Canadian Bankers' Association and of the Dominion Mortgage and Investments Association have on the whole observed it, but there are numerous other channels through which Canadian securities held abroad have found their way back to this country.

What are the special circumstances which have caused this extraordinary action on the part of the government? Apart from the general purpose of maintaining the security market in Canada, the government had in mind especially the price of Victory bonds. Now, Sir Henry Drayton, finance minister, urges that the embargo should be retained until the movement of the wheat crop is financed. The price of Victory bonds was not maintained, and just to what degree the embargo will enable the banks to finance grain shipments cannot be estimated. Meanwhile the business of importing securities goes on actively—outside the circle of membership in the above-mentioned association. What support the restrictions do accord to the security market makes the business all the more easy and profitable. If the finance minister wished to help the small brokers to work up a business, he chose an effective method of doing so. Sir Henry intimates that they may be blacklisted, and that the voluntary restrictions may take the form of law at the next session. As for a blacklist, he must see that it would be an excellent advertisement for the dealers in cheap securities, and the minister is a keen enough financier to see that legislation forbidding the repurchase of securities would immensely damage the reputation of this country in the financial centres of the world.

Financial opinion is almost in accord that the government has made a serious mistake. It is one thing to conform to the request, and another to agree to the principle. Canada cannot shut herself off from the rest of the world at this time of financial stress by such a futile embargo, and any stricter one would be injurious if not intolerable. The financial situation is too intricate to be remedied by a partial measure of this kind. The embargo has failed in its effect and is injurious in its working.

AN EPIDEMIC OF LOTTERY BONDS

IN times of financial stress it is a common thing for governments and municipalities to resort to bond issues redeemable by annual drawings, with special prizes for those who are lucky enough to hold one of the first bonds to be drawn. Several issues of this kind have been made recently, and some of them are being widely offered on this side, where the rate of exchange affords a special inducement for their purchase.

The plan has been used for large French issues, and it is used also in connection with a small sale of twenty-five year eight per cent. sinking fund gold bonds of the City of Christiania, Norway. Christiania will provide about $200,000 a year and will buy on the open market any bonds which are offered up to $110. If any of this money is left at the end of five years, it will be used to buy bonds at $110, those bought to be selected by lot. During the next five years Christiania will supply about $200,000 a year, and bonds will be bought at $110 and interest, the bond bought being selected by lot. In the next fifteen years bonds will be redeemed in this way at $107½. Christiania will, of course, supply each year enough additional money to provide for the premium. Several Swiss cities are looking for money in New York. The city of Zurich bonds for $6,000,000 twenty-five year eight per cent. bonds are being offered this week, and Berne and Geneva are both negotiating with New York bankers. Two Dutch bankers and the government of Holland are also in the New York market at the present time.