THE NEW LOAN: SIR FREDERICK WILLIAMS-TAYLOR'S VIEWS.

At the close of last week, on the issue of the Dominion Government's new loan in the United States, an important statement regarding it was made by Sir Frederick Williams-Taylor, general manager of the Bank of Montreal. This statement, in addition to showing clearly the factors governing the issue price of the new loan, contains wise advice on the subject of borrowings generally, and it is accordingly here reproduced:—

"Without hesitation or reservation I express the opinion that the terms of the Canadian Government loan now before the American public reflect the greatest possible credit upon Canada. It is indeed an achievement to have floated this loan at a price that in view of its magnitude cannot properly be criticized by the most captious. No other foreign country in the world could borrow on such favorable terms in the United States.

"As it is only one man in thousands who follows market conditions, but as every citizen of the Dominion is concerned, it may be of public interest to give my reason for this emphatic statement.

"In opening negotiations in New York for a loan of this nature, the Government was obviously faced with two outstanding influences each with a most important bearing not only upon the amount procurable in Wall Street, but upon the price of the loan.

AN ADVERSE FACTOR.

"First, it is regrettably true that the Anglo-French loan has been non-successful in the sense that it has not even yet reached the hands of permanent investors, and has been selling at a serious discount under the issue price. This means that these greatest international creditors and other foreign borrowers seeking loans in the U. S. must of necessity feel the influence of this adverse factor.

"When the terms of the Canada loan were first under discussion, the Anglo-French loan was selling on a 6½ per cent. interest basis yield to the purchaser. Notwithstanding this fact, Sir Thomas White has been able to float that portion of his loan, viz., $25,000,000 five-year five per cents.—corresponding thus closely with the Anglo-French loan—on a 5.10 per cent. basis, or 1.40 per cent. better terms to the borrower than the market price of the Anglo-French loan.

"If the average price of the three loans is taken, it will be found that the interest basis yield to the investor is 5.36 per cent., whereas the Anglo-French loan was issued on a 5.45 per cent. interest basis yield to the investor, or a difference in favor of the Canadian loan of .09 per cent. The underwriting of the Anglo-French loan was open to practically everyone and on the underwriting price, viz., 96, the difference in Canada's bargain would widen to over ½ of 1 per cent.

"Second, in comparing the New York loan with our recent domestic loan, we find that the former, *i.e.*, the New York loan, has been floated, as I say, at an average of 5.36 per cent. interest basis yield to the investor, as compared with 5.48 per cent. interest basis yield to the investor in the case of the domestic loan. In other words, the Dominion of Canada floated in a foreign country in time of war a loan three times as large as the largest loan the Dominion ever attempted in the London market at .12 per cent. better than our recent $50,000,000 patriotic loan.

THE TENDER SYSTEM.

"There is another point Canadian provincial and municipal borrowers can note with advantage, and it is this: The lay mind, not unnaturally, asks why the Government does not resort to the tender system. The answer is, they know better. Experience long ago taught important and continuous borrowers throughout the world that there is no form of finance more expensive in the end than loans sold, as it were, by public auction. A striking example, per contra, is that of the Canadian Pacific Railway, whose 4 per cent. perpetual debenture stock has long enjoyed one of the broadest markets on the London Stock Exchange, and at prices to make many European nations envious. This result has been achieved not merely because of the high intrinsic merit of the securities, but because each sale by the company has been effected by negotiation and not by competitive process.

"In other words, it is the best of policies not to drive too hard a bargain—to strike a happy medium between what is termed a right price and an attractive price. This clearly is what the Dominion Government have aimed at in this instance, as in previous instances in London, and the result of the public issue will doubtless prove that Sir Thomas White's judgment has been good.

"This loan will in the natural order of things contribute towards correcting New York exchange, which has been adverse to Canada for many months."