Where Should Our Next War Loan Be Sold?

If United States Government is Willing, Liberty Loan Funds Provide Easiest and Most Economical Way — Strain on Bank Resources Needs Relief — Fourth Domestic Loan Should not be Made Until 1918, Say Some Bankers—Other Authorities Think it Unpardonable to Increase Already Large Foreign Debt for Expenditures Here—We Should Have 280,000 Subscribers to a Domestic Loan — Are Our Flotation Methods Good Enough?

(*See also Page 16.*)

WHILE the prospects for the next Canadian war loan are being discussed here, Wall Street bankers have pretty well decided that our fourth war loan will be obtained in the United States and that no further domestic issue will be made here until early in 1918. The general opinion is that one of the next loans which the United States government will make to the Allies will be extended to Canada. Sir Thomas White, finance minister, was in Washington last week in close consultation with the United States Treasury Department. In New York banking circles a loan of $100,000,000 or $150,000,000 is being mentioned. Anything smaller than this would not satisfy Canada's needs just now. This would be the first loan Canada has obtained direct from the United States government since the war. If $100,000,000 is advanced, it will bring the total loans made by the United States government to the Allies up to $1,488,000,000.

On August 1st Canada has $20,000,000 of two-year notes falling due in New York. These could probably be paid off out of the proceeds of the suggested United States loan. These two-year notes were part of an issue of $45,000,000 five per cent. notes placed by the Dominion government in the summer of 1915. The remaining $25,000,000 were one-year notes, and fell due August 1st, 1916. Both principal and interest were made payable at the agency of the Bank of Montreal in New York, in United States gold coin, or, at the option of the holder, at the head office of the bank in Montreal. Nearly all of the maturing notes will be presented in New York for payment, because they are mostly held there, and because the exchange rate between New York and Canada favors such a course. The privilege of conversion to twenty-five-year five per cent. Canadian bonds was exercised to only a negligible extent.

A number of bankers and bond house representatives have been interviewed by *The Monetary Times* with a view of ascertaining the general opinion as to the possibility and desirability of obtaining our war loan requirements this fall in the United States, leaving the next domestic war loan until the spring of 1918. The following articles have been based on these interviews and other statements received by *The Monetary Times*:—

CANADIAN FUNDS FROM LIBERTY LOAN

That Would Be Easiest and Most Economical Way, Says J. B. Forgan, Chicago

Should the fourth Canadian war loan be raised in Canada or in the United States? This question has been put by *The Monetary Times* to many leading bankers and bond brokers of both countries. The replies received are practically unanimous in favor of our war financing this autumn being negotiated in some way in the United States. Interviewed by *The Monetary Times* at his summer home, Harbor Point, Michigan, Mr. J. B. Forgan, president of the First National Bank, Chicago, stated that even under ordinary conditions, the question as to the advisability of Canada making an effort to finance her next war loan in the United States, was one on which he could not give advice that would be reliable. "Such a loan," said Mr. Forgan, "could only be placed through some strong firm of bankers in New York, who could first have it underwritten and then offer it for public subscription. I have no doubt this could be done successfully. It would only be a question of terms.

"As to whether Liberty loan funds could be made available or not, could only be ascertained by application to the administration in Washington, through the secretary of the treasury. If this could be accomplished it would afford Canada by far the easiest and most economical method of financing."

Our Case is Good One.

In a statement to *The Monetary Times*, Mr. A. E. Ames, of A. E. Ames and Company, investment bankers, Toronto, was strongly of opinion that the United States should be the market for our next loan. "It is my opinion," he said, "that, if practicable, it is desirable that the next Canadian government loan should be procured from the United States, either out of proceeds of the Liberty loan or through New York bankers, according as may prove the more desirable from the American standpoint. It is conceivable that the Washington authorities, having their next Liberty loan in view, might prefer not to have a direct issue to the public of Canadian government bonds on a considerably better yield basis than will be offered on their own loan, keeping their own market without distraction for their own government issue.

"The case for Canada getting a loan, now or a little later, in the States is that we have, ourselves, already financed very heavily, for so young a country and within so short a period, with our Dominion government domestic loans totalling $350,000,000, and advances of a similar amount for munition purchases on Imperial government account, together with our being, year in and year out, one of the biggest customers of the United States and having at present a heavy adverse balance with them. We have no right, of course, to demand a loan from them, but, on the other hand, we have an excellent case to ask them for it—as a solvent and valuable customer. Their granting a loan to Canada would provide and preserve a normal exchange position between us and make possible further trade with them on a greater scale than would be possible without it.

Would Curtail Output.

"Should such a loan not be available, it would mean that Canadian investors must provide for the government another very heavy sum of money to recoup the banks for advances which they have made. This could be accomplished, but it would mean curtailment both in the manufacture of munitions in Canada and in the importation of raw material and other commodities from the United States."

Here is the opinion of another investment banker:—

"I am strongly of the opinion that our next loan should be floated in the United States, and no attempt made to negotiate a domestic loan until after the turn of the year. There are many reasons indicating this to be the proper course. In the first place, I feel it is quite possible to float a loan in the United States, and there is every indication at the present that this will be done. The money could be obtained either from the Liberty loan funds or from a flotation made in New York with the consent of the secretary of the treasury of the United States."