

Financing the Next Victory Loan

It would seem that bank resources in Canada, as exemplified by the footings of the bank statements, should show large increases prior to the launching of the second Victory Loan

By H. M. P. ECKARDT.

The period over which the instalments of last year's Victory Loan were spread comprised five months, the last payment being due on May 1, 1918. In this period the chartered banks collected from the subscribers and placed to the credit of the Minister of Finance the very large sum of \$400,000,000. It is a curious fact that the bank statement for May 31, which reflects the final payment on the Loan, shows the total assets of the banks at practically the same amount as on November 30, 1917, just before the loan payments commenced. On May 31, 1918, the assets of the banks were \$2,319,958,000; and on November 30, 1917, \$2,320,270,000. This apparently supports the contention that very large domestic war loans can be floated and the payments thereon completed without unduly inflating the bank position—providing that the banks themselves are not required to subscribe for the bonds and that the bank loans to subscribers are short-dated and kept within reasonable amounts. However, it should be remembered that while bank assets and liabilities may not be greatly expanded during the period in which the loan subscribers are taking up and paying for their bonds, nevertheless there usually is in evidence throughout the three or four months immediately preceding a great flotation of this kind a considerable swelling of the bank totals, as a result of preliminary borrowings from the banks by Government. The Finance Minister delivers to the banks his short date notes amounting to \$25,000,000 or \$50,000,000. These notes when discounted by the banks swell their assets to that extent and at the same time they create deposit balances to a like amount which figure first in the account of the Minister and later in the accounts of corporations and individuals to whom he transfers the funds. Such transactions repeated month by month usually serve to make a considerable impression on the bank returns.

This is what we may expect in July, August and September. It was intimated recently at Ottawa that the Victory Loan proceeds being practically exhausted, the Government had made arrangements with the banks whereby the latter undertook to advance funds to the Treasury for war purposes in monthly instalments. It is generally supposed that the advances under this agreement commence in July and that the total amount to be supplied is \$150,000,000. If these figures are correct, one would expect to see a steady rise in bank assets from June to September from this cause. Then the credit operations incidental to the harvest movement invariably have a tendency to swell the bank figures, as a mass of fresh credit-instruments are called into play to finance the crops. So, considering these factors, it would seem that unless they are neutralized by others working in the opposite direction, bank resources in Canada, as exemplified by the footings of the bank statements, should show large increases prior to the launching of the second Victory Loan; also that the new loan itself, even if the amount of subscriptions equals or exceeds the total subscribed to the first Victory Loan, may not have any remarkable effect in further increasing the bank assets.

With reference to the exhaustion of the proceeds of the first Victory Loan, the amounts shown each month in the bank statement as "due to the Dominion Government, after deducting advances for credits, paylists, etc." show apparently that the Government's balances in the banks were increasing from February to May. Thus, on December 31, 1917, after the initial payment of 10 per cent on \$400,000,000 of subscriptions had been made, the Government's bank accounts showed a credit balance of \$65,998,000. On January 31, 1918, after a large proportion of the total subscription had been paid, the balance had risen to \$106,497,000. Next month, as a result of heavy disbursements, it dropped to \$69,419,000. Since February there has been an increase each month. On March 31, the balance had risen to \$89,606,000; on April 30, it was \$94,771,000; and on May 31, at \$117,664,000, it had reached a new high record. Although this upward trend of the balance due to the Treasury by the banks, considered superficially, does not point to exhaustion of Victory Loan proceeds, yet when allowance is made for the probability that

the large balances shown by the banks as due to the Dominion Government on May 31, were partly represented by the special loans granted by the Government to the banks on approved securities; it will be seen that the credit balance of the Minister in the banks, against which he might draw cheques, would perhaps be considerably less than the amount shown in the bank statement. The May statement of the Finance Department shows the issues of Dominion notes against approved securities at \$95,145,000. This represents an increase of \$18,500,000 during April and May. Now these special issues of Dominion notes are understood to represent loans by the Government to the banks on the pledge of British Treasury bills or other securities. Thus, if a bank turned approved securities amounting to \$5,000,000 into the Dominion Treasury, it would perhaps show the \$5,000,000 loan as an item due to the Dominion Government; but although the amount would appear in the bank statement as a balance at credit of the Government, the Minister obviously could not issue his cheques against such balance. So, although the Government balances, as appearing in the May bank return, look large, it probably was the case that only a part thereof were really available for current needs.

So far as the banks are concerned, they will have performed the hardest part of their work in connection with the new Victory Loan when they have completed their series of short date loans to the Minister. When the actual proceeds of the subscriptions are received the banking position will presumably be relieved as a result of repayment by the

Government of its short-date borrowings. Such repayment also tends to correct the inflation produced prior to the flotation of the loan—for the banks debit the Finance Minister's account with the maturing temporary loans and thus, both their assets and liabilities are correspondingly reduced.

In case of the loans to be granted to the Treasury in July, August and September, the least effort is required when the Government disburses the proceeds to Canadian manufacturers and merchants who in turn transfer them to other Canadian payees. When the money is thus kept in the Dominion, the various payments largely represent mere shiftings or transfers of credit from one account to another in the same bank or from one bank to another. But, unfortunately, it is practically impossible to keep the proceeds of these loans permanently at home. To be sure the Minister of Finance on receiving the proceeds, may cheque them out to Canadian corporations and individuals who have furnished supplies to the various Government departments. However, these parties, or some of them, frequently find it necessary to procure in the United States machinery and perhaps a considerable part of the raw materials required for working up the Government contracts. Consequently these payees must send to the States a part of the money received from the Dominion Government. This means that their bankers are obliged to find New York funds; and with the exchange market in its present condition it is no light task to provide the American exchange.

There are evidences that working men and other savers in all parts of the Dominion have been preparing for the new Victory Loan. Since the \$95,000,000 decrease in January, 1918, the "notice" deposits of the banks have been rapidly recovering the lost ground. From \$900,000,000 on January 31, the total has risen to \$947,000,000. This represents an average of roundly \$12,000,000 per month; and if the increase can be maintained at the same average rate until October, the whole of the amount withdrawn for Victory Loan payments in January will have been recovered.

No Strikes or Lockouts

Government adopts war-time labor policy

Ottawa, July 11.

Principles which, for the preservation of industrial peace in Canada at the present critical time, should in the opinion of the Government guide the actions of employers and workers alike are set forth in a memorandum issued here to-night.

The document, which takes the form of a report by the Minister of Labor, approved by the Cabinet Council and the Governor-General, represents the considered views of the whole Government.

It is evoked by the industrial unrest which has been revealed of late in the Dominion, and which, the memorandum declares, is due to the shortage of labor, the high cost of living, and in some cases to the attitude taken by employers or employees.

CAUSES.

The text of the memorandum follows:—

The committee of the Privy Council have had before them a report, dated 9th July, 1918, from the Minister of Labor, representing that industrial unrest during the past few months has become more general than formerly, thus causing serious interruption in some lines of war work, and indications are that it will become more widespread still unless successful efforts be made to check it. This unrest has many causes, among which are the shortage of labor, rapid advance in the cost of many of the necessaries of life, employers denying their workmen the right to organize or to meet them in joint conference to discuss requests for improved conditions, or to negotiate adjustments of differences; and in others from too hasty action on the part of workmen, in ignoring the provisions of the Industrial Disputes' Investigation Act, and in adopting drastic measures before exhausting every reasonable effort to reach a satisfactory settlement. Wages alleged to be inadequate, together with length of the workday, said to be too long, are among other frequent causes of such unrest.

MAXIMUM EFFORT.

The Minister, realizing the necessity of steady work and close and sympathetic co-operation between employers and employees to secure maximum results from war efforts, is of opinion that the Government should forthwith adopt such means as may seem

practicable for the prevention of such interruption during the continuance of the war, whether caused by lockouts or strikes, and the establishment of such co-operation, while at the same time striving to ensure to the workmen adequate compensation for their labor and reasonable safeguards for their health and safety, and to employers fair and reasonable treatment.

The Minister is further of opinion that a declaration by the Government of a War Labor Policy, fair and equitable to all concerned, governing relations between employers and workmen in all industries engaged in war work and including all those mentioned in the Industrial Disputes Investigation Act (except railways), and amendments thereto by Parliament or extensions thereof by order-in-council, for the duration of the war, would materially contribute to the attainment of these objects.

The Minister, therefore, recommends that the Governor-in-Council declare the following principles and policies and urge their adoption upon both employers and workmen for the period of the war:

1.—That there should be no strike or lockout during the war.

2.—That all employees have the right to organize in trade unions, and this right shall not be denied or interfered with in any manner whatsoever, and through their chosen representatives should be permitted and encouraged to negotiate with employers concerning working conditions, rates of pay or other grievances.

3.—That employers shall have the right to organize in associations or groups, and this right shall not be denied or interfered with by workers in any manner whatsoever.

4.—That employers should not discharge or refuse to employ workers merely by reason of membership in trade unions or for legitimate trade union activities outside working hours.

5.—That workers in the exercise of their right to organize shall use neither coercion nor intimidation of any kind to influence any person to join their organizations or employers to bargain or deal therewith.

6.—That in establishments where the union shop exists by an agreement, the same shall continue, and

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